

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



## CHINA CHUNLAI EDUCATION GROUP CO., LTD.

中國春來教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1969)

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 AUGUST 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 audited consolidated annual results of the Group for the year ended 31 August 2023 (the “**Reporting Period**”). These audited consolidated annual results have been reviewed by the Company’s audit committee together with the management of the Company.

	Year ended 31 August		
	2023	2022	Change (%)
	(RMB in thousands, except percentages)		
Revenue	1,497,962	1,309,197	14.4%
Gross profit	890,055	826,703	7.7%
Profit before taxation	688,175	555,451	23.9%
Profit for the year	684,393	552,260	23.9%
Non-IFRS Measure: Adjusted net profit <sup>1</sup>	673,227	537,630	25.2%

Note:

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

The Board has recommended the payment of a final dividend of RMB0.053 (equivalent to approximately HK\$0.058) per Share for the year ended 31 August 2023, subject to the approval of the Shareholders at the annual general meeting to be held on Friday, 19 January 2024 (the “**2024 AGM**”).

## **Non-IFRS Measure**

To supplement the Group's audited consolidated financial statements which are presented in accordance with the International Financial Reporting Standards ("IFRS"), the Company also uses adjusted net profit as an additional financial measure. The Company presents this non-IFRS financial measure because it is used by the management of the Company to evaluate the Group's financial performance by eliminating the impact of items that the Company does not consider indicative of the performance of the Group's business. The Company also believes that this non-IFRS measure provides additional information to investors and others in understanding and evaluating the Group's consolidated results of operations in the same manner as they help the 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 2023

	<i>Notes</i>	<b>2023</b> <b>RMB'000</b>	2022 <i>RMB'000</i>
<b>Revenue</b>	4	<b>1,497,962</b>	1,309,197
Cost of revenue		<u>(607,907)</u>	<u>(482,494)</u>
<b>Gross profit</b>		<b>890,055</b>	826,703
Other income	5	<b>84,066</b>	51,631
Other gains and losses, net	6	<b>18,086</b>	16,400
Selling expenses		<b>(5,109)</b>	(4,593)
Administrative expenses		<u>(174,378)</u>	<u>(198,893)</u>
<b>Profit from operations</b>		<b>812,720</b>	691,248
Finance costs	7	<u>(124,545)</u>	<u>(135,797)</u>
<b>Profit before tax</b>		<b>688,175</b>	555,451
Income tax expenses	8	<u>(3,782)</u>	<u>(3,191)</u>
<b>Total comprehensive income for the year</b>		<u><b>684,393</b></u>	<u>552,260</u>
<b>Earnings per share</b>	9		
Basic (RMB cents per share)		<u><b>57</b></u>	<u>46</u>
Diluted (RMB cents per share)		<u><b>56</b></u>	<u>45</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 AUGUST 2023**

	<i>Notes</i>	<b>2023</b> <b>RMB'000</b>	2022 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	<i>11</i>	<b>2,987,663</b>	2,797,921
Intangible asset	<i>12</i>	<b>188,000</b>	188,000
Right-of-use assets		<b>636,517</b>	554,923
Prepayment for cooperation agreements	<i>13</i>	<b>800,111</b>	800,111
Other non-current assets	<i>14</i>	<b>384,797</b>	413,409
		<b>4,997,088</b>	4,754,364
<b>Current assets</b>			
Trade and other receivables	<i>15</i>	<b>670,988</b>	485,139
Amount due from a shareholder		<b>7</b>	7
Cash and cash equivalents		<b>789,720</b>	630,927
		<b>1,460,715</b>	1,116,073
<b>Current liabilities</b>			
Accruals and other payables	<i>16</i>	<b>305,747</b>	304,120
Deferred revenue		<b>1,999</b>	2,791
Contract liabilities		<b>678,914</b>	533,118
Borrowings	<i>17</i>	<b>1,439,460</b>	2,025,677
Current tax liabilities		<b>22,030</b>	18,248
		<b>2,448,150</b>	2,883,954
<b>Net current liabilities</b>		<b>(987,435)</b>	(1,767,881)
<b>Total assets less current liabilities</b>		<b>4,009,653</b>	2,986,483
<b>Non-current liabilities</b>			
Deferred revenue		<b>1,832</b>	3,831
Borrowings	<i>17</i>	<b>732,162</b>	366,962
		<b>733,994</b>	370,793
<b>NET ASSETS</b>		<b>3,275,659</b>	2,615,690
<b>Capital and reserves</b>			
Share capital	<i>18</i>	<b>10</b>	10
Reserves		<b>3,275,649</b>	2,615,680
<b>TOTAL EQUITY</b>		<b>3,275,659</b>	2,615,690

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 AUGUST 2023

### 1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability under the Companies Act of the Cayman Islands on 15 November 2017. The address of registered office of the Company is 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands. The address of principal place of business of the Company is 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong. Its ultimate holding company is Chunlai Investment Co., Limited ("**Chunlai Investment**"), which was incorporated in the British Virgin Islands ("**BVI**"), 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 on 13 September 2018.

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

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

### 2. GOING CONCERN BASIS

As at 31 August 2023, the Group had net current liabilities of approximately RMB987,435,000. Included therein, the Group recorded the contract liabilities of approximately RMB678,914,000.

In view of the net current liabilities position, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern.

Having considered the cash inflow from operations, the directors of the Company are satisfied that the Group is able to meet in full its financial obligations as they fall due for the foreseeable future.

To mitigate any liquidity issues that might be faced by the Group, the Group has obtained adequate banking facilities from reputable financial institutions to meet its obligations as and when they fall due. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

### 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 2022. IFRSs comprise International Financial Reporting Standards; International Accounting Standards ("**IAS**") and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

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

### 4. REVENUE AND SEGMENT INFORMATION

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

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

	<b>2023</b> <b>RMB’000</b>	2022 <b>RMB’000</b>
Tuition fees	<b>1,359,278</b>	1,188,035
Boarding fees	<b>138,684</b>	121,162
Total revenue	<b><u>1,497,962</u></b>	<b><u>1,309,197</u></b>

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

No single customer contributes 10% or more of total revenue of the Group during the year ended 31 August 2023 (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. OTHER INCOME

	<b>2023</b> <b>RMB’000</b>	2022 <b>RMB’000</b>
Government grants ( <i>note i</i> )	<b>102</b>	92
Interest income	<b>9,672</b>	4,255
Service income	<b>21,462</b>	17,453
Consultancy income from Tianping College ( <i>note ii</i> )	<b>14,151</b>	9,434
Interest income from Tianping College ( <i>note iii</i> )	<b>18,688</b>	11,857
Ancillary services income ( <i>note iv</i> )	<b>13,230</b>	2,383
Others	<b>6,761</b>	6,157
	<b><u>84,066</u></b>	<b><u>51,631</u></b>

*Notes:*

- (i) Government grants mainly represent unconditional subsidies from government for recognition of the relevant academic performance of the schools of the Group.
- (ii) It represents the provision of technical and management consultancy services to Tianping College.
- (iii) It represents the interest income of 4.75% per annum from the advance to Tianping College.
- (iv) It mainly represents the teaching material fee income recognised the net of the refund of teaching material fee to students, and discounted amount paid to ancillary services providers as well as the original teaching material fee.

## 6. OTHER GAINS AND LOSSES, NET

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Gain on disposals of property, plant and equipment	1,344	–
Net foreign exchange gain	16,742	18,616
Loss on initial recognition of advance to a third party	–	(2,216)
	<u>18,086</u>	<u>16,400</u>

## 7. FINANCE COSTS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest expenses in relation to:		
– Bank borrowings	74,788	80,748
– Borrowings from non-banking institutions	57,320	58,177
	<u>132,108</u>	<u>138,925</u>
Less: capitalised in construction in progress	(7,563)	(3,128)
	<u>124,545</u>	<u>135,797</u>

Borrowing costs on funds borrowed generally are capitalised at a rate of 6.2% per annum in 2023 (2022: 6.5%).

## 8. INCOME TAX EXPENSES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current tax – PRC Enterprise Income Tax	<u>3,782</u>	<u>3,191</u>

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

No provision for Hong Kong profits tax was provided as the Group did not have assessable profits arising in Hong Kong during the year ended 31 August 2023 (2022: nil).

Enterprise income tax (“EIT”) is provided on taxable profits of entities established in the PRC. Pursuant to the Enterprise Income Tax Law of the PRC (the “EIT Law”), the EIT rate was 25% during the year ended 31 August 2023 (2022: 25%).

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

## 9. EARNINGS PER SHARE

	2023	2022
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share (Profit attributable to owners of the Company) (in RMB'000)	<u><u>684,393</u></u>	<u><u>552,260</u></u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u><u>1,200,000,000</u></u>	<u><u>1,200,000,000</u></u>
Effect of dilutive potential ordinary shares:		
Pre-IPO share options	<u><u>30,474,230</u></u>	<u><u>23,775,337</u></u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u><u>1,230,474,230</u></u>	<u><u>1,223,775,337</u></u>

The computation of diluted earnings per share assumes the exercise of the Company's share options granted under the Pre-IPO Option Scheme as the potential ordinary shares are dilutive for the year ended 31 August 2023 and 2022.

## 10. DIVIDENDS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Proposed final dividend of RMB0.053 (approximate to HK\$0.058) (2022: RMB0.1) per ordinary share	<u><u>63,985</u></u>	<u><u>120,000</u></u>
Final dividend for the year ended 31 August 2022 approved and paid – RMB0.1 per ordinary share ( <i>note</i> )	<u><u>30,000</u></u>	<u><u>–</u></u>

### *Note:*

The final dividend in respect of the year ended 31 August 2022 of RMB0.1 (equivalent to approximately HK\$0.1095) per share was approved at the annual general meeting 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 of RMB90,000,000 in respect of the shares it holds.



## 11. PROPERTY, PLANT AND EQUIPMENT

	<b>Buildings</b> <i>RMB'000</i>	<b>Furniture and fixtures</b> <i>RMB'000</i>	<b>Motor vehicles</b> <i>RMB'000</i>	<b>Electronic equipment</b> <i>RMB'000</i>	<b>Construction in progress</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>Cost</b>						
At 1 September 2021	2,500,443	200,714	18,476	494,002	271,314	3,484,949
Additions	15,627	25,315	656	28,383	151,211	221,192
Transfer from construction in progress	216,704	4,151	–	63	(220,918)	–
At 31 August 2022 and 1 September 2022	2,732,774	230,180	19,132	522,448	201,607	3,706,141
Additions	10,454	21,851	2,313	30,289	337,625	402,532
Disposals	–	(681)	(294)	(2,133)	–	(3,108)
Transfer from construction in progress	167,806	–	–	–	(167,806)	–
At 31 August 2023	<b>2,911,034</b>	<b>251,350</b>	<b>21,151</b>	<b>550,604</b>	<b>371,426</b>	<b>4,105,565</b>
<b>Accumulated depreciation</b>						
At 1 September 2021	418,389	97,380	11,324	177,102	–	704,195
Charge for the year	127,274	27,582	1,673	47,496	–	204,025
At 31 August 2022 and 1 September 2022	545,663	124,962	12,997	224,598	–	908,220
Charge for the year	136,511	31,005	1,281	42,491	–	211,288
Disposals	–	(195)	(263)	(1,148)	–	(1,606)
At 31 August 2023	<b>682,174</b>	<b>155,772</b>	<b>14,015</b>	<b>265,941</b>	<b>–</b>	<b>1,117,902</b>
<b>Carrying amount</b>						
At 31 August 2023	<b>2,228,860</b>	<b>95,578</b>	<b>7,136</b>	<b>284,663</b>	<b>371,426</b>	<b>2,987,663</b>
At 31 August 2022	2,187,111	105,218	6,135	297,850	201,607	2,797,921

As of 31 August 2023, the Group was in the process of obtaining the property certificates for the buildings with an aggregate carrying value of approximately RMB1,033,758,000 (2022: RMB1,149,062,000) which are located in the PRC.

At 31 August 2023, the carrying amount of property, plant and equipment pledged as security for the Group's other loans amounted to RMB441,666,000 (2022: RMB312,131,000).

## 12. INTANGIBLE ASSET

**School  
operation right**  
RMB'000

Cost:

As at 1 September 2021, 31 August 2022, 1 September 2022 and 31 August 2023 188,000

As at 31 August 2023 and 2022, intangible asset represent a school operation right of Jingzhou College. The school operation right is stated at cost and not amortised while its useful life is assessed to be indefinite.

The recoverable amount of the intangible asset of RMB188,000,000 has been determined on the basis of value in use using discounted cash flow method (level 3 fair value measurements). The discount rate used was 15% (2022: 15%). The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3% (2022: 3%). This rate does not exceed the average long-term growth rate for the relevant markets.

## 13. PREPAYMENT FOR COOPERATION AGREEMENTS

	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Prepayment for cooperation agreements – Tianping College	<u><u>800,111</u></u>	<u><u>800,111</u></u>

Tianping College of Suzhou University of Science and Technology (“**Tianping College**”) is an independent college and originally sponsored by Suzhou University of Science and Technology and the 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 approximately RMB800,111,000 that has been fully paid during the year ended 31 August 2022. Up to the date of this announcement, the transfer of sponsorship has not yet been completed as the transfer is still in progress. Upon the completion of transfer, the payment for the agreement of approximately RMB800,111,000 (2022: approximately RMB800,111,000) will be treated as the consideration of the acquisition of Tianping College.

## 14. OTHER NON-CURRENT ASSETS

	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Prepayments/deposits paid for acquisition of property, plant and equipment	<b>31,705</b>	4,735
Pledged deposit ( <i>note i</i> )	<b>303,092</b>	17,990
Deposit paid ( <i>note ii</i> )	<b>50,000</b>	50,000
Advance to Tianping College ( <i>note iii</i> )	–	317,900
Advance to a third party	–	22,784
	<u><u>384,797</u></u>	<u><u>413,409</u></u>

Notes:

- (i) Pledged deposits of RMB12,940,000 (2022: RMB17,990,000) are secured for borrowings of RMB384,367,000 (2022: RMB573,881,000).

Offshore foreign deposit of USD40,000,000 (equivalent to RMB290,152,000 (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 2023, the repayment date of the onshore loan was extended from July 2023 to July 2026. The offshore foreign deposit was reclassified as non-current asset accordingly as at 31 August 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 to Suzhou University of Science and Technology.

- (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 year ended 31 August 2023, the Group entered into a supplemental agreement with Tianping College in which the advance to Tianping College with principal amount of RMB375,800,000 is unsecured, interest bearing at 4.75% per annum and repayable on 31 August 2024. The advance to Tianping College was reclassified as current assets accordingly as at 31 August 2023.

## 15 TRADE AND OTHER RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Tuition and boarding fee receivables ( <i>note i</i> )	80,275	53,555
Service income receivables	69,109	45,370
Consultancy income receivables from Tianping College	25,000	10,000
Interest receivables from Tianping College	30,545	11,857
Advance to a third party ( <i>note ii</i> )	62,860	60,000
Advance to Tianping College ( <i>note iii</i> )	375,800	–
Other receivables	17,930	15,645
Interest receivables	5,927	1,590
Prepaid expenses	3,542	1,509
Pledged deposit ( <i>note iv</i> )	–	285,613
	<u>670,988</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 or 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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
0-180 days	58,907	36,185
181-365 days	13,443	13,912
Over 1 year	7,925	3,458
	<u>80,275</u>	<u>53,555</u>

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

	0-180 days	181-365 days	Over 1 year	Total
<b>At 31 August 2023</b>				
Weighted average expected loss rate	0%	0%	0%	0%
Receivable amount (RMB'000)	58,907	13,443	7,925	80,275
Loss allowance (RMB'000)	–	–	–	–
<b>At 31 August 2022</b>				
Weighted average expected loss rate	0%	0%	0%	0%
Receivable amount (RMB'000)	36,185	13,912	3,458	53,555
Loss allowance (RMB'000)	–	–	–	–

- (ii) As at 31 August 2023, the advance with principal amount of RMB29,860,000 (2022: RMB60,000,000) is unsecured, interest bearing at 6% per annum (2022: 6% per annum) and repayable in March 2024 (2022: March 2023).

As at 31 August 2023, the advance with principal amount of RMB33,000,000 is unsecured, interest bearing at 6% per annum and repayable in September 2023. After the reporting period, the repayment date was extended from September 2023 to August 2024, pursuant to the supplemental agreement.

- (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 year ended 31 August 2023, the Group entered into a supplemental agreement with Tianping College in which the advance to Tianping College with principal amount of RMB375,800,000 is unsecured, interest bearing at 4.75% per annum and repayable on 31 August 2024. The advance to Tianping College was reclassified as current assets accordingly as at 31 August 2023.

- (iv) Offshore foreign deposit of USD40,000,000 (equivalent to RMB290,152,000 (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 2023, the repayment date of the onshore loan was extended from July 2023 to July 2026. The offshore foreign deposit was reclassified as non-current asset accordingly as at 31 August 2023.

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

## 16. ACCRUALS AND OTHER PAYABLES

	2023 RMB'000	2022 RMB'000
Interest payables	2,751	3,375
Accrued staff benefits and payroll	35,208	44,338
Payables for purchase of property, plant and equipment and construction	128,539	128,526
Receipt on behalf of ancillary services providers	59,959	45,777
Other payables, accruals and deposits received	63,580	68,338
Other taxes payables	15,710	13,766
	<b>305,747</b>	<b>304,120</b>

## 17. BORROWINGS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Secured and guaranteed ( <i>note i</i> )	1,290,178	1,664,669
Secured and unguaranteed ( <i>note ii</i> )	303,244	296,370
Unsecured and guaranteed ( <i>note iii</i> )	578,200	431,600
	<u>2,171,622</u>	<u>2,392,639</u>
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
The borrowings are repayable as follows:		
On demand or within one year	1,439,460	2,025,677
In the second year	543,912	255,788
In the third to fifth years, inclusive	188,250	111,174
	<u>2,171,622</u>	<u>2,392,639</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(1,439,460)</u>	<u>(2,025,677)</u>
Amount due for settlement after 12 months	<u>732,162</u>	<u>366,962</u>
The exposure of borrowings		
– Fixed rate	2,101,622	2,262,639
– Variable rate	70,000	130,000
	<u>2,171,622</u>	<u>2,392,639</u>

### Notes:

- (i) Certain bank borrowings of RMB605,950,000 (2022: RMB964,650,000) were secured and/or guaranteed by the followings:
- (a) secured by the rights to receive the tuition fees of Anyang University, Shangqiu University, Kaifeng Campus and Hubei Jiankang Vocational College (collectively the “**Schools**”);
  - (b) secured by equity share of Anyang University, Shangqiu University and Kaifeng Campus;
  - (c) guaranteed by Mr. Hou, Ms. Song Mengmeng (“**Ms. Song**”) and Ms. Jiang Shuqin jointly and severally;
  - (d) guaranteed by the Company and several subsidiaries of the Company; and
  - (e) secured by deposits of RMB12,940,000 (2022: RMB27,990,000).

As at 31 August 2023, the Schools has receivables of tuition and boarding fees of RMB64,737,000 (2022: RMB40,179,000).

Certain borrowing with carrying amount of RMB684,228,000 (2022: RMB700,019,000) is secured by the Group’s plant and equipment of RMB441,666,000 (2022: RMB312,131,000) and guaranteed by Mr. Hou, Ms. Song and Ms. Jiang Shuqin.

- (ii) A loan from a third party with carrying amount of RMB303,244,000 (2022: RMB296,370,000) is secured by a deposit of USD40,000,000 (equivalent to approximately RMB290,152,000 (2022: RMB275,613,000)) (note 14 and 15).
- (iii) Certain bank borrowings were unsecured and guaranteed by Mr. Hou, Ms. Song and Ms. Jiang Shuqin jointly and severally and guaranteed by several subsidiaries of the Company.

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

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

	2023	2022
<b>Effective interest rate:</b>		
Fixed-rate	2.50% – 9.43%	2.5% – 8.1%
Variable-rate	4.35% – 5.60%	4.35% – 6.05%

## 18. 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				
<b>Authorised:</b>				
As at 1 September 2021, 31 August 2022, 1 September 2022 and 31 August 2023	50,000,000,000	500,000	424,570	425
<b>Issued and fully paid:</b>				
As at 1 September 2021, 31 August 2022, 1 September 2022 and 31 August 2023	1,200,000,000	12,000	9,867	10

## MANAGEMENT DISCUSSION AND ANALYSIS

### Market Overview

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

### *The Private Higher Education Industry in China*

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

### *Business Review*

The Company is one of the leading providers of private higher education in China. Since our inception in 2004, we have grown to operate four colleges in Henan Province, namely Shangqiu University, Shangqiu University Kaifeng Campus, Anyang University and Anyang University Yuanyang Campus, and two colleges in Hubei Province, namely Hubei Jiankang Vocational College (湖北健康職業學院) (“**Jiankang College**”) and Jingzhou College (荊州學院) (“**Jingzhou College**”) (formerly known as 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 31 August 2023, the Group had about 900 school-enterprise cooperations. 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 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 29,358 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 enrolees, 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 30,330 students.



## *Anyang University Yuanyang Campus*

In April 2021, we established the Anyang University Yuanyang Campus. 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 8,118 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 3,699 students.

## *Jingzhou College (formerly known as 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 13,718 students.

## ***Student Enrolment***

The table below sets forth the enrolment statistics of our colleges for the 2021/2022 and 2022/2023 school years:

	<b>Student enrolment<sup>(1)</sup> for the school year</b>		<b>Change in number</b>	<b>Percentage change (approximately)</b>
	<b>2022/2023</b>	<b>2021/2022</b>		
<b>Shangqiu University</b>				
Bachelor's degree programmes	9,698	9,999	(301)	(3.0%)
Junior college to bachelor's degree transfer programmes	3,011	2,399	612	25.5%
Junior college diploma programmes <sup>(2)</sup>	10,632	12,663	(2,031)	(16.0%)
Vocational education programmes <sup>(3)</sup>	6,017	5,050	967	19.1%
<b>School subtotal</b>	<b>29,358</b>	<b>30,111</b>	<b>(753)</b>	<b>(2.5%)</b>
<b>Anyang University</b>				
Bachelor's degree programmes	8,473	10,806	(2,333)	(21.6%)
Junior college to bachelor's degree transfer programmes	5,851	3,602	2,249	62.4%
Junior college diploma programmes <sup>(2)</sup>	10,525	12,110	(1,585)	(13.1%)
Vocational education programmes <sup>(3)(4)</sup>	5,481	7,333	(1,852)	(25.3%)

	Student enrolment <sup>(1)</sup> for the school year		Change in number	Percentage change (approximately)
	2022/2023	2021/2022		
<b>School subtotal</b>	<u>30,330</u>	<u>33,851</u>	<u>(3,521)</u>	(10.4%)
<b>Shangqiu University Kaifeng Campus</b>				
Bachelor's degree programmes <sup>(5)</sup>	8,173	7,928	245	3.1%
Junior college to bachelor's degree transfer programmes <sup>(6)</sup>	4,163	2,491	1,672	67.1%
Junior college diploma programmes <sup>(7)</sup>	4,938	5,423	(485)	(8.9%)
Vocational education programmes	<u>780</u>	<u>270</u>	<u>510</u>	188.9%
<b>School subtotal</b>	<u>18,054</u>	<u>16,112</u>	<u>1,942</u>	12.1%
<b>Jiankang College</b>				
Junior college diploma programmes <sup>(8)</sup>	<u>3,699</u>	<u>1,318</u>	<u>2,381</u>	180.7%
<b>School subtotal</b>	<u>3,699</u>	<u>1,318</u>	<u>2,381</u>	180.7%
<b>Jingzhou College</b>				
Bachelor's degree programmes	6,998	6,610	388	5.9%
Junior college to bachelor's degree transfer programmes	1,671	1,280	391	30.5%
Junior college diploma programmes	<u>5,049</u>	<u>4,344</u>	<u>705</u>	16.2%
<b>School subtotal</b>	<u>13,718</u>	<u>12,234</u>	<u>1,484</u>	12.1%
<b>Anyang University Yuanyang Campus</b>				
Bachelor's degree programmes	7,343	3,734	3,609	96.7%
Junior college diploma programmes	247	–	247	–
Vocation education programmes <sup>(9)</sup>	<u>528</u>	<u>325</u>	<u>203</u>	62.5%
<b>School subtotal</b>	<u>8,118</u>	<u>4,059</u>	<u>4,059</u>	100.0%
<b>Total number of students</b>	<u><u>103,277</u></u>	<u><u>97,685</u></u>	<u><u>5,592</u></u>	5.7%

*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 2021/2022 and 2022/2023 school years.
- (2) Including (i) students enrolled in junior college diploma programmes and (ii) students enrolled in the last three years of combined vocational education and junior college diploma programmes.
- (3) Including (i) students enrolled in vocational education programmes and (ii) students enrolled in the first two years of combined vocational education and junior college diploma programmes.
- (4) Anyang University started its vocational education programmes and combined vocational education and junior college diploma programmes in 2016.

- (5) Shangqiu University Kaifeng Campus started its bachelor's degree programmes in 2013.
- (6) Shangqiu University Kaifeng Campus started its junior college to bachelor's degree transfer programmes in 2017.
- (7) Shangqiu University Kaifeng Campus started its junior college diploma programmes in 2013.
- (8) Jiankang College started its junior college diploma programmes in 2020.
- (9) Anyang University Yuanyang Campus started its bachelor's degree programmes and vocational education programmes in 2021.

For the 2022/2023 school year, the number of students enrolled increased by 5.7% from 97,685 in the prior school year to 103,277. 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 four colleges that offer bachelor's degree programmes (being Shangqiu University, Anyang University, Shangqiu University Kaifeng Campus and Jingzhou College), as defined by the number of students who enrolled in a bachelor's degree programme divided by the number of students who were admitted in that programme, was 96.8%.

### ***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 year ended 31 August 2023, we recorded a revenue of RMB1,498.0 million and a gross profit of RMB890.1 million. The gross profit margin was 59.4% for the year ended 31 August 2023 as compared with 63.1% for the corresponding period in 2022.

The adjusted net profit of the Group for the year ended 31 August 2023 was RMB673.2 million, representing an increase of RMB135.6 million or 25.2% from the corresponding period in 2022. The adjusted net profit margin of the Group was 44.9% and 41.1% for the years ended 31 August 2023 and 31 August 2022, respectively. The increase in adjusted net profit was mainly due to the increase in student enrolment.

The net profit of the Group amounted to RMB684.4 million and RMB552.3 million for the years ended 31 August 2023 and 31 August 2022, respectively. The net profit margin of the Group amounted to 45.7% and 42.2% for the years ended 31 August 2023 and 31 August 2022, respectively.

### **Revenue**

Our revenue increased by 14.4% from RMB1,309.2 million for the year ended 31 August 2022 to RMB1,498.0 million for the year ended 31 August 2023, primarily due to the increase of the Group's student enrollment.

Revenue from Shangqiu University Kaifeng Campus increased by 14.3% from RMB236.9 million for the year ended 31 August 2022 to RMB270.8 million for the year ended 31 August 2023. The increase was primarily due to the increase in student enrolment.

Revenue from Shangqiu University increased by 4.7% from RMB383.3 million for the year ended 31 August 2022 to RMB401.4 million for the year ended 31 August 2023. The increase was primarily due to the increase in average tuition fee.

Revenue from Anyang University decreased by 1.1% from RMB412.2 million for the year ended 31 August 2022 to RMB407.5 million for the year ended 31 August 2023. The decrease was primarily due to the decrease in student enrolment.

Revenue from Anyang University Yuanyang Campus increased by 102.9% from RMB65.0 million for the year ended 31 August 2022 to RMB131.9 million for the year ended 31 August 2023. The increase was primarily due to the increase in student enrolment.

Revenue from Jiankang College increased by 176.7% from RMB18.9 million for the year ended 31 August 2022 to RMB52.3 million for the year ended 31 August 2023. The increase was primarily due to the increase in student enrolment.

Revenue from Jingzhou College increased by 21.4% from RMB192.9 million for the year ended 31 August 2022 to RMB234.2 million for the year ended 31 August 2023. The increase was primarily due to the increase in student enrolment.

Overall, revenue from tuition fees and boarding fees increased by 14.4% and 14.5%, respectively, from the year ended 31 August 2022 to the year ended 31 August 2023.

### **Cost of Revenue**

Our cost of revenue increased by 26.0% from RMB482.5 million for the year ended 31 August 2022 to RMB607.9 million for the year ended 31 August 2023. As a percentage of revenue, our cost of revenue increased from 36.9% for the year ended 31 August 2022 to 40.6% for the year ended 31 August 2023. The increase in cost of revenue was primarily due to the increase in salaries.

### **Gross Profit and Gross Margin**

As a result of the foregoing, our gross profit increased by 7.7% from RMB826.7 million for the year ended 31 August 2022 to RMB890.1 million for the year ended 31 August 2023, and our gross profit margin decreased from 63.1% for the year ended 31 August 2022 to 59.4% for the year ended 31 August 2023.

### **Other Income**

Our other income increased by 62.8% from RMB51.6 million for the year ended 31 August 2022 to RMB84.1 million for the year ended 31 August 2023, primarily due to the increase in ancillary service income.

### **Other Gains and Losses**

We recorded other gains of RMB16.4 million for the year ended 31 August 2022, while we recorded other gains of RMB18.1 million for the year ended 31 August 2023. The increase compared to last year is due to the decrease in loss on initial recognition of advance to a third party.

### **Selling Expenses**

Our selling expenses increased by 10.9% from RMB4.6 million for the year ended 31 August 2022 to RMB5.1 million for the year ended 31 August 2023, primarily because the increase in advertising, exhibition and marketing.

## Administrative Expenses

Our administrative expenses decreased by 12.3% from RMB198.9 million for the year ended 31 August 2022 to RMB174.4 million for the year ended 31 August 2023, primarily due to the decrease in gas, electricity and water, and repair and maintenance.

## Finance Costs

Our finance costs decreased by 8.3% from RMB135.8 million for the year ended 31 August 2022 to RMB124.5 million for the year ended 31 August 2023, primarily due to the decrease of average loan.

## Taxation

We recorded income tax of RMB3.2 million for the year ended 31 August 2022 as compared to income tax of RMB3.8 million for the year ended 31 August 2023 due to service revenue and other income.

## Profit for the Year

As a result of the foregoing, our profit for the year increased by 23.9% from RMB552.3 million for the year ended 31 August 2022 to RMB684.4 million for the year ended 31 August 2023.

## Non-IFRS Measure – Adjusted Net Profit

Our adjusted net profit increased by 25.2% from RMB537.6 million for the year ended 31 August 2022 to RMB673.2 million for the year ended 31 August 2023. Adjusted net profit (as a non-IFRS measure) was calculated as profit for the year excluding (i) share-based compensation, and (ii) foreign exchange (gain). The following table reconciles profit for the year to adjusted net profit for both years:

	<b>For the year ended 31 August</b>	
	<b>2023</b>	<b>2022</b>
	<b>(RMB in thousands)</b>	
Profit for the year	<b>684,393</b>	552,260
Add:		
Share-based compensation	<b>5,576</b>	3,986
Foreign exchange (gain)	<b>(16,742)</b>	(18,616)
Adjusted net profit	<b>673,227</b>	537,630

## Liquidity and Source of Funding and Borrowing

During the year ended 31 August 2023, the Company had funded the Group's cash requirements principally from cash generated from its operation and external borrowings. The Company had cash and cash equivalents of RMB630.9 million and RMB789.7 million as at 31 August 2022 and 2023, respectively. The Company generally deposits the Group's excess cash in interest-bearing bank accounts and current accounts.

As of 31 August 2023, the Group's principal uses of cash had been for funding of required working capital, capital expenditures and other recurring expenses to support the expansion of the Group's operations. Going forward, the Company believes the Group's liquidity requirements will be satisfied by using funds from a combination of internally generated cash, external borrowings, proceeds from the Global Offering (as defined below) and other funds raised from the capital markets from time to time. Any significant decrease in student enrolment, or our tuition fees and boarding fees, or a significant decrease in the availability of bank loans or other financing may adversely impact the Group's liquidity.

## Gearing Ratio

As at 31 August 2023, the gearing ratio of the Group, calculated as total borrowings divided by total equity as of the end of the year, was approximately 66.2%, representing a decrease of 25.2% percentage point(s) as compared with 91.4% as at 31 August 2022. The decrease was due to the repayment of certain interest-bearing bank loans and the increase of equity.

## Significant Investments

Save as disclosed in this announcement, the Group did not make or hold any significant investments (including any investment in an investee company with a value of 5% or more of the Company's total assets as at 31 August 2023) during the year ended 31 August 2023.

## Material Acquisitions and Disposals

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies during the year ended 31 August 2023.

## Pledge of Assets

1. On 27 December 2022, 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, (as borrower) entered into a loan agreement (the "**School Sponsor Loan Agreement**") with Zhongyuan Bank Co. Ltd., Shangqiu Branch\* (中原銀行股份有限公司商丘分行) ("**Zhongyuan Bank**") (as lender), pursuant to which Zhongyuan Bank agreed to make available a term loan facility with a principal amount of up to RMB90,000,000 to the School Sponsor (the "**School Sponsor Loan**"). On the same day, 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 Zhongyuan Bank (collectively, the "**Zhongyuan Guarantee Agreements**"). Pursuant to the Zhongyuan Guarantee Agreements, each of the Company and the PRC Holdco shall provide a guarantee in favour of Zhongyuan Bank for the School Sponsor's liabilities under the School Sponsor Loan Agreement (including but not limited to the principal amount of the School Sponsor Loan, interest, damages, compensation, and fees incurred by Zhongyuan Bank in connection with any enforcement actions). In respect of the School Sponsor Loan Agreement, each of Shangqiu University, Anyang University and Hubei Jiankang Vocational College entered into an account receivables pledge agreement with Zhongyuan Bank, pursuant to which the School Sponsor agreed to pledge its account receivables in favour of Zhongyuan Bank for the School Sponsor's liabilities under the School Sponsor Loan Agreement (including but not limited to the School Sponsor Loan, interest, damages, compensation, and fees incurred by Zhongyuan Bank in connection with any enforcement actions).

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

2. On 7 March 2023, Jingzhou College\* (荊州學院), as credit recipient (the “**Credit Recipient**”), and China Everbright Bank Co. Ltd., Jingzhou Branch\* (中國光大銀行股份有限公司荊州分行), as creditor (the “**Creditor**”), entered into a line of credit agreement (the “**Line of Credit Agreement**”), pursuant to which the Creditor agreed to make available a credit line with a principal amount of up to RMB40,000,000 (the “**Credit Line**”) to the Credit Recipient. On the same day, each of the Company, Hubei Chunlai Education Technology Co., Ltd.\* (湖北春來教育科技有限公司) (“**Hubei Chunlai**”), Henan Chunlai Education Information Consulting Co., Ltd.\* (河南春來教育信息諮詢有限公司) (“**Henan Chunlai**”), the PRC Holdco, and the School Sponsor entered into a guarantee agreement with the Creditor (collectively, the “**Everbright Guarantee Agreements**”). Pursuant to the Everbright Guarantee Agreements, each of the Company, Hubei Chunlai, Henan Chunlai, the PRC Holdco and the School Sponsor shall provide a guarantee in favour of the Creditor for the Credit Recipient’s liabilities under the Line of Credit Agreement (including but not limited to the principal amount of the Credit Line, interest, damages, compensation, and fees incurred by the Creditor in connection with any enforcement actions).

Further details of the Line of Credit Agreement and the related security agreements are set out in the announcement of the Company dated 10 March 2023.

3. On 11 March 2023, Shangqiu University\* (商丘學院), as borrower (the “**Borrower**”), and Industrial and Commercial Bank of China, Shangqiu Xinjianlu Branch\* (中國工商銀行股份有限公司商丘新建路支行) (“**ICBC Shangqiu Branch**”), as lender, entered into a working capital loan agreement (the “**Working Capital Loan Agreement**”), pursuant to which ICBC Shangqiu Branch agreed to make available a term loan facility with a principal amount of up to RMB60,000,000 (the “**ICBC Loan**”) to the Borrower. On the same day, each of the Company, the PRC Holdco, the School Sponsor, Mr. Hou Junyu (“**Mr. Hou**”) and Ms. Song Mengmeng (“**Ms. Song**”) entered into a guarantee agreement with ICBC Shangqiu Branch (collectively, the “**ICBC Guarantee Agreements**”). Pursuant to the ICBC Guarantee Agreements, each of the Company, the PRC Holdco, the School Sponsor, Mr. Hou and Ms. Song shall provide a guarantee in favour of ICBC Shangqiu Branch for the Borrower’s liabilities under the Working Capital Loan Agreement (including but not limited to the principal amount of the ICBC Loan, interest, damages, compensation, and fees incurred by ICBC Shangqiu Branch in connection with any enforcement actions). In respect of the Working Capital Loan Agreement, Shangqiu University entered into a pledge agreement (the “**ICBC Pledge Agreement**”) with ICBC Shangqiu Branch, pursuant to which the Borrower agreed to pledge its receivables from tuition fees in favour of ICBC Shangqiu Branch for the Borrower’s liabilities under the Working Capital Loan Agreement (including but not limited to the ICBC Loan, interest, damages, compensation, and fees incurred by ICBC Shangqiu Branch in connection with any enforcement actions).

Further details of the ICBC Loan and the related security agreements are set out in the announcement of the Company dated 17 March 2023.

## **Contingent Liabilities**

The Group had no material contingent liabilities as at 31 August 2023.



## **Foreign Exchange Exposure**

During the year ended 31 August 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**

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

## **Employee and Remuneration Policy**

As at 31 August 2022 and 2023, we had 5,763 and 4,750 employees, respectively.

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

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

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

The total remuneration cost incurred by the Group for the Reporting Period was RMB330.8 million (for the year ended 31 August 2022: RMB272.9 million).

## **EVENTS AFTER THE REPORTING PERIOD**

Save as disclosed in this announcement, there were no other significant events that might affect the Group since the end of the year ended 31 August 2023 and up to the date of this announcement.

## **FINAL DIVIDEND**

The Board has recommended the payment of a final dividend of RMB0.053 (equivalent to approximately HK\$0.058) per share (the “**Proposed Final Dividend**”) for the year ended 31 August 2023, subject to the approval of the Shareholders at the Company’s 2024 AGM. The final dividend will be declared in Renminbi and paid in Hong Kong dollars. The exchange rate adopted for conversion was the average middle exchange rate published by the People’s Bank of China of the five business days prior to the declaration of the final dividend (i.e. 21 November 2023 to 27 November 2023) (RMB1 to HK\$1.094). Such proposed dividend will be payable on or around Wednesday, 7 February 2024 to the Shareholders whose names appear on the register of members of the Company on Tuesday, 30 January 2024.

## **ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS**

The 2024 AGM will be held on Friday, 19 January 2024.

For the purpose of determining the entitlement of a Shareholder’s entitlement to attend and vote at the 2024 AGM, the register of members of the Company will be closed from Tuesday, 16 January 2024 to Friday, 19 January 2024, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the 2024 AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company’s Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 15 January 2024.

For the purpose of determining the entitlement to the Proposed Final Dividend, the register of members of the Company will be closed from Thursday, 25 January 2024 to Tuesday, 30 January 2024, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be entitled to the Proposed Final Dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company’s Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Wednesday, 24 January 2024.

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

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

### **Compliance with the Corporate Governance Code**

The Company has adopted and complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) during the Reporting Period.

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

### **Compliance with the Model Code for Securities Transactions by Directors**

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

Having made specific enquiry of all the Directors, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code during the year ended 31 August 2023.

### **Change of Chairman of the Nomination Committee**

On 28 November 2023, the Board announced that Dr. Jin Xiaobin, an independent non-executive Director, has been appointed to replace Mr. Hou as the chairman of the nomination committee of the Company (the “**Nomination Committee**”) with effect from 28 November 2023. Mr. Hou will remain as a member of the Nomination Committee.

Following the above change, the Nomination Committee comprises two independent non-executive Director, namely Dr. Jin Xiaobin (Chairman) and Ms. Fok, Pui Ming Joanna (Member), and one executive Director, namely Mr. Hou (Member) and is compliant with Rule 3.27A of the Listing Rules.

## **Scope of Work of the Company's Auditors**

The figures contained in this announcement of the Group's audited consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes for the year ended 31 August 2023 have been agreed by the Company's auditor, ZHONGHUI ANDA CPA Limited (the "**Auditor**"), to the figures set out in the audited consolidated financial statements of the Group for the year ended 31 August 2023. The work performed by the Auditor in this respect does not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the Auditor on this announcement.

## **Audit Committee**

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

The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 August 2023 and has discussed with the Auditor and the senior management members of the Company matters with respect to the accounting and internal control policies and practices adopted by the Company and internal control.

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

During the year ended 31 August 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange.

## Use of Proceeds from Global Offering

The shares of the Company were listed on the Stock Exchange on 13 September 2018 (the “**Global Offering**”). The net proceeds from the Global Offering amounted to approximately RMB489.8 million (equivalent to approximately HK\$552.6 million). The utilisation breakdown of the net proceeds from the Global Offering as of 31 August 2023 is set out below:

	<b>Net proceeds from the Global Offering</b>	<b>Unutilised amount as at 1 September 2022</b>	<b>Amount utilised during the year ended 31 August 2023</b>	<b>Unutilised amount as at 31 August 2023</b>
	<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 of our current colleges	244.9	65.1	47.1	18.0
Acquisition of or cooperation with other universities in China	146.9	0.0	0.0	0.0
Repayment of loans	49.0	0.0	0.0	0.0
Working capital and general corporate purposes	49.0	6.3	6.3	0.0
<b>Total</b>	<b>489.8</b>	<b>71.4</b>	<b>53.4</b>	<b>18.0</b>

The remaining balance of the net proceeds (approximately RMB18 million) is held as short-term deposits. The Company expects to gradually apply the remaining unutilised net proceeds of RMB18 million for the acquisition of land use rights and building education and living facilities of our current colleges by September 2024.

### *Note:*

The Group maintains its net proceeds from the Global Offering mostly in Hong Kong dollars or United States dollars and for the purpose of disclosure in financial results announcements and reports, the movements in the use of proceeds are expressed in RMB, being currency in which the majority of the Group’s transactions were settled and the functional currency of the Group’s PRC subsidiaries and consolidated affiliated entities, using the currency exchange rates between RMB and HK dollars or US dollars at the relevant time. It should be noted that the unutilised amount as at 31 August 2023 is based on the foreign currency exchange rates as at 31 August 2023, which is different to the foreign currency exchange rate applied in respect of the unutilised amount as at 1 September 2022. These changes in foreign currency exchange rates on different dates are treated as income and charged to gain on foreign currency exchange account, which will ultimately be charged to profit and loss account.

## **PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.chunlaiedu.com](http://www.chunlaiedu.com). The annual report of the Group for the year ended 31 August 2023 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Shareholders in due course.

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

Hong Kong, 28 November 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.*