



SHANGHAI GENCH  
EDUCATION GROUP LIMITED

上海建橋教育集團有限公司

2020

INTERIM REPORT

Stock code: 1525

(Incorporated in the Cayman Islands with limited liability)





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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Zhou Xingzeng (周星增)  
Mr. Zheng Xiangzhan (鄭祥展)  
Mr. Shi Yinjie (施銀節)

### Non-executive Directors

Mr. Zhao Donghui (趙東輝)  
Mr. Du Jusheng (杜舉勝)  
(with effect from 24 July 2020)

### Independent Non-executive Directors

Mr. Chen Baizhu (陳百助)  
Mr. Hu Rongen (胡戎恩)  
Ms. Liu Tao (劉濤)

## AUDIT COMMITTEE

Ms. Liu Tao (劉濤) (*Chairman*)  
Mr. Hu Rongen (胡戎恩)  
Mr. Chen Baizhu (陳百助)

## REMUNERATION COMMITTEE

Mr. Hu Rongen (胡戎恩) (*Chairman*)  
Mr. Zheng Xiangzhan (鄭祥展)  
Ms. Liu Tao (劉濤)

## NOMINATION COMMITTEE

Mr. Zhou Xingzeng (周星增) (*Chairman*)  
Mr. Hu Rongen (胡戎恩)  
Mr. Chen Baizhu (陳百助)

## JOINT COMPANY SECRETARIES

Mr. Zhou Qiaoqi (周喬琪)  
Mr. Wong Yu Kit (黃儒傑)

## AUTHORISED REPRESENTATIVES

Mr. Zheng Xiangzhan (鄭祥展)  
Mr. Wong Yu Kit (黃儒傑)

## COMPLIANCE ADVISOR

TC Capital International Limited

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive, P.O. Box 2681  
Grand Cayman, KY1-1111, Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 1111, Huchenghuan Road  
Pudong New Area, Shanghai, PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Sunlight Tower  
No. 248 Queen's Road East  
Wan Chai, Hong Kong

## LEGAL ADVISOR AS TO HONG KONG LAW

Luk & Partners  
In Association with  
Morgan, Lewis & Bockius

## AUDITORS

Ernst & Young

## CORPORATE INFORMATION

### CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited  
Cricket Square, Hutchins Drive,  
P. O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor  
Services Limited  
Shops 1712–1716, 17th Floor,  
Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

### PRINCIPAL BANKS

Agricultural Bank of China  
(Shanghai Pudong Branch)  
Huaxia Bank (Lingang Branch)  
Pingan Bank (Shanghai Daning Branch)  
China Construction Bank (Jinqiao Branch)  
China Minsheng Bank (Luwan Branch)

### COMPANY WEBSITE

<http://www.genchedugroup.com>

### STOCK CODE

1525



# FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Audited)
<b>REVENUE</b>	279,053	254,211
Cost of sales	(99,363)	(106,904)
<b>GROSS PROFIT</b>	179,690	147,307
Other income and gains	3,726	5,053
Selling and distribution expenses	(748)	(1,610)
Administrative expenses	(49,722)	(45,647)
Reversal of impairment losses on financial assets	949	10
Other expenses	—	(170)
Finance costs	(29,550)	(23,474)
<b>PROFIT BEFORE TAX</b>	104,345	81,469
Income tax expense	(370)	(471)
<b>PROFIT FOR THE PERIOD</b>	103,975	80,998
Add: Listing expense	9,498	9,189
<b>ADJUSTED NET PROFIT<sup>(1)</sup></b>	<b>113,473</b>	<b>90,187</b>
	<b>2019/2020 school year<sup>(2)</sup></b>	<b>2018/2019 school year<sup>(2)</sup></b>
Student enrollment	19,857	17,808

Notes:

- (1) The adjusted net profit, which is unaudited in nature, is presented because our management believes such non-IFRS measure provides useful information to investors in understanding and evaluating our results of operations in the same manner as it helps our management and in comparing financial results across accounting periods and to those of our peer companies.
- (2) Although our financial year ends on 31 December, our school year generally starts on 1 September of each calendar year and ends on 31 August of the following calendar year. For consistency purposes, we use 30 September of the first calendar year to present student enrollment for each school year. Student enrollment figures do not include international students enrolled in our international design college.



# MANAGEMENT DISCUSSION & ANALYSIS

## BUSINESS OVERVIEW

We operate the leading private university in Shanghai, which is also a leading private university in the entire Yangtze River Delta, as measured by the total number of full-time students enrolled. Our Shanghai Jian Qiao University (上海建橋學院) (the “University”) was:

- the largest private university in Shanghai in terms of full-time student enrollment in the 2018/19 school year,
- the fourth largest university in the Yangtze River Delta in terms of full-time student enrollment in the 2018/19 school year, and
- the fastest-growing university in terms of full-time student enrollment among the top five largest private universities in the Yangtze River Delta from 2015 to 2018.

## THE UNIVERSITY

Our University provides high-quality education to our students with a focus on applied sciences. Our comprehensive curriculums, which encompass a broad range of practical major offerings, are designed to equip our students with practical skills and enable them to meet the demands of the rapidly evolving job market. We develop our courses and majors based on extensive market research conducted to determine demands in the job market. As at 30 September 2019, our University offered 54 majors and concentrations in our formal undergraduate program in a wide range of areas, and additional 13 majors and concentrations in our junior college program. We collaborate closely with enterprise partners and have established school-industry collaboration programs, including two Ministry of Education of the PRC industry and education integrated innovation bases, to help our students acquire readily applicable skills and find desirable employment.



## MANAGEMENT DISCUSSION & ANALYSIS

The following table sets forth average annualised tuition fees of our University for the periods indicated:

	Six months ended 30 June			
	2020	2019	Change	Percentage
	RMB'000	RMB'000	RMB'000	change (%)
Average annualised tuition fees <sup>(1)</sup>	23,319	22,528	791	3.5

Note:

- (1) Average annualised tuition fees for the six months ended 30 June 2019 and 2020 are calculated by dividing total revenue generated from tuition fees of full-time students (excluding part-time students in our continuing education program) which is annualised based on the revenue-generating period of nine months, using the total number of full-time students enrolled as of 30 September in the previous calendar year.

The following table sets forth tuition fee information for our full-time programs for the school years indicated:

	Tuition fee <sup>(1)</sup>	
	2018/2019 school year	2019/2020 school year
	RMB	
Undergraduate program	23,000–30,000 <sup>(2)</sup>	23,000–30,000 <sup>(2)</sup>
Junior college program	15,000–18,000	15,000–18,000
Junior college/undergraduate program	23,000–27,000 <sup>(3)</sup>	23,000–27,000 <sup>(3)</sup>

Notes:

- (1) Tuition fees shown above are applicable only to full-time students enrolled in the relevant school years, excluding tuition fees charged for part-time students enrolled in our continuing education program.
- (2) The tuition fee range of the undergraduate program includes (i) the undergraduate program, and (ii) the undergraduate program under the international program, but excludes the tuition fee rate of RMB80,000 per school year for the international design college, the tuition fee rate of RMB58,000 per school year for the digital media technology program (with bilingually delivered lectures) and the tuition fee rate of RMB45,000 per school year for the international program with Vaughn College of Aeronautics and Technology.
- (3) In the 2018/2019 and 2019/2020 school years, the tuition fee rate for our product design (jewelry design) major was RMB27,000 per school year. The tuition fee rate for all other majors under our junior college/undergraduate program was RMB23,000 per school year.



## MANAGEMENT DISCUSSION & ANALYSIS

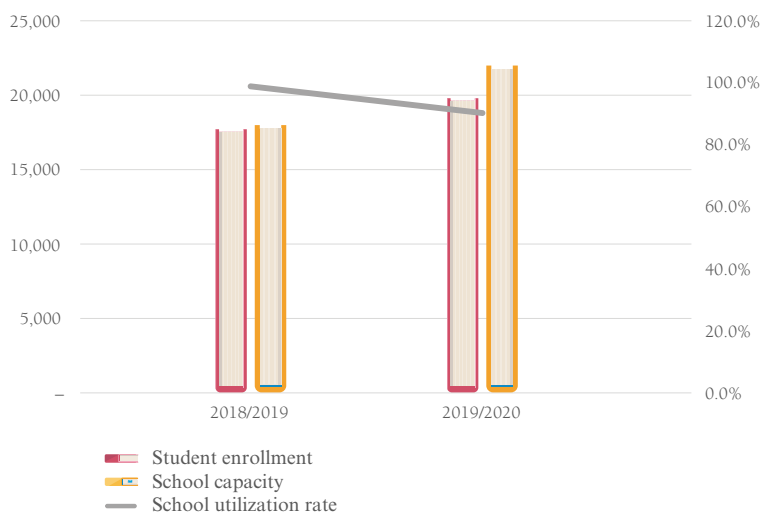
### Student Enrollment and Utilization

The table below sets forth information relating to student enrollment, school capacity and school utilization rate of our University for the 2018/2019 and 2019/2020 school years indicated:

School year	Student enrollment <sup>(1)</sup>	School capacity <sup>(2)</sup>	School utilization rate <sup>(3)</sup> (%)
2018/2019	17,808	18,008	98.9
2019/2020	19,857	22,008	90.2

Notes:

- 1) The student enrollment information was based on the internal records of our University.
- 2) We generally require all full-time students of our University to live on campus. The school capacity is presented as the number of beds available in student dormitories at our University for the relevant school years.
- 3) The school utilization rate represents the total student enrollment for a school year divided by the school capacity for the same school year multiplied by 100.





## MANAGEMENT DISCUSSION & ANALYSIS

### OUTLOOK AND BUSINESS STRATEGIES

#### FUTURE OUTLOOK

In view of the COVID-19 epidemic, our Group has actively introduced online teaching since March 2020 during the Reporting Period in adherence to the nation's policy of "classes suspended but learning continues". As online teaching has been delivered for about 90% of the courses taken by our enrolled students, a practice which has been highly rated by parents and students alike. According to our internal statistics, as at 30 June 2020, our online teaching program attained an average rating of 91.3 out of 100 among students and parents. Meanwhile, our Group has developed a proprietary real-time monitoring system to ensure the health and safety of our teachers and students as well as the smooth progress of various works and affairs. Moreover, we have also made vigorous efforts to procure employment for students. With the full support of various academic and operational departments, we have endeavoured to broaden the employment pathways for students so that they could secure job offers at an early stage.

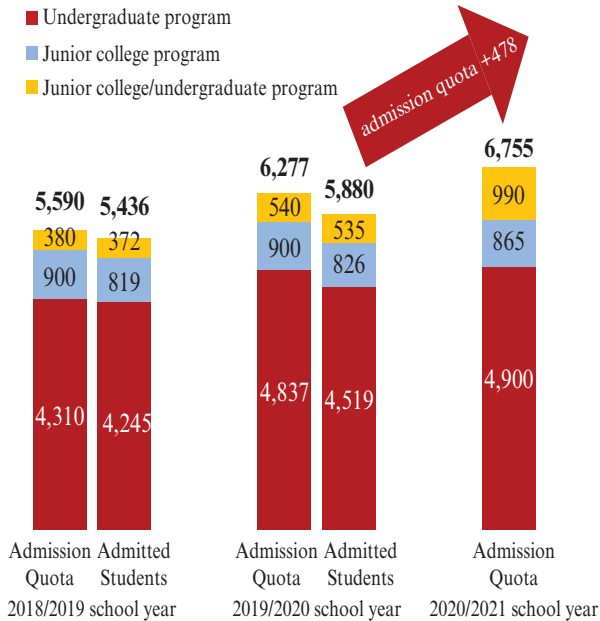
We believe that our Group's solid status as the largest private higher education group in Shanghai has well-positioned us to benefit from the growing demand of private higher education. The University's location in Lingang New City area, Pudong New Area has afforded distinct regional advantages. In August 2019, the State Council announced the establishment of Lingang New Area in the China (Shanghai) Pilot Free Trade Zone. As an important component of the action plan for the integrated development of Yangtze River Delta region, our location in Lingang New City will be conducive to consolidating the Group's competitive edge in Yangtze River Delta.

In the meantime, the government announced in 2020 a number of policies that were favourable to the Group's business development in many respects. It was confirmed at a press conference held on 28 February 2020 under the joint prevention and control mechanism of the State Council of the PRC that there will be an expected increase in the number of admission of postgraduate students and graduates from general higher institutions for junior college/undergraduate programs by 189,000 and 322,000 year-on-year from the number for the last year, respectively. In the Report of the Government of the PRC published on 22 May 2020, it was stated that the student enrollment at higher vocational colleges will increase by 2 million in the current year and the next. On 28 May 2020, the Ministry of Education of the PRC published the "Notice on the Continued Provision of Second Bachelor's Degree Education at General Higher Institutions" to encourage the launch of second bachelor's degrees at higher institutions.



## MANAGEMENT DISCUSSION & ANALYSIS

Benefiting from the expansion of student enrollment for junior college/undergraduate programs, admission quota of our University for the 2020/2021 school year is expected to increase to 6,755 students, an addition of 478 students compared to the 2019/2020 school year, including 450 increase in junior college/undergraduate program.



In view of the above, as well as our regional advantages and favourable government policies, the Group will continue to focus on providing market-oriented programs for students, recruiting high-calibre talents, improving our campus environment and schooling conditions and enhancing our social influence. In the future, we will drive business development through four strategic approaches as follows, with a view to growing the University into a first-rate private university in China with unique features and international standing:

### Enhancing profitability by optimising pricing and increasing student enrollment at our University

The level of tuition fees and boarding fees charged by us represents an important factor affecting our profitability. For the 2020/2021 school year, the tuition fees for eight majors will be increased by approximately 30%–40%.



## MANAGEMENT DISCUSSION & ANALYSIS

Such increment in tuition fees is commensurate with our efforts to upgrade our work for the University through the provision of more comprehensive curriculums and the adoption of international teaching approaches. Going forward, we plan to review our tuition fee rate on an ongoing basis and adjust the tuition fee rates as and when appropriate.

In addition, we charge students who are living in the two dormitory buildings under phase two of our construction plan RMB5,800 per student per school year, which is approximately 60% higher than our previous boarding fee rate. For the dormitory buildings under phase one of our campus construction plan, we have increased the boarding fees from RMB3,600 to RMB4,800 for new students to be enrolled in 2020.

We believe that the ongoing increase in student enrollment is also important to our success. We intend to continue to increase our investment in new construction projects to build academic, administrative, and boarding facilities that can meet the needs of our expansion in the years to come.

In order to increase the school capacity in relation to student dormitories and teaching facilities that can meet the needs of the Group's expansion in the years to come, our University decided to commence phase three of our campus construction plan. It is expected that the construction works of the campus facilities to be constructed as part of the phase three of our campus construction plan shall commence in September 2020. Such campus facilities, with a total gross floor area of approximately 60,950 square meters, mainly comprise (i) a multi-function teaching building with a total gross floor area of approximately 9,413 square meters, (ii) two dormitory buildings with a total gross floor area of approximately 21,742 square meters and 21,715 square meters, respectively, and with an aggregate of 3,984 beds which will increase our school capacity, as well as (iii) an ancillary dormitory building for boarding-related services (such as an office of dormitory management personnel and laundry rooms).

The total capital expenses on phase three of our campus construction plan is currently estimated to be approximately RMB340 million (equivalent to approximately HKD377.4 million), which shall be incurred by the end of 2022.

### Expanding our school network and enhancing our market penetration

We have plans to seek suitable opportunities to acquire or invest in other schools in China or elsewhere, as a means to expand our school network and increase our market share. In China, we intend to prioritize private higher education institutions which school sponsors have elected or intend to elect them to be for-profit schools, in particular universities offering bachelor's degree programs focused on applied sciences. Our target institutions will have a student enrollment of at least 5,000 generating revenue of not less than RMB100 million. In terms of geographic location, we intend to prioritize suitable target schools in east China, particularly in the Yangtze River Delta, which we believe will enhance our profile and create synergies in the region. According to an independent market research report, commissioned by our Company on the PRC private education market and prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., there were approximately 50 to 80 private higher education institutions in the Yangtze River Delta region meeting the aforementioned standards as at the end of 2018. Internationally, we intend to prioritize institutions with postgraduate research capabilities

## MANAGEMENT DISCUSSION & ANALYSIS

recognized by the Ministry of Education of the PRC. In terms of geographic location, we intend to prioritize institutions in developed countries. An expanded overseas school network will provide students with more options of destinations for studying abroad, while further attracting overseas students to be enrolled.

We have been in the process of identifying and in discussion on ongoing opportunities and potential projects. The Group will make disclosures on mergers and acquisitions as and when appropriate.

### **Building on our existing strengths and exploring new growth areas**

We believe the quality of our education services is the cornerstone of our business. We intend to continue with the expansion and diversification of our course offerings in response to industry trends and market demand, including the offering of new majors based on market developments. We plan to further solidify our competitive advantage in the provision of well-rounded education with a special focus on applied sciences.

We have established two new majors for our undergraduate program: (i) health services and management, and (ii) art and technology, for the 2020/2021 school year. We believe that these majors will further expand the categories of our majors and meet the increasing demands of the health services and the cultural and creative industries. We have also established the college of health management in June 2020, offering two undergraduate major programs: (i) nursing, and (ii) health services and management, and one junior college program in nursing. In addition, we also have plans to submit an application in 2020 for the launch of our own postgraduate courses to further increase the levels of education offered by our University.

We also plan to expand our continuing education college. We believe that the number of our part-time student enrollment will continue to maintain a growth trend in tandem with the growing demand for continuing education among the employed population. As at 30 June 2020, our continuing education college had an enrollment of 2,474 students. In addition to our on-campus facilities, we have also entered into arrangements for the use of facilities of independent third party training or tutoring service providers in Shanghai to provide certain continuing education courses at their premises and have established eight off-campus education centers in different areas in Shanghai in order to provide prospective part-time students with more location options and convenient commute times.

On 6 July 2020, our four majors, namely, international economics and trade, mechanical design, manufacturing and automation, network engineering, and gemology and jewelry materials study, were approved for registration as majors for the second bachelor's degree at general higher institutions in 2020, as we became the only private university in Shanghai securing such registration. We plan to admit students for these majors in the 2020/2021 school year, targeting at current-year graduates of general higher education institutions with a bachelor's degree, as well as graduates of general higher education institutions with a bachelor's degree in the past three years who are currently unemployed. As an incremental quota, the admission quota for second bachelor's degrees will be separately incorporated into the State-approved total enrollment of general undergraduate students, in addition to the existing admission quota for the University's general undergraduate programs.

## MANAGEMENT DISCUSSION & ANALYSIS

In the meantime, our minor bachelor's degree program admission has continued to make steady progress, in accordance with the principles set out in the "Measures for the Administration of the Delegation and Conferment of Bachelor's Degrees" published by the Academic Degrees Committee of the State Council of the PRC. In addition to his/her major, our student can concurrently study for a minor at undergraduate level and receive a bachelor's degree for his/her minor after completion of required units and fulfilment of conditions for the conferment of bachelor's degree. Students will be charged a tuition fee for minor based on units taken.

### Reaping benefits afforded by the Lingang New Area policy to pursue the integrated development of industry, education and city

According to the "General Planning for State-owned Land in Lingang New Area of the China (Shanghai) Pilot Free Trade Zone (2019–2035)", by 2035, Lingang New Area will be developed into a world-class coastal city with a gross domestic product of RMB1,000 billion and a resident population of approximately 2.50 million, characterised by young, internationalised and well-educated residents with high mobility, and housing not less than one-third of the multinational corporate headquarters in Shanghai. To take advantage of the development of Lingang New Area, we have entered into a strategic framework agreement for university-enterprise cooperation with Lingang Group for the joint creation of the Lingang New Area Industrial University (臨港新片區產業大學), which aims to offer majors for five key industrial aspects, commence multidimensional cooperation projects with 50 leading enterprises in Lingang, build a 500-member high-calibre teaching team and groom 5,000 specialised talents urgently required by corporations in the new area by 2023. We will continue to work with local enterprises to further identify the respective advantages and resources of the industry and higher education institution, so as to commence in-depth cooperation in joint training of high-tech talents, industry-university-research collaboration and employment promotion.

## FINANCIAL REVIEW

### Revenue

The Group's revenue represents the value of services rendered during the Reporting Period. The Group derives revenue from tuition fees, boarding fees and other education related services our University collect from students.

Considering the global outbreak of COVID-19 during the Reporting Period and the national policy of "classes suspended but learning continues" ("停課不停學"), the Group actively arranged students to switch from studying at school to online, and online teaching progressed smoothly. For the six months ended 30 June 2020, the Group's revenue was approximately RMB279.1 million, representing an increase of approximately RMB24.9 million, or 9.8%, as compared with the corresponding period of last year, which was mainly due to, (i) the increase in the revenue derived from tuition fees by approximately RMB34.4 million, or 15.4%, as the total number of full-time students enrolled in the Group's university for the 2019/2020 school year increased, and the tuition fee rates in 2019/2020 school year which were applicable to newly admitted students increased, and (ii) the decrease in the revenue derived from boarding fees by approximately RMB14.7 million, or 48.0%, as the Group's university refunded the

## MANAGEMENT DISCUSSION & ANALYSIS

boarding fees amounting to approximately RMB33.9 million to students in accordance with the boarding fees refund policy released by the relevant authorities due to the COVID-19 pandemic during the Reporting Period.

### Cost of Sales

The Group's cost of sales primarily consisted of salary costs, depreciation and amortization, student-related expenses, cooperative education expenses, teaching material expenses and maintenance expenses, along with training expenses, research and development costs, travel expenses, office expenses, and others.

For the six months ended 30 June 2020, the Group's cost of sales decreased by approximately RMB7.5 million, or 7.1%, as compared with the corresponding period of last year, which was primarily due to the decrease of student-related expenses, maintenance expenses and other miscellaneous costs, as our students did not live on campus under the outbreak of COVID-19 during the Reporting Period.

### Gross Profit and Gross Profit Margin

The Group's gross profit increased by approximately RMB32.4 million, or 22.0%, from approximately RMB147.3 million for the six months ended 30 June 2019 to approximately RMB179.7 million for the six months ended 30 June 2020. The Group's gross profit margin represents the Group's gross profit as a percentage of its revenue. For the six months ended 30 June 2020, the Group achieved a gross margin of 64.4%, up by 6.5 percentage points as compared to the corresponding period of last year, which was mainly due to the combined effects of (i) the increasing number of student enrollment and average tuition fees, and (ii) the temporary closure of our campus under the outbreak of COVID-19 in China during the Reporting Period, which resulted in the decrease of the revenue from boarding fees, and the cost saving on the student-related expenses, maintenance expenses and other miscellaneous costs.

### Other Income and Gains

The Group's other income and gains primarily consisted of government grants, operating lease income from operators of supermarkets, snap shops, etc. in the school campus, and others.

The Group's other income and gains decreased by approximately RMB1.4 million, or 26.3%, from approximately RMB5.1 million for the six months ended 30 June 2019 to approximately RMB3.7 million for the six months ended 30 June 2020, which was mainly due to a decrease in operating lease income, as effected by the outbreak of COVID-19 during the Reporting Period.

### Selling and Distribution Expenses

The Group's selling and distribution expenses primarily consisted of expenses incurred for relevant advertising of the University, including the cost of promotional brochures, transportation expenses, telecommunication expenses and business entertainment expenses.



## MANAGEMENT DISCUSSION & ANALYSIS

The Group's selling and distribution expenses decreased by approximately RMB0.9 million, or 53.5%, from approximately RMB1.6 million for the six months ended 30 June 2019 to approximately RMB0.7 million for the six months ended 30 June 2020, which was mainly due to a decrease in cost on travel expenses and promotional brochures, as our Group currently carries out our student admission marketing activities mostly online.

### Administrative Expenses

The Group's administrative expenses consisted of salary expenses for administrative staff, logistic expenses, depreciation of vehicle and equipment for administrative purposes, professional service expenses which mainly consisted of listing expenses, travel expenses, entertainment expenses, office expenses, and others.

The Group's administrative expenses increased by approximately RMB4.1 million, or 8.9%, from approximately RMB45.6 million for the six months ended 30 June 2019 to approximately RMB49.7 million for the six months ended 30 June 2020, which was primarily due to an increase of approximately RMB3.8 million in expenses incurred for engaging professional services in relation to interim and annual audit and annual legal advisory services, and other compliance consultant services since the Listing Date.

### Finance Costs

The Group's finance costs primarily consisted of the interest expenses for bank loans. Because certain bank loans were borrowed for the phase two of our campus construction plan and the buildings under such campus construction plan were put into use at the end of August 2019, the corresponding interests ceased to be capitalised accordingly, which led to an increase in the finance costs for the six months ended 30 June 2020, compared to the amount for the six months ended 30 June 2019.

### Profit Before Tax

For the six months ended 30 June 2020, the Group recorded a profit before tax of approximately RMB104.3 million, representing an increase of approximately 28.1% from approximately RMB81.5 million for the same period of last year.

### Adjusted Net Profit

To supplement our consolidated statements of profit or loss and consolidated statements of comprehensive income which are presented in accordance with IFRS, we also use adjusted net profit as an additional financial measure. We present this financial measure because it is used by our management to evaluate our operating performance. We also believe that such non-IFRS measure provides useful information to investors in the same manner as it helps our management in understanding and evaluating our results of operations and in comparing financial results across accounting periods and to those of our peer companies.



## MANAGEMENT DISCUSSION & ANALYSIS

Adjusted net profit eliminates the effect of listing-related expenses, which is a non-recurring item. The term of adjusted net profit is not defined under IFRS. The use of adjusted net profit has material limitations as an analytical tool, as adjusted net profit does not include all items that impact our net profit for the year. We compensate for these limitations by reconciling this financial measure to the nearest IFRS performance measure, which should be considered when evaluating our performance.

The Group's adjusted net profit was determined by adjusting profit for the six months ended 30 June 2020 from continuing operations of approximately RMB104.0 million (for the six months ended 30 June 2019: approximately RMB81.0 million) for the effect of listing expenses of approximately RMB9.5 million (for the six months ended 30 June 2019: approximately RMB9.2 million). The Group's adjusted net profit increased significantly by approximately 25.8% from approximately RMB90.2 million for the six months ended 30 June 2019 to approximately RMB113.5 million for the six months ended 30 June 2020.

### Liquidity and Capital Resources

Our primary uses of cash were to fulfill our working capital requirements, to fund our purchase of property, plant and equipment and to repay bank and other borrowings and related interest expenses. During the Reporting Period, we funded our operations principally with cash generated from our operations, bank and other borrowings, and the net proceeds from the initial public offering of the Company (including the full exercise of the over-allotment option). In the future, we believe that our liquidity requirements will be satisfied by a combination of cash flows generated from our operating activities, bank and other borrowings and other funds raised from the capital markets from time to time.

### Treasury Policy

The Group has adopted a prudent financial management approach towards its treasury policy. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements all the time.

### Property, Plant and Equipment

As at 30 June 2020, the Group's property, plant and equipment amounted to approximately RMB1,833.2 million, representing an increase of approximately RMB12.8 million, or 0.7%, as compared to the balance as at 31 December 2019. Such an increase was due to the phase two of our campus construction plan, maintaining and upgrading existing school premises and purchasing additional educational facilities and equipment during the Reporting Period.





## MANAGEMENT DISCUSSION & ANALYSIS

### Cash and Cash Equivalents

As at 30 June 2020, the Group's cash and cash equivalents were approximately RMB570.2 million, representing an increase of approximately RMB235.4 million, or 70.3%, as compared to the balance as at 31 December 2019. The increase was mainly contributed by the combined effects of (i) the net proceeds from the initial public offering of the Company (including the full exercise of the over-allotment option) received by the Group during the Reporting Period, and (ii) the repayment of bank loans, payment for phase two of our campus construction plan, and the payment of approximately RMB147.2 million income tax, which was in relation to the disposal of old school buildings and transfer of land to an independent third party in August 2015 in accordance with the relevant tax rules, during the Reporting Period.

### Bank Borrowings

Our bank borrowings primarily consisted of short-term working capital loans and long-term project loans for our campus construction plan.

We primarily borrowed loans from banks to supplement our working capital and finance our capital expenditure. Our bank borrowings amounting an aggregate of approximately RMB1,126.3 million as at 30 June 2020 (31 December 2019: approximately RMB1,131.2 million) were all denominated in Renminbi. As at 30 June 2020, our bank and other borrowings bore effective interest rates ranging from 4.35% to 5.94% per annum. The following table sets forth the maturity profile of the interest-bearing bank and other borrowings as of the dates indicated:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
<b>Analysed into:</b>		
Repayable within one year	228,000	275,000
Repayable in the second year	181,000	167,000
Repayable within two to five years	551,000	523,000
Repayable in more than five years	166,280	166,280
	898,280	856,280
	1,126,280	1,131,280

## MANAGEMENT DISCUSSION & ANALYSIS

### Capital Expenditure

Our capital expenditures during the Reporting Period were primarily related to phase two of our campus construction plan, maintaining and upgrading existing school premises and purchasing additional educational facilities and equipment for the University. For the six months ended 30 June 2020, the Group's capital expenditures were approximately RMB108.0 million.

### Contractual Commitments

Our capital commitments were primarily related to the acquisition of property, plant and equipment. The following table sets forth our capital commitments as of the dates indicated:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Contracted, but not provided for:		
Property, plant, and equipment	<u>1,677</u>	<u>800</u>
Authorised, but not contracted for:		
Property, plant, and equipment	<u>340,000</u>	<u>—</u>

### Contingent Liabilities

As at 30 June 2020, the Group did not have any significant contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened (31 December 2019: Nil).

### Gearing Ratio

Gearing ratio equals total debt divided by total equity as at the respective period end date. Total debt includes all interest-bearing bank borrowings. Compared to the gearing ratio as at 31 December 2019, the gearing ratio as at 30 June 2020 decreased from 1.1 to 0.7, which was mainly due to (i) a decrease in the interest-bearing bank loans and other borrowings, and (ii) an increase of our equity, which was in relation to the new shares of the Company issued and the increasing business performance during the Reporting Period.



## MANAGEMENT DISCUSSION & ANALYSIS

### Foreign Exchange Risk Management

The functional currency of the Company is Renminbi. The majority of the Group's revenue and expenditures was denominated in Renminbi, while there were certain monetary assets that were denominated in Hong Kong dollars, which would expose the Group to foreign exchange risk. The Group currently does not have a foreign currency hedging policy. However, the management of the Company monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

### Significant Investments, Acquisitions and Disposals, Future Plan for Material Investments and Capital Assets

There were no significant investments held as at 30 June 2020, nor other material acquisitions and disposals of subsidiaries and associated companies. Save as disclosed in this interim report, as at 30 June 2020, the Group did not have any immediate plans for material investments and capital assets.

On 26 August 2020, the University entered into a construction contract with an independent third party construction contractor, in relation to the construction works, installation works and related ancillary works of the campus facilities, which are part of the phase three of our campus construction plan, at an estimated consideration of approximately RMB250.0 million (equivalent to approximately HKD277.5 million), subject to adjustment (which is not expected to be material) based on settlement audit. Such consideration will be financed by partial proceeds from the initial public offering of the Company and bank borrowings. For further information about this transaction, please refer to the announcement of the Company dated 26 August 2020. With regards to other construction works, installation works and related ancillary works to be conducted under phase three of the campus construction plan, it is currently estimated that the related costs and expenses shall be approximately RMB90.0 million (equivalent to approximately HKD99.9 million). The Company will make further announcement(s) as and when appropriate as required by the Listing Rules.

### Pledge of Assets

As at 30 June 2020, the Group's bank borrowings of RMB721,280,000 were secured by the Group's rights over tuition fees and boarding fees.

### Employees and Remuneration Policy

As at 30 June 2020, the Group had 1,146 full-time employees (30 June 2019: 1,098 employees). The remuneration policy and package of the Group's employees are periodically reviewed in accordance with industry practice and result performance of the Group. The Group provides external and internal training programs to its employees. The Group participates in various employee social security plans for its employees administered by local governments, including housing, pension, medical insurance, occupational injury insurance, maternity insurance and unemployment insurance. The total remuneration cost incurred by the Group for the six months ended 30 June 2020 was approximately RMB80.5 million (30 June 2019: approximately RMB75.8 million).

# OTHER INFORMATION

## USE OF PROCEEDS FROM LISTING

On the Listing Date, 100,000,000 new Shares with nominal value of HK\$0.01 each of the Company were issued at a price of HK\$6.05 per Share in connection with the Company's initial public offering. On 11 February 2020, the Company further issued 15,000,000 Shares of HK\$0.01 each at a subscription price of HK\$6.05 per Share pursuant to the full exercise of over-allotment option.

Net proceeds from the initial public offering of the Company (including the full exercise of the over-allotment option) amounted to approximately HK\$666.0 million, after deducting underwriting fee and relevant expenses. Such amount were used and are proposed to be used as and when appropriate based on the Group's business needs according to the intentions previously disclosed in the Prospectus.

As at 30 June 2020, the utilisation of the net proceeds is as follows:

Unit: Hong Kong dollar million

Items	Percentage	Available	Utilised	Unutilised	Expected timeframe for full utilisation <sup>(1)</sup>
Acquisitions or investments to expand our school network	34.8%	231.7	—	231.7	31 December 2023
Finance construction projects on our campus and purchase of furniture and equipment	35.0%	233.1	68.5	164.6	31 December 2022
Repay our short-term loans and the current portion of our long-term loans as they become due	20.2%	134.6	134.6	—	N/A
Supplement our working capital and for general corporate purposes	10.0%	66.6	9.2	57.4	31 December 2022
Total	100.0%	666.0	212.3	453.7	

Note:

- (1) The expected timeline for the application of the unutilised net proceeds is subject to uncertainties brought by the international macro-environment and the unprecedented COVID-19 pandemic on the prevailing and future market conditions and business developments and in need. In view of the significant effects to the economy and business environment, we shall update and re-visit our plan continuously.



## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2020, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules were as follows:

#### I. Interest in Shares or underlying Shares of the Company

Name	Capacity/Nature of interest	Number of Shares	Long/short Position	Approximately Percentage of Shareholding in the Company
Mr. Zhou	Interest in a controlled corporation <sup>(1)</sup>	105,450,000	Long position	25.41%
Mr. Zheng Xiangzhan	Interest in a controlled corporation <sup>(2)</sup>	30,600,000	Long position	7.37%
Mr. Zhao Donghui	Interest in a controlled corporation <sup>(3)</sup>	30,000,000	Long position	7.23%
Mr. Shi Yinjie	Interest in a controlled corporation <sup>(4)</sup>	17,100,000	Long position	4.12%

Notes:

- (1) Mr. Zhou is the sole shareholder and the sole director of She De Limited and Gan En Limited and he is therefore deemed to be interested in the Shares held by She De Limited and Gan En Limited.
- (2) Mr. Zheng Xiangzhan is the sole shareholder and the sole director of Ze Ren Limited and he is therefore deemed to be interested in the Shares held by Ze Ren Limited.
- (3) Mr. Zhao Donghui is the sole shareholder and the sole director of Ai Xin Limited and he is therefore deemed to be interested in the Shares held by Ai Xin Limited.
- (4) Mr. Shi Yinjie is the sole shareholder and the sole director of Tuan Jie Limited and he is therefore deemed to be interested in the Shares held by Tuan Jie Limited.

## OTHER INFORMATION

### II. Interest in shares of associated corporation of the Company

Name	Name of associated corporation	Capacity/Nature of interest	Amount of registered share capital (RMB)	Approximate percentage of shareholding
Mr. Zhou	Jian Qiao Group	Beneficial owner	61,510,000	35.15%
Mr. Zheng Xiangzhan	Jian Qiao Group	Beneficial owner	17,850,000	10.20%
Mr. Zhao Donghui	Jian Qiao Group	Beneficial owner	17,500,000	10.00%
Mr. Shi Yinjie	Jian Qiao Group	Beneficial owner	9,970,000	5.70%

Save as disclosed above, as at 30 June 2020, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



## OTHER INFORMATION

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2020, to the best knowledge of the Directors, the following persons (other than being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/Nature of interest	Number of Shares	Long/short Position	Approximately Percentage of Shareholding in the Company
She De Limited	Beneficial owner	66,000,000	Long position	15.90%
Gan En Limited	Beneficial owner	39,450,000	Long position	9.51%
Ze Ren Limited	Beneficial owner	30,600,000	Long position	7.37%
Ai Xin Limited	Beneficial owner	30,000,000	Long position	7.23%
Xiamen ITG Education Group Co., Ltd.	Beneficial owner	25,880,000	Long Position	6.24%

Save as disclosed above, as at 30 June 2020, the Directors and the chief executive of the Company were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this interim report, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

## OTHER INFORMATION

### SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme on 19 December 2019 to give the Eligible Persons (as defined in the Prospectus) an opportunity to have a personal stake in our Company and help motivate them to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of Executives (as defined in the Prospectus), to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

No share option has been granted, exercised, lapsed or cancelled under the Share Option Scheme during the period from the Listing Date to 30 June 2020.

### CONTRACTUAL ARRANGEMENTS

Please refer to the section headed “Contractual Arrangements” in the Prospectus for details. During the Reporting Period, the Board has reviewed the overall performance of the Contractual Arrangements (as defined in the Prospectus) and considered that the Group has complied with the Contractual Arrangements in all material respects.

### LATEST REGULATORY DEVELOPMENT

#### (1) Qualification Requirement

The foreign investor in a Sino-foreign joint venture private school offering higher education must be a foreign educational institution with relevant qualification and high quality of education (the “Qualification Requirement”). Foreign portion of the total investment in a Sino-foreign joint venture private school should be below 50% and the establishment of these schools is subject to approval of education authorities at the provincial or national level. We are committed to working towards meeting the Qualification Requirement. We have adopted a specific plan and taken concrete steps which the Company believes to be meaningful endeavors to demonstrate compliance with the Qualification Requirement. Please also refer to the section headed “Contractual Arrangements” in the Prospectus and the annual report of the Company for the year ended 31 December 2019 for the Group’s efforts and actions undertaken to comply with the Qualification Requirement.





## OTHER INFORMATION

As advised by the Company's PRC legal advisors, there are no implementing measures or specific guidance on the Qualification Requirement in accordance with the existing PRC laws and regulations and therefore it is currently uncertain as to what specific criteria must be met by a foreign investor (such as length of experience and form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant educational authority that it meets the Qualification Requirement.

### (II) 2016 Decision and Related Implementing Rules and Regulations

The Decision on Amending the Law for Promoting Private Education of the PRC (《關於修改〈中華人民共和國民辦教育促進法〉的決定》) (the "2016 Decision") was promulgated on 7 November 2016 and took effect on 1 September 2017. On 26 December 2017, the People's Government of Shanghai promulgated the Implementation Opinions of Shanghai Municipal People's Government on Promoting the Healthy Development of Private Education (《上海市人民政府關於促進民辦教育健康發展的實施意見》) and the Administration Measures of Shanghai Municipality on Classification of Licensing and Registration of Private Schools (《上海市民辦學校分類許可登記管理辦法》). For more details, please refer to the section headed "Business — Potential Implications of the 2016 Decision and Related Implementing Rules and Regulations" in the Prospectus. Under the existing regulatory environment and based on the interpretation of the 2016 Decision and related implementing rules and the existing ownership structure of our University, in December 2018, the School Sponsors of our University have submitted their decision to the Shanghai Municipal Education Commission to register as a for-profit private school.

### (III) Foreign Investment Law of the PRC

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) has been taken effect on 1 January 2020. For details, please refer to the section headed "Contractual Arrangements — Development in the PRC Legislation on Foreign Investment" in the Prospectus.

### (IV) Special Administrative Measures for Access of Foreign Investment (Negative List) (2020)

On 23 June 2020, the NDRC and the MOFCOM promulgated the Special Administrative Measures for Access of Foreign Investment (Negative List) (2020) (《外商投資准入特別管理措施(負面清單)》(2020年版)) (the "Negative List 2020"), which became effective on 23 July 2020. And after the implementation of the Negative List 2020, the Special Administrative Measures for Access of Foreign Investment (Negative List) (2019) (《外商投資准入特別管理措施(負面清單)》(2019年版)) (the "Negative List 2019") shall be repealed simultaneously.



## OTHER INFORMATION

Consistent with the Negative List 2019, the Negative List 2020 provides that the industry in which we operate our business, higher education is a restricted industry for foreign investors, and foreign investors are only allowed to invest in higher education in cooperation with a domestic party and the domestic party shall play a dominant role in the cooperation, which means the headmaster or other chief executive officer of the schools shall be a PRC national and the representative of the domestic party shall account for no less than half of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign cooperative educational institution.

As at the date of this interim report, the Group's operations have not been affected by the above law, decision, implementing regulations and rules and administration measures. Based on the current conditions and Company's preliminary assessment, the Board is of the view that above law, decision, implementing regulations and rules and administration measures do not have an immediate material adverse impact on the Group's business operations, business plans and financial conditions.

The Company will continue to monitor developments of above law, decision, implementing regulations and rules, administration measures and related laws and regulations, and will make further announcements in respect thereof in accordance with the Listing Rules as and when appropriate.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save for the Company's initial public offering (including the full exercise of the over-allotment option) as described in the Company's Prospectus from which the Company received net proceeds of approximately HK\$666.0 million, after deducting underwriting fee and relevant expenses, there is no other issue of Shares by the Company, and neither the Company nor any of its subsidiaries had purchased, sold or redeemed any other listed securities of the Company during the period from the Listing Date to 30 June 2020.

### AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and practices adopted by the Group. The Audit Committee, together with the Board and external auditor, have reviewed the Group's unaudited interim condensed consolidated financial statements and the interim report for the six months ended 30 June 2020. The Audit Committee is of the opinion that such financial statements comply with the applicable accounting standards, the Listing Rules and all other applicable legal requirements.



## OTHER INFORMATION

### INTERIM DIVIDENDS

On 26 August 2020, the Board has resolved to recommend the payment of an interim dividend of HK\$0.10 per Share for the six months ended 30 June 2020 (the “2020 Interim Dividend”). The 2020 Interim Dividend is intended to be paid out of the share premium of the Company and thus is subject to the approval of shareholders of the Company. The circular convening the extraordinary general meeting of the Company to be held on 29 September 2020 will be dispatched in due course.

Upon the approval of the shareholders of the Company, the interim dividend will be payable on or around 30 October 2020 to the shareholders whose names appear on the register of members of the Company on 12 October 2020. The 2020 Interim Dividend represents approximately 36.5% of the profit attributable to shareholders of the Company for the six months ended 30 June 2020.

### CLOSURE OF THE REGISTER OF MEMBERS

In order to determine the entitlement to attend and vote at the extraordinary general meeting of the Company, the register of members of the Company will be closed from Thursday, 24 September 2020 to Tuesday, 29 September 2020, both days inclusive, during which period no transfer of the Shares will be registered. In order to be eligible to attend and vote at the extraordinary general meeting of the Company, all transfer of the Shares accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 23 September 2020.

In order to determine the entitlement of the shareholders of the Company to receive the 2020 Interim Dividend, the register of members of the Company will be closed from Wednesday, 7 October 2020 to Monday, 12 October 2020, both days inclusive, during which period no transfer of Shares will be registered. The record date for entitlement to the 2020 Interim Dividend is Monday, 12 October 2020. In order to qualify for the entitlement to receive the 2020 Interim Dividend, all transfers of Shares of the Company accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 6 October 2020. The payment date of the 2020 Interim Dividend is expected to be on Friday, 30 October 2020.

## OTHER INFORMATION

### EVENTS AFTER THE REPORTING PERIOD

- a) On 26 August 2020, the Company has resolved to recommend the payment of the 2020 Interim Dividend to the shareholders whose names appear on the register of members of the Company on 12 October 2020. Such proposal is subject to the approval by the shareholders of the Company at the forthcoming extraordinary general meeting of the Company.
- b) On 26 August 2020, the University entered into a construction contract with an independent third party construction contractor, in relation to the construction works, installation works and related ancillary works of the campus facilities, which are part of the phase three of the campus construction plan, at an estimated consideration of RMB250.0 million, subject to adjustment based on settlement audit.
- c) As previously reported that the outbreak of COVID-19 in January 2020 had certain impact on the University, mainly due to domestic travel restrictions and various precautionary measurements undertaken by respective local authorities which inter alia, include temporarily closure of school and delays in classroom commencement during the outbreak period. The Group has put in place certain alternative action plans during the outbreak period, which include implementation of on-line modules and website distance learning activities and refund of boarding fees.

In view of the implementation of the above mentioned action plans, the management has assessed and preliminarily concluded that there was limited impact on the financial position of the Group during the period from January 2020 and up to the date of this interim report. The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impacts on the operation and financial position of the Group, and in the event that there is any significant financial impacts, the Company will release further announcement as and when appropriate, and reflect it in the Group's 2020 annual financial statements.



## OTHER INFORMATION

### UPDATE ON DIRECTORS' INFORMATION AND CHANGE IN DIRECTORS AND SENIOR MANAGEMENT MEMBERS

Subsequent to the Reporting Period and with effect from 24 July 2020:

- (1) Mr. Du Jusheng (杜舉勝) was appointed as a non-executive Director. For details of Mr. Du Jusheng, please refer to the announcement of the Company dated 24 July 2020;
- (2) Mr. Zhou Qiaoqi (周喬琪) was appointed as the deputy chief executive officer of the Company;
- (3) Mr. Zhou Yuhua (周宇華) was appointed as the deputy chief executive officer of the Company; and
- (4) Ms. Wan Zhifang (萬志芳) resigned as the deputy chief executive officer and the chief financial officer of the Company and was appointed as the senior consultant of the Company.

Save as disclosed above, there is no update on the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

### COMPLIANCE WITH THE CG CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability. The Company has adopted the code provisions under the CG Code as its own code of corporate governance. The Company has complied with all applicable code provisions under the CG Code during the period from the Listing Date to 30 June 2020. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

### COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions since its Listing on 16 January 2020. Having made specific enquiries of all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code during the period from the Listing Date to 30 June 2020.

At the same time, since the Listing Date, the Company has also adopted its own code of conduct regarding employees' securities transactions on terms no less exacting than the standard set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

# REPORT ON REVIEW OF UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION



22/F CITIC Tower  
1 Tim Mei Avenue  
Central  
Hong Kong

To the Board of Directors of  
Shanghai Gench Education Group Limited  
*(Incorporated in the Cayman Islands with limited liability)*

## INTRODUCTION

We have reviewed the interim financial information set out on pages 30 to 52, which comprises the condensed consolidated statement of financial position of Shanghai Gench Education Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as at 30 June 2020 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six months period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) issued by the International Accounting Standards Board (“IASB”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young  
Certified Public Accountants  
Hong Kong  
26 August 2020



# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Audited)
REVENUE	4	279,053	254,211
Cost of sales		(99,363)	(106,904)
<b>GROSS PROFIT</b>		<b>179,690</b>	<b>147,307</b>
Other income and gains		3,726	5,053
Selling and distribution expenses		(748)	(1,610)
Administrative expenses		(49,722)	(45,647)
Reversal of impairment losses on financial assets		949	10
Other expenses		—	(170)
Finance costs		(29,550)	(23,474)
<b>PROFIT BEFORE TAX</b>	5	<b>104,345</b>	<b>81,469</b>
Income tax expense	6	(370)	(471)
<b>PROFIT FOR THE PERIOD</b>		<b>103,975</b>	<b>80,998</b>
Attributable to:			
Owners of the parent		103,975	80,998
		<b>RMB (Unaudited)</b>	<b>RMB (Unaudited)</b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	8		
Basic and diluted		0.26	0.27

# UNAUDITED INTERIM CONDENSED CONSOLIDATED COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Audited)
PROFIT FOR THE PERIOD	103,975	80,998
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	15,057	—
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	15,057	—
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	15,057	—
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	119,032	80,998
Attributable to:		
Owners of the parent	119,032	80,998





# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	1,833,218	1,820,421
Right-of-use assets		650,958	658,320
Other intangible assets		1,430	1,853
Long-term prepayments		4,308	9,926
Deferred tax assets		—	346
Total non-current assets		<u>2,489,914</u>	<u>2,490,866</u>
<b>CURRENT ASSETS</b>			
Accounts receivable	10	2,855	4,984
Prepayments and other receivables		5,752	9,007
Time deposits		182,688	—
Cash and bank balance		387,532	334,867
Total current assets		<u>578,827</u>	<u>348,858</u>
<b>CURRENT LIABILITIES</b>			
Other payables and accruals		146,818	196,282
Interest-bearing bank borrowings		228,000	275,000
Contract liabilities		27,247	307,208
Tax payable		24	147,592
Deferred income		17,544	17,065
Total current liabilities		<u>419,633</u>	<u>943,147</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>159,194</u>	<u>(594,289)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,649,108</u>	<u>1,896,577</u>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		898,280	856,280
Deferred income		27,061	25,322
Total non-current liabilities		<u>925,341</u>	<u>881,602</u>
<b>NET ASSETS</b>		<u>1,723,767</u>	<u>1,014,975</u>
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital	11	3,677	—
Share premium		586,083	—
Other reserves		1,134,007	1,014,975
<b>TOTAL EQUITY</b>		<u>1,723,767</u>	<u>1,014,975</u>

Zhou Xingzeng  
Director

Zheng Xiangzhan  
Director

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the parent						
	Issued capital	Share premium	Capital reserve*	Statutory Surplus reserves*	Exchange fluctuation reserve*	Retained profits*	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 11						
As at 1 January 2020 (audited)	—**	—	184,787	123,943	(337)	706,582	1,014,975
Issuance of shares for the initial public offering ("IPO")	886	534,896	—	—	—	—	535,782
Capitalisation issue of shares	2,656	(2,656)	—	—	—	—	—
Exercise of the over-allotment option	135	81,549	—	—	—	—	81,684
Share issuance expenses	—	(27,706)	—	—	—	—	(27,706)
Profit for the period	—	—	—	—	—	103,975	103,975
Other comprehensive income for the period							
Exchange differences on translation of foreign operations	—	—	—	—	15,057	—	15,057
Total comprehensive income for the period	—	—	—	—	15,057	103,975	119,032
Appropriations to statutory surplus reserves	—	—	—	29,126	—	(29,126)	—
As at 30 June 2020 (unaudited)	3,677	586,083	184,787	153,069	14,720	781,431	1,723,767

\* These reserve accounts comprise the consolidated other reserves of RMB1,134,007,000 (31 December 2019: RMB1,014,975,000) in the consolidated statement of financial position as at 30 June 2020.

\*\* The balance represents an amount less than RMB1,000.



## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2019

	Attributable to owners of the parent				
	Issued capital RMB'000	Capital reserve RMB'000	Statutory surplus reserves RMB'000	Retained profits RMB'000	Total equity RMB'000
As at 1 January 2019 (audited)	—	184,787	84,903	620,202	889,892
Profit and total comprehensive income for the period	—	—	—	80,998	80,998
Appropriations to statutory surplus reserves	—	—	22,725	(22,725)	—
As at 30 June 2019 (unaudited)	—	184,787	107,628	678,475	970,890

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

		For the six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
		(Unaudited)	(Audited)
Notes			
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>			
	Profit before tax	104,345	81,469
	Adjustments for:		
	Finance costs	29,550	23,474
	Bank interest income	(2,530)	(181)
	Government grants released	(13,532)	(22,350)
	Reversal of impairment of accounts receivable	5 (949)	(10)
	Depreciation	5, 9 27,428	24,011
	Amortisation of other intangible assets	5 423	313
	Depreciation of right-of-use assets	5 7,568	7,567
		152,303	114,293
	Receipt of government grants	15,224	19,498
	Decrease/(increase) in prepayments and other receivables	13,683	(4,530)
	Increase/(decrease) in accounts receivable	3,078	(119)
	Increase/(decrease) in other payables and accruals	9,396	(13,370)
	Increase in unpledged time deposits with original maturity of more than three months	(182,688)	—
	Decrease in contract liabilities	(279,961)	(216,257)
	<b>Cash used in operations</b>	(268,965)	(100,485)
	Interest received	2,530	181
	Tax paid	(147,592)	(4,096)
	<b>Net cash flows used in operating activities</b>	(414,027)	(104,400)
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
	Purchases of items of property, plant and equipment	(108,032)	(142,875)
	Receipt of government grants for property, plant and equipment	16,590	—
	Purchase of other intangible assets	—	(295)
	<b>Net cash flows used in investing activities</b>	(91,442)	(143,170)

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Audited)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		535,782	—
Proceeds from the over-allotment option		81,684	—
Share issue expenses		(24,996)	—
New interest-bearing bank borrowings		200,000	79,600
Repayment of interest-bearing bank borrowings		(205,000)	(50,000)
Repayment to a related company	13	—	(821)
Interest paid		(31,255)	(27,879)
<b>Net cash flows from financing activities</b>		<b>556,215</b>	<b>900</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		50,746	(246,670)
Cash and cash equivalents at beginning of period		334,867	442,078
Effect of foreign exchange rate changes, net		1,919	—
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>387,532</b>	<b>195,408</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		387,532	195,408
Unpledged time deposits with original maturity of more than three months		182,688	—
<b>CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>		<b>570,220</b>	<b>195,408</b>
Unpledged time deposits with original maturity of more than three months		(182,688)	—
<b>CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS</b>		<b>387,532</b>	<b>195,408</b>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## 1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 8 May 2018 as an exempted company with limited liability under the laws of the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. During the period, the Company and its subsidiaries (collectively referred to as the “Group”) principally provided higher education services (collectively the “Listing Business”) in the People’s Republic of China (the “PRC”).

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 16 January 2020 (the “Listing Date”).

In the opinion of the directors of the Company, the ultimate controlling shareholders of the Group are Mr. Zhou Xingzeng, Mr. Zheng Xiangzhan and Mr. Shi Yinjie (collectively, the “Controlling Shareholders”).

## 2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

### 2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019.

### 2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period’s financial information.

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2020

## 2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES — *continued*

### 2.2 Changes in accounting policies and disclosures — *continued*

The nature and impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group does not have any interest rate hedge relationships.



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2020

### 2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES — *continued*

#### 2.2 Changes in accounting policies and disclosures — *continued*

- (c) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

The amendments did not have any impact on the Group's interim condensed consolidated financial information.

- (d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.





# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2020

## 3. OPERATING SEGMENT INFORMATION

The Group principally provides higher education services in the PRC.

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purposes of the resource allocation and assessment of performance, does not contain discrete operating segment financial information and directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

### Geographical information

During the period, the Group operated within one geographical location because all of its revenue was generated in the PRC and all of its long-term assets/capital expenditure were located/incurred in the PRC. Accordingly, no further geographical information is presented.

### Information about major customers

No service provided to a single customer contributed to 10% or more of the total revenue of the Group during the period.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2020

### 4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Audited)
<b>Revenue from contracts with customers</b>		
Tuition fees	257,248	222,874
Boarding fees	15,883	30,554
Others	5,922	783
Total revenue from contracts with customers	279,053	254,211

#### (i) Disaggregated revenue information

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Audited)
<b>Recognised over time</b>		
Tuition fees	257,248	222,874
Boarding fees	15,883	30,554
Total revenue from contracts with customers recognised over time	273,131	253,428
<b>Recognised at a point in time</b>		
Education-related services	5,922	783

#### (ii) Performance obligations — Education services

The performance obligations are satisfied over time as services are rendered and tuition and boarding fees of education-related services are generally paid in advance prior to the beginning of each academic year.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2020

### 5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		For the six months ended 30 June	
		2020	2019
Note		RMB'000	RMB'000
		(Unaudited)	(Audited)
Employee benefit expense (including directors' and chief executive's remuneration):			
	Wages, salaries and other allowances	73,723	67,377
	Pension scheme contributions and social welfare	6,804	8,457
		<u>80,527</u>	<u>75,834</u>
	Depreciation of property, plant and equipment	27,428	24,011
	Depreciation of right-of-use assets	7,568	7,567
	Amortisation of intangible assets	423	313
	Listing expense	9,498	9,189
	Auditors' remuneration	1,200	329
	Reversal of impairment of accounts receivable	(949)	(10)

### 6. INCOME TAX

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax from business carried in the Cayman Islands.

The Company's directly held subsidiary is incorporated in the British Virgin Islands ("BVI") as an exempted company with limited liability under the Companies Law of the BVI and accordingly is not subject to income tax from business carried in the BVI.

The Group was not liable for income tax in the United States and Hong Kong as the Group had no assessable profits derived from or earned in the United States and Hong Kong during the period.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2020

### 6. INCOME TAX — *continued*

According to the Implementation Rules for the Law for Promoting Private Education (the “Implementation Rules”), private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. The preferential tax treatment policies applicable to private schools requiring reasonable returns are to be separately formulated by the financing authority, taxation authority and other authorities under the State Council. During the period and up to the date of approval of this report, no separate policies, regulations or rules have been promulgated by such authorities in this regard. In accordance with the historical tax returns filed to the relevant tax authorities and the compliance confirmation obtained therefrom, the Group’s university did not pay corporate income tax for the provision of formal educational services and has enjoyed the preferential tax treatment since its establishment. As a result, no income tax expense was recognised for the income from the provision of formal educational services during the period.

The non-academic education services provided by the university of the Group is subject to corporate income tax at a rate of 25%.

All of the Group’s non-school subsidiaries operating in Mainland China were subject to the PRC corporate income tax of 25% during the period.

The major components of income tax expense of the Group are as follows:

	For the six months ended	
	30 June	
	2020	2019
	RMB’000	RMB’000
	(Unaudited)	(Audited)
Current — Mainland China:	24	468
Deferred	346	3
Total tax charge for the period	370	471

### 7. DIVIDENDS

The Board has resolved to recommend the payment of interim dividend of HK\$10.0 cents per share out of the share premium account of the Company for the six months ended 30 June 2020 and is subject to the approval by the shareholders of the Company at the forthcoming extraordinary general meeting of the Company. The condensed consolidated financial information does not reflect this dividend payable.



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2020

### 8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent of RMB103,975,000 (six months ended 30 June 2019: RMB80,998,000), and the weighted average number of ordinary shares of 403,379,121 (six months ended 30 June 2019: 300,000,000) in issue during the period, as adjusted for the assumption that 299,990,000 new shares issued pursuant to the Capitalisation Issue (as defined in note 11) had been completed throughout the six months ended 30 June 2020 and 2019.

The Group had no potentially dilutive ordinary shares in issue during the six months as at 30 June 2020 and 2019.

The calculations of basic and diluted earnings per share are based on:

	For the six months ended	
	30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	<u>103,975</u>	<u>80,998</u>
<b>Shares</b>		
Issue of shares on 8 May 2018	10,000	10,000
Effect of capitalisation issue on 16 January 2020	299,990,000	299,990,000
Effect of the IPO (excluding shares issued under the over-allotment option) on 16 January 2020	91,758,242	—
Effect of the over-allotment option on 11 February 2020	<u>11,620,879</u>	<u>—</u>
Weighted average number of ordinary shares used in the basic and diluted earnings per share calculation	<u>403,379,121</u>	<u>300,000,000</u>

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2020

### 9. PROPERTY, PLANT AND EQUIPMENT

	30 June 2020 RMB'000 (Unaudited)
At 1 January 2020	1,820,421
Additions	40,225
Depreciation provided during the period	(27,428)
At 30 June 2020	1,833,218

As at 30 June 2020, the original cost of the Group's property, plant and equipment of RMB210,504,000 (2019: RMB194,440,000) was net off by the government grants received.

Included in the property, plant and equipment were buildings with a carrying value of RMB187,435,000 (2019: RMB189,268,000), for which the property certificate has not been obtained as at 30 June 2020.

### 10. ACCOUNTS RECEIVABLE

An ageing analysis of the accounts receivable as at the end of the Reporting Period, based on the transaction date and net of loss allowance, is as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Accounts receivable:		
Within 1 year	2,386	2,205
1 to 2 years	380	1,953
2 to 3 years	83	647
Over 3 years	6	179
	2,855	4,984



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2020

### 11. SHARE CAPITAL

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Number of ordinary shares		
Authorised:		
Ordinary shares of HK\$0.01 each	<u>500,000,000</u>	<u>500,000,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each	<u>415,000,000</u>	<u>10,000</u>
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Authorised:		
Ordinary shares of HK\$0.01 each	<u>4,462</u>	<u>4,462</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each	<u>3,677</u>	<u>—</u>

A summary of movements in the Group's issued capital during the period is as follows:

	Notes	Numbers of shares in issue	Issued capital RMB'000
Before the capitalisation issue		10,000	—
Capitalisation issue	(a)	299,990,000	2,656
Global offering (excluding shares issued under the over-allotment option)	(b)	100,000,000	886
Over-allotment	(c)	<u>15,000,000</u>	<u>135</u>
As at 30 June 2020		<u>415,000,000</u>	<u>3,677</u>

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2020

### 11. SHARE CAPITAL — *continued*

- (a) On 16 January 2020, a total of 299,990,000 shares were issued by way of capitalisation (the “Capitalisation Issue”) with a par value HK\$0.01 each, and the respective share capital amount was approximately RMB2,656,000.
- (b) On 16 January 2020, 100,000,000 shares of HK\$0.01 each of the Company were issued at HK\$6.05 by way of placing and public offering and the Company’s shares were listed on the Main Board of the Stock Exchange. The proceeds of HK\$1,000,000 (approximately RMB886,000), representing the par value, have been credited to the Company’s share capital, and the remaining proceeds of HK\$604,000,000 (approximately RMB534,896,000) have been credited to the share premium account.
- (c) On 11 February 2020, the Company further issued 15,000,000 ordinary shares of HK\$0.01 each at a subscription price of HK\$6.05 per share pursuant to the exercise of over-allotment options, resulting in a share premium of RMB81,549,000, representing the difference between the subscription price and nominal value of the Company’s ordinary shares before netting off share issue cost.

### 12. COMMITMENTS

The Group had the following capital commitments at the end of the Reporting Period:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Contracted, but not provided for:		
Property, plant and equipment	1,677	800
Authorised, but not contracted for:		
Property, plant and equipment	340,000	—



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2020

## 13. RELATED PARTY TRANSACTIONS

### (1) Name and relationship

The directors of the Group are of the opinion that the following parties/companies are related parties that had transactions or balances with the Group during the period:

Name of related parties	Relationship with the Group
Mr. Zhou Xingzeng	Chairman and one of the ultimate controlling shareholders
Ms. Huang Xiaomei	Spouse of Mr. Zhou Xingzeng
上海建之橋企業發展有限公司 ("Jian Zhi Qiao Development")	A company controlled by the ultimate controlling shareholders
建橋集團資產管理有限公司 ("Jian Qiao Assets Management")	A company controlled by the ultimate controlling shareholders

### (2) Transaction with a related party

	For the six months ended	
	30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Repayment to a related company		
Jian Zhi Qiao Development	—	821

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2020

## 13. RELATED PARTY TRANSACTIONS — *continued*

### (3) Other transactions with related parties

Certain of the Group's bank borrowings are guaranteed by the following related parties:

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited) (Amount of bank borrowings guaranteed)	2019 RMB'000 (Audited) (Amount of bank borrowings guaranteed)
Name of related parties		
Jointly, Jian Qiao Assets Management, Mr. Zhou Xingzeng and Ms. Huang Xiaomei	—	626,680
Jointly, Jian Qiao Assets Management and Mr. Zhou Xingzeng	—	214,600
Jointly, Mr. Zhou Xingzeng and Ms. Huang Xiaomei	—	165,000
Mr. Zhou Xingzeng	—	25,000
	—	1,031,280
	—	1,031,280

### (4) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Audited)
Short-term employee benefits	1,037	964
Pension scheme contributions	43	72
	1,080	1,036
	1,080	1,036

Directors' emoluments are not included in the amounts above.



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2020

### 14. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments as at the end of the Reporting Period, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
<b>Financial liabilities</b>				
Interest-bearing bank borrowings	<u>1,126,280</u>	<u>1,131,280</u>	<u>1,139,791</u>	<u>1,165,662</u>

The Group's corporate finance team headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the Board of Directors. At the end of the Reporting Period, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the Board of Directors twice a year for annual financial reporting.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2020

### 14. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS — *continued*

#### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Liabilities measured at fair value:

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
<b>As at 30 June 2020</b>				
(unaudited)				
Interest-bearing bank borrowings	—	1,139,791	—	1,139,791
	—	1,139,791	—	1,139,791
<b>As at 31 December 2019</b>				
(audited)				
Interest-bearing bank borrowings	—	1,165,662	—	1,165,662
	—	1,165,662	—	1,165,662

The fair value of the interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings as at 30 June 2020 was assessed to be insignificant.

The Group did not have any financial assets measured at fair value as at 30 June 2020 and 31 December 2019.

During the period, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements (six months ended 30 June 2019: Nil).



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2020

### 15. EVENTS AFTER THE REPORTING PERIOD

- a) On 26 August 2020, the Company has resolved to recommend the payment of an interim dividend of HK\$0.10 per ordinary share for the six months ended 30 June 2020 (the “2020 Interim Dividend”) to the shareholders whose names appear on the register of members of the Company on 12 October 2020. Such proposal is subject to the approval by the shareholders of the Company at the forthcoming extraordinary general meeting of the Company.
- b) On 26 August 2020, the University entered into a construction contract with an independent third party construction contractor, in relation to the construction works, installation works and related ancillary works of the campus facilities, which are part of the phase three of the campus construction plan, at an estimated consideration of RMB250.0 million, subject to adjustment based on settlement audit.
- c) As previously reported that the outbreak of COVID-19 in January 2020 had certain impact on the university, mainly due to domestic travel restrictions and various precautionary measurements undertaken by respective local authorities which inter alia, include temporarily closure of school and delays in classroom commencement during the outbreak period. The Group has put in place certain alternative action plans during the outbreak period, which include implementation of on-line modules and website distance learning activities and refund of boarding fees.

In view of the implementation of the above mentioned action plans, the management has assessed and preliminarily concluded that there was limited impact on the financial position of the Group during the period from January 2020 and up to the date of this interim report. The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impacts on the operation and financial position of the Group, and in the event that there is any significant financial impacts, the Company will release further announcement as and when appropriate, and reflect it in the Group's 2020 annual financial statements.

### 16. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial information was approved and authorised for issue by the Board of Directors on 26 August 2020.



## DEFINITION

“affiliate(s)”	with respect to any specific person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors of the Company
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rule
“China” or “PRC”	the People’s Republic of China excluding for the purpose of this interim report, Hong Kong, the Macau Special Administrative Region and Taiwan
“Company” or “our Company”	Shanghai Gench Education Group Limited
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to Mr. Zhou, Mr. Zheng Xiangzhan, Mr. Shi Yinjie, She De Limited, Gan En Limited, Ze Ren Limited and Tuan Jie Limited
“COVID-19”	2019 novel coronavirus, being a disease caused by a new strain of coronavirus
“Director(s)”	the director(s) of the Company
“Group”, “our Group”, “we” or “us”	the Company, its subsidiaries and PRC Affiliated Entities from time to time, or, where the context so requires in respect of the period before the Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time
“HK\$”, “Hong Kong dollar(s)”	Hong Kong dollars respectively, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC

## DEFINITION

“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates
“Jian Qiao Group”	Shanghai Jian Qiao (Group) Limited* (上海建橋(集團)有限公司), a limited liability company established under the laws of the PRC on 7 November 2000, which is owned by the Registered Shareholders. It is one of the school sponsors of the University and an affiliated entity of the Company
“Jian Qiao Investment”	Shanghai Jian Qiao Investment and Development Limited* (上海建橋投資發展有限公司), a limited liability company established under the laws of the PRC on 3 August 1999, which is wholly owned by Jian Qiao Group. It is one of the school sponsors of the University and an affiliated entity of the Company
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Date”	16 January 2020, since which our Shares have been listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“Model Code”	the Model code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Zhou”	Mr. Zhou Xingzeng, the chairman, an executive Director and a Controlling Shareholder of the Company

## DEFINITION

“NDRC”	The National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Nomination Committee”	the nomination committee of the Company
“PRC Affiliated Entities”	collectively, the University and the School Sponsors, each an affiliated entity of the Company
“PRC Legal Advisors”	Commerce & Finance Law Offices, our legal advisors as to the laws of the PRC
“Prospectus”	the prospectus of the Company dated 31 December 2019
“Registered Shareholders”	shareholders of Jian Qiao Group, namely, Mr. Zhou Xingzeng, Mr. Zheng Xiangzhan, Mr. Zhao Donghui, Mr. Shi Yinjie, Mr. Jin Yinkuan, Mr. Chen Shengfang, Mr. Chen Zhiyong, Mr. Zhou Tianming, Mr. Bao Jianmin, Mr. Wang Hualin, Mr. Wang Chengguang, Mr. Chen Minghai, Mr. Chen Shengcai, Mr. Wang Xuangui, and Mr. Zheng Juxing
“Remuneration Committee”	the remuneration committee of the Company
“Reporting Period”	the six months ended 30 June 2020
“School Sponsors”	the school sponsors of the University, namely, Jian Qiao Group and Jian Qiao Investment
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Option Scheme”	the share option scheme conditionally adopted by the Company on 19 December 2019
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholders”	has the meaning ascribed to it under the Listing Rules



## DEFINITION

“Subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules. For the avoidance of doubt, the subsidiaries of the Company include the School Sponsors and the University
“University”, “our University” or “Shanghai Jian Qiao University”	Shanghai Jian Qiao University (上海建橋學院), a private institution of formal higher education established under the laws of the PRC on 28 June 2000, of which the school sponsors’ interest is owned as to 52.11% by Jian Qiao Group and as to 47.89% by Jian Qiao Investment. It is an affiliated entity of the Company
“US\$” or “USD”	United States dollars, the lawful currency for the time being of the United States
“Yangtze River Delta”	comprises Jiangsu Province, Zhejiang Province, Anhui Province and Shanghai in the PRC
“%”	percent

If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company or entity names in Chinese or another language which are marked with “\*” and the Chinese translation of company or entity names in English which are marked with “\*” is for identification purpose only.