



Chen Lin Education Group Holdings Limited 辰林教育集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1593

INTERIM REPORT 2020



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DEFINITIONS

“Amendment Decision”	the Decision of the Standing Committee of the National People’s Congress on Amending the Law for Promoting Private Education of the PRC (《全國人民代表大會常務委員會關於修改〈中華人民共和國民辦教育促進法〉的決定》) promulgated by Order No. 55 of the President of the PRC on 7 November 2016, and became effective on 1 September 2017
“Audit Committee”	the audit committee of the Board, comprising solely the independent non-executive Directors of the Company
“Board”	the board of Directors of the Company
“BVI”	the British Virgin Islands
“CEO”	the chief executive officer of the Company
“Chairman”	the chairman of the Board
“Chen Lin Elite Holdings”	Chen Lin Elite Holdings Limited, a company incorporated under the laws of the BVI on 5 July 2018 and wholly-owned by Huangyulin Holdings
“China” or “PRC”	the People’s Republic of China, unless otherwise stated, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan of China herein
“Contractual Arrangements”	certain contractual arrangements entered by us on 15 September 2018
“Company” or “our Company”	Chen Lin Education Group Holdings Limited (辰林教育集團控股有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on 25 May 2018 and whose shares were listed on the Stock Exchange on 13 December 2019 (Stock Code: 1593)
“CG Code”	the Corporate Governance Code as set out in Appendix 14 of the Listing Rules
“Director(s)”	the director(s) of the Company
“double qualification teachers”	full-time teachers with title of lecturer and above in addition to professional qualification or industry experience
“Global Offering”	the global offering of initially up to 250,000,000 ordinary shares with a nominal value of HK\$0.0001 each in the capital of the Company, including a public offering in Hong Kong of 31,798,000 Shares and an international offering of initially 218,202,000 Shares to professional, institutional and other investors outside the United States

DEFINITIONS

“Group”, “we” or “us”	the Company and all of its subsidiaries and companies whose financial results have been consolidated and accounted as the subsidiaries of our Company by virtue of the Contractual Arrangements, or, where the context so requires, in respect of the period before our Company became the holding company of our current subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huangguandi Holdings”	Huangguandi Holdings Limited, a company incorporated under the laws of the BVI on 13 June 2018 and wholly-owned by Mr. Huang Guandi
“Huangyuan Holdings”	Huangyuan Holdings Limited, a company incorporated under the laws of the BVI on 13 June 2018 and wholly-owned by Ms. Huang Yuan
“Huangyulin Holdings”	Huangyulin Holdings Limited, a company incorporated under the laws of the BVI on 22 May 2018 and wholly-owned by Mr. Huang Yulin
“IFRSs”	the International Financial Reporting Standards
“Listing”	listing of the Shares on the Main Board of the Stock Exchange on 13 December 2019
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended, supplemented or otherwise modified from time to time)
“Model Code”	the Model Code of Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules
“MOE”	the Ministry of Education of the PRC (中華人民共和國教育部)
“MOE Draft for Comments”	the Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (the Draft for Comments) (《中華人民共和國民辦教育促進法實施條例(修訂草案)(徵求意見稿)》) issued by the MOE on 20 April 2018 to seek public comments
“MOJ”	the Ministry of Justice of the PRC (中華人民共和國司法部)
“MOJ Draft for Comments”	the Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (the Draft for Examination and Approval) (《中華人民共和國民辦教育促進法實施條例(修訂草案)(送審稿)》) issued by the MOJ on 10 August 2018 to seek public comments

DEFINITIONS

“Nanchang Di Guan”	Nanchang Di Guan Education Consultancy Co., Ltd. (南昌迪冠教育諮詢有限公司), a company established under the laws of the PRC with limited liability on 17 September 2009, being the sponsor of the School, and by virtue of the Contractual Arrangements, accounted for as our subsidiary
“Prospectus”	the prospectus issued by the Company dated 27 November 2019
“RMB”	Renminbi, the lawful currency of the PRC
“RSU(s)”	restricted share unit(s) granted pursuant to the RSU Scheme
“RSU Scheme”	the restricted share unit scheme adopted by our Company on 20 August 2019
“School”, “our School” or “JUAS”	Jiangxi University of Applied Science (江西應用科技學院), a private institution which offers both undergraduate and junior college programmes, established on 11 April 2002 and controlled by us by virtue of the Contractual Arrangements
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
“Share(s)”	ordinary share(s) of HK\$0.0001 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

CORPORATE PROFILE

BOARD OF DIRECTORS

Executive Directors

Mr. Huang Yulin (*Chairman*)
Mr. Huang Boqi (*CEO*)
Mr. Zheng Junhui
Mr. Li Cunyi
Mr. Bau Siu Fung
Mr. Wang Li
Ms. Gan Tian

Independent Non-executive Directors

Mr. Chan Hon Ki
Mr. Chen Wanlong
Mr. Huang Juyun
Mr. Wang Donglin

AUDIT COMMITTEE

Mr. Chan Hon Ki (*Chairman*)
Mr. Huang Juyun
Mr. Chen Wanlong
Mr. Wang Donglin

REMUNERATION COMMITTEE

Mr. Chen Wanlong (*Chairman*)
Mr. Huang Juyun
Mr. Chan Hon Ki
Mr. Wang Li
Mr. Li Cunyi

NOMINATION COMMITTEE

Mr. Huang Juyun (*Chairman*)
Mr. Wang Donglin
Mr. Chen Wanlong
Mr. Li Cunyi
Ms. Gan Tian

COMPANY SECRETARY

Mr. Bau Siu Fung (*HKICPA*)

AUTHORISED REPRESENTATIVES

Mr. Huang Yulin
Mr. Bau Siu Fung (*HKICPA*)

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central
Hong Kong

COMPLIANCE ADVISER

First Shanghai Capital Limited
19/F., Wing On House
71 Des Voeux Road Central
Hong Kong

LEGAL ADVISER

As to Hong Kong law
William Ji & Co. LLP
in Association with Tian Yuan Law Firm Hong Kong Office
Suite 702, 7/F
Two Chinachem Central
26 Des Voeux Road Central
Central, Hong Kong

COMPANY WEBSITE

www.chenlin-edu.com

STOCK CODE

1593

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Walkers Corporate Limited
Cayman Corporate Centre
27 Hospital Road, George Town
Grand Cayman KY1-9008
Cayman Islands

CORPORATE PROFILE

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

No. 001, XinjianLianfu Dadao
Nanchang
Jiangxi
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Walkers Corporate Limited
Cayman Corporate Centre
27 Hospital Road, George Town
Grand Cayman KY1-9008
Cayman Islands

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANK

China Construction Bank, Jiangxi Branch

FINANCIAL PERFORMANCE HIGHLIGHTS

	For the six months ended 30 June		% change
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	
Revenue	125,579	114,694	9.5
Gross profit	86,232	82,101	5.0
Profit for the period	32,867	50,641	(35.1)
Adjusted net profit ⁽¹⁾	51,511	55,506	(7.2)
Basic earnings per share (RMB per Share)	0.03	0.07	(57.1)

Note:

- (1) Adjusted net profit for the period, which is unaudited in nature, represents net profit for the period, adjusted by adding back: (i) one-off listing expenses incurred for the corresponding period in connection with the Listing; and (ii) share-based compensation expense in connection with the Company's RSU Scheme. Adjusted net profit is not a measure of performance under the IFRSs. For details of the non-IFRSs measures, please refer to the section headed "Management Discussion and Analysis — Financial Review — Non-IFRSs Measures" in this Interim Report.

For the six months ended 30 June 2020, our total revenue amounted to approximately RMB125.6 million, representing an increase of approximately 9.5% as compared with the six months ended 30 June 2019. Our profit for the six months ended 30 June 2020 amounted to approximately RMB32.9 million, representing a decrease of approximately 35.1% as compared with the six months ended 30 June 2019.

As of 30 June 2020, we had a total of 14,143 students, representing a decrease of approximately 1.9% as compared with the number of students as of 30 June 2019; and our average tuition fees for our undergraduate and junior college programmes increased by approximately 22.5% and 21.5% respectively for the six months ended 30 June 2020, as compared with the six months ended 30 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We are one of the leading providers of private higher education in Jiangxi Province, China, with years of experience in the private higher education industry. We currently operate one private university located in Nanchang, Jiangxi Province, namely the Jiangxi University of Applied Science, and offer undergraduate and junior college programmes, as well as diverse education related services. As of 30 June 2020, our School had a total number of student enrolment of 14,143, consisting of 5,321 undergraduate students and 8,822 junior college students. We also provide a variety of education related services including internship management services as well as tutoring and programme management services to enterprises and education institutions.

Our mission is to cultivate innovative talents with practical skills and knowledge, and to provide talent support for the development of urbanisation in China (為新型城鎮化建設與管理培養高層次、高技能、創新型和應用型人才). Our fundamental educational philosophy is to foster talents with “upright personality, comprehensive theoretical knowledge and practical skills (培養具有健全人格、複合專業與實踐能力的人才)” by implementing our “Three-element Talent Cultivation (三元育人)” mode. We aim to provide quality higher education services in a manner consistent with our mission and educational philosophy.

Our School offered 31 undergraduate programmes and 37 junior college programmes as of 30 June 2020. With a view of nurturing talents with practical skills, we are devoted to offering quality private higher education to our students and providing diversified programmes and curriculums encompassing a broad range of market-oriented fields of study and career trainings, including, among others, international business, e-commerce, logistics management, internet-of-things, civil engineering, software engineering, mechanical manufacturing and automation, and robotics engineering. Based on our market research, we carefully design and regularly review and adjust our programme and course offerings at our School. We believe our practical programmes and curriculums equip our students with practical skills that meet the rapidly evolving market demand. We also cooperate with a number of sizable enterprises to provide our students with internship and potential employment opportunities. We have achieved favourable graduate employment outcome for our students.

Our Higher Education Services

We derived approximately 97.1% of revenue from our higher education services for the six months ended 30 June 2020, which include tuition fees for our undergraduate and junior college programmes as well as boarding fees. For the six months ended 30 June 2020, our revenue from tuition fees and boarding fees amounted to approximately RMB113.2 million and RMB8.7 million respectively, representing an increase of approximately 22.6% and 3.4% as compared with the six months ended 30 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth detailed information regarding the number of students of our School as of 30 June 2019 and 2020:

	Number of students as of 30 June		
	2020	2019	% change
Undergraduate programmes	5,321	4,575	16.3
Junior college programmes	8,822	9,843	(10.4)
Total	14,143	14,418	(1.9)

The following table sets forth information in relation to the average tuition fees per student for two types of programmes and average boarding fees per student for the six months ended 30 June 2019 and 2020:

	For the six months ended 30 June		
	2020 (RMB)	2019 (RMB)	% change
Average tuition fees ⁽¹⁾			
Undergraduate programmes	10,131	8,271	22.5
Junior college programmes	6,722	5,532	21.5
Average boarding fees ⁽²⁾	616	585	5.3

Notes:

- (1) Average tuition fees are calculated by dividing the total tuition fees received by student enrolment in the corresponding period.
- (2) Average boarding fees is calculated by dividing the total boarding fees received by student enrolment in the corresponding period. Students enrolled in the undergraduate programmes and junior college programmes share the same student residence halls and therefore we charge them the same amount of boarding fees.

MANAGEMENT DISCUSSION AND ANALYSIS

Our Education Related Services

In addition to tuition fees and boarding fees, for the six months ended 30 June 2020, we also generate income by providing a variety of education related services. Our education related services mainly include (i) internship management services, through which we introduce qualified students from our School and other schools to participate in various internship programmes, and (ii) a variety of tutoring and programme management services, including qualification exam review services, personal development training services and education programme management services offered to enterprises and education institutions. For the six months ended 30 June 2020, our revenue generated from education related services amounted to approximately RMB2.0 million, representing a decrease of approximately 82.4% as compared with the six months ended 30 June 2019. The decrease in revenue from our education related services was primarily due to the implementation of precautionary and control measures (such as postponement of the 2020 spring semester) by the government authorities to mitigate the potential impact of the coronavirus disease 2019 (“**COVID-19**”) outbreak in the first half of 2020, resulting in the cancellation of a number of internship and tutoring programmes.

REGULATORY UPDATE

Amendment Decision

The Decision of the Standing Committee of the National People’s Congress on Amending the Law for Promoting Private Education of the PRC (全國人民代表大會常務委員會關於修改《中華人民共和國民辦教育促進法》的決定) was promulgated on 7 November 2016 and became effective on 1 September 2017. Pursuant to the Amendment Decision, the school sponsors of private schools providing non-compulsory education may, at their own discretion, elect to register the schools as for-profit private schools or non-profit private schools. In addition to the Amendment Decision, state-level government authorities also issued certain implementing rules. On 30 December 2016, five state-level government authorities, including the MOE, jointly issued the Implementing Measures on Classification Registration of Private Schools (民辦學校分類登記實施細則), specifying measures for the establishment and classification registration of private schools, and procedures for existing private schools to register as for-profit and non-profit private schools pursuant to provincial rules to be promulgated by local provincial governments. The Implementing Rules for the Supervision and Administration of For-Profit Private Schools (營利性民辦學校監督管理實施細則) were issued on 30 December 2016, specifying measures concerning the establishment, modification and termination of for-profit private schools, and the educational and teaching related activities and financial management conducted by for-profit private schools. In addition, the Several Opinions on Encouraging Social Support for Education to Promote Private Education (關於鼓勵社會力量興辦教育促進民辦教育健康發展的若干意見) were issued on 29 December 2016, providing policies for promoting private education.

MANAGEMENT DISCUSSION AND ANALYSIS

MOJ Draft for Comments

On 20 April 2018, the MOE issued the MOE Draft for Comments, namely the Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (the Draft for Comments) (《中華人民共和國國民辦教育促進法實施條例(修訂草案)(徵求意見稿)》), to seek public comments, and on 10 August 2018, the MOJ issued the MOJ Draft for Comments based on a revised version of the MOE Draft for Comments, namely, the Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (the Draft for Examination and Approval) (《中華人民共和國國民辦教育促進法實施條例(修訂草案)(送審稿)》), to seek public comments. The MOJ Draft for Comments further promotes the development of private education by providing that a private school shall enjoy rights or preferential policies stipulated by laws equivalent to those applicable to a public school, which shall primarily include: (i) a non-profit private school shall enjoy the same tax policies as that enjoyed by a public school and the relevant tax concession, and a for-profit school shall enjoy tax preferential treatments and other preferential policies applied to industries encouraged by the state for development, of which the specific provisions shall be formulated jointly by the administrative department for finance, taxation and other relevant administrative departments of the State Council; and (ii) the local people's governments shall grant preferential treatments in terms of land use by means of allocation in accordance with the principle of treating non-profit private schools equally as public schools, and for schools that provide education for academic credentials, may provide lands by means of bid invitation, auction or listing, assigning contracts, long-term lease or combination of sale as well as rental, and may give appropriate preferential treatment on charges for the assignment or rental of land, and may permit payment in instalments.

The MOJ Draft for Comments stipulates further provisions of the operation and management of private schools, such as the School. Among other things, (i) a non-profit private school shall use the accounts filed with the competent authorities for charging fees and financial transactions, and a for-profit private school shall deposit the income into a specific settlement account of its own; (ii) a private school shall conduct any connected transactions in a manner that is open, justified and fair and shall establish disclosure mechanisms for such transactions, and any agreement involving material interests or any long-term and recurring agreement entered into between a non-profit private school and its connected party shall be reviewed and audited by the relevant government authorities in terms of necessity, legitimacy and compliance; and (iii) the registered capital of a for-profit private school providing higher diploma education shall be no less than RMB0.2 billion.

For the potential implications of the Amendment Decision and the MOJ Draft for Comments, please see the section headed "Business — Potential Implications of the Amendment Decision and the MOJ Draft for Comments" in the Prospectus for details.

So far as our Directors are aware, during the six months ended 30 June 2020 and up to the date of this Interim Report, there is no material regulatory updates in relation to (i) the foreign investment in the education sector in the PRC; and (ii) the private education sector in the PRC which will have significant impacts on our business operation.

MANAGEMENT DISCUSSION AND ANALYSIS

We have established a special committee (the “**Special Committee**”) to (i) pay close attention to the latest development of the relevant laws, regulations and policies on private education sector in the PRC (the “**Relevant Rules**”) and hold periodic advisers meetings to discuss such development; (ii) where necessary, engage professional advisers, including PRC legal advisers, at the cost of the Company, to assist the Special Committee to understand the latest development of the Relevant Rules; and (iii) report and make recommendations to the Board for final decision based on the research reports and/or independent and professional advice as well as the Special Committee’s major findings and preliminary conclusions. The Special Committee is chaired by Mr. Huang Yulin and comprises (i) three senior management members of our Company; (ii) two independent non-executive Directors with extensive experience in the education industry; and (iii) four senior management members of the School who are responsible for the day-to-day management and operation affairs of the School. A meeting of the Special Committee was held on 27 August 2020 to discuss the latest development of the Relevant Rules and the potential impact on our business operations. All members of the Special Committee had participated in the meeting.

PRINCIPAL RISKS RELATING TO OUR BUSINESS

There are certain risks involved in our operations and our prospects and future financial results could be materially and adversely affected by these risks. The following highlights the principal risks exposed to the Group and is not meant to be exhaustive:

- we are subject to uncertainties brought by the Amendment Decision and the MOJ Draft for Comments;
- our business is largely dependent on the market recognition of our brand and the reputation of our School and our Group;
- we generate a substantial portion of our revenue from operating one university in Jiangxi Province;
- we may be exposed to liquidation risks, and our business, financial condition and results of operation may be materially and adversely affected as a result;
- the level of tuition and boarding fees we are able to charge and our ability to maintain and raise the level of tuition and boarding fees are crucial to our business;
- our business operations depend on our ability to recruit and retain our senior management, qualified teachers and other professional employees;
- we may not be able to maintain good relationship with our existing cooperative enterprises, successfully compete with our competitors or find new cooperative enterprises, any of which may materially and adversely affect the business and prospects of our internship management service; and
- we may not be able to successfully deliver and expand our tutoring and programme management services, which could adversely affect our business and prospects.

Please see the section headed “Risk Factors” in the Prospectus for details of the risks and uncertainties involved in our operations.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK AND GROWTH STRATEGIES

The private higher education sector in China has been growing rapidly in recent years primarily driven by the increasing demand for private higher education, growing market demand for talents with practical skills, increasing diversification and strengthened education quality, as well as government support. We believe that in the second half of 2020, China's private higher education sector will still remain on a secular growth trend and there is significant potential with opportunities.

To achieve our goals, in the second half of 2020, we intend to pursue the following business strategies:

- **Improve our school facilities, enhance our brand recognition and reputation, and expand our business and school network**

To benefit from and seize the growth opportunities in the private education industry in China, we will continue offering quality higher education and attracting more talents to our School. As an important measure to enhance our higher education services, we plan to construct, renovate and upgrade the facilities and infrastructure of our current School campus. Particularly, we plan to build teaching and research buildings, new student residence halls, swimming pool and other education facilities on our campus, as well as to upgrade existing student residence halls and faculty residence halls. As of the date of this Interim Report, the construction, renovation and upgrade works have not been completed as predicted. Such delay in work schedule was primarily due to the implementation of precautionary and control measures by the government authorities after the outbreak of COVID-19.

- **Continue to optimise our programme and course offerings in order to enhance the competitiveness of our students**

As an education service provider, the quality and coverage of the programmes and course offerings are crucial for our School in providing quality education services. We intend to improve our education quality, expand the scale of our business operations and diversify our revenue primarily through optimise programme offerings, strengthen school-enterprise collaboration and international collaboration, and develop online education courses.

In March 2020, the School and Alibaba (China) Network Technology Co., Ltd. (阿里巴巴(中國)網絡技術有限公司) (“**Alibaba Network Technology**”) entered into a cooperation agreement (the “**Cooperation Agreement**”) to establish Alibaba Digital Trade College (阿里巴巴數字貿易學院) (the “**College**”) and cultivate talents in the digital trade industry. For details of the Cooperation Agreement, please refer to the Company's announcement dated 30 March 2020. As of the date of this Interim Report, the School and Alibaba Network Technology are still in the process of formulating the specific plans for the establishment of the College. In the event that any of the specific cooperation matters under the Cooperation Agreement constitutes a notifiable transaction of the Company under Chapter 14 of the Listing Rules, the Company will comply with the disclosure and relevant requirements under the Listing Rules as and when appropriate.

MANAGEMENT DISCUSSION AND ANALYSIS

- **Further strengthen and diversify our education related services**

We believe that the provision of education related services has substantial market potential in China. To continue improving our profitability, we plan to further strengthen and diversify our education related services. We believe a diverse portfolio of educational services provided by us will be instrumental in enhancing our brand awareness and widening our revenue base. We plan to explore the opportunities to cooperate with other higher education providers to secure more qualified students for our internship management services. We also intend to proactively identify and cooperate with more suitable higher education institutions in Jiangxi Province as well as other regions in China. On the other hand, leveraging our reputation in the private higher education industry, we plan to seek cooperation opportunities with more enterprises located in developed areas of China, thereby further grow our internship management services.

- **Continue to attract, train and retain talented teachers and other professionals**

We believe that hiring, retaining and training outstanding teachers is crucial in providing quality education to students. We intend to continue attracting and retaining teachers with professional expertise, teaching experience and/or work experience in relevant fields. To achieve this goal, we will continue applying high standards in our recruitment of teachers, and target applicants who have postgraduate degree or have extensive work experience in relevant field. We plan to expand our faculty team with more “double qualification teachers”, experienced technical experts, well-recognised business administrators, and other personnel with expertise who are qualified to deliver skill-focused curriculums at our School on either full-time or part-time basis. In addition, we also intend to hire professors from other higher education institutions with experience to serve in academic leadership roles at our School.

CORONAVIRUS IMPACT

After the outbreak of the COVID-19 in early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC, including the extension of the Chinese New Year holiday nationwide, postponement of work and school resumption in some regions, certain level of restrictions and controls over the travelling of people and traffic arrangements, quarantine of certain residents, heightening of hygiene and epidemic prevention requirements in factories and offices and encouraged social distancing, etc.

In the view of the outbreak of the COVID-19, the Group has taken a series of necessary health precaution to mitigate the potential impact of the COVID-19 outbreak, including the implementation of prevention and control policies released by the relevant government authorities, adopting flexible work-from-home practises and postponing the start of the 2020 spring semester and offering online learning courses. In order to mitigate the potential impact of the COVID-19 outbreak, and as requested by the government authorities, the 2020 spring semester was postponed to May 2020.

Resulted from the postponing of the 2020 spring semester, as required by the MOE, the Group is expected to refund boarding fees of approximately RMB5.7 million to students by the end of 2020 since they were not able to return to school due to the outbreak of COVID-19. Meanwhile, the Group estimates that the cost of sales (such as property management related expenses and education related expenses) for the year ending 31 December 2020 will be decreased as teachers and students were unable to return to school. Therefore, the Group expects that it would not have significant adverse impacts on the Group’s gross profit and gross margin for the year ending 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall, considering that the Group's revenue and gross profit recorded increases for the six months ended 30 June 2020, the Directors are of the view that the Group is able to resist the impact of the COVID-19. As of the date of this Interim Report, the Group does not anticipate any significant financial impact resulting from the COVID-19, following which the Group will pay close attention to the situation of the COVID-19 and continue to assess the impact of the epidemic disease on the Group's finances and operations from time to time, as the case may be.

FINANCIAL REVIEW

Revenue

The following table sets forth the breakdown of our revenue for the six months ended 30 June 2020 and 30 June 2019:

	For the six months ended 30 June			
	2020 (RMB'000) (Unaudited)	2019 (RMB'000) (Unaudited)	Change (RMB'000)	Change %
Higher education services				
Tuition fees				
Undergraduate programmes	53,909	37,842	16,067	42.5
Junior college programmes	59,305	54,456	4,849	8.9
Boarding fees	8,717	8,431	286	3.4
Sub-total	121,931	100,729	21,202	21.0
Education related services				
Internship management fees	480	3,513	(3,033)	(86.3)
Tutoring and programme management fees	1,475	7,598	(6,123)	(80.6)
Sub-total	1,955	11,111	(9,156)	(82.4)
Others	1,693	2,854	(1,161)	(40.7)
Total	125,579	114,694	10,885	9.5

For the six months ended 30 June 2020, our total revenue was approximately RMB125.6 million, representing an increase of approximately 9.5% as compared with the six months ended 30 June 2019. This was mainly attributable to the increase in tuition fees and boarding fees of the School.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2020, tuition fees and boarding fees contributed to the majority of our total revenue. We generally require our students to pay tuition and boarding fees for the entire school year at the commencement of the school year, which fees are recognised proportionately over the relevant period of the applicable programmes.

- For the six months ended 30 June 2020, our revenue from tuition fees amounted to approximately RMB113.2 million, representing an increase of approximately 22.6% as compared with the six months ended 30 June 2019. Such increase was mainly attributable to the increase in tuition fee of both our undergraduate and junior college programmes, and the growth in the number of students enrolled in our undergraduate programmes during the period. For the six months ended 30 June 2020, the average tuition fees of our undergraduate programmes increased by approximately 22.5% as compared with the six months ended 30 June 2019; while the average tuition fees of our junior college programmes increased by approximately 21.5% as compared with the six months ended 30 June 2019.
- For the six months ended 30 June 2020, our revenue from boarding fees amounted to approximately RMB8.7 million, representing an increase of approximately 3.4% as compared with the six months ended 30 June 2019. Such increase was mainly attributable to the increase in average boarding fees from approximately RMB585 per student for the six months ended 30 June 2019 to approximately RMB616 per student for the six months ended 30 June 2020.

Our revenue generated from education related services for the six months ended 30 June 2020 consisted of internship management fees as well as tutoring and programme management fees.

- For the six months ended 30 June 2020, our revenue from internship management fees amounted to approximately RMB0.5 million, representing a significant decrease of approximately 86.3% as compared with the six months ended 30 June 2019. Such decrease was mainly attributable to the precautionary and control measures imposed by the government authorities to mitigate the potential impact of COVID-19 outbreak in the first half of 2020, resulted in the cancellation of a number of internship programmes.
- For the six months ended 30 June 2020, our revenue from tutoring and programme management fees amounted to approximately RMB1.5 million, representing a significant decrease of approximately 80.6% as compared with the six months ended 30 June 2019. Such decrease was mainly attributable to the precautionary and control measures imposed by government authorities to mitigate the potential impact of COVID-19 outbreak in the first half of 2020, resulted in the cancellation of a number of tutoring programmes.

Our revenue generated from other services for the six months ended 30 June 2020 was primarily derived from (i) miscellaneous charges to students, and (ii) commission income from book suppliers. The fee received from other services is recognised as revenue when relevant service is rendered to the customers. For the six months ended 30 June 2020, our revenue generated from other services amounted to approximately RMB1.7 million, representing a decrease of approximately 40.7% as compared with the six months ended 30 June 2019. Such decrease was mainly attributable to the postponement of the 2020 spring semester due to the precautionary and control measures imposed by the government authorities.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales

Our cost of sales primarily consisted of employee benefit expenses, depreciation and amortisation expenses, students activities expenses, electricity and water expenses, repair and maintenance and others. For the six months ended 30 June 2020, the cost of sales of the Group amounted to approximately RMB39.3 million, representing an increase of approximately 20.6% as compared with the six months ended 30 June 2019. Such increase was mainly attributable to the increase in employee benefit expenses amounted to approximately RMB2.7 million and depreciation and amortisation expenses amounted to approximately RMB3.1 million.

Gross Profit and Gross Profit Margin

Our gross profit was approximately RMB86.2 million for the six months ended 30 June 2020, representing an increase of approximately 5.0% as compared with the six months ended 30 June 2019. Our gross profit margin was approximately 68.7% for the six months ended 30 June 2020, as compared with approximately 71.6% for the six months ended 30 June 2019.

Other Income

Other income primarily included government grants, commission income (mainly from referral of primary and middle schools to education equipment suppliers, and referral of students in primary and middle schools to education institutions), sub-contracting income (mainly from the sub-contracting operation of canteen catering and stores in our School's campus) and others during the six months ended 30 June 2020. For the six months ended 30 June 2020, the Group's other income amounted to approximately RMB4.8 million, representing a decrease of approximately 51.0% as compared with the six months ended 30 June 2019. Such decrease was mainly attributable to the close-down of School campus and other primary and middle schools due to the precautionary and control measures imposed by government authorities to mitigate the potential impact of COVID-19 outbreak.

Expenses

Selling Expenses

Our selling expenses primarily consisted of promotion expenses, travelling and office expenses, and others which mainly included costs incurred for promotional materials in connection with student recruitment. For the six months ended 30 June 2020, our selling expenses amounted to approximately RMB2.2 million, as compared with approximately RMB2.4 million for the six months ended 30 June 2019.

Administrative Expenses

Our administrative expenses primarily consisted of (i) employee benefit expenses for our administrative staff, (ii) depreciation and amortisation expenses for administrative facilities, (iii) professional service fees, (iv) repair and maintenance expenses for administrative facilities, (v) listing expenses incurred in connection with the Listing, and (vi) general office expenses mainly including office expenses and transportation expenses, and other expenses of similar nature. For the six months ended 30 June 2020, our administrative expenses amounted to approximately RMB39.5 million, representing an increase of approximately 123.2% as compared with the six months ended 30 June 2019. Such increase was mainly attributable to the increase in employee benefit expenses from approximately RMB6.0 million for the six months ended 30 June 2019 to approximately RMB30.9 million for the six months ended 30 June 2020 in connection with the implementation of the RSU Scheme and partly attributable to the increase in the average salary of employees.

MANAGEMENT DISCUSSION AND ANALYSIS

Net Finance Costs

Our net finance costs reflected the sum of interest expenses we paid on bank borrowings and other borrowings after netting off the interest income we received from cash and cash equivalents. Our net finance costs decrease from approximately RMB11.4 million for the six months ended 30 June 2019 to approximately RMB10.7 million for the six months ended 30 June 2020, representing a decrease of approximately 6.1%.

Income Tax Expenses

For the six months ended 30 June 2020, our income tax expenses primarily consisted of PRC Enterprise Income Tax. Our income tax expenses were approximately RMB0.9 million for the six months ended 30 June 2020, representing a decrease of approximately 76.3% as compared with the six months ended 30 June 2019. Such decrease was mainly attributable to the decrease in taxable income generated from our education related services. Our effective tax rates for the six months ended 30 June 2020 was approximately 2.5% (for the six months ended 30 June 2019: 7.0%).

Other Expenses

Other expenses primarily consisted of employee benefit expenses, promotion expenses, depreciation and amortisation expenses. For the six months ended 30 June 2020, our other expenses amounted to approximately RMB1.7 million, representing a decrease of approximately 37.0% as compared with the six months ended 30 June 2019. Such decrease was primarily due to the decrease in labour cost and promotion expenses in relation to the corresponding decreased sub-contracting and commission income caused by the implementation of precautionary and control measures by the government authorities after the outbreak of COVID-19.

Profit for the period

For the six months ended 30 June 2020, our profit amounted to approximately RMB32.9 million, representing a decrease of approximately 35.1% as compared with the six months ended 30 June 2019. Such decrease was mainly attributable to the increase in employee benefit expenses in connection with the implementation of the Group's RSU Scheme; and the decrease in revenue from the Group's education related services caused by the implementation of precautionary and control measures by the government authorities to mitigate the potential impact of COVID-19 outbreak.

Non-IFRSs Measures

To supplement our unaudited consolidated financial information which is presented in accordance with IFRSs, we set forth below our adjusted net profit as an additional financial measure which is not presented in accordance with IFRSs. We believe this is meaningful because potential impacts of certain items which our management does not consider closely relevant to our operating performance have been eliminated, and this would be useful for investors to compare our financial results directly with those of our peer companies.

MANAGEMENT DISCUSSION AND ANALYSIS

We define adjusted net profit as profit for the period adjusted by adding back: (i) one-off listing expenses incurred for the Listing; and (ii) share based compensation expenses in connection with the Company's RSU Scheme. The following table reconciles our adjusted net profit for the period presented to the most directly comparable financial measure calculated and presented in accordance with IFRSs:

	For the six months ended 30 June	
	2020 (RMB'000) (Unaudited)	2019 (RMB'000) (Unaudited)
Profit for the period	32,867	50,641
Add:		
One-off listing expenses	–	4,865
Share based compensation expense in connection with the Company's RSU Scheme	18,644	–
Adjusted net profit	51,511	55,506

In light of the foregoing limitations for other financial measures, when assessing our operating and financial performance, you should not consider adjusted net profit in isolation or as a substitute for our profit for the period, operating profit or any other operating performance measure that is calculated in accordance with IFRSs. In addition, because such measure may not be calculated in the same manner by all companies, it may not be comparable to other similar titled measures used by other companies.

Financial Positions

As of 30 June 2020, our total equity was approximately RMB841.3 million, as compared with approximately RMB789.8 million as of 31 December 2019. Such increase was mainly attributable to the consolidation of profit for the six months ended 30 June 2020 into the Company's balance sheet.

As of 30 June 2020, our current assets were approximately RMB478.8 million, as compared with approximately RMB584.5 million as of 31 December 2019. The decrease in current assets was mainly attributable to the decrease in other receivable, cash and cash equivalents for the six months ended 30 June 2020.

Liquidity and Capital Resources

Our primary uses of cash are to fund our working capital requirement, loan repayment and related interest expenses. As of the date of this Interim Report, we have funded our operations principally with the cash generated from our operations, bank borrowings, shareholder contributions and net proceeds from Global Offering. In the future, we believe that our liquidity requirements will be satisfied with a combination of cash flows generated from our operating activities, bank borrowings and other funds raised from the capital markets from time to time.

As of 30 June 2020, we had cash and cash equivalents of approximately RMB364.1 million, as compared with approximately RMB415.7 million as of 31 December 2019. Such decrease was mainly attributable to the purchase of property, plant and equipment, as well as the financial assets at fair value through profit or loss for the six months ended 30 June 2020 and the repayment of several bank loans for the six months ended 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

As of 30 June 2020, our total borrowings amounted to approximately RMB429.1 million, as compared with approximately RMB432.4 million as of 31 December 2019. As of 30 June 2020, all our bank borrowings were dominated in RMB, among which approximately RMB108.0 million are repayable within one year and approximately RMB316.5 million are payable more than one year. For the six months ended 30 June 2020, the weighted average effective interest rate of our borrowings was approximately 5.5% (for the year ended 31 December 2019: approximately 5.5%).

Gearing Ratio

As of 30 June 2020, our gearing ratio, which is calculated as total debt divided by total assets, was approximately 0.5, as compared with approximately 0.6 as of 31 December 2019.

Capital Expenditure

Our capital expenditures during the six months ended 30 June 2020 amounted to approximately RMB28.5 million (for the six months ended 30 June 2019: approximately RMB34.9 million), primarily consisted of expenditures for construction in progress, electronic equipment, office furniture and fixtures, buildings and vehicles.

Property, Plant and Equipment

Property, plant and equipment as of 30 June 2020 increased to approximately RMB810.7 million from approximately RMB809.4 million as of 31 December 2019.

CHARGE ON ASSETS

Save as disclosed in this Interim Report, there was no other material charge on the Group's assets as of 30 June 2020.

CONTINGENT LIABILITIES, GUARANTEES AND LITIGATIONS

Save as disclosed in this Interim Report, as of 30 June 2020, we did not have any unrecorded significant contingent liabilities, guarantees or any litigation against us.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of 30 June 2020, the Group had contracted but not provided for capital commitments of approximately RMB187.7 million, which were primarily relating to the capital expenditure for the new buildings to be constructed, as compared with the total amount of capital expenditures contracted for but not yet incurred of RMB191.0 million as of 31 December 2019.

Save as disclosed in this Interim Report, the Group has not entered into any off-balance sheet transactions after the six months ended 30 June 2020.

SIGNIFICANT INVESTMENTS HELD

Save as disclosed in this Interim Report, the Group did not have other significant investments held as of 30 June 2020.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Save as disclosed in this Interim Report, the Group did not have any other material acquisitions or disposals of subsidiaries and associated companies during the six months ended 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this Interim Report, as of the date of this Interim Report, the Group did not have other plans for material investments or capital assets.

FOREIGN CURRENCY RISK

The Group primarily operates its business in the PRC. The currency in which the Group denominates and settles substantially all of its transactions is RMB. Any depreciation of RMB would adversely affect the value of any dividends the Group pay to Shareholders outside of the PRC. The Group currently does not engage in hedging activities designed or intended to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

EMPLOYEES AND REMUNERATION POLICIES

As of 30 June 2020, we had 1,139 employees (as of 30 June 2019: 1,146), mostly based in Jiangxi Province.

The remuneration of our employees is based on their performance, experiences, and market comparable. In addition to salary, we also provide various incentives, including share-based compensation such as RSUs granted pursuant to the Company's RSU Scheme as well as performance-based bonuses to better motivate our employees. As required by the PRC law, we contribute to housing funds and maintain mandatory social insurance plans for our employees based in the PRC, covering pension, medical, unemployment, work injury and maternity leave. The Group participates in a Mandatory Provident Fund Scheme under the Rules and regulations of Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. For the six months ended 30 June 2020, our employee remuneration totaled to approximately RMB49.7 million, compared with RMB22.3 million for the six months ended 30 June 2019.

We grant RSUs to our employees to incentivise them to contribute to our growth. As of 30 June 2020, RSUs in respect of 40,000,000 underlying Shares, representing approximately 4.0% of the share capital of our Company as of 30 June 2020, has been granted to 53 participants pursuant to the RSU Scheme.

The remuneration of Directors and members of senior management of the Company is determined on the basis of each individual's responsibilities, qualification, position, experience, performance, seniority and time devoted to our business. They receive compensation in the form of salaries, performance-related bonus, RSUs, and other allowances and benefits-in-kind, including the Company's contribution to their pension schemes on their behalf.

OTHER INFORMATION

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

As of 30 June 2020, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were 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 he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

INTERESTS IN THE COMPANY

Name of Director/chief executive	Capacity/Nature of interest	Number of Shares held ⁽¹⁾	Approximate percentage of issued share capital ⁽²⁾
Mr. Huang Yulin ⁽³⁾ ⁽⁴⁾	Interest in a controlled corporation	555,000,000	55.50%
Ms. Gan Tian ⁽⁵⁾	Beneficial owner	3,753,000	0.38%
Mr. Li Cunyi ⁽⁶⁾	Beneficial owner	3,188,000	0.32%
Mr. Wang Li ⁽⁷⁾ ⁽⁸⁾	Beneficial owner	2,391,000	0.24%
	Interest of spouse	99,871,000	9.99%
Mr. Bau Siu Fung ⁽⁹⁾	Beneficial owner	358,000	0.04%

Notes:

- (1) All interest stated are long positions.
- (2) The calculation is based on the total number of 1,000,000,000 Shares in issue as of 30 June 2020.
- (3) 487,500,000 Shares are registered under the name of Huangyulin Holdings, the issued share capital of which is owned as to 100% by Mr. Huang Yulin. Accordingly, Mr. Huang Yulin is deemed to be interested in such number of Shares held by Huangyulin Holdings for the purpose of Part XV of the SFO.
- (4) 67,500,000 Shares are registered under the name of Chen Lin Elite Holdings, the issued share capital of which is owned as to 100% by Huangyulin Holdings. Accordingly, Huangyulin Holdings is deemed to be interested in such number of Shares held by Chen Lin Elite Holdings for the purpose of Part XV of the SFO.

OTHER INFORMATION

- (5) Ms. Gan Tian is interested in the RSUs granted to her under the RSU Scheme entitling her to receive 3,753,000 Shares subject to vesting.
- (6) Mr. Li Cunyi is interested in the RSUs granted to him under the RSU Scheme entitling him to receive 3,188,000 Shares subject to vesting.
- (7) Mr. Wang Li is interested in the RSUs granted to him under the RSU Scheme entitling him to receive 2,391,000 Shares subject to vesting.
- (8) Mr. Wang Li is the spouse of Ms. Huang Yuan. Accordingly, Mr. Wang Li is deemed to be interested in the Shares in which Ms. Huang Yuan is interested.
- (9) Mr. Ban Siu Fung is interested in the RSUs granted to him under the RSU Scheme entitling him to receive 358,000 Shares subject to vesting.

INTERESTS IN OTHER MEMBERS OF THE GROUP

Name of Director	Name of other members of the Group	Capacity/Nature of interest	Approximate percentage of registered capital ⁽¹⁾
Mr. Huang Yulin	Nanchang Di Guan ⁽²⁾ the School	Beneficial owner interest in a controlled corporation	74.00% 74.00%

Notes:

- (1) All interests stated are long positions.
- (2) Nanchang Di Guan and the School, by virtue of the Contractual Arrangements, are accounted as subsidiaries of the Group. Nanchang Di Guan held 100.00% of the sponsor's interest of the School.

Save as disclosed above, as of 30 June 2020, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code; or to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as the Directors were aware, as of 30 June 2020, the following persons or corporations who had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO; or which were required to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of part XV of the SFO, were as follows:

Name	Capacity/Nature of interest	Number of Shares held ⁽¹⁾	Approximate percentage of issued share capital ⁽²⁾
Huangyulin Holdings ⁽²⁾	Beneficial owner	487,500,000	48.75%
	Interest in a controlled corporation	67,500,000	6.75%
Mr. Huang Yulin ^{(2) (3)}	Interest in a controlled corporation	555,000,000	55.50%
Ms. Xiong Yan ⁽⁴⁾	Interest of spouse	555,000,000	55.50%
Huangyuan Holdings	Beneficial owner	97,500,000	9.75%
Ms. Huang Yuan ^{(5) (6) (7)}	Interest in a controlled corporation	97,500,000	9.75%
	Beneficial owner	2,371,000	0.24%
	Interest of spouse	2,391,000	0.24%
Mr. Wang Li ^{(8) (9)}	Beneficial owner	2,391,000	0.24%
	Interest of spouse	99,871,000	9.99%
Huangguandi Holdings	Beneficial owner	97,500,000	9.75%
Mr. Huang Guandi ^{(10) (11)}	Interest in a controlled corporation	97,500,000	9.75%
	Beneficial owner	4,503,000	0.45%

Notes:

- (1) All interest stated are long positions.
- (2) The entire share capital of Chen Lin Elite Holdings is directly owned by Huangyulin Holdings. Accordingly, Huangyulin Holdings is deemed to be interested in such number of shares held by Chen Lin Elite Holdings.
- (3) The entire share capital of Huangyulin Holdings is directly owned by Mr. Huang Yulin. Accordingly, Mr. Huang Yulin is deemed to be interested in such number of Shares held by Huangyulin Holdings.
- (4) Ms. Xiong Yan is the spouse of Mr. Huang Yulin. Accordingly, Ms. Xiong Yan is deemed to be interested in the Shares in which Mr. Huang Yulin is interested.

OTHER INFORMATION

- (5) The entire share capital of Huangyuan Holdings is directly owned by Ms. Huang Yuan. Accordingly, Ms. Huang Yuan is deemed to be interested in such number of Shares held by Huangyuan Holdings.
- (6) Ms. Huang Yuan is the spouse of Mr. Wang Li. Accordingly, Ms. Huang Yuan is deemed to be interested in the Shares in which Mr. Wang Li is interested.
- (7) Ms. Huang Yuan is interested in the RSUs granted to her under the RSU Scheme entitling her to receive 2,371,000 Shares subject to vesting.
- (8) Mr. Wang Li is interested in the RSUs granted to him under the RSU Scheme entitling him to receive 2,391,000 Shares subject to vesting.
- (9) Mr. Wang Li is the spouse of Ms. Huang Yuan. Accordingly, Mr. Wang Li is deemed to be interested in the Shares in which Ms. Huang Yuan is interested.
- (10) The entire share capital of Huangguandi Holdings is directly owned by Mr. Huang Guandi. Accordingly, Mr. Huang Guandi is deemed to be interested in such number of Shares held by Huangguandi Holdings.
- (11) Mr. Huang Guandi is interested in the RSUs granted to him under the RSU Scheme entitling him to receive 4,503,000 Shares subject to vesting.

Save as disclosed above, as of 30 June 2020, the Directors are not aware of any other person or corporation who had interests or short positions in the Shares or underlying Shares of the Company which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO; or which would require to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the six months ended 30 June 2020 and up to the date of this Interim Report, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competes or may compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

RSU SCHEME

On 20 August 2019, the RSU Scheme was approved and adopted by the Directors of our Company. The purpose of the RSU Scheme is to incentivise Directors, senior management and employees of our Group for their contribution to our Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of our Group by providing them with the opportunity to own equity interests in our Company. Persons eligible to receive RSUs under the RSU Scheme are existing employees, Directors (whether executive or non-executive, but excluding independent non-executive Directors) or officers of our Company or any member of our Group any person who, in the sole opinion of the Board, has contributed or will contribute to any member of our Group (the "**RSU Eligible Persons**"). Our Board selects the RSU Eligible Persons to receive RSUs under the RSU Scheme at its discretion.

The RSU Scheme will be valid and effective for a period of ten (10) years, commencing from 20 August 2019 (unless it is terminated earlier in accordance with its terms). As of 30 June 2020, the remaining life of the RSU Scheme was approximately nine years and two months. The maximum number of RSUs that may be granted under the RSU Scheme in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the rules of the RSU Scheme) shall be such number of Shares held or to be held by the trustee for the RSU Scheme for the purpose of the RSU Scheme from time to time. Further details of the principal terms of the RSU Scheme are set out in the Prospectus.

OTHER INFORMATION

Our Company has appointed Mr. Huang Yulin as the trustee (the “**RSU Trustee**”) to assist in the administration of the RSU Scheme. Our Company may (i) allot and issue Shares to the RSU Trustee to be held by the RSU Trustee and which will be used to satisfy the Shares underlying the RSUs upon exercise and/or (ii) direct and procure the RSU Trustee to receive existing Shares from any Shareholder or purchase existing Shares (either on-market or off-market) to satisfy the Shares underlying the RSUs upon exercise. Our Company shall procure that sufficient funds are provided to the RSU Trustee by whatever means as our Board may in its absolute discretion determine to enable the RSU Trustee to satisfy its obligations in connection with the administration of the RSU Scheme.

Details of the RSUs granted under the RSU Scheme as of 30 June 2020 is set out as below:

Name of the grantees	Position held within our Group	Address	Number of Shares represented by the RSUs	Approximate percentage of shareholding as of 30 June 2020 ⁽¹⁾
Directors of our Company				
Gan Tian	Executive Director	Room 1332, Unit 2, Block 5 Hong Gu Zhong Avenue Honggutan New District Nanchang Jiangxi, PRC	3,753,000	0.38%
Li Cunyi	Executive Director	Room 401, Unit 2, Block 1 No. 267, Tao Yuan Street Xihu District Nanchang Jiangxi, PRC	3,188,000	0.32%
Wang Li	Executive Director	Room 401, Unit 1, Block 9 No. 2, Jun Cai Road Honggutan New District Nanchang Jiangxi, PRC	2,391,000	0.24%
Bau Siu Fung	Executive Director, chief financial officer and company secretary	Flat B, 17/F 102 Broadway Mei Foo Sun Chuen Mei Foo Kowloon Hong Kong	358,000	0.04%

OTHER INFORMATION

Name of the grantees	Position held within our Group	Address	Number of Shares represented by the RSUs	Approximate percentage of shareholding as of 30 June 2020 ⁽¹⁾
Senior management members of our Company (excluding those who are also Directors of our Company)				
Fang Xiaozhen	Chief operating officer	Room 502, Unit 1, Block 1, No. 81 Cui Yan Road, Wanli District, Nanchang, Jiangxi, PRC	3,268,000	0.32%
Liu Chunbin	Vice president	Room 603, Unit 2, Block 4, No. 899, Yi Yuan Road, Honggutan New District, Nanchang, Jiangxi, PRC	1,395,000	0.14%
Lin Jiaqi	Vice president	Room 2603, Block 4, No. 81, Cui Lin Road, Honggutan New District, Nanchang, Jiangxi, PRC	1,196,000	0.12%
Lu Dong	Vice president	Room 601, Unit 3, Block 1, Jiuzhou Hua Yi Ju, No. 20, Gongnong Road, Wanli District, Nanchang, Jiangxi, PRC	558,000	0.06%
Zhang Min	Vice president	Room 2311, Unit 3, Block 2, No. 668, Shi Mao Road, Honggutan New District, Nanchang, Jiangxi, PRC	518,000	0.05%

OTHER INFORMATION

Rank/position held with our Group	Number of Shares represented by the RSUs	Approximate percentage of shareholding as of 30 June 2020⁽¹⁾
44 management staff and employees of our Group	23,375,000	2.33%
Total	40,000,000	4.0%

Note:

(1) The calculation is based on the number of 1,000,000,000 Shares in issue as of 30 June 2020.

During the six months ended 30 June 2020 and up to the date of this Interim Report, the number of the RSUs granted under the RSU Scheme and the underlying Shares represented by such RSUs remained unchanged, and none of the RSUs granted under the RSU Scheme have been exercised, cancelled or lapsed.

The grantees of the RSUs granted under the RSU Scheme as referred to in the table above are not required to pay for grant or exercise of any RSU.

For the RSUs granted under the RSU Scheme to the named individual grantees of the RSUs set out in the table above, they shall (unless the Company shall otherwise determine and so notify such grantee in writing) vest as follows:

- (1) as to 50.0% of the RSUs on 18 November 2020;
- (2) as to 30.0% of the RSUs on 18 November 2021; and
- (3) as to 20.0% of the RSUs on 18 November 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries, has purchased, sold or redeemed any listed securities of the Company during the six months ended 30 June 2020.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as the RSUs, at no time during the six months ended 30 June 2020, was the Company or any of its subsidiaries a party to any arrangements to enable the Directors, the Company's chief executive or any of their spouse or children under the age of 18 to acquire benefits by means of the acquisition of Shares, underlying Shares and debentures of, the Company or any other associated companies of the Group.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020.

OTHER INFORMATION

COMPLIANCE WITH THE CG CODE

The Company is committed to achieving and maintaining high standards of corporate governance by focusing on principles of integrity, accountability, transparency, independence, responsibility and fairness. The Company has developed and implemented sound corporate governance policies and measures, and the Board is responsible for performing such corporate governance duties. The Board will continue to review and monitor the corporate governance practices of the Company, as well as various internal policies and procedures, including but not limited to those applicable to employees and Directors, with reference to the CG Code and other applicable legal and regulatory requirements so as to maintain a high standards of corporate governance of the Company. The Company has complied with all the applicable code provisions of the CG Code during the six months ended 30 June 2020 and up to the date of this Interim Report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors.

Having made specific enquiry of all Directors of the Company, all Directors have confirmed that they have complied with the Model Code regarding securities transactions by Directors throughout the six months ended 30 June 2020.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as of the date of this Interim Report, the Company has maintained the minimum public float of not less than 25% as required under the Listing Rules.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, there has been no change in Directors' information for the six months ended 30 June 2020 and up to the date of this Interim Report.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds from the Global Offering were approximately HK\$478.3 million (equivalent to approximately RMB427.9 million), after deducting the underwriting fees and commission, and related total expenses paid and payable by us in connection with the Listing. As of 30 June 2020, the Company has utilised the net proceeds of approximately RMB110.8 million and the net proceeds have been applied in the manner as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

OTHER INFORMATION

The following table sets forth a summary of the utilisation of the net proceeds from the Global Offering as of 30 June 2020:

Purpose	Percentage to total amount	Net proceeds allocated from the Global Offering RMB (million)	Actual use of proceeds during the six months ended 30 June 2020 RMB (million)	Unutilised amount as of 30 June 2020 RMB (million)	Expected timeline of full utilisation of the remaining proceeds
Construct, renovate and upgrade the facilities and infrastructure of the School ⁽¹⁾	35.0%	149.8	60.1	89.7	September 2021
Repay certain portion of the Group's bank loans	30.0%	128.4	7.9	120.5	October 2022
Acquire private higher education institutions and/or private vocational schools	25.0%	106.9	–	106.9	December 2021
Fund the Group's working capital and general corporate purposes	10.0%	42.8	42.8	–	N/A
	100.0%	427.9	110.8	317.1	

Note:

- (1) During the six months ended 30 June 2020 and up to the date of this Interim Report, the construction, renovation and upgrade works of the Company have not been completed as scheduled. Such delay in work schedule was primarily due to the implementation of precautionary and control measures by the government authorities after the outbreak of COVID-19.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group has engaged professional service firms for advices regarding compliance matters with various jurisdictions which the Group's subsidiaries operate, and has kept a close watch on any new laws or regulatory changes.

During the six months ended 30 June 2020 and up to the date of this Interim Report, the Group has complied with the relevant laws and regulations that have a significant impact on the Company in material respects.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the CG Code. As of the date of this Interim Report, the Audit Committee consists of four independent non-executive Directors, namely Mr. Chan Hon Ki, Mr. Chen Wanlong, Mr. Huang Juyun and Mr. Wang Donglin. Mr. Chan Hon Ki is the chairman of the Audit Committee, who possesses suitable professional qualifications.

REVIEW OF THE INTERIM REPORT

The Audit Committee has reviewed the interim report of the Group for the six months ended 30 June 2020 (with no disagreement), together with the management of the Company. The Audit Committee has also reviewed the accounting principles and practises adopted by the Group and discussed the auditing, risk management, internal control and financial reporting matters of the Group for the six months ended 30 June 2020.

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

For the six months ended 30 June 2020

	Note	Six month ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	4	125,579	114,694
Cost of sales		(39,347)	(32,593)
Gross profit		86,232	82,101
Other income	5	4,792	9,781
Other expenses	5	(1,682)	(2,684)
Other gains/(losses) — net	6	980	(531)
Net impairment losses on financial assets		(4,143)	(2,748)
Selling expenses		(2,209)	(2,442)
Administrative expenses		(39,528)	(17,688)
Operating profit		44,442	65,789
Finance income		509	58
Finance costs		(11,234)	(11,413)
Finance costs — net		(10,725)	(11,355)
Profit before income tax		33,717	54,434
Income tax expense	8	(850)	(3,793)
Profit for the period		32,867	50,641
Other comprehensive income for the period		—	—
Profit and total comprehensive income for the period, all attributable to shareholders of the Company		32,867	50,641
Earnings per share attributable to shareholders of the Company			
— Basic earnings per share (expressed in RMB per share)	9	0.03	0.07
— Diluted earnings per share (expressed in RMB per share)	9	0.03	0.07

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As of 30 June 2020

	Note	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Assets			
Non-current assets			
Right-of-use assets	10	52,870	41,588
Property, plant and equipment	11	810,730	809,414
Intangible assets	12	452	518
Prepayments for non-current assets		67,796	44,513
Deferred income tax assets	17	–	1,146
		931,848	897,179
Current assets			
Trade receivables	13	28,070	29,701
Other receivables and prepayments	14	14,107	114,780
Cash and cash equivalents		364,115	415,719
Restricted bank balances		24,317	24,314
Financial assets at fair value through profit or loss	15	48,230	–
		478,839	584,514
Total assets		1,410,687	1,481,693
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital		89	89
Share premium		471,206	471,206
Shares-based compensation reserve		33,442	14,798
Capital reserve		30,000	30,000
Statutory surplus reserves		96,028	82,057
Retained earnings		210,543	191,647
Total equity		841,308	789,797

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As of 30 June 2020

	Note	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Liabilities			
Non-current liabilities			
Borrowings	18	316,500	330,500
Deferred revenue	19	14,581	16,299
Contract liabilities	4	2,913	3,113
Other non-current liabilities		–	3,599
Deferred income tax liabilities	17	2,398	2,398
Lease liabilities	10	6,740	227
		343,132	356,136
Current liabilities			
Other payables	16	59,321	69,194
Amount due to a related party	21(c)	2,672	2,672
Borrowings	18	112,588	101,900
Current income tax liabilities		29,067	30,074
Deferred revenue	19	2,482	2,005
Contract liabilities	4	16,565	129,543
Lease liabilities	10	3,552	372
		226,247	335,760
Total liabilities		569,379	691,896
Total equity and liabilities		1,410,687	1,481,693
Net current assets		252,592	248,754
Total assets less current liabilities		1,184,440	1,145,933

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

		Unaudited						
		Equity attributable to owners of the Company						
Note	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserves RMB'000	Shares-based compensation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	
Balance at 1 January 2020	89	471,206	30,000	82,057	14,798	191,647	789,797	
Profit for the period	-	-	-	-	-	32,867	32,867	
Share-based compensation expense	-	-	-	-	18,644	-	18,644	
Profit appropriation to statutory reserve	-	-	-	13,971	-	(13,971)	-	
Balance at 30 June 2020	89	471,206	30,000	96,028	33,442	210,543	841,308	
Balance at 1 January 2019	2	-	30,000	54,230	-	135,904	220,136	
Profit for the period	-	-	-	-	-	50,641	50,641	
Profit appropriation to statutory reserve	-	-	-	16,621	-	(16,621)	-	
Balance at 30 June 2019	2	-	30,000	70,851	-	169,924	270,777	

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Note	Six month ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash used in operations		(25,338)	(20,938)
Income tax paid		(712)	(530)
Net cash used in operating activities		(26,050)	(21,468)
Cash flows from investing activities			
Interest received		509	114
Disposal of equity investment	15	172	–
Proceeds from disposal of property, plant and equipment		130	276
Loan repayments to a third party		–	(200)
Purchases of financial assets at fair value through profit or loss	15	(48,809)	–
Purchases of property, plant and equipment		(60,058)	(17,599)
Net cash used in investing activities		(108,056)	(17,409)
Cash flows from financing activities			
Proceeds from share issuance upon listing		100,414	–
Borrowings from a securities broker		4,588	–
Repayment of lease liabilities		313	–
Borrowings from a bank		–	30,000
Borrowings from a related party		–	158
Increase in restricted bank balances		(4)	–
Professional expenses paid in connection with the issuance of new shares during the listing process		(5,013)	(2,815)
Repayment of borrowings to banks		(7,900)	(4,120)
Interest paid		(9,896)	(9,988)
Net cash generated from financing activities		82,502	13,235
Net decrease in cash and cash equivalents		(51,604)	(25,642)
Cash and cash equivalents at the beginning of period		415,719	38,508
Cash and cash equivalents at the end of period		364,115	12,866

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 25 May 2018 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cayman Corporate Centre 27, Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together “**the Group**”) provide private comprehensive educational services in Jiangxi province of the People’s Republic of China (the “**PRC**”).

The ultimate controlling party of the Group is Mr. Huang Yulin, who is an executive director and the chairman of the board of directors of the Company.

To prepare for the initial listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the Group has undertaken a reorganisation pursuant to which the Company became the holding company of the subsidiaries comprising the Group. Details of the reorganisation are set out in the prospectus of the Company dated 27 November 2019.

The shares of the Company have been listed on Stock Exchange since 13 December 2019 by way of its initial public offering.

The consolidated financial statements are presented in Renminbi (“**RMB**”) and rounded to the nearest thousand yuan (“**RMB’000**”), unless otherwise stated.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

2 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with IAS 34 “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by International Accounting Standards Board (“IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622 and applicable disclosures of Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new and amended standards as set out below.

2.1 New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period.

New standards and amendments

IAS 1 and IAS 8 (Amendments) ‘Definition of Material’

IFRS 3 (Amendments) ‘Definition of a Business’

Revised Conceptual Framework for Financial Reporting

IFRS 9, IAS 39 and IFRS 7 (Amendments) ‘Interest Rate Benchmark Reform’

IFRS 16 (Amendments) ‘Covid-19-related Rent Concessions’

The new and amended standards did not have any significant impact on the Group’s accounting policies and did not require retrospective adjustments.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

2 BASIS OF PREPARATION (continued)

2.2 Impact of standards issued but not yet applied by the Group

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2020 and have not been early adopted by the Group:

New standards and amendments	Effective for annual periods beginning on or after
Annual Improvements to IFRS Standards 2018–2020	1 January 2022
IAS 1 (Amendments) 'Classification of Liabilities as Current or Non-current'	1 January 2022
IAS 16 (Amendments) 'Property, Plant and Equipment: Proceeds before intended use'	1 January 2022
IAS 37 (Amendments) 'Onerous Contracts — Cost of Fulfilling a Contract'	1 January 2022
IFRS 3 (Amendments) 'Reference to the Conceptual Framework'	1 January 2022
IFRS 17 'Insurance contracts'	1 January 2023
IFRS 10 and IAS 28 (Amendments) 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined

Based on the Group's current assessment, the directors do not expect a material impact on the Group's financial position and performance as a result of the adoption of these new standard and amendments when they become effective.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3.2 Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group expects to fund its future cash flow needs through internally generated cash flows from operations and borrowings from financial institutions. Management believes that there is no significant liquidity risk in view of the expected cash flows from operations and continuous support from banks in the coming twelve months.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Liquidity risk (continued)

The tables below analyse the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of year to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As of 30 June 2020 (Unaudited)					
Borrowings and interests	127,808	133,195	205,396	–	466,399
Amount due to a related party	2,672	–	–	–	2,672
Lease liabilities	3,972	3,608	3,447	–	11,027
Other payables (excluding non-financial liabilities and interest payables)	42,794	–	–	–	42,794
	177,246	136,803	208,843	–	522,892
As of 31 December 2019 (Audited)					
Borrowings and interests	124,248	104,942	258,032	–	487,222
Amount due to a related party	2,672	–	–	–	2,672
Other non-current liabilities	–	2,040	2,040	–	4,080
Other payables (excluding non-financial liabilities and interest payables)	54,008	–	–	–	54,008
	180,928	106,982	260,072	–	547,982

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the Group's financial assets measured and recognised at fair value at 30 June 2020 on a recurring basis:

At 30 June 2020 (Unaudited)	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss (Note 15)				
— Equity investments	44,215	—	—	44,215
— Debt investments	—	4,015	—	4,015
	44,215	4,015	—	48,230

There were no transfers between levels 1 and 2 for recurring fair value measurements during the period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

4 REVENUE AND SEGMENT INFORMATION

(a) Description of segment and principal activities

The Group is principally engaged in the provision of private tertiary education services in the PRC. The Group's chief operating decision-maker ('CODM') has been identified as the chairman and executive directors of the Board who considers the business from the service perspective.

For the purpose of resource allocation and performance assessment, the CODM reviews the overall results and financial position of the Group as a whole prepared based on the same accounting policies. Accordingly, their segment information is aggregated as a single reportable segment. Management of the Group assesses the performance of the reportable segment based on the revenue and gross profit for the period of the Group as presented in the interim condensed consolidated statements of comprehensive income.

(b) Segment revenue

Revenue for the six months ended 30 June 2020 and 2019 are as follows:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Tuition fees	113,214	92,298
Boarding fees	8,717	8,431
Internship management fees	480	3,513
Tutoring and programme management services	1,475	7,598
Others	1,693	2,854
	125,579	114,694

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

4 REVENUE AND SEGMENT INFORMATION (continued)

(b) Segment revenue (continued)

The analysis of revenue recognised over time and at a point in time as required by IFRS15 is set out below:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Recognised over time		
Tuition fees	113,214	92,298
Boarding fees	8,717	8,431
Internship management fees	480	3,513
Tutoring and programme management services	93	6,034
Others	1,290	1,112
Recognised at a point in time		
Tutoring and programme management services	1,382	1,564
Others	403	1,742
	125,579	114,694

The Group's revenue is subject to seasonal fluctuations. Where students are required to pay tuition fees at the beginning of that school year in September, recognition of tuition fees may be affected by regular school term breaks and vacation periods.

The Group's principal market is Jiangxi province of the PRC, most of the Group's revenue and operating profit are derived within Jiangxi province of the PRC, and all of the Group's operations and non-current assets are located in Jiangxi province of the PRC. Due to the similar risks and returns, the Group's CODM considers the Group's business as one geographic location. Accordingly, no geographical segment information is presented.

The Group has a large number of customers, no single customer accounted for more than 10% of the Group's revenue during the period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

4 REVENUE AND SEGMENT INFORMATION (continued)

(c) Contract liabilities

The Group has recognised the following contract liabilities:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Contract liabilities related to tuition fees	3,162	107,729
Contract liabilities related to boarding fees	6,618	15,473
Contract liabilities related to tutoring and programme management services	2,785	1,016
Contract liabilities related to other revenue	3,893	5,218
Contract liabilities related to other income	3,020	3,220
	19,478	132,656

The following table shows how much of the revenue and other income recognised in the current period relates to carried-forward contract liabilities:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Revenue recognised that was included in the balance of contract liabilities at the beginning of the period/year		
Tuition fees	107,451	88,918
Boarding fees	8,717	10,695
Tutoring and programme management services	1,016	3,008
Other revenue	1,693	3,425
Other income recognised that was included in the balance of contract liabilities at the beginning of the period/year		
Other income	200	908
	119,077	106,954

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

4 REVENUE AND SEGMENT INFORMATION (continued)

(d) Unsatisfied contracts

The following table shows unsatisfied performance obligations resulting from contracts with students or companies:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Expected to be recognised within one year		
Tuition fees	2,884	107,451
Boarding fees	6,583	15,438
Tutoring and programme management services	2,785	1,016
Other revenue	3,893	5,218
Sub-contracting income	420	420
Expected to be recognised within one to two years		
Tuition fees	278	278
Boarding fees	35	35
Sub-contracting income	400	400
Expected to be recognised more than two years		
Sub-contracting income	2,200	2,400
	19,478	132,656

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

5 OTHER INCOME AND OTHER EXPENSES

(a) Other income

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Government grants (i)		
— Recognised during the period	—	34
— Recognised from deferred revenue (note 19)	1,241	976
Sub-contracting income (ii)	1,615	3,112
Commission income (iii)	—	2,115
Others	1,936	3,544
	4,792	9,781

- (i) Government grants mainly represent subsidies from government for procurement of laboratory apparatus and equipment, conducting educational programmes.
- (ii) The Group receives income from sub-contracting the canteen catering operations and the campus stores in the School's campus to other parties.
- (iii) The Group receives commission income from education equipment supplying companies for referral of middle and primary schools to be customers of the suppliers. The commission income is based on a portion of the purchase price of the equipment payable by the schools. The Group also receives fees from other institutions for referral of students to the institutions. The referral fee is generally based on the number of students referred.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

5 OTHER INCOME AND OTHER EXPENSES (continued)

(a) Other income (continued)

The analysis of other income recognised over time and at a point in time as required by IFRS15 is set out below:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Recognised over time		
Sub-contracting income	1,615	3,112
Others	1,372	2,365
Recognised at a point in time		
Commission income	–	2,115
Others	564	1,179
	3,551	8,771

(b) Breakdown of other expenses by nature

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Employee benefit expenses	1,007	1,326
Depreciation and amortisation expenses	211	443
Repair and maintenance fees	66	48
Promotion expenses	38	450
Travelling expenses	4	15
Office expenses	9	21
Electricity and water expenses	28	47
Students activities expenses	65	87
Others	254	247
	1,682	2,684

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

6 OTHER GAINS/(LOSSES) — NET

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Net losses on disposal of property, plant and equipment	(2,652)	(926)
Donation outlay	(1,400)	(7)
Net fair value losses on financial assets at fair value through profit or loss (note 15)	(407)	–
Net foreign exchange gains	4,810	–
Others	629	402
	980	(531)

7 OPERATING PROFIT

In addition to the items disclosed on note 6, the following operating items have been charged to the operating profit.

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Charging:		
Staff costs		
— Salaries, wages and bonuses	28,304	18,906
— Share-based compensation expense	18,644	–
— Contributions to pension plan	1,105	1,428
— Housing fund, medical insurance and other social insurance	1,602	2,001
Total staff costs	49,655	22,335
Depreciation and amortisation of		
— property, plant and equipment	15,864	13,545
— right-of-use assets	1,467	557
— intangible assets	66	65
Net impairment losses on financial assets	4,143	2,748
Listing expenses	–	4,865
	71,195	44,115

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

8 INCOME TAX EXPENSE

The amount of income tax expense charged to profit or loss in the interim condensed consolidated statement of comprehensive income represents:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Current income tax		
Current income tax on profits for the period	1,996	3,793
Deferred income tax		
Decrease in deferred income tax assets (note 17)	(1,146)	–
Income tax expense	850	3,793
Income tax expense is attributable to:		
Profit from continuing operations	850	3,793

The Group's principal applicable taxes and tax rates are as follows:

(a) Cayman Islands

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) British Virgin Islands

The Company's direct subsidiary in the British Virgin Islands was incorporated under the BVI Companies Act, 2004 and accordingly, is exempted from British Virgin Islands income tax.

(c) Hong Kong

No provision for Hong Kong profit tax was provided as the Group did not have assessable profits derived from Hong Kong during the period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

8 INCOME TAX EXPENSE (continued)

(d) Enterprise Income Tax

EIT is provided on assessable profits of entities incorporated in the PRC at the rate of 25% during the period.

According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. As a result, private schools providing academic qualification education are eligible to enjoy income tax exemption treatment if the sponsors of such schools do not require reasonable returns. The School has been granted enterprise income tax exemption for the tuition and boarding income from relevant local tax authorities.

For other profits that were not related to providing academic qualification education, the applicable tax rate was 25% during the period.

(e) PRC Withholding Income Tax

The profits of subsidiaries of the Group in Mainland China derived are subject to withholding tax at a rate of 10% upon the distribution of such profits to foreign investors in Hong Kong. Deferred income tax liabilities have been provided for in this regard based on the expected dividends to be distributed from the Group's subsidiaries in Mainland China in the foreseeable future.

9 EARNINGS PER SHARE

(a) Basic

The basic earnings per share is calculated on the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Profit attributable to shareholders of the Company (RMB'000)	32,867	50,641
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	960,000,000	710,000,000
Basic earnings per share (expressed in RMB per share)	0.03	0.07

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

9 EARNINGS PER SHARE (continued)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversation of all dilutive potential ordinary shares. The Company's potentially dilutive ordinary shares comprised of RSUs scheme.

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Profit attributable to shareholders of the Company (RMB'000)	32,867	50,641
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	960,000,000	710,000,000
Adjustments for RSUs scheme	40,000,000	–
Number of shares that would have been issued at fair value:	(18,395,662)	–
Weighted average number of ordinary shares for diluted earnings per share	981,604,338	710,000,000
Diluted earnings per share (expressed in RMB per share)	0.03	0.07

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

10 LEASES

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Right-of-use assets		
Land use rights	40,431	40,989
Equipment (note 11)	7,904	–
Offices	4,535	599
Total right-of-use assets	52,870	41,588
Lease liabilities		
Current	3,552	372
Non-current	6,740	227
Total lease liabilities	10,292	599

The land for the current campus is an allocated land grant by the government free of charge for land use rights. The Group incurred reclamation and other costs amounting to RMB55,711,000. The allocated land use rights have no definite life of use stated in the relevant land use right certificates, and according to the PRC laws, without the relevant administrative authorities' permission, the School cannot transfer, lease or mortgage such allocated land.

The estimated useful life of the Group's right-of-use assets for the purpose of calculating the amortisation of prepayments for land use rights is determined to be 50 years which is the best estimate of the useful life based on the normal terms of land use right leases in the PRC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

10 LEASES (continued)

(ii) Amounts recognised in the statement of profit or loss and other comprehensive income

The statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Depreciation charge of right-of-use assets (note 7)		
Land use rights	557	1,114
Equipment (note 11)	604	–
Offices	306	148
	1,467	1,262
Interest expenses	25	17

The total cash outflow for leases during the six months ended 30 June 2020 was RMB313,000 (2019:RMB166,000).

(iii) The Group's leasing activities and how these are accounted for

The Group leases two offices and one teaching equipment. Rental contract is made for fixed periods of 2-3 years, but may have extension options as described in (iv) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(iv) Extension and termination options

Extension and termination options are included in office lease. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

11 PROPERTY, PLANT AND EQUIPMENT

	Unaudited					Total RMB'000
	Buildings and building improvements RMB'000	Vehicles RMB'000	Office furniture and fixtures RMB'000	Electronic equipment RMB'000	Construction in progress RMB'000	
As of 31 December 2019						
Cost	723,427	5,878	80,590	113,259	129,930	1,053,084
Accumulated depreciation	(118,920)	(3,327)	(53,655)	(67,768)	-	(243,670)
Net book amount	604,507	2,551	26,935	45,491	129,930	809,414
Six months ended 30 June 2020						
Opening net book amount	604,507	2,551	26,935	45,491	129,930	809,414
Reclassify to right-of-use asset (note 10)	-	-	-	(8,508)	-	(8,508)
Adjusted opening net book amount	604,507	2,551	26,935	36,983	129,930	800,906
Additions	-	888	1,065	710	25,807	28,470
Transfers	30,963	-	-	-	(30,963)	-
Disposals	-	(151)	(210)	(2,421)	-	(2,782)
Depreciation charge (note 7)	(11,577)	(230)	(1,748)	(2,309)	-	(15,864)
Closing net book amount	623,893	3,058	26,042	32,963	124,774	810,730
As of 30 June 2020						
Cost	754,390	5,471	78,636	64,855	124,774	1,028,126
Accumulated depreciation	(130,497)	(2,413)	(52,594)	(31,892)	-	(217,396)
Net book amount	623,893	3,058	26,042	32,963	124,774	810,730

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

12 INTANGIBLE ASSETS

Computer software
RMB'000
(Unaudited)

Computer software

As at the beginning of the period

Cost	6,776
Accumulated amortisation	(6,258)

Net book amount 518

Six months ended 30 June 2020

Opening net book amount	518
Amortisation (note 7)	(66)

Closing net book amount **452**

As of the end of the period

Cost	2,905
Accumulated amortisation	(2,453)

Net book amount **452**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

13 TRADE RECEIVABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade receivables (i)		
— related to students fees	12,786	13,224
— related to other services	23,030	25,448
	35,816	38,672
Provision for impairment	(7,746)	(8,971)
	28,070	29,701

(i) Ageing analysis of the trade receivables

Students of the Jiangxi University of Applied Science (“**School**”) are required to pay tuition fees and boarding fees in advance for the upcoming school years, which normally commences in September of the year. The trade receivables represent tuition and boarding fees receivable from students who have not settled the fees on time. There is no significant concentration of credit risk.

As of 30 June 2020 and 31 December 2019, the ageing analysis of the trade receivables based on the transaction date is as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Up to 1 year	33,197	34,790
1 to 2 years	2,492	3,429
2 to 3 years	86	272
Over 3 years	41	181
	35,816	38,672

Ageing for trade receivables related to other services is less than 1 year.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

13 TRADE RECEIVABLES (continued)

(i) Ageing analysis of the trade receivables (continued)

Movements in the provision for impairment of trade receivables are as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
As of the beginning of the period/year	8,971	4,996
Provision for receivables impairment	4,143	7,016
Written-off of uncollectible receivables	(5,368)	(3,041)
As of the end of the period/year	7,746	8,971

(ii) Fair values of trade receivables

Due to the short-term nature of the trade receivables, their carrying amounts approximated their fair values as of the balance sheet date and were denominated in RMB.

14 OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Government subsidy receivable (i)	7,000	12,000
Other receivables	3,571	2,145
Prepayments to suppliers	3,536	221
Fund receivable related to share issuance upon listing	–	100,414
	14,107	114,780

- (i) Government subsidy receivable represents congratulatory subsidies from government on the listing of the shares of the Company on the Stock Exchange.

The carrying values of other receivables and prepayments approximated their fair values as of the balance sheet date. Except for fund receivable, other receivables and prepayments were denominated in RMB.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Current assets		
Financial assets at fair value through profit or loss		
— Equity investment, listed (a)	44,215	—
— Debt investment, unlisted (b)	4,015	—
	48,230	—

(a) Equity investment

Movements in equity investment is analysed as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Securities listed in Hong Kong		
At 1 January	—	—
Additions	44,809	—
Disposals	(172)	—
Fair value losses (note 6)	(422)	—
As of the end of period/year	44,215	—

As of 30 June 2020, equity investment classified as financial assets at fair value through profit or loss represented the Group's equity investment in companies listed on the Stock Exchange, which are quoted in an active market.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

(b) Debt investment

Movements in debt investment is analysed as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Bank financial products		
At 1 January	–	–
Additions	4,000	–
Fair value gains (note 6)	15	–
As of the end of period/year	4,015	–

16 OTHER PAYABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Employee benefit payables	6,898	7,326
Payables for purchases of property, plant and equipment	4,981	13,303
Payables to suppliers on behalf of students	3,077	4,603
Payables to students:		
Prepayments received from students (a)	3,414	4,861
Government subsidies and other payables to students (b)	11,878	3,059
Insurance fund from government (c)	5,865	6,019
Interest payables	1,696	357
Retention money payables for campus constructions	1,069	1,057
Other taxes payable	7,933	7,503
Payables for listing expenses	–	5,013
Other payables and accruals	12,510	16,093
	59,321	69,194

- (a) The Group purchases books and other materials from suppliers on behalf of students and receives prepayments from students.
- (b) The Group receives subsidies from government for distribution to students as scholarship, subsidies or other forms of incentives to students.
- (c) The Group receives medical insurance funds from government for payment to students when they apply with related reimbursement supporting.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

17 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Deferred income tax assets:		
Deferred income tax assets to be recovered within 12 months	–	1,146
Deferred income tax liabilities:		
Deferred income tax liabilities to be recovered within 12 months	(2,089)	(2,089)
Deferred income tax liabilities to be recovered more than 12 months	(309)	(309)
	(2,398)	(2,398)

The gross movements on the deferred income tax account are as follows:

	Temporary difference in respect of accruals RMB'000	Withholding income tax on unremitted earnings RMB'000	Total RMB'000
As of 31 December 2019	1,146	(2,398)	(1,252)
Charged to the profit or loss (note 8)	(1,146)	–	(1,146)
As of 30 June 2020	–	(2,398)	(2,398)

There were no significant unrecognised deferred income tax assets and liabilities as of 30 June 2020 and 31 December 2019.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

18 BORROWINGS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Non-current:		
Bank borrowings, secured (a)	316,500	330,500
Current:		
Bank borrowings, secured (a)	108,000	101,900
Loan from a securities broker, secured (b)	4,588	–
	112,588	101,900
Total borrowings	429,088	432,400

(a) Bank borrowings

The non-current and current bank loans of RMB395.5 million of the Group as of 30 June 2020 (31 December 2019: RMB402.5 million) were secured by tuition and boarding fee collection rights.

The non-current bank loans of RMB29 million of the Group as of 30 June 2020 (31 December 2019: nil) were secured by Mr. Huang Yulin, his spouse and sister with their personal property.

The current bank loans of RMB40 million of the Group as of 30 June 2020 and 31 December 2019 were secured by pledged bank deposits of RMB4 million.

For the six months ended 30 June 2020, the weighted average effective interest rates on bank borrowings were 5.52% (31 December 2019: 5.48%).

(b) Loan from a securities broker

Loan from a securities broker is secured by the equity investment of the Group. The carrying amount of the equity investment pledged are disclosed in note 15(a).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

18 BORROWINGS (continued)

(c) Other disclosures

(i) Fair values

The carrying amounts for the majority of the borrowings approximated their fair values as they were carried at floating interest rates.

(ii) Repayment periods

The Group's borrowings as of the balance sheet date were repayable as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 1 year	112,588	101,900
Between 1 and 2 years	119,500	87,500
Between 2 and 5 years	197,000	243,000
Total	429,088	432,400

19 DEFERRED REVENUE

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Government grants		
Non-current	14,581	16,299
Current	2,482	2,005
Total	17,063	18,304

The government grants were received from the local government as subsidies to the Group's purchase of property, plant and equipment. They are amortised to the profit or loss on a straight-line basis over the expected useful lives of the related assets.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

19 DEFERRED REVENUE (continued)

The movements of the above deferred revenue during the period were as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
As of 1 January	18,304	17,990
Additions	—	5,320
Released to other income (note 5)	(1,241)	(5,006)
Closing net book amount	17,063	18,304

20 COMMITMENTS

(a) Capital expenditure commitments

Significant capital expenditure commitments are set out below:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Contracted but not recognised as liabilities		
— Commitments for acquisition of property, plant and equipment	187,723	191,044

21 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, common significant influence or joint control. The owners, members of key management and their close family members of the Group are also considered as related parties. In the opinion of the directors, the related party transactions were carried out in normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Related parties of the Group

Name of related parties	Relationship
Mr. Huang Yulin	Controlling Shareholder, chairman and executive director

In addition to the above, the Group also had transactions with the relatives and affiliated persons of the Controlling Shareholders.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

21 RELATED PARTY TRANSACTIONS (continued)

(a) Related parties of the Group (continued)

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business for the six months ended 30 June 2020 and the year ended 31 December 2019, and balances arising from related party transactions as of the respective balance sheet dates.

(b) Transactions with related parties

(i) Loans from a related party

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Mr. Huang Yulin	–	2,672
	–	2,672

(ii) Guarantees/security provided by related parties to the Group's bank borrowings:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Mr. Huang Yulin and his family members (*)	29,000	–

Note *: As of 30 June 2020, the loans were secured by Mr. Huang Yulin and his spouse and sister with their personal property.

(c) Balances with related parties

(i) Amount due to a related party

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Mr. Huang Yulin Non-trade	2,672	2,672

The amount due to a related party is unsecured, non-interest bearing and payable on demand.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

21 RELATED PARTY TRANSACTIONS (continued)

(c) Balances with related parties (continued)

(ii) Key management compensation

Key management includes directors (executive and non-executive), executive officers, and the Company Secretary. The compensation paid or payable to key management for employee services is as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Salaries and bonuses	2,876	4,448
Share-based compensation expense	7,749	6,151
Other benefits	111	371
	10,736	10,970

22 CONTINGENT LIABILITIES

As of 30 June 2020, the Group had no significant contingent liability (31 December 2019: Nil).

23 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to 30 June 2020 and up to the signing date of this financial information, the Group had no material subsequent events which have not been reflected in the interim financial information.