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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 RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

INTERIM RESULTS

The Board is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 30 June 2020 (“**Interim Results**”), together with the comparative information for the six months ended 30 June 2019. The Interim Results have been reviewed by the Audit Committee (with no disagreement), together with the management of the Company.

HIGHLIGHTS

	For the six months ended 30 June		
	2020	2019	
	RMB'000	RMB'000	% change
	(Unaudited)	(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 announcement.

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 programs 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.

FINANCIAL INFORMATION

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

For the six months ended 30 June 2020

		Six month ended 30 June	
	Note	2020	2019
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	3	125,579	114,694
Cost of sales		(39,347)	(32,593)
Gross profit		86,232	82,101
Other income	4	4,792	9,781
Other expenses	4	(1,682)	(2,684)
Other gains/(losses) — net	5	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	7	(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)	8	0.03	0.07
— Diluted earnings per share (expressed in RMB per share)	8	0.03	0.07

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2020

	<i>Note</i>	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Assets			
Non-current assets			
Right-of-use assets	9	52,870	41,588
Property, plant and equipment		810,730	809,414
Intangible assets		452	518
Prepayments for non-current assets		67,796	44,513
Deferred income tax assets	14	–	1,146
		931,848	897,179
Current assets			
Trade receivables	10	28,070	29,701
Other receivables and prepayments	11	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	12	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

	<i>Note</i>	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Liabilities			
Non-current liabilities			
Borrowings	15	316,500	330,500
Deferred revenue		14,581	16,299
Contract liabilities	3	2,913	3,113
Other non-current liabilities		–	3,599
Deferred income tax liabilities	14	2,398	2,398
Lease liabilities	9	6,740	227
		<u>343,132</u>	<u>356,136</u>
Current liabilities			
Other payables	13	59,321	69,194
Amount due to a related party		2,672	2,672
Borrowings	15	112,588	101,900
Current income tax liabilities		29,067	30,074
Deferred revenue		2,482	2,005
Contract liabilities	3	16,565	129,543
Lease liabilities	9	3,552	372
		<u>226,247</u>	<u>335,760</u>
Total liabilities		<u><u>569,379</u></u>	<u><u>691,896</u></u>
Total equity and liabilities		<u><u>1,410,687</u></u>	<u><u>1,481,693</u></u>
Net current assets		<u><u>252,592</u></u>	<u><u>248,754</u></u>
Total assets less current liabilities		<u><u>1,184,440</u></u>	<u><u>1,145,933</u></u>

NOTES:

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 (“**Board**”) 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.

2 BASIS OF PREPARATION

The notes included herein are extracted from the full set of interim condensed consolidated financial statements of the Group for the six months ended 30 June 2020 which have been prepared in accordance with International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting”.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as of and for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

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

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 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
	<u>125,579</u>	<u>114,694</u>

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	2019
	RMB'000	RMB'000
	(Unaudited)	(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.

(c) Contract liabilities

The Group has recognised the following contract liabilities:

	30 June	31 December
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(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

(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

4 OTHER INCOME AND OTHER EXPENSES

(a) Other income

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

- (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.

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	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
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
	<u>3,551</u>	<u>8,771</u>

(b) Breakdown of other expenses by nature

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(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

5 OTHER GAINS/(LOSSES) — NET

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(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 (<i>note 12</i>)	(407)	—
Net foreign exchange gains	4,810	—
Others	629	402
	980	(531)

6 OPERATING PROFIT

In addition to the items disclosed on note 5, the following operating items have been charged to the operating profit.

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(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

7 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	2019
	RMB'000	RMB'000
	(Unaudited)	(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 14)	(1,146)	—
Income tax expense	850	3,793
Income tax expense is attributable to:		
Profit from continuing operations	850	3,793

8 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	2019
	(Unaudited)	(Unaudited)
Profit attributable to shareholders of the Company (RMB'000)	<u>32,867</u>	<u>50,641</u>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>960,000,000</u>	<u>710,000,000</u>
Basic earnings per share (expressed in RMB per share)	<u>0.03</u>	<u>0.07</u>

(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	2019
	(Unaudited)	(Unaudited)
Profit attributable to shareholders of the Company (RMB'000)	<u>32,867</u>	<u>50,641</u>
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:	<u>(18,395,662)</u>	<u>–</u>
Weighted average number of ordinary shares for diluted earnings per share	<u>981,604,338</u>	<u>710,000,000</u>
Diluted earnings per share (expressed in RMB per share)	<u>0.03</u>	<u>0.07</u>

9 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	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.

(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 6)		
Land use rights	557	1,114
Equipment	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.

10 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 at 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.

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 at the beginning of the year	8,971	4,996
Provision for receivables impairment	4,143	7,016
Written-off of uncollectible receivables	(5,368)	(3,041)
As at 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 at the balance sheet date and were denominated in RMB.

11 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 at the balance sheet date. Except for fund receivable, other receivables and prepayments were denominated in RMB.

12 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	—
	<u>48,230</u>	<u>—</u>

(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 5)	(422)	—
	<u>44,215</u>	<u>—</u>
As at the end of period/year	<u>44,215</u>	<u>—</u>

As at 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.

(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 5)	15	—
	<u>4,015</u>	<u>—</u>
As at the end of period/year	<u>4,015</u>	<u>—</u>

13 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.

14 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 at 31 December 2019	1,146	(2,398)	(1,252)
Charged to the profit or loss (<i>note 7</i>)	(1,146)	–	(1,146)
As at 30 June 2020	–	(2,398)	(2,398)

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

15 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, unsecured	4,588	–
	112,588	101,900
Total borrowings	429,088	432,400

(a) Bank borrowings

Of the current bank loans of the Group, loans of RMB40 million need to pledge RMB4 million (31 December 2019: RMB4 million) as security, there are no other assets of the Group were pledged to secure the remaining bank loans of Group.

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

(b) 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 at 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

16 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

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 (“**School**”), and offer undergraduate and junior college programs, 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 program 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 programs and 37 junior college programs 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 programs 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 program and course offerings at our School. We believe our practical programs 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 favorable 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 programs 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.

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 programs	5,321	4,575	16.3
Junior college programs	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 programs and average boarding fees per student for the six months ended 30 June 2019 and 2020:

	For the six months ended		
	30 June		
	2020	2019	% change
	(RMB)	(RMB)	
Average tuition fees ⁽¹⁾			
Undergraduate programs	10,131	8,271	22.5
Junior college programs	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 programs and junior college programs share the same student residence halls and therefore we charge them the same amount of boarding fees.

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 programs, and (ii) a variety of tutoring and program management services, including qualification exam review services, personal development training services and education program 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 programs.

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) (the “**Amendment Decision**”) 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.

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 announcement, 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.

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 meetings to discuss such development; (ii) where necessary, engage professional advisors, including PRC legal advisors, 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.

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 program 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.

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 announcement, 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 program and course offerings in order to enhance the competitiveness of our students**

As an education service provider, the quality and coverage of the programs 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 program 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 announcement, 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.

- **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 practices 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.

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 announcement, 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 programs	53,909	37,842	16,067	42.5
Junior college programs	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 program 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.

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 programs.

- 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 programs, and the growth in the number of students enrolled in our undergraduate programs during the period. For the six months ended 30 June 2020, the average tuition fees of our undergraduate programs increased by approximately 22.5% as compared with the six months ended 30 June 2019; while the average tuition fees of our junior college programs 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 program 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 programs.
- For the six months ended 30 June 2020, our revenue from tutoring and program 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 programs.

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.

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.

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.

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	2019
	(RMB'000)	(RMB'000)
	(Unaudited)	(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	<u>18,644</u>	<u>–</u>
Adjusted net profit	<u>51,511</u>	<u>55,506</u>

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 announcement, 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.

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, 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 announcement, 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 announcement, 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 the date of this announcement, the Group has not entered into any off-balance sheet transactions.

SIGNIFICANT INVESTMENTS HELD

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed herein, as of the date of this announcement, 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.

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 at 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.

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 allotted from the Global Offering RMB (million)	Actual use of proceeds up to 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
	<u>100.0%</u>	<u>427.9</u>	<u>110.8</u>	<u>317.1</u>	

Note:

- (1) As of the date of this announcement, the construction, renovation and upgrade works 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.

SUBSEQUENT EVENTS

Save as disclosed herein, as of the date of this announcement, there were no subsequent events after the six months ended 30 June 2020.

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

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.

INTERIM DIVIDEND

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

COMPLIANCE WITH CG CODE

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 announcement.

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 and the code of conduct of the Company regarding securities transactions by Directors throughout the six months ended 30 June 2020.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the CG Code. As at the date of this announcement, 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 INTERIM RESULTS

The Audit Committee has reviewed the Interim Results (with no disagreement), together with the management of the Company. The Audit Committee has also reviewed the accounting principles and practices 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.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND 2020 INTERIM REPORT

This Interim Results announcement was published on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and on the website of the Company (www.chenlin-edu.com). The interim report of the Group for the six months ended 30 June 2020 will be despatched to Shareholders and available on the above websites in due course.

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
“CG Code”	the Corporate Governance Code as set out in Appendix 14 of the Listing Rules
“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
“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 listed on the Stock Exchange on 13 December 2019 (Stock Code: 1593)
“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
“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 entered into on 15 September 2018, 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\$” and “HK cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRSs”	the International Financial Reporting Standards
“Listing”	listing of the Shares on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“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
“Prospectus”	the prospectus issued by the Company dated 27 November 2019
“RMB”	Renminbi, the lawful currency of the PRC
“RSU(s)”	restricted share units granted pursuant to the RSU Scheme
“RSU Scheme”	the restricted share unit scheme adopted by our Company on 20 August 2019
“senior management”	the senior management of the Company
“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

By order of the Board

Chen Lin Education Group Holdings Limited

Huang Yulin

Chairman

Nanchang, the PRC, 27 August 2020

As at the date of this announcement, the executive Directors are Mr. Huang Yulin, Mr. Huang Boqi, Mr. Zheng Junhui, Mr. Li Cunyi, Mr. Bau Siu Fung, Mr. Wang Li and Ms. Gan Tian; and the independent non-executive Directors are Mr. Chan Hon Ki, Mr. Chen Wanlong, Mr. Huang Juyun and Mr. Wang Donglin.