

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

SHANGHAI GENCH EDUCATION GROUP LIMITED

上海建橋教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1525)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

INTERIM RESULTS

The Board of Directors of Shanghai Gench Education Group Limited is pleased to announce the unaudited interim condensed consolidated financial results of the Group for the six months ended 30 June 2021, together with the comparative figures for the corresponding period in 2020.

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Percentage change
	2021	2020	
	<i>RMB'000</i>	<i>RMB'000</i>	
	(Unaudited)	(Unaudited)	
Revenue	347,614	279,053	24.6%
Gross profit	225,334	179,690	25.4%
Profit before tax	149,786	104,345	43.5%
Profit for the period	111,853	103,975	7.6%

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

		For the six months ended 30 June	
	<i>Notes</i>	2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
REVENUE	4	347,614	279,053
Cost of sales		<u>(122,280)</u>	<u>(99,363)</u>
GROSS PROFIT		225,334	179,690
Other income and gains		4,037	3,726
Selling and distribution expenses		(1,540)	(748)
Administrative expenses		(51,845)	49,722
Impairment losses on financial assets		—	949
Finance costs		<u>(26,200)</u>	<u>(29,550)</u>
PROFIT BEFORE TAX	5	149,786	104,345
Income tax expense	6	<u>(37,933)</u>	<u>(370)</u>
PROFIT FOR THE PERIOD		<u>111,853</u>	<u>103,975</u>
Attributable to:			
Owners of the parent		<u>111,853</u>	<u>103,975</u>
		<i>RMB</i>	<i>RMB</i>
		(Unaudited)	(Unaudited)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		<u>0.27</u>	<u>0.26</u>

**UNAUDITED INTERIM CONDENSED CONSOLIDATED COMPREHENSIVE
INCOME**

For the six months ended 30 June 2021

	For the six months ended	
	30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	<u>111,853</u>	<u>103,975</u>
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(2,546)</u>	<u>15,057</u>
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	<u>(2,546)</u>	<u>15,057</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	<u>(2,546)</u>	<u>15,057</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>109,307</u>	<u>119,032</u>
Attributable to:		
Owners of the parent	<u>109,307</u>	<u>119,032</u>

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION**

30 June 2021

	<i>Notes</i>	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	1,945,601	1,875,400
Right-of-use assets		635,819	643,389
Other intangible assets		918	1,097
Long-term prepayments and other receivable		118,924	142,265
Deferred tax assets		42	—
Equity investments designated at fair value through profit or loss		1,498	—
		<u>2,702,802</u>	<u>2,662,151</u>
Total non-current assets			
CURRENT ASSETS			
Accounts receivable	10	3,235	3,511
Prepayments and other receivables		8,339	3,999
Cash and bank balance		665,220	714,621
		<u>676,794</u>	<u>722,131</u>
Total current assets			
CURRENT LIABILITIES			
Other payables and accruals		92,176	116,364
Dividend payable		434	439
Interest-bearing bank borrowings		338,822	411,822
Contract liabilities		76,020	347,241
Tax payable		38,002	4,659
Deferred income		6,824	2,412
		<u>552,278</u>	<u>882,937</u>
Total current liabilities			
NET CURRENT ASSETS/(LIABILITIES)		<u>124,516</u>	<u>(160,806)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,827,318</u>	<u>2,501,345</u>

	<i>Note</i>	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		973,280	712,780
Deferred income		21,020	26,178
		<hr/>	<hr/>
Total non-current liabilities		994,300	738,958
		<hr/>	<hr/>
NET ASSETS		1,833,018	1,762,387
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>11</i>	3,677	3,677
Share premium		523,960	551,155
Reserves		1,305,381	1,207,555
		<hr/>	<hr/>
TOTAL EQUITY		1,833,018	1,762,387
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

1. CORPORATE INFORMATION

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

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

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

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

The Group was conducting an internal restructuring to convert the PRC operating school of the Group into a for-profit private school (“Conversion”) to comply with the Decision on Amending the Law for Promoting Private Education of the PRC approved by the Standing Committee of the National People’s Congress in November 2016 and took effect on 1 September 2017 (“2016 Decision”) and related implementing rules.

During the year ended 31 December 2020, the Group has started the Conversion process and established Shanghai Jian Qiao University Co., Ltd., as a for-profit private school. The Conversion process includes but not limited to transferring all the assets and liabilities of Shanghai Jian Qiao University to Jian Qiao University Company, applying for formal school operating permit for Jian Qiao University Company and de-registering Shanghai Jian Qiao University which is required to be completed by the end of 2021. Jian Qiao University Company has obtained the relevant private school operating permit on 21 April 2021. Shanghai Jian Qiao University was de-registered on 10 August 2021.

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

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

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

- a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness.

The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

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

- b) Amendment to IFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

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

3. OPERATING SEGMENT INFORMATION

The Group principally provides higher education services in the PRC.

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

Geographical information

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

Information about major customers

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

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended	
	30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Tuition fees	291,829	257,248
Boarding fees	47,081	15,883
Others	8,704	5,922
	347,614	279,053
Total revenue from contracts with customers	347,614	279,053

(i) **Disaggregated revenue information**

	For the six months ended	
	30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Recognised over time		
Tuition fees	291,829	257,248
Boarding fees	47,081	15,883
Education related services	7,194	—
	<hr/>	<hr/>
Total revenue from contracts with customers	346,104	273,131
	<hr/> <hr/>	<hr/> <hr/>
Recognised at a point in time		
Education-related services	1,510	5,922
	<hr/> <hr/>	<hr/> <hr/>

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

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

5. PROFIT BEFORE TAX

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

	For the six months ended	
	30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages, salaries and other allowances	90,101	73,723
Pension scheme contributions and social welfare	10,618	6,804
	<hr/>	<hr/>
	100,719	80,527
	<hr/> <hr/>	<hr/> <hr/>

		For the six months ended	
		30 June	
		2021	2020
		RMB'000	RMB'000
	<i>Note</i>	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	9	25,186	27,428
Depreciation of right-of-use assets		7,570	7,568
Amortisation of intangible assets		318	423
Listing expense		—	9,498
Auditors' remuneration		1,200	1,200
Reversal of impairment of accounts receivable		(6)	(949)

6. INCOME TAX

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

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

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

All of the Group's subsidiaries operating in Mainland China were subject to the PRC corporate income tax of 25% during the period, except for Wangting Education Technology (Shanghai) Limited ("WFOE"). In accordance with the requirements of the tax regulations in the PRC, the WFOE applied for the "High and New Technology Enterprise" qualification and obtained the certificate on 4 December 2020. The certificate is effective for three years from 1 January 2020. Accordingly, the WFOE was subject to CIT at a rate of 15% for the six months ended 30 June 2021 and 2020.

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

	For the six months ended	
	30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current — Mainland China:	37,975	24
Deferred	(42)	346
	<hr/>	<hr/>
Total tax charge for the period	37,933	370
	<hr/> <hr/>	<hr/> <hr/>

7. DIVIDENDS

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Final declared and paid		
— HK\$0.08 (six months ended 30 June 2020: Nil) per ordinary share	27,195	—

A final dividend of HK\$0.08 per share in respect of the year ended 31 December 2020 has been proposed by the board of directors and was approved by the shareholders at the annual general meeting of the Company on 1 June 2021 (six months ended 30 June 2020: Nil).

On 27 August 2021, an interim dividend of HK\$0.10 per share has been proposed by the board of directors and is subject to the approval by the shareholders of the Company at the forthcoming extraordinary general meeting of the Company (30 June 2020: HK\$0.10 per share).

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent of RMB111,853,000 (six months ended 30 June 2020: RMB103,975,000), and the weighted average number of ordinary shares of 414,596,544 (six months ended 30 June 2020: 403,379,121) in issue during the period, as adjusted for the assumption that 299,990,000 new shares issued by way of capitalisation had been completed throughout the six months ended 30 June 2020. The number of shares for the six months ended 30 June 2021 has been arrived at after eliminating the shares of the Group held under the Share Award Scheme (as defined in note 12) and shares repurchased.

The Group had no potentially dilutive ordinary shares in issue during the six months as at 30 June 2021 and 2020.

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

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	111,853	103,975
	Number of shares	
	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares used in the basic and diluted earnings per share calculations	414,596,544	403,379,121

9. PROPERTY, PLANT AND EQUIPMENT

	30 June 2021 RMB'000 (Unaudited)
At 1 January 2021	1,875,400
Additions	95,388
Disposals	(1)
Depreciation provided during the period	(25,186)
	<hr/>
At 30 June 2021	1,945,601
	<hr/> <hr/>

As at 30 June 2021, the original cost of the Group's property, plant and equipment of RMB228,831,000 (31 December 2020: RMB220,180,000) was netted off by the government grants received.

Included in the property, plant and equipment were buildings with a carrying value of RMB315,652,000 (31 December 2020: RMB318,736,000), for which the property certificates have not been obtained as at 30 June 2021. In the opinion of the Company's directors, the risk of the Group not being able to obtain the legal titles for the relevant buildings is low and the Group will continue the ownership registration of the buildings.

10. ACCOUNTS RECEIVABLE

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Accounts receivable:		
Within 1 year	2,359	2,821
1 to 2 years	743	574
2 to 3 years	127	107
Over 3 years	6	9
	<hr/>	<hr/>
	3,235	3,511
	<hr/> <hr/>	<hr/> <hr/>

11. SHARE CAPITAL

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Number of ordinary shares		
Authorised:		
Ordinary shares of HK\$0.01 each	<u>500,000,000</u>	<u>500,000,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each	<u>415,000,000</u>	<u>415,000,000</u>

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Authorised:		
Ordinary shares of HK\$0.01 each	<u>4,462</u>	<u>4,462</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each	<u>3,677</u>	<u>3,677</u>

12. SHARE AWARD SCHEME

On 11 December 2020, the Board of Directors approved an employee share award scheme (“Share Award Scheme”) under which: (i) an employees (whether full time or part time), executive or officer, (ii) a director (including any executive, non-executive and independent non-executive director), or (iii) any consultant or adviser (whether professional or otherwise being engaged whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid) of any member of the Group who, in the sole discretion of the Board, has contributed or may contribute to the growth and development of the Group (the “Eligible Participant”), will be entitled to participate. The purposes and objectives of the Share Award Scheme are (i) to recognise the contributions by certain Eligible Participants and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

Subject to any early termination as may be determined by the Board pursuant to rules of the Share Award Scheme (the “Scheme Rules”), the Share Award Scheme shall be valid and effective from 11 December 2020 to the date the last of the number of shares determined by the Board and granted to such relevant Eligible Participant selected by the Board pursuant to the Scheme Rules for participating in the Share Award Scheme (the “Selected Participant”) has been vested and transferred to the Selected Participant or has lapsed in accordance with the Scheme Rules provided that no award shall be made on or after the 10th anniversary date of 11 December 2020.

The Share Award Scheme shall be subject to the administration of the Board in accordance with the Scheme Rules and the terms of the trust deed (the “Trust Deed”) which was entered into between the Company as settlor and the trustee (as restated, supplemented and amended from time to time), namely CMB Wing Lung (Trustee) Limited (the “Trustee”), on dated 11 December 2020. The Trustee shall hold the trust fund (including the awarded shares and related income) in accordance with the terms of the Trust Deed. The Board may from time to time issue implementation and operation manual for the Share Award Scheme.

The Board may, at any time and from time to time (a) cause the Company to issue and allot new Shares to the Trustee under a general mandate, or (b) cause to be paid an amount of cash to the Trustee for the purchase of the shares on and/or off the market for the operation of the Share Award Scheme.

Subject to the terms and conditions of the Share Award Scheme and the fulfillment of all relevant vesting conditions, the respective awarded shares held by the Trustee on behalf of a Selected Participant shall vest in accordance with the vesting schedule (if any) and the Trustee shall cause the awarded shares to be transferred to such Selected Participant on the vesting date(s), provided that the Selected Participant remains at all times after the grant of the awarded shares and on each relevant vesting date(s) an Eligible Participant.

The following shares were purchased by the Trustee under the Share Award Scheme during the six months ended 30 June 2021:

	Number of shares purchased for the Share Award Scheme	Total RMB'000
At 1 January 2021	—	—
Purchased and withheld	<u>2,266,000</u>	<u>11,481</u>
At 30 June 2021	<u><u>2,266,000</u></u>	<u><u>11,481</u></u>

Since 11 December 2020 and up to the date of this interim condensed consolidated financial information, the Board neither granted, lapsed or cancelled any awards.

13. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Contracted, but not provided for: Property, plant and equipment	<u>19,422</u>	<u>214,370</u>
Authorised, but not contracted for: Property, plant and equipment	<u>66,494</u>	<u>71,750</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

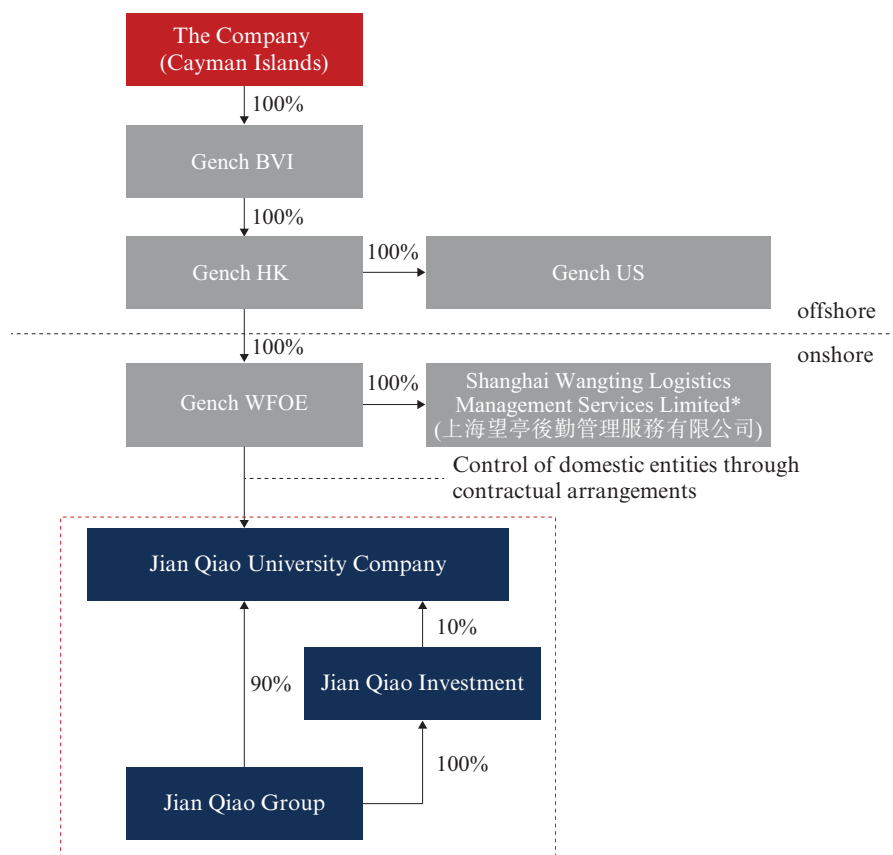
The Group is an education group which provides undergraduate education and higher vocational education, focusing on high-quality schooling for the provision of excellent education for students. The Group operates Shanghai Jian Qiao University, being the domestic leading private university, at Lingang New Area in the China (Shanghai) Pilot Free Trade Zone. As measured by the total number of full-time students enrolled in the 2020/21 school year, our University is the largest private university in Shanghai and also a leading private university in the entire Yangtze River Delta. According to CUAA.net (中國校友會網), our University ranked fourth among all category I private universities in Shanghai in 2021 and first among private universities in all tier one cities (including Beijing, Shanghai, Guangzhou and Shenzhen) for four consecutive years from 2018–2021.

CONVERSION INTO A FOR-PROFIT PRIVATE SCHOOL

Reference is made to the announcement of the Company dated 20 January 2021 in respect of the internal restructuring of the Group which involves the conversion of the PRC operating school of the Group into a for-profit private school, termination of the Contractual Arrangements and establishment of the New Contractual Arrangements.

Jian Qiao University Company has obtained the relevant private school operating permit on 21 April 2021 with the short name of “Shanghai Jian Qiao University”. It is now the PRC operating school of the Group and operates as a for-profit private school while Shanghai Jian Qiao University was de-registered as a private non-enterprise unit on 10 August 2021. The termination of the Contractual Arrangements came into effect concurrently from the de-registration of Shanghai Jian Qiao University (i.e. 10 August 2021) and the New Contractual Arrangements came into effect concurrently from the termination of the Contractual Arrangements (i.e. 10 August 2021). The pledges under the equity pledge agreements of the New Contractual Arrangements were registered with the department of administration for market regulation of the PRC on 27 August 2021 and became effective on the same date of the registration of the pledges.

Our corporate structure chart is as follows:



BUSINESS REVIEW AND OPERATION UPDATE

Our University

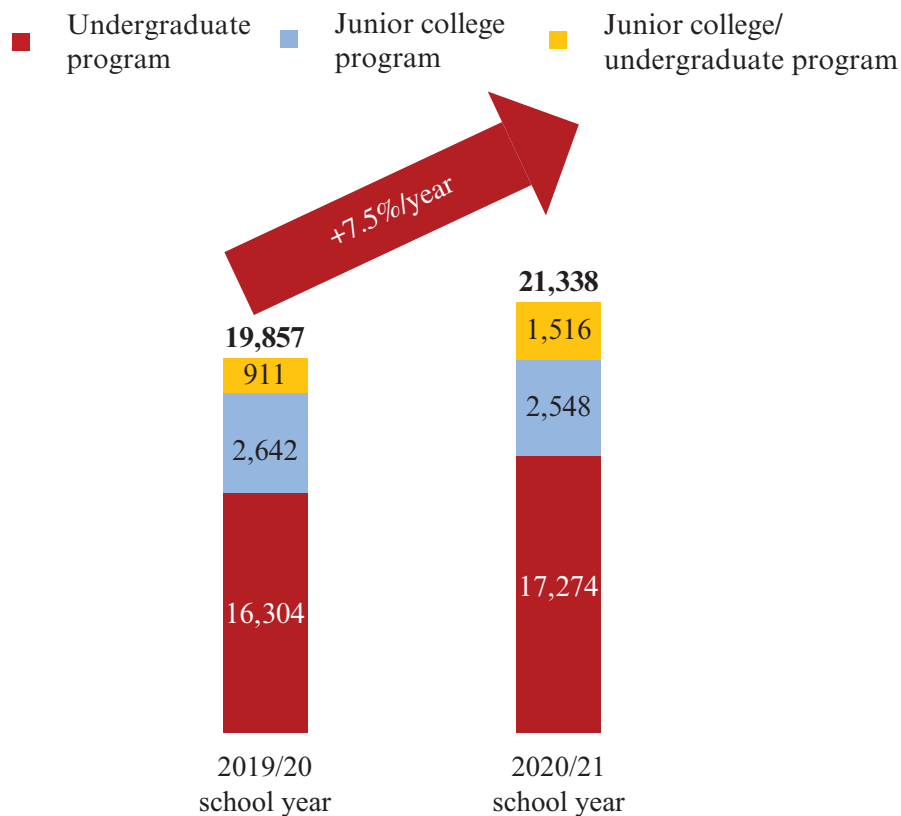
Our University is a private university which focuses on undergraduate education and cultivates applied technical talents. As of 30 June 2021, our University offered 64 majors and concentrations in its formal undergraduate program and offered 13 majors and concentrations in its formal junior college program in a wide range of areas including economics, management, literature, art, science and pedagogy. Our University has 1 major with national characteristics, 1 MOE pilot reform undergraduate major, as well as 6 first-class undergraduate majors in Shanghai. Our University has a team of stable and professional teachers. As of 31 October 2020, full-time teachers with a senior title account for 33.1% whereas those with a doctoral degree account for 25.5%.

The national “Fourteenth Five-year Plan” and the 2035 Outline of Prospective Target (2035年遠景目標綱要) propose to establish a high-quality education system, while our University has been focusing on this system for over 20 years, and has been certified by Shanghai Audit Centre of Quality System to have implemented the ISO9001 quality management system in 2018. From 2005 to 2020, our University was awarded “Shanghai Civilized Company”(上海市文明單位). From 2015 to 2020, it was awarded “Shanghai Garden Unit”(上海市花園單位) and from 2015 to 2021 won the title of “National Model Unit of Civilization”(全國文明單位). In 2020, our University was also selected as the Shanghai Model School for Governing in Compliance with Laws (上海市依法治校示範校) by the Shanghai Municipal Education Commission (上海市教委) and was awarded the National Factory Affairs Advanced Unit for Open Democratic Management (全國廠務公開民主管理先進單位) by the National Factory Affairs Open Coordination Group (全國廠務公開協調小組).

As of 31 October 2020, the employment rate of 2020 graduates reached 97.6% while the satisfaction rate of employers amounted to 99.5%, of which 62.6% of graduates chose to stay in Shanghai for employment. The rate of our students studying abroad for the year ended 31 December 2020 reached 6.4%, with 52 students entering the top 100 universities in QS World University Rankings and 95 students entering the top 200 universities in QS World University Rankings.

Student enrollment

In the 2020/21 school year, the overall number of full-time enrolled students of our University reached 21,338, representing an increase of 7.5% as compared to that of the 2019/20 school year. Such increase in the number of enrolled students was mainly due to the increase in student enrollment of our University. In the 2021/22 school year, the total number of registrations for the national college entrance examination amounted to 10.78 million, representing a year-on-year increase of 0.6% while the admission quota for our University increased by 6.5% on a year-on-year basis, among which, the admission quota for our undergraduate program, junior college program, junior college/undergraduate program are 4,900, 865, and 1,430 respectively.



Tuition rates

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

	For the six months ended 30 June			Percentage change (%)
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>	Change <i>RMB'000</i>	
Average annualised tuition fees ⁽¹⁾	<u>24,618</u>	<u>23,319</u>	<u>1,299</u>	<u>5.6%</u>

Note:

- (1) Average annualised tuition fees for the six months ended 30 June 2020 and 2021 are calculated by dividing total revenue generated from tuition fees of full-time students (excluding part-time students in our continuing education program) which is annualised based on the revenue-generating period of nine months, using the total number of full-time students enrolled as of 30 September 2019 and 31 October 2020, respectively (due to the impact of COVID-19 outbreak, the enrollment date of the fresh students of 2020/21 school year extended to October 2020).

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

	2019/20 school year	Tuition Fee ⁽¹⁾	
		2020/21 school year <i>RMB</i>	2021/22 school year
Undergraduate program	23,000–30,000 ⁽²⁾	23,000–38,000 ⁽²⁾	23,000–39,800 ⁽²⁾
Junior college program	15,000–18,000	15,000–18,000	15,000–20,000
Junior college/undergraduate program	23,000–27,000	23,000–30,000	23,000–30,000

Notes:

- (1) Tuition fees shown above are applicable to full-time students enrolled in the relevant school years only, excluding tuition fees charged for part-time students enrolled in our continuing education program.
- (2) The tuition fee range of the undergraduate program includes (i) the undergraduate program; and (ii) the undergraduate program under the international program. It excludes tuition fee rate of RMB80,000 per school year for the international design college, the tuition fee rate of RMB58,000 per school year for the bilingual-lectured digital media technology program, the tuition fee rate of RMB45,000 per school year for the bilingual-lectured journalism program and the tuition fee rate of RMB45,000 per school year for the international program with Vaughn College of Aeronautics and Technology.

FUTURE OUTLOOK AND BUSINESS STRATEGY

Upon the conversion of our University into a for-profit private undergraduate university, we will continue to adhere to the development philosophy of high-quality education and optimize the quality of schooling. The potential population at the suitable age for university in Shanghai is expected to continually increase over the next ten odd years. As the largest private university of the most developed city in China and located at Lingang New Area in Pudong New Area, our University has significant regional advantages. In July 2021, the Opinion on Supporting the High-level Reform and Opening up in Pudong New Area and Building Leading Area with the Development of Socialist Modernization Promulgated by the State Council of Central Committee of the Communist Party of China (《中共中央國務院關於支持浦東新區高水平改革開放打造社會主義現代化建設引領區的意見》) was officially promulgated, which supported the high-level reform and opening up of the Pudong New Area, created new industrial groups at the world level and promoted the policy of first trial in Lingang New Area. We believe that our University will have more significant regional advantages in terms of policy support, student enrollment and teacher attraction, teaching quality, industry-teaching integration, students' employment and others. Looking forward, we will utilize the following four strategies to promote our business development.

ENHANCING PROFITABILITY BY OPTIMIZING PRICING AND INCREASING STUDENT ENROLLMENT AT OUR UNIVERSITY

- 1) The Group will continue to promote schooling quality and gradually optimize the levels of tuition and boarding fees:

In the 2021/22 school year, we have generally optimized our tuition fee for undergraduate and junior college programs, representing an average increase of 10% in the 2021/22 school year as compared to that of 2020/21 school year. In addition, we charge students who are living in the two dormitory buildings under phase two of our campus construction plan RMB5,800 per student per school year, which is approximately 60% higher than our previous boarding fee rate. For the dormitory buildings under phase one of our campus construction plan, we have increased the boarding fees from RMB3,600 to RMB4,800 for new students enrolled in 2020 and 2021.

- 2) The Group believes that the on-going increase in student enrollment is also important to our success:

We intend to continue to increase our investment in new construction projects to build academic, administrative, and boarding facilities that can meet the needs of our expansion in the years to come. In order to increase the school capacity in relation to student dormitories and teaching facilities to meet the needs of the Group's expansion in the years to come, our University commenced phase three of our campus construction plan in September 2020. Such campus facilities, with a total gross floor area of approximately 60,950 square meters, mainly comprise (i) a multi-function teaching building with a total gross floor area of approximately 9,413 square meters; (ii) two dormitory buildings with a total gross floor area of approximately 21,742 square meters and 21,715 square meters, respectively, and with an aggregate of approximately 3,984 beds which will increase our school capacity; and (iii) an ancillary dormitory building for boarding-related services (such as an office of dormitory management personnel and laundry rooms). The total capital expenses on phase three of our new dormitory building construction plan are estimated to be approximately RMB340 million (equivalent to approximately HK\$377.4 million), which are expected to be incurred by the end of 2022.

EXPANDING OUR SCHOOL NETWORK AND ENHANCING OUR MARKET PENETRATION

For external mergers and acquisitions, the Group's strategy is to proactively promote and prudently progress on the premise that we fully consider the synergy of the target institutions. In China, we intend to prioritize private higher education institutions in which school sponsors have elected or intend to elect them to be for-profit schools, in particular universities offering bachelor's degree programs focused on applied sciences. We expect that the suitable target schools should have a student enrollment of at least 5,000 while generating revenues of not less than RMB100 million. In terms of geographic location, we intend to prioritize suitable target schools in east China, particularly in the Yangtze River Delta, which we believe will enhance our profile and create synergies in the region. According to the Frost & Sullivan Report, there were approximately 50 to 80 private higher education institutions in the Yangtze River Delta region meeting the aforementioned standards as at the end of 2018. Internationally, we intend to prioritize institutions with postgraduate research capabilities recognized by the MOE. In terms of geographic location, we intend to prioritize institutions in developed countries. An expanded overseas school network will provide students with more options of destinations for studying abroad, while further attracting overseas students to be enrolled.

We have been in the process of identifying and in discussion on on-going opportunities and potential projects, and will make disclosures on mergers and acquisitions as and when appropriate.

BUILDING ON OUR EXISTING STRENGTHS AND EXPLORING NEW GROWTH AREAS

The Group is continuing with the expansion and diversification of our course offerings. Our University newly established two majors for undergraduate programs namely, (i) fashion and communication (時尚傳播), and (ii) elder-care service management (養老服務管理). We believe that these majors will further expand the categories of our majors and meet the increasing demands of the health services and the cultural and creative industries. In addition, we also continue to proactively promote the development of continuing education programs. As of 30 June 2021, adult students of the continuing education programs of our University amounted to 4,473, representing an increase of 80.8% as compared to the corresponding period of last year.

We believe that, during the period of “Fourteenth Five-year Plan”, our domestic education has entered into a new stage of high-quality development. Constructing high-quality education system is the major target of the new stage. The Group will continue to adhere to a connotative development path with a focus on quality promotion. We intend to continuously expand and diversify our curriculums through integration, internationalization and digitalized strategies, and actively promote the synergetic development of academic education and vocational education:

- 1) We will persist in our applied technical university positioning, striving to acquire earlier authorization at the master’s degree level, so as to establish a higher vocational education system focusing on applied undergraduate education and spanning the higher vocation, undergraduate and master’s degree levels.
- 2) We intend to deepen the international schooling mechanism reform so as to fully promote students’ international vision and global cultivation and to build a higher vocational education system with more distinct internationalized characteristics.
- 3) We will construct a smart campus with high standards, relying on education information benchmarks as an opportunity to gradually realize the deep integration of information technology and the education process. By doing so, we will be able to explore new forms of education and teaching, and to build a smart campus based on the Internet of Things.

REAPING BENEFITS AFFORDED BY THE LINGANG NEW AREA POLICY TO PURSUE THE INTEGRATED DEVELOPMENT OF INDUSTRY, EDUCATION AND CITY

The Group is located at the core region of Lingang New Area allowing unique future developmental advantages with the right time, place and relationships. Lingang New Area carries an important national strategic mission as the “Pioneer Area for Socialist Modernization”, which is to establish a special economic functional zone with international influence and competitiveness, and to establish a national core area for pilot integration of industry and education. On 17 August 2021, Gench WFOE was certified as the first batch of “High and New Technology Enterprises” in Lingang New Area, which received supporting subsidies of RMB250,000. Facing new opportunities, the Group will actively respond to the national and regional development strategies and deeply promote the integrated development of industry, education and city.

According to the “General Planning for State-owned Land in Lingang New Area of the China (Shanghai) Pilot Free Trade Zone (2019–2035)”, by 2035, Lingang New Area will be developed into a world-class coastal city with a gross domestic product of RMB1,000 billion and a resident population of up to 2.5 million, characterised by young, internationalised and well-educated residents with high mobility, and housing not less than one-third of the multinational corporate headquarters in Shanghai. To take advantage of the developments, we have entered into a strategic framework agreement for university-enterprise cooperation with Lingang Group for the joint creation of the Lingang New Area Industrial University (臨港新片區產業大學), which aims to offer majors for five key industrial aspects, commence multidimensional cooperation projects with 50 leading enterprises in Lingang, build a 500-member high-calibre teaching team and groom 5,000 specialised talents urgently required by corporations in the new area by 2023. In December 2020, Lingang New Area Industrial University officially opened. As one of the training bases for highly skilled talents of industrial universities, our University will continue to work with local enterprises to further identify the respective advantages and resources of the industry and higher education institution, so as to commence in-depth cooperation in joint training of high-tech talents, industry-university-research collaboration and employment promotion, and form a long-term mechanism for win-win cooperation and common development

In order to further retain talents to contribute to the Group's operations and attract suitable personnel to promote the further development of the Group, we have adopted the following strategies: (1) Lingang Administration Committee has specifically formulated 30 implementation policies to attract and encourage outstanding talents to come to Lingang for employment and entrepreneurship, in order to speed up the gathering of high-end manufacturing industries in the Lingang area, gather innovative and entrepreneurial talents, and strengthen the integration of industry and city. Eligible talents may apply to purchase price-limited commercial housing in Lingang New Area at a price lower than the market price. In 2016, Lingang Administration Committee introduced a preferential policy for talent apartments to provide qualified talents with short-term rental transitional turnover apartments and rental subsidies. As at 30 June 2021, a total of 214 employees of the Group have enjoyed the preferential policy of price-limited housing in the Lingang New Area, and 75 employees have enjoyed the preferential policy of talent apartments; (2) in December 2020, the Board approved the adoption of the Share Award Scheme, and resolved to provide the trustee with a sum of not more than HK\$100 million from time to time to purchase existing Shares at an appropriate time for future award of Shares under the scheme. The Board believes that the current share price of the Company and trading volume seriously underestimate the Company's performance and related assets, which is a good opportunity to purchase Shares for future grants of Shares under the scheme.

In view of the above, as well as our regional advantages and favourable government policies, the Group will continue to adhere to the business philosophy of "high-quality schooling standards", and be committed to cultivating first-class employment-competitive applied talents, deepening the construction of internationalization and smart campuses, with a view to growing our University into a first-rate private university in China with more unique features and international standing that covers multi-level education of higher vocational, undergraduate as well as professional master's degree.

FINANCIAL REVIEW

Revenue

Revenue represents the value of services rendered during the Reporting Period. The Group derives revenue from tuition fees, boarding fees and other education related services its university collects from students.

For the six months ended 30 June 2021, the Group's revenue was approximately RMB347.6 million, representing an increase of approximately RMB68.6 million, or 24.6%, as compared with the corresponding period of last year, which was mainly due to (i) the increase in the revenue derived from tuition fees and other education related services by approximately RMB37.3 million, or 14.2%, from approximately RMB263.2 million for the six months ended 30 June 2020 to approximately RMB300.5 million for the six months ended 30 June 2021, which was in relation to the increase in the average tuition rates and the growth in the number of newly admitted students for the 2020/2021 school year commencing in September 2020 due to the utilization of the new dormitory buildings in its existing school campus in 2020; and (ii) the increase in the revenue derived from boarding fees by approximately RMB31.2 million, or 196.4%, from approximately RMB15.9 million for the six months ended 30 June 2020 to approximately RMB47.1 million for the six months ended 30 June 2021, which was mainly due to the recovery of our University accommodation during the first half year of 2021, while our students did not live on campus under the outbreak of COVID-19 pandemic during the first half year of 2020.

Cost of Sales

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

For the six months ended 30 June 2021, cost of sales increased by approximately RMB22.9 million, or 23.1%, from approximately RMB99.4 million for the six months ended 30 June 2020 to approximately RMB122.3 million for the six months ended 30 June 2021, which was primarily due to (i) the salary costs increased by approximately RMB10.1 million, or 19.5%, from approximately RMB51.9 million for the six months ended 30 June 2020 to approximately RMB62.0 million for the six months ended 30 June 2021, as a result of the increase of the number of teachers and the average salary rates; and (ii) the increase of student-related expense and cooperative education expenses amounting to approximately RMB6.4 million and approximately RMB7.0 million respectively compared with the amount of the same period of prior year, as our students did not live on campus under the outbreak of COVID-19 during March to June in 2020.

Gross Profit and Gross Profit Margin

The Group's gross profit represents our revenue less cost of sales. Gross profit margin represents the Group's gross profit as a percentage of the revenue. The Group's gross profit increased by approximately RMB45.6 million, or 25.4%, from approximately RMB179.7 million for the six months ended 30 June 2020 to approximately RMB225.3 million for the six months ended 30 June 2021.

The Group's gross profit margin represents the Group's gross profit as a percentage of its revenue. For the six months ended 30 June 2021, the Group achieved a gross margin of 64.8%, which remains stable compared with the gross profit margin for the same period of prior year.

Other Income and Gains

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

The Group's other income and gains increased by approximately RMB0.3 million, or 8.3%, from approximately RMB3.7 million for the six months ended 30 June 2020 to approximately RMB4.0 million for the six months ended 30 June 2021, which remained stable.

Selling and Distribution Expenses

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

The Group's selling and distribution expenses increased by approximately RMB0.8 million, or 105.9%, from approximately RMB0.7 million for the six months ended 30 June 2020 to approximately RMB1.5 million for the six months ended 30 June 2021, which was mainly due to the increase of publicity expenses, as was in relation to the increasing admissions videos and admissions live activities.

Administrative Expenses

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

The Group's administrative expenses increased by approximately RMB2.1 million, or 4.3%, from approximately RMB49.7 million for the six months ended 30 June 2020 to approximately RMB51.8 million for the six months ended 30 June 2021, which remained stable.

Finance Costs

The Group's finance costs primarily consisted of the interest expenses for bank loans. Finance costs decreased by approximately RMB3.4 million, or 11.3%, from approximately RMB29.6 million for the six months ended 30 June 2020 to approximately RMB26.2 million for the six months ended 30 June 2021, which was mainly due to the decrease of average effective interest rate.

Profit Before Tax

For the six months ended 30 June 2021, the Group recorded a profit before tax of approximately RMB149.8 million, representing an increase of approximately 43.5% from approximately RMB104.3 million for the same period of prior year.

Income Tax Expense

Income tax expense increased from approximately RMB0.4 million for the six months ended 30 June 2020 to approximately RMB37.9 million for the six months ended 30 June 2021, which was mainly because there remain uncertainties in the interpretation and application of the 2016 Decision with respect to the preferential tax treatment which may be enjoyed by for-profit private schools, Jian Qiao University Company may be subject to PRC enterprise income tax at a rate of 25% in respect of service fees it receives from the provision of formal educational services, if it does not enjoy any preferential tax treatment. As a result, the Group has made a PRC enterprise income tax provision at a rate of 25% in respect of service fees received by Jian Qiao University Company from the provision of formal educational services.

Liquidity and Capital Resources

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

Treasury Policy

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

Property, Plant and Equipment

As at 30 June 2021, the Group's property, plant and equipment amounted to approximately RMB1,945.6 million, representing an increase of approximately RMB70.2 million, or 3.7%, as compared to the balance as at 31 December 2020. Such an increase was mainly due to the phase three of our campus construction plan, maintaining and upgrading existing school premises, as well as purchase of additional teaching facilities and equipment during the Reporting Period.

Cash and Cash Equivalents

As at 30 June 2021, the Group's cash and cash equivalents were approximately RMB665.2 million, representing a decrease of approximately RMB49.4 million, or 6.9%, as compared to the balance as at 31 December 2020, mainly as the effect of seasonality as our University typically receives most of our tuition fees and boarding fees from students in the second half of the year while our University still needs to pay staff salaries, utility expenses and the capital expenditure in the first half of the year to support its operation.

Bank Borrowings

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

We primarily borrowed loans from banks and financial institutions to supplement our working capital and finance our capital expenditure. Our bank borrowings amounting an aggregate of approximately RMB1,312.1 million as at 30 June 2021 (31 December 2020: approximately RMB1,124.6 million) were all denominated in Renminbi. As at 30 June 2021, our bank borrowings bore effective interest rates ranging from 3.48% to 5.46% per annum. The following table sets forth the maturity profile of the interest-bearing bank and other borrowings as of the dates indicated:

	30 June 2021	31 December 2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Analysed into:		
Repayable within one year	<u>338,822</u>	<u>411,822</u>
Repayable in the second year	99,000	155,500
Repayable within two to five years	445,600	557,280
Repayable in more than five years	<u>428,680</u>	<u>—</u>
	<u>973,280</u>	<u>712,780</u>
	<u>1,312,102</u>	<u>1,124,602</u>

Capital Expenditure

Capital expenditures during the Reporting Period primarily related to the phase three of our campus construction plan, maintaining and upgrading existing school premises for our University. For the six months ended 30 June 2021, the Group's capital expenditures were approximately RMB69.7 million.

Contractual Commitments

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

	30 June 2021	31 December 2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Contracted, but not provided for:		
Property, plant and equipment	<u>19,442</u>	<u>214,370</u>
Authorised, but not contracted for:		
Property, plant and equipment	<u>66,494</u>	<u>71,750</u>

Contingent Liabilities

As at 30 June 2021, the Group did not have any significant contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened (31 December 2020: Nil).

Gearing Ratio

Our gearing ratio increased from 0.6 for the year ended 31 December 2020 to 0.7 for the six months ended 30 June 2021, mainly attributable to our incurring additional loans to help fund phase three construction of our current campus.

Foreign Exchange Risk Management

The functional currency of the Company is Renminbi (RMB). The majority of the Group's revenue and expenditures are denominated in RMB. During the Reporting Period, the Group did not experience any significant difficulties in or impacts on its operations or liquidity due to fluctuations in currency exchange rates. The Directors believe that the Group has sufficient foreign exchange to meet its own foreign exchange requirements and will adopt practical and effective measures to prevent exposure to exchange rate risk. The Group did not enter into any financial instrument for hedging purpose.

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

There were no significant investments held as at 30 June 2021, nor other material acquisitions and disposals of subsidiaries and associated companies. Save as disclosed in this announcement, as at 30 June 2021, the Group did not have any immediate plans for material investments and capital assets.

Pledge of Assets

As at 30 June 2021, the Group's bank borrowings of approximately RMB971.3 million were secured by the Group's rights over tuition fees and boarding fees.

Employees and Remuneration Policy

As at 30 June 2021, the Group had 1,347 full-time employees (30 June 2020: 1,146 employees), the remuneration policy and package of the Group's employees are periodically reviewed in accordance with industry practice and result performance of the Group. The Group provides internal and external training programs to its employees. The Group participates in various employee social security plans for its employees that are administered by local governments, including housing, pension, medical insurance, occupational injury insurance, maternity insurance and unemployment insurance. The total remuneration cost incurred by the Group for the six months ended 30 June 2021 was approximately RMB100.7 million (30 June 2020: approximately RMB80.5 million).

Teacher-to-student Ratio

Reference is made to the section headed "Teacher Requirement" in the Prospectus and there has been no substantive update since the position as of 30 September 2019 disclosed in the Prospectus. During the Reporting Period, the teacher-to-student ratio of our University for the 2020/2021 school year is 1:17.3. When calculating the teacher-to-student ratio, we adopted the method used by the relevant educational authorities, which was calculated based on the number of full-time teachers plus 50% of the part-time teachers as the determined number of teachers, and divided by the number of full-time students. According to the Basic Conditions for Operating Higher Education Institutions (Trial) (普通高等學校基本辦學條件指標(試行)), the teacher-to-student ratio of our University should be maintained at a level of not less than 1:18. Currently, the teacher-to-student ratio of our University has complied with those rules and regulations. Our University has not received any yellow or red card from, or has been subject to any form of administrative penalty by competent education authorities in relation to its compliance with the teacher-to-student ratio.

Use of Proceeds from Listing

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

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

As at 30 June 2021, the utilisation of the net proceeds is as follows:

Unit: Hong Kong dollar million

Items	Percentage	Available	Utilised	Unutilised	Expected timeframe for full utilization ⁽¹⁾
Acquisitions or investments to expand our school network	34.8%	231.7	1.8	229.9	31 December 2023
Finance construction projects on our campus and purchase of furniture and equipment	35.0%	233.1	233.1	—	N/A
Repay our short-term loans and the current portion of our long-term loans as they become due	20.2%	134.6	134.6	—	N/A
Supplement our working capital and for general corporate purposes	10.0%	66.6	66.6	—	N/A
		<hr/>	<hr/>	<hr/>	
Total	<u>100.0%</u>	<u>666.0</u>	<u>436.1</u>	<u>229.9</u>	

Note:

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

INTERIM DIVIDEND

On 27 August 2021, the Board has resolved to recommend the payment of the 2021 Interim Dividend. The 2021 Interim Dividend is intended to be paid out of the share premium of the Company and thus is subject to the approval of shareholders of the Company. The circular convening the extraordinary general meeting of the Company to be held on 29 September 2021 will be dispatched in due course.

Upon the Company's shareholders' approval, the interim dividend will be payable on or around 18 October 2021 to the shareholders whose names appear on the register of members of the Company on 6 October 2021. The 2021 Interim Dividend represents approximately 30.9% of the profit attributable to shareholders of the Company for the six months ended 30 June 2021.

CLOSURE OF THE REGISTER OF MEMBERS

For determining the eligibility of the shareholders of the Company to attend and vote at the extraordinary general meeting of the Company, the register of members of the Company will be closed from Friday, 24 September 2021 to Wednesday, 29 September 2021, both days inclusive, during which period no transfer of the Shares will be registered. In order to be eligible to attend and vote at the extraordinary general meeting of the Company, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 23 September 2021.

For determining the entitlement of the shareholders of the Company to receive the 2021 Interim Dividend, the register of members of the Company will be closed on Wednesday, 6 October 2021, during which period no transfer of Shares will be registered. The record date for entitlement to the 2021 Interim Dividend is Wednesday, 6 October 2021. In order to be qualified for the entitlement to receive the 2021 Interim Dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 5 October 2021. The payment date of the 2021 Interim Dividend is expected to be on Monday, 18 October 2021.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any other listed securities of the Company during the six months ended 30 June 2021.

Separately, as of 30 June 2021, the trustee of the Share Award Scheme, pursuant to the terms of the trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 2,266,000 Shares at a total consideration of approximately HK\$13,798,000.

COMPLIANCE WITH THE CG CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability. The Company has adopted the code provisions under the CG Code as its own code of corporate governance. The Company has complied with all applicable code provisions under the CG Code during the six months ended 30 June 2021. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code during the six months ended 30 June 2021.

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

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and practices adopted by the Group. The Audit Committee, together with the Board and external auditor, have reviewed the Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2021. The Audit Committee is of the opinion that such financial statements comply with the applicable accounting standards, the Listing Rules and all other applicable legal requirements.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.genchedugroup.com>). The interim report for the six months ended 30 June 2021 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and made available on the same websites in due course.

DEFINITION

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

“2016 Decision”	the Decision on Amending the Law for Promoting Private Education of the PRC (《關於修改〈中華人民共和國民辦教育促進法〉的決定》) approved by the Standing Committee of the National People’s Congress on November 2016, which took effect on 1 September 2017
“2021 Interim Dividend”	interim dividend declared by the Company for the six months ended 30 June 2021
“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors of the Company
“BVI”	British Virgin Islands
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rule
“China” or “PRC”	the People’s Republic of China excluding for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan
“Company”	Shanghai Gench Education Group Limited
“Contractual Arrangements”	the framework of contractual arrangements adopted by the Company as described in the Prospectus and, where appropriate, include such minor updates as described in the announcement of the Company dated 20 January 2021 and this announcement
“COVID-19”	2019 novel coronavirus, being a disease caused by a new strain of coronavirus
“Director(s)”	the director(s) of the Company
“Frost & Sullivan Report”	an independent market research report, commissioned by the Company on the PRC private education market and prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.

“Gench BVI”	Shanghai Gench Education Holdings Limited (上海建橋教育控股有限公司), a limited liability company established under the laws of BVI on 15 May 2018 and a wholly-owned subsidiary of the Company
“Gench HK”	Gench Education Group (Hong Kong) Limited (建橋教育集團(香港)有限公司), a limited liability company incorporated in Hong Kong on 1 June 2018 and a wholly-owned subsidiary of the Company
“Gench US”	Gench Education Group US, Inc, a company incorporated in the State of California the United States on 13 August 2018 and a wholly-owned subsidiary of the Company
“Gench WFOE”	Wangting Education Technology (Shanghai) Limited (望亭教育科技(上海)有限公司), a limited liability company established under the laws of the PRC on 31 October 2018, which is wholly owned by Gench HK
“Group”, “we” or “us”	the Company, its subsidiaries and PRC Affiliated Entities from time to time, or, where the context so requires in respect of the period before the Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time
“HK\$”, “Hong Kong dollar(s)”	Hong Kong dollars respectively, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Jian Qiao Group”	Shanghai Jian Qiao (Group) Limited* (上海建橋(集團)有限公司), a limited liability company established under the laws of the PRC on 7 November 2000, which is owned by the Registered Shareholders. It is one of the school sponsors of the Shanghai Jian Qiao University and an affiliated entity of the Company
“Jian Qiao Investment”	Shanghai Jian Qiao Investment and Development Limited* (上海建橋投資發展有限公司), a limited liability company established under the laws of the PRC on 3 August 1999, which is wholly owned by Jian Qiao Group. It is one of the school sponsors of the Shanghai Jian Qiao University and an affiliated entity of the Company

“Jian Qiao University Company”	Shanghai Jian Qiao University Co., Ltd.* (上海建橋學院有限責任公司), a limited liability company established under the laws of the PRC on 28 September 2020, of which the equity interest is owned as to 90% by Jian Qiao Group and as to 10% by Jian Qiao Investment. It is an affiliated entity of the Company
“Lingang Administration Committee”	Shanghai Lingang District Development Construction Administration Committee* (上海市臨港地區開發建設管理委員會)
“Listing Date”	16 January 2020, since which our Shares have been listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“Model Code”	the Model code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“MOE”	the Ministry of Education of the PRC
“New Contractual Arrangements”	the framework of contractual arrangements adopted by the Company as described in the announcement of the Company dated 20 January 2021
“PRC Affiliated Entities”	collectively, our University and the School Sponsors, each an affiliated entity of the Company
“Prospectus”	the prospectus of the Company dated 31 December 2019
“Registered Shareholders”	shareholders of Jian Qiao Group, namely, Mr. Zhou Xingzeng, Mr. Zheng Xiangzhan, Mr. Zhao Donghui, Mr. Shi Yinjie, Mr. Jin Yinkuan, Mr. Chen Shengfang, Mr. Chen Zhiyong, Mr. Zhou Tianming, Mr. Bao Jianmin, Mr. Wang Hualin, Mr. Wang Chengguang, Mr. Chen Minghai, Mr. Chen Shengcai, Mr. Wang Xuanguai (prior to 16 December 2020), Ms. Huang Chunlan (since 16 December 2020), and Mr. Zheng Juxing
“Reporting Period”	the six months ended 30 June 2021

“RMB”	Renminbi, the lawful currency of the PRC
“School Sponsors”	the school sponsors of the Shanghai Jian Qiao University, namely, Jian Qiao Group and Jian Qiao Investment
“Shanghai Jian Qiao University”	Shanghai Jian Qiao University (上海建橋學院), a private institution of formal higher education established under the laws of the PRC on 28 June 2000, of which the school sponsors’ interest is owned as to 52.11% by Jian Qiao Group and as to 47.89% by Jian Qiao Investment. Prior to its de-registration on 10 August 2021, it was an affiliated entity of the Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Award Scheme”	the share award scheme adopted by the Company on 11 December 2020
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“University” or “our University”	Shanghai Jian Qiao University or Jian Qiao University Company (as the case may be)
“Yangtze River Delta”	comprises Jiangsu Province, Zhejiang Province, Anhui Province and Shanghai in the PRC
%	percent

By order of the Board
Shanghai Gench Education Group Limited
Zhou Xingzeng
Chairman

Shanghai, 27 August 2021

As at the date of this announcement, our executive Directors are Mr. Zhou Xingzeng, Mr. Zheng Xiangzhan and Mr. Shi Yinjie, our non-executive Directors are Mr. Zhao Donghui and Mr. Du Jusheng and our independent non-executive Directors are Mr. Chen Baizhu, Mr. Hu Rongen and Ms. Liu Tao.

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