SHANGHAI GENCH EDUCATION GROUP LIMITED

上海建橋教育集團有限公司

2023

INTERIM REPORT

Stock code:1525

(Incorporated in the Cayman Islands with limited liability)

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Zhao Donghui (趙東輝)
Mr. Du Jusheng (杜舉勝)

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Zhang Zhimo (張芷陌)

AUTHORISED REPRESENTATIVES

Mr. Zheng Xiangzhan (鄭祥展)
Ms. Zhang Zhimo (張芷陌)

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wan Chai, Hong Kong

LEGAL ADVISOR AS TO HONG KONG LAW

Morgan, Lewis & Bockius

AUDITORS

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 Kings Road
Quarry Bay, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR

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

PRINCIPAL BANKS

Agricultural Bank of China (Shanghai Pudong Branch)
China Construction Bank (Jinqiao Branch)

COMPANY WEBSITE

http://www.genchedugroup.com

STOCK CODE

1525

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
REVENUE	494,242	404,473
Cost of sales	(155,617)	(129,144)
GROSS PROFIT	338,625	275,329
Other income and gains	10,211	5,949
Selling and distribution expenses	(2,234)	(472)
Administrative expenses	(86,682)	(84,967)
Other expenses	(1,729)	(200)
Finance costs	(11,670)	(12,505)
PROFIT BEFORE TAX	246,521	183,134
Income tax expense	(63,062)	(50,018)
PROFIT FOR THE PERIOD	183,459	133,116

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group is a higher vocational education group which provides undergraduate education and junior college 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 number of full-time students enrolled in the 2022/23 school year, our University is the largest applied technology university in Shanghai and is also a leading private university in the entire Yangtze River Delta. According to CUAA.net (中國校友會網), our University ranked third among all category I private universities in China in 2023 again and first among private universities in all tier one cities (including Beijing, Shanghai, Guangzhou and Shenzhen) for four consecutive years from 2018 to 2021.

BUSINESS REVIEW AND OPERATIONAL UPDATE

Our University

Our University is an applied technology university which focuses on undergraduate education. As of 30 June 2023, our University offered 68 majors and concentrations in its formal undergraduate program and offered 12 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 Ministry of Education (MOE) comprehensive pilot reform undergraduate major, 15 first-class undergraduate majors in Shanghai, as well as 3 majors with Shanghai characteristics. Our University has a team of stable and professional teachers. As of 30 September 2022, 84.3% of our full-time teachers are with a master's or higher degree, 36.4% of our full-time teachers are with a senior title whereas 27.1% of our full-time teachers are with a doctoral degree.

DUAL SUPPORT FROM LINGANG SPECIAL AREA POLICY AND VOCATIONAL EDUCATION POLICY

(I) Strategic emerging industries gather in Lingang, building a new development pattern of industry and education integration

After the launch of policies supporting the high level reform and opening up of Pudong and the policy of "first trial" in Lingang, including 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》), the "Regulations on the Lingang New Area of the China (Shanghai) Pilot Free Trade Zone" (《中國(上海)自由貿易試驗區臨港新片區條例》), and the "Implementation Plan for Building Shanghai as a "Global Power City" in Lingang Core Area" (《聚焦臨港核心區打造上海「全球動力之城」實施方案》), Shanghai Municipal Development and Reform Commission (上海市發展和改革委員會) and Shanghai Municipal Education Commission (上海市教育委員會) issued the "Several Measures on Supporting the Lingang New Area to Promote the First Trial to Explore the City Construction of Deep Integration of Industry and Education (《支持臨港新片區加大先行先試探索　深化產教融合城市建設若干措施》)" in April 2023, further supporting the construction of the national pilot core area of industry-education integration in Lingang New Area, encouraging Lingang New Area to build a high-level industry-education integration base and demonstration base, and supporting the base to undertake and implement certain activities and projects of influential collaborative education, scientific research and innovation, vocational expertise to create key functional platforms and demonstration samples to promote the deep integration of industry and education. Lingang New Area is rapidly becoming a gathering point of China's strategic emerging industries, increasing the exploration of differentiation system innovation in several areas, and putting effort into building a world-class industrial cluster. Under the favourable policy of Lingang National Core Pilot Area for Industry-education Integration, our University, as the only private university in Lingang, has a significant geographical advantage in admitting students and exploring new business model on industry-education integration.

(II) Successive implementation of national supporting policies promotes the high-quality development of modern vocational education

After the launch of the "Opinions on Promoting the High-quality Development of Modern Vocational Education" (《關於推動現代職業教育高質量發展的意見》), the newly revised Vocational Education Law (《職業教育法》) and "Opinions on Deepening the Reform of the Construction of the Modern Vocational Education System (《關於深化現代職業教育體系建設改革的意見》)", which encourage listed companies and leading enterprises in the industry to engage in vocational education, encourage application-oriented universities to carry out undergraduate vocational education, and explore a new model of provincial modern vocational education system construction, eight departments, including the National Development and Reform Commission, the MOE, the Ministry of Human Resources and Social Security, jointly issued the "Implementation Plan for Enhancing the Integration of Production and Education in Vocational Education (2023–2025)" (《職業教育產教融合賦能提升行動實施方案 (2023–2025年)》) in June 2023, proposed to promote the formation of the leading effect of integration of production and education, consolidated the development foundation of vocational colleges, built training bases for integration of production and education, and deepened cooperation between schools and enterprises in integration of production and education. Furthermore, they further improved the combined incentive of "finance + fiscal policies + land + credit" to accelerate the formation of a positive interaction between production and education and a deep integration development framework of production and education with complementary advantages of schools and enterprises. The launch of this plan provided a strong support for integration of production and education and high-quality development of vocational education.

OUTSTANDING ACHIEVEMENTS IN THE CONSTRUCTION OF HIGH-QUALITY VOCATIONAL EDUCATION SYSTEM

(I) High-quality brands benefiting the whole country

The schooling quality of our University ranked in the forefront of peer universities, which has accumulated a solid brand reputation. In April 2023, CUAA.net (中國校友會網) announced the 2023 CUAA University Rankings, which showed that our University continued to rank third among the 2023 CUAA category I private universities in China following 2022. Over 23 years of operation, our University was awarded "Shanghai Civilized Unit (上海市文明單位)" from 2005 to 2020, awarded "Shanghai Garden Unit (上海市花園單位)" from 2015 to 2020 and awarded the "National Model Unit of Civilization (全國文明單位)" for the first time in 2015 (the first private university in Shanghai), and passed the reexamination twice in 2017 and 2020, continuing to retain the honorary title of the "National Model Unit of Civilization (全國文明單位)", and certified by Shanghai Audit Centre of Quality System to have implemented the ISO9001 quality management system in 2018, and passed the re-certification in May 2021. In February 2022, our University was selected as Shanghai Safe and Civilized Campus for 2019–2020 school year, which was the ninth-selection for eighteen consecutive years since its promotion as an undergraduate level college in 2005. In the same month, our University has also been approved by the Ministry of Education as an innovation and development centre for ideological and political work in colleges and universities. In March 2022, our University was elected as a cultivation and creation unit of "National Party Building Demonstration Universities".

(II) High-quality majors leading in the industry

Majors ranking of our University remained the top among application-oriented universities and colleges across the country and our majors closely kept pace with the needs. In March 2022, in further response to the demand for industry upgrading, our University was approved to add a new undergraduate major in intelligent manufacturing engineering to strengthen the construction of major systems. In May 2023, according to "2023 First-class Majors Ranking (Application-oriented) in China" published by CUAA.net (中國校友會網), 23 undergraduate majors of our University ranked among top 10 in China, representing approximately two-thirds of total undergraduate majors of our University, and 28 undergraduate majors ranked among top 20 in China, representing approximately three-fourths of total undergraduate majors of our University; and our University ranked 3rd in Shanghai and 38th in China (including public universities) in terms of comprehensive strength. In June 2023, advertising major of our University was awarded the New Liberal Arts Education Major Accreditation by the Authentication League of New Liberal Arts Education Major in Yangtze River Delta (長三角新文科教育專業認證聯盟), thus becoming the first major to receive such accreditation among private universities. Our University plans to establish two new undergraduate majors (i.e., (i) primary education; and (ii) digital economy) in the 2023/24 school year. The primary education major aims to nurture high-quality teachers who are passionate about primary education, fulfill the requirements of the Ministry of Education's professional certification for teacher education, and have good ethical qualities, solid subject knowledge, and comprehensive teaching skills; while the digital economy major focuses on nurturing digital economy talents with strong data analytical skills, familiarity with the operation of the digital economy, and Internet mindset as well as an international outlook. We believe that these majors will further expand our undergraduate majors categories, optimise our majors settings, better meet the functional and industrial positioning of the Lingang New Area of Shanghai Pilot Free Trade Zone and the city's objectives, promote the innovative development of the industry-education integration, and cultivate more applied technical talents for the society.

(III) The high teaching quality has strong capacity

The proportion of full-time teachers with doctoral degrees in our University remains in the forefront of peer universities, demonstrating strong practical teaching strength. As of 30 September 2022, among the full-time teachers of our University, the doctoral degree accounted for 27.1%, the senior title accounted for 36.4%, and the double-position accounted for 28.1%. Our University actively promotes the construction and reform of undergraduate practical teaching system, and continuously expands the depth and breadth of university-enterprise cooperation through the integration of industry and education, so as to cultivate students' practical ability. In the 2022/23 school year, the average proportion of credits of our University for practical teaching of undergraduate program accounted for 44.2% of the total credits.

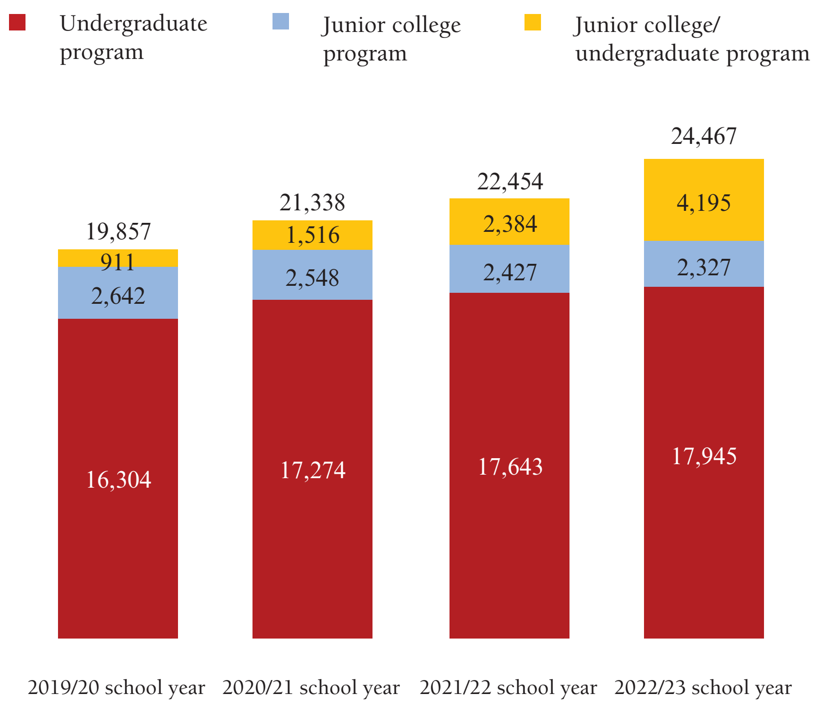
(IV) The high rate of high-quality employment has remained stable

Our University always attaches great importance to the high-quality employment of students. In recent years, the employment rate of our graduates has always been stabling at 98% and above. Even if Shanghai was affected by COVID-19 in the first half of 2022, as of 31 August 2022, the employment rate of 2022 graduates of our University still reached 98.9%, of which 66.0% of graduates chose to stay in Shanghai for employment. The college-entrance rate reached 8.3%, and the rate of studying abroad reached 3.7%, with 17 students entering the top 50 universities in QS World University Rankings and 38 students entering the top 100 universities in QS World University Rankings.

Student enrollment

In the 2022/23 school year, the overall number of full-time enrolled students of our University reached 24,467, representing an increase of 2,013 as compared to that of the 2021/22 school year. Such increase in the number of enrolled students was mainly due to the increase in student enrollment of our University. In the 2023/24 school year, our University plans to enroll 4,900 undergraduates, 865 junior colleges, and 2,050 junior colleges/undergraduates.

Student enrollment



Tuition rates

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

	Tuition Fee of New Student[1]		
	2021/22 school year RMB	2022/23 school year RMB	2023/24 school year RMB
Undergraduate program	30,000–39,800[2]	32,000–39,800[2]	32,000–39,800[2]
Junior college program	15,000–20,000	20,000	20,000
Junior college/undergraduate program	23,000–30,000	23,000–38,000	30,000–39,800

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 project with Vaughn College of Aeronautics and Technology.

FUTURE OUTLOOK AND BUSINESS STRATEGY

The Group always adheres to the educational philosophy of running a high-quality school, strives to establish a high-quality applied technical talents training system and operates schools to the people's satisfaction and first-class private university in the nation. The Group's development connotation is highly in line with the national direction to promote the high-quality development of vocational education. We believe that based on the geographical advantages of Pudong and Lingang special zones and the development opportunities of Lingang as a cluster of China's strategic emerging industries, adherence to quality improvement and connotative development, building an ecological benchmark campus with the integration of industry and education, practicing the development thoughts of being a long-distance runner for high-quality development of higher education in China and scarce value of our University's for-profit transformation, the Group is expected to gain wider recognition in the industry. Looking forward, we will utilise the following 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 2023/2024 school year, we continue to optimize the tuition fee, with the minimum tuition fee for new students of junior college/undergraduate programs being optimized from RMB23,000 per year to RMB30,000 per year. At the same time, we revamped two dormitory buildings to smart buildings under phase two of our campus construction plan and increase the boarding fees for the freshman from RMB5,800 per year to RMB7,800 per year, which is in line with two smart dormitory buildings under phase three of our campus construction plan.

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 campus facilities construction projects to build academic, administrative and boarding facilities to meet the needs of our expansion in the future. In this regard, our University commenced phase four of our campus construction plan in December 2022. Such campus facilities, with a total gross floor area of approximately 86,400 square meters, mainly comprise (i) a teaching and training building (which will be conducive to connect university-enterprise resources and deepen the integration of industry and education); (ii) three talent apartments (which will increase the attraction of outstanding talents for the University and help the University to introduce various experts in the integration of industry and education); and (iii) a multi-functional research and development centre (which will contribute to the research on the integration of industry and education and the joint talent training with the on-campus enterprises). The consideration for the construction of campus facilities, installation, and related ancillary construction under phase four of the campus construction plan is estimated to be approximately RMB345.6 million (equivalent to approximately HK$387.1 million), subject to adjustment (which is not expected to be material) based on settlement audit. Phase four of the campus facilities are targeted to be put into use in 2024/25 school year.

BUILDING ON OUR EXISTING STRENGTHS AND EXPLORING NEW GROWTH AREAS

The period of "Fourteenth Five-year Plan" is a key five-year period for Shanghai to accelerate the construction of a modern socialist international metropolis with world influence, and also a key five-year period for the Lingang New Area to initially establish a special economic functional area with strong international market influence and competitiveness. Based on the strong demand for international and high-tech talents in the region, the Group will vigorously develop international education, adult continuing education and non-academic vocational education:

1) As to international education, in order to seize the opportunity of international talents of Lingang, our University established an international curriculum center to expand international curriculum programs, broaden the students' international horizons and facilitate studying aboard. In April 2023, our University entered into a cooperation agreement with Beijing Chivast Education International Intercourse Co., Ltd. (北京嘉華世達國際教育交流有限公司), a wholly-owned subsidiary of the Chinese Service Center for Scholarly Exchange (教育部留學服務中心), to jointly promote the study abroad project of international curriculum and to provide students with more high-quality education resources abroad, as well as all-rounded training and services for smooth going abroad.

2) As to adult continuing education, as of 30 June 2023, the number of adult students of the continuing education programs of our University maintained a steady growth, amounting to 6,382.

3) As to non-academic vocational education, the Group actively responds to vocational education "1+X" certificate system (職業教育「1+X」證書制度), to deepen the vocational qualification training and enhance students' occupational skills. As of 30 June 2023, our University provided a total of 80 types of vocational qualification certificate training.

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

Lingang is a dual special zone under the superposition of two national strategies: Pudong Pioneer Area and Lingang New Area, carrying an important national strategic mission as the first trial test field of "Pioneer Area for Socialist Modernization". Lingang focuses on the innovation and development of key technological links in the field of "Filling the Domestic Gaps (「填補國家空白」)" and emerging industries, which is to establish a special economic functional zone with more international market influence and competitiveness. As the national core area for pilot integration of industry and education, leveraging on the regional advantages of rapid gathering in the advanced manufacturing industry, Lingang will have more exploration opportunities for industry-education integration.

Based on the past, our University's industry-education integration is far ahead of peer universities. We have 278 school-enterprise collaboration projects and have operated 4 high-energy industry-education integration bases as at 30 June 2023, involving high-tech fields such as communication technology, Internet, intelligent manufacturing and integrated circuit. Our University is both the high-tech talents cultivation base in Shanghai and the first batch of industry-education integration bases in Lingang New Area (臨港新片區首批產教融合基地). The "Digital Smart Manufacturing (「數聯智造」)" Industrial College is one of the first batch of Shanghai municipal key modern industrial colleges (首批上海市級重點現代產業學院) while the "Integrated Circuit (集成電路)" Industrial College is one of the second batch of Shanghai municipal key modern industrial colleges (第二批上海市級重點現代產業學院). The Group also commenced phase four of our campus construction plan in December 2022. Such facilities, upon being put into use, will enhance schooling conditions, increase teaching resources of our University, satisfy the accommodation needs of on-campus engineers, experts in the industry, and teachers and staff, improve the quality of campus life, optimize the teaching and training facilities, and meet the needs of the Group's expansion in the years to come.

Looking forward, the Group will grasp and fully utilise the opportunities brought by the policy of taking Lingang New Area as "The First Trial Test Field of Pioneer Area for Socialist Modernization" and the "National Core Area for Pilot Industry-education Integration", and actively take the initiative to serve the national strategy to promote the high-quality development of vocational education and the regional development strategy to build Lingang a "Core Area of the Global Power City". The Group will continue to adhere to the philosophy of "high-quality schooling standards", cultivating more high-quality technical and skilled talents, deepening the construction of integration, internationalization and digitalisation strategy, deepening the construction of modern vocational education system, building an ecological benchmark campus with the integration of industry and education, with a view to growing our University into a first-class private university in China with more unique features and international standing and a long-term practitioner for the high-quality development of higher education in China.

FINANCIAL REVIEW

Revenue

Revenue represents the value of services rendered during the Reporting Period. Our Group derives revenue from tuition fees, boarding fees, education related services and other services.

For the six months ended 30 June 2023, the Group's revenue was approximately RMB494.2 million, representing an increase of approximately RMB89.7 million, or 22.2%, as compared with the corresponding period of last year, which was mainly due to, (i) the increase in the revenue derived from tuition fees, education related services and other services by approximately RMB70.8 million, or 19.7%, from RMB359.1 million for the six months ended 30 June 2022 to RMB429.9 million for the six months ended 30 June 2023, which was in relation to the increase in the average tuition rates and the growth in the number of newly admitted students for the 2022/2023 school year commencing in September 2022 due to the utilization of the new dormitory buildings in its existing school campus in 2022; and (ii) the increase in the revenue derived from boarding fees by approximately RMB18.9 million, or 41.6%, from approximately RMB45.4 million for the six months ended 30 June 2022 to approximately RMB64.3 million for the six months ended 30 June 2023, which was mainly due to the recovery of our University accommodation during the Reporting Period, while some of our students did not live on campus under the outbreak of COVID-19 pandemic during the corresponding period of last year.

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, canteen catering costs and maintenance expenses, along with training expenses, research and development costs, travel expenses, office expenses, and others.

For the six months ended 30 June 2023, the Group's cost of sales increased by approximately RMB26.5 million, or 20.5%, as compared with the corresponding period of last year, which was primarily due to the combined effects of (i) the salary costs increased by approximately RMB17.1 million, or 23.3%, from approximately RMB73.3 million for the six months ended 30 June 2022 to approximately RMB90.4 million for the six months ended 30 June 2023, as a result of the increase of the number of teachers and the average salary rates; (ii) the increase of student-related expenses and teachers' office expenses, as some of our students did not live on campus under the outbreak of COVID-19 pandemic in Shanghai in the corresponding period of last year; and (iii) the increase of the depreciation and amortization expenses, as the phase three of the campus of our University was officially inaugurated in September 2022.

Gross Profit and Gross Profit Margin

The Group's gross profit represents our revenue less cost of sales. Our Group's gross profit increased by approximately RMB63.3 million, or 23.0% from approximately RMB275.3 million for the six months ended 30 June 2022 to approximately RMB338.6 million for the six months ended 30 June 2023.

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 2023, the Group achieved a gross profit margin of 68.5%, which remained stable as compared to the corresponding period of last year.

Other Income and Gains

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

The Group's other income and gains increased by RMB4.3 million, or 71.6%, from RMB5.9 million for the six months ended 30 June 2022 to RMB10.2 million for the six months ended 30 June 2023, which was mainly due to the combined effects of (i) the increase of operating leases income amounting to RMB1.8 million, or 107.8%, compared with the amount of the same period in prior year, as the campus is normally open during the Reporting period, while the campus was closed in response to the COVID-19 pandemic prevention and control in the corresponding period of last year; and (ii) the government grants, mainly the tax refund from the local government, increasing by approximately RMB1.0 million.

Selling and Distribution Expenses

The Group's selling and distribution expenses primarily consist of expenses incurred for relevant advertising of our 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 RMB1.7 million, or 373.3%, from approximately RMB0.5 million for the six months ended 30 June 2022 to approximately RMB2.2 million for the six months ended 30 June 2023, which was mainly due to the increase of advertising expenses for strengthening the branding of our University.

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, travel expenses, entertainment expenses, office expenses, and others.

For the six months ended 30 June 2023, the Group's administrative expenses was approximately RMB86.7 million, which remained stable as compared to the corresponding period of last year.

Finance Costs

The Group's finance costs primarily consisted of the interest expenses for bank loans.

Finance costs decreased by RMB0.8 million, or 6.7%, from RMB12.5 million for the six months ended 30 June 2022 to RMB11.7 million for the six months ended 30 June 2023, which was due to (i) the scale of interest-bearing borrowings of our Group decreased from RMB805.4 million as at 30 June 2022 to RMB759.4 million as at 30 June 2023, (ii) the decrease in the annual average effective interest rate from 4.20% to 3.85%; and (iii) the effect of preferential interest policies such as the Opinions on the Implementation of the Loan Discount for Core Enterprises in the Lingang New Area of the China (Shanghai) Pilot Free Trade Zone (《中國(上海)自由貿易試驗區臨港新片區重點企業貸款貼息的實施意見》).

Profit Before Tax

For the six months ended 30 June 2023, the Group recorded a profit before tax of approximately RMB246.5 million, representing an increase of approximately RMB63.4 million, or 34.6%, from approximately RMB183.1 million for the corresponding period of prior year.

Income tax expense

Income tax expense increased from approximately RMB50.0 million for the six months ended 30 June 2022 to approximately RMB63.1 million for the six months ended 30 June 2023, which was mainly due to the increase of the profit before tax.

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 borrowings and related interest expenses. During the Reporting Period, we funded our operations principally with cash generated from our operations and bank 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 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

Our 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 our Group's assets, liabilities, and other commitments can meet its funding requirements all the time.

Property, Plant and Equipment

As at 30 June 2023, the Group's property, plant and equipment amounted to approximately RMB2,208.0 million, representing an increase of approximately RMB124.9 million, or 6.0%, as compared to the balance as at 31 December 2022. Such an increase was mainly due to the phase four of our campus construction plan, maintaining and upgrading existing school premises for the University during the Reporting Period.

Cash and Cash Equivalents

As at 30 June 2023, the Group's cash and cash equivalents were approximately RMB328.1 million, representing a decrease of approximately RMB289.4 million, or 46.9%, as compared to the balance as at 31 December 2022. The decrease was 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.

Cash and cash equivalents held by the Group are mainly denominated in RMB.

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 RMB759.4 million as at 30 June 2023 (31 December 2022: approximately RMB774.4 million) were all denominated in Renminbi. As at 30 June 2023, our bank borrowings bore effective interest rate was 3.85% 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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Analysed into:		
Repayable within one year	54,000	50,000
Repayable in the second year	63,000	58,000
Repayable in the third to fifth years, inclusive	463,000	457,000
Repayable beyond five year	179,403	209,403
	705,403	724,403
	759,403	774,403

Capital Expenditure

Capital expenditures during the Reporting Period primarily related to the phase four of our campus construction plan, maintaining and upgrading existing school premises for the University. For the six months ended 30 June 2023, the Group's capital expenditures were RMB184.8 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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Contracted, but not provided for:		
property, plant and equipment	194,182	345,800
Authorised, but not contracted for:		
property, plant and equipment	161,222	173,400

Contingent Liabilities

As at 30 June 2023, the Group did not have any significant contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened (as at 31 December 2022: nil).

Gearing Ratio

As at 30 June 2023, the gearing ratio of the Group was 0.4, which remains stable compared with the gearing ratio margin for the same period of prior year.

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 2023, nor other material acquisitions and disposals of subsidiaries and associated companies. Save as disclosed in this interim report, as at 30 June 2023, our Group did not have any immediate plans for material investments and acquisition of capital assets.

Pledge of Assets

As at 30 June 2023, our Group's bank borrowings of RMB759.4 million were secured by the Group's rights over tuition fees and boarding fees.

Employees and Remuneration Policy

As at 30 June 2023, our Group had 1,645 full-time employees (30 June 2022: 1,613 employees), the remuneration policy and package of the Group's employees are periodically reviewed in accordance with industry practice and result performance of the Group. The Group provides external and internal training programs to its employees. The Group participates in various employee social security plans for its employees 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 2023 was RMB159.1 million (30 June 2022: RMB131.1 million).

OTHER INFORMATION

USE OF NET 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. It was disclosed in the Prospectus and subsequent annual reports of the Company that the Company intended to use such net proceeds of approximately HK$666.0 million for the following purposes:

(1) approximately 34.8% (HK$231.7 million) is used for acquisitions or investments to expand our school network (the "Acquisitions and/or Investments");

(2) approximately 35.0% (HK$233.1 million) is used to finance construction projects on our campus and purchase furniture and equipment (the "Campus Construction");

(3) approximately 20.2% (HK$134.6 million) is used to repay our short-term loans and the current portion of our long-term loans as they become due (the "Bank Loans Repayment"); and

(4) approximately 10.0% (HK$66.6 million) is used to supplement our working capital and for general corporate purposes (the "General Working Capital").

Net proceeds were used according to the intentions previously disclosed in the Prospectus. As disclosed in the Company's announcement dated 26 August 2022, on 26 August 2022, the Board has reviewed and resolved to reallocate the use of the remaining unutilised net proceeds of approximately HK$231.7 million to Campus Construction for the following reasons:

(1) to implement the strategic decision of "Promoting the High-quality Development of Modern Vocational Education" from the central government, increasing the supply of high-quality higher education degrees, and building academic, administrative and boarding facilities to meet the needs of future expansion; and

(2) to seize the policy opportunities of the Lingang New Area as the "First Trial Test Field of the Pioneer Area for Socialist Modernization" and the "National Core Area for Pilot Industry-Education Integration", actively respond to the national and regional development strategies and deeply promote the integrated development of industry, education and city.

Set out below is the revised reallocation of use of the unutilised net proceeds as at 31 December 2022 and 30 June 2023:

Unit: Hong Kong dollar million

Items	Revised percentage	Revised allocation of net proceeds	Utilized net proceeds as at 31 December 2022	Unutilized net proceeds as at 31 December 2022	Utilized net proceeds during the six months ended 30 June 2023	Unutilized net proceeds as at 30 June 2023
Acquisitions and/or Investments	—	—	—	—	—	—
Campus Construction	69.8%	464.8	233.1	231.7	163.7	68.0
Bank Loans Repayment	20.2%	134.6	134.6	—	—	—
General Working Capital	10.0%	66.6	66.6	—	—	—
	100.0%	666.0	434.3	231.7	163.7	68.0

It is intended that the unutilised net proceeds will be utilised by 31 December 2025.

EVENTS AFTER THE REPORTING PERIOD

On 29 August 2023, the Company has resolved to recommend the payment of an interim dividend of HK$0.10 per ordinary share for the six months ended 30 June 2023 to the shareholders whose names appear on the register of members of the Company on 16 October 2023. Such proposal is subject to the approval by the shareholders of the Company at the forthcoming extraordinary general meeting of the Company.

OTHER INFORMATION

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

During the Reporting Period, the Board has not been informed of any change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

INTERIM DIVIDEND

On 29 August 2023, the Board has resolved to recommend the payment of an interim dividend of HK$0.10 per ordinary share of the Company. The 2023 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 and notice convening the extraordinary general meeting of the Company to be held on 10 October 2023 will be dispatched to shareholders of the Company in due course.

Upon the Company's shareholders' approval, the 2023 Interim Dividend will be payable on or around 27 October 2023 to the shareholders whose names appear on the register of members of the Company on 16 October 2023. The 2023 Interim Dividend represents approximately 20.5% of the profit attributable to shareholders of the Company for the six months ended 30 June 2023.

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 Thursday, 5 October 2023 to Tuesday, 10 October 2023, both days inclusive, during which period no transfer of Shares will be registered. The record date for eligibility to attend the extraordinary general meeting of the Company is Tuesday, 10 October 2023. 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 Wednesday, 4 October 2023.

For determining the entitlement of the shareholders of the Company to receive the 2023 Interim Dividend, the register of members of the Company will be closed on Monday, 16 October 2023, during which period no transfer of Shares will be registered. The record date for entitlement to the 2023 Interim Dividend is Monday, 16 October 2023. In order to be qualified for the entitlement to receive the 2023 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 Friday, 13 October 2023. The payment date of the 2023 Interim Dividend is expected to be on Friday, 27 October 2023.

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 2023.

Separately, during the six months ended 30 June 2023, 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 517,000 Shares at a total consideration of approximately HK$2,041,850.

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 2023. 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 2023.

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, have reviewed the Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2023. 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.

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

As at 30 June 2023, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules were as follows:

I. Interest in Shares or underlying Shares of the Company

Name	Capacity/Nature of interest	Number of Shares	Long/Short position	Approximately Percentage of Shareholding in our Company(6)
Mr. Zhou Xingzeng	Interest in a controlled corporation(1)	30,242,000	Long position	7.29%
Mr. Zheng Xiangzhan	Interest in a controlled corporation(2)	30,600,000	Long position	7.37%
Mr. Zhao Donghui	Interest in a controlled corporation(3)	100,000,000	Long position	24.10%
	Person having a security interest in shares(3)(4)	87,350,000	Long position	21.05%
Mr. Shi Yinjie	Interest in a controlled corporation(5)	12,100,000	Long position	2.92%

Notes:

(1) Mr. Zhou Xingzeng is the sole shareholder and the sole director of She De Limited and Gan En Limited and he is therefore deemed to be interested in the Shares held by She De Limited and Gan En Limited.

(2) Mr. Zheng Xiangzhan is the sole shareholder and the sole director of Ze Ren Limited and he is therefore deemed to be interested in the 30,600,000 Shares held by Ze Ren Limited. As at 30 June 2023, Ze Ren Limited has pledged such 30,600,000 Shares to Ai Xin Limited. For details of the pledge, please refer to the announcement of our Company dated 11 June 2021.

(3) On 21 January 2022, Ai Xin Limited and Hangzhou Changqi Enterprise Management Consulting Partnership (Limited Partnership) entered into a sale and purchase agreement pursuant to which Fwin Limited (a wholly owned subsidiary of Hangzhou Changqi Enterprise Management Consulting Partnership (Limited Partnership)) agreed to acquire 70,000,000 ordinary shares of the Company from Ai Xin Limited for a consideration of HK$423,500,000. Ai Xin Limited and Fwin Limited are controlled corporations of Mr. Zhao Donghui.

Further information in relation to interests of corporations controlled by Mr. Zhao Donghui are set out below:

Name of controlled corporation	Name of controlling person	% control	Direct interest (Y/N)	Long/Short position	Number of Shares
Ai Xin Limited	Mr. Zhao Donghui	100.00	Y	Long position	117,350,000
Changjiu Industrial Group Co., Ltd.	Mr. Zhao Donghui	90.00	N	Long position	70,000,000
Shanghai Jiuhao Enterprise Management Consulting Co., Ltd.	Changjiu Industrial Group Co., Ltd.	100.00	N	Long position	70,000,000
Hangzhou Changqi Enterprise Management Consulting Partnership (Limited Partnership)	Shanghai Jiuhao Enterprise Management Consulting Co., Ltd.	0.01	N	Long position	70,000,000
Hanzhou Changqi Enterprise Management Consulting Partnership (Limited Partnership)	Changjiu Industrial Group Co., Ltd.	99.99	N	Long position	70,000,000
Fwin Limited	Hangzhou Changqi Enterprise Management Consulting Partnership (Limited Partnership)	100.00	Y	Long position	70,000,000

(4) As at 30 June 2023, eight shareholders of our Company has pledged a total of 87,350,000 Shares (excluding voting rights and rights to receive income) to Ai Xin Limited. For details of the pledge, please refer to the announcement of our Company dated 11 June 2021.

(5) Mr. Shi Yinjie is the sole shareholder and the sole director of Tuan Jie Limited and he is therefore deemed to be interested in the 12,100,000 Shares held by Tuan Jie Limited. As at 30 June 2023, Tuan Jie Limited has pledged its 12,100,000 Shares to Ai Xin Limited. For details of the pledge, please refer to the announcement of our Company dated 11 June 2021.

(6) The approximately percentage of shareholding in our Company is calculated based on the total number of 415,000,000 shares in issue as at 30 June 2023.

II. Interest in shares of associated corporation of the Company

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

Save as disclosed above, as at 30 June 2023, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2023, to the best knowledge of the Directors, the following persons (other than being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/Nature of interest	Number of Shares	Long/Short position	Approximately Percentage of Shareholding in our Company(4)
She De Limited	Beneficial owner	11,314,500	Long position	2.73%
Gan En Limited	Beneficial owner	18,927,500	Long position	4.56%
Ze Ren Limited	Beneficial owner(1)	30,600,000	Long position	7.37%
Ai Xin Limited	Beneficial owner(3)	100,000,000	Long position	24.10%
	Person having a security interest in shares(2)	87,350,000	Long Position	21.05%
Fwin Limited	Beneficial owner(3)	70,000,000	Long position	16.87%
Hangzhou Changqi Enterprise Management Consulting Partnership (Limited Partnership)	Interest in a controlled corporation(3)	70,000,000	Long position	16.87%
Shanghai Jiuhao Enterprise Management Consulting Co., Ltd.	Interest in a controlled corporation(3)	70,000,000	Long position	16.87%
Changjiu Industrial Group Co., Ltd.	Interest in a controlled corporation(3)	70,000,000	Long position	16.87%
Xiamen ITG Education Group Co., Ltd.	Beneficial owner	25,880,000	Long Position	6.24%

Notes:

(1) As at 30 June 2023, Ze Ren Limited pledged its 30,600,000 Shares to Ai Xin Limited. For details of the pledge, please refer to the announcement of the Company dated 11 June 2021.

(2) As at 30 June 2023, eight shareholders of the Company pledged a total of 87,350,000 Shares to Ai Xin Limited. For details of the pledge, please refer to the announcement of the Company dated 11 June 2021.

(3) Further information are set out in note (3) on page 20 of this interim report.

(4) The approximately percentage of shareholding in our Company is calculated based on the total number of 415,000,000 shares in issue as at 30 June 2023.

Save as disclosed above, as at 30 June 2023, the Directors and the chief executive of the Company were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE AWARD SCHEME

On 11 December 2020, the Company adopted the Share Award Scheme (i) to recognise the contributions by certain Eligible Participants (as defined in the announcement of the Company dated 11 December 2020) 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. On 11 December 2020, the Board resolved to provide from time to time but in any event a total sum of not exceeding HK$100 million for the trustee, namely CMB Wing Lung (Trustee) Limited, to purchase existing Shares at appropriate time and hold such Shares for future award of Shares under the Share Award Scheme.

For more details of the Share Award Scheme, please refer to the announcements of the Company dated 11 December 2020 and 22 December 2020.

Pursuant to the Chapter 17 of the Listing Rules as amended on 1 January 2023, the Company may continue to make grants to directors and employees of the Group under the Share Award Scheme (i) to award existing shares, and (ii) to award new shares using general mandate until the second AGM after 1 January 2023, upon which the Company would be required to amend the terms of the Share Award Scheme to comply with the amended Chapter 17 and seek shareholders' approval for a new scheme mandate.

During the Reporting Period, the Board did not grant, lapse or cancel any awards. During the Reporting Period, 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 517,000 Shares at a total consideration of approximately HK$2,041,850.

The number of awards over existing and new Shares available for grant under the Share Award Scheme at the beginning and the end of the Reporting Period are both 20,750,000.

SHARE OPTION SCHEME

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

No share option has been granted, exercised, lapsed or cancelled under the Share Option Scheme since the Listing of the Company.

The number of options available for grant under the Share Option Scheme at the beginning and the end of the Reporting Period are both 40,000,000.

CONTRACTUAL ARRANGEMENTS

For the details of the Contractual Arrangements of the Group, please refer to the section headed "Contractual Arrangements" in the Prospectus and the announcements of the Company dated 20 January 2021, 24 June 2022, 6 January 2023 and 9 June 2023. During the Reporting Period, the Board has reviewed the overall performance of the Contractual Arrangements and considered that the Group has complied with the Contractual Arrangements in all material respects.

Development during the Reporting Period

As disclosed in the announcement of the Company dated 6 January 2023, a director of Jian Qiao University Company, Ms. Jing Xiaohuai (荊筱槐) ("Ms. Jing"), resigned due to personal reasons on 6 January 2023, and Ms. Xia Yu (夏雨) ("Ms. Xia"), deputy secretary of the party committee (黨委副書記) of the University, has been appointed as a director of Jian Qiao University Company accordingly. As a result of the aforesaid change in directors of Jian Qiao University Company, Ms. Jing is no longer required to comply with the relevant agreements under the new Contractual Arrangements and Ms. Xia entered into a director's power of attorney (the "POA") on 6 January 2023. The scope of power of attorney under the POA are the same as the directors' power of attorney currently in place under the new Contractual Arrangements. Under the POA, Ms. Xia agreed to be bound by the rights and obligations of the directors' rights entrustment agreement currently in place under the new Contractual Arrangements. In addition, Mr. Chen Zhiyong (陳智勇), a director of Jian Qiao University Company, resigned on 9 June 2023 due to personal reasons and no new director has been appointed as the director of Jian Qiao University Company. As a result of the aforesaid resignation, Mr. Chen Zhiyong is no longer required to comply with the relevant agreements under the new Contractual Arrangements with effect from 9 June 2023. For more details, please refer to the announcements of the Company dated 6 January 2023 and 9 June 2023.

As at the date of this interim report, save for the aforesaid, there were no changes in the new Contractual Arrangements and/or the circumstances under which the new Contractual Arrangements were adopted.

LATEST REGULATORY DEVELOPMENT

(I) Qualification Requirement

The foreign investor in a Sino-foreign joint venture private school offering higher education must be a foreign educational institution with relevant qualification and high quality of education (the "Qualification Requirement"). Foreign portion of the total investment in a Sino-foreign joint venture private school should be below 50% and the establishment of these schools is subject to approval of education authorities at the provincial or national level. We are committed to working towards meeting the Qualification Requirement. We have adopted a specific plan and taken concrete steps which the Company believes to be meaningful endeavors to demonstrate compliance with the Qualification Requirement. Please also refer to the section headed "Contractual Arrangements" in the Prospectus and previous years' annual reports of the Company for the Group's efforts and actions undertaken to comply with the Qualification Requirement. As at the date of this interim report, apart from the actions and steps taken as disclosed in the Prospectus and previous years' annual reports of the Company, the Group is still in the process of working on different ways of fulfilling the Qualification Requirements.

(II) 2016 Decision and Related Implementing Rules and Regulations

Pursuant to the 2016 Decision which took effect on 1 September 2017, school sponsor(s) of a private school may choose for the school to be a for-profit private school or a non-profit private school, with the exception that schools providing nine-year compulsory education must be non-profit. On 26 December 2017, the People's Government of Shanghai promulgated the Implementation Opinions of Shanghai Municipal People's Government on Promoting the Healthy Development of Private Education (《上海市人民政府關於促進民辦教育健康發展的實施意見》) and the Administration Measures of Shanghai Municipality on Classification of Licensing and Registration of Private Schools (《上海市民辦學校分類許可登記管理辦法》), pursuant to which further requirements are implemented in light of the 2016 Decision, which include but not limited to, the requirement that school sponsors of private schools (other than schools providing compulsory education) established and registered in Shanghai prior to 7 November 2016 shall submit in writing their decisions to convert into for-profit or non-profit private schools by 31 December 2018 and complete the conversion to a non-profit school by 31 December 2019 and to a for-profit school by 31 December 2021 for higher education institutions. In December 2018, the School Sponsors have submitted their decision to the Shanghai Municipal Education Commission to register as a for-profit private school. In April 2021, our University has been registered as a for-profit private school. For further information about the conversion, please refer to the announcement of the Company dated 20 January 2021 and the Company's 2021 annual report.

On 14 May 2021, the State Council published the Implementing Regulations for the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法實施條例》) (the "2021 Implementation Regulations"), which has become effective from 1 September 2021. The 2021 Implementation Regulations introduced significant changes to certain provisions of the 2004 Implementation Regulations and contained provisions governing the operation and management of private schools.

The 2021 Implementation Regulations stipulate that: (1) private schools may enjoy the preferential tax policies stipulated by the State, among which non-profit private schools may enjoy the same preferential tax policies as public schools; (2) for schools that provide education for academic qualifications, the local governments may provide land by means of bid invitation, auction or listing, assignment of contracts, long-term lease or combination of sale and as rental, and may allow to settle by installments; (3) private schools not providing compulsory education must conduct transactions with their Interested Parties, which include the sponsor, the actual controller, the principal, the council member, the director, the supervisor, the person in charge of the financial affairs of a private school, and any organization or individual that has mutual control or influence over the above mentioned organizations or individuals which may lead to any interest transfer of private schools ("Interested Parties"), in a manner that is open, justified and fair and conduct at reasonable pricing and establish standardised decision-making for such transactions, and must not harm the interests of the State, schools, teachers and students. Private schools must set up an information disclosure mechanism for dealing with their Interested Parties; (4) the registered capital of a private school must be paid in full when it is formally established and shall be compatible with the type, level and scale of the school; (5) at the end of each financial year, a for-profit private school must set aside a portion of not less than 10% of its audited annual net profit, and a non-profit private school from its audited annual net increase in assets, as the development fund, which is to be used for the development of school.

(III) Foreign Investment Law of the PRC and Special Administrative Measures for Access of Foreign Investment (Negative List) (2021 Edition)

On 15 March 2019, the Foreign Investment Law was formally passed by the 13th National People's Congress of the PRC and has been taken effect on 1 January 2020. Besides, on 27 December 2021, the Ministry of Commerce and the National Development and Reform Commission jointly released the Special Administrative Measures for Access of Foreign Investment (Negative List) (2021 Edition) (《外商投資准入特別管理措施(負面清單)(2021年版)》), which became effective on 1 January 2022, to replace the previous negative list (2020 Edition).

The Foreign Investment Law stipulates three forms of foreign investment. However, the Foreign Investment Law does not explicitly stipulate the contractual arrangements as a form of foreign investment. As advised by our PRC Legal Advisors, since contractual arrangements are not specified as foreign investment under the Foreign Investment Law, and if the future laws, administrative regulations or provisions prescribed by the State Council do not incorporate contractual arrangements as a form of foreign investment and the operation of higher education is still in the Special Administrative Measures for Access of Foreign Investment (Negative List) (2021 Edition) (《外商投資准入特別管理措施(負面清單)(2021年版)》), our Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements will not be affected and will continue to be legal, valid and binding on the parties. Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes "foreign investors invest in China through any other methods under laws, administrative regulations, or provisions prescribed by the State Council". Therefore, there are possibilities that future laws, administrative regulations or provisions of the State Council may stipulate contractual arrangements as a way of foreign investment, and then whether our Contractual Arrangements will be recognized as foreign investment, whether our Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how our Contractual Arrangements will be handled are uncertain.

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

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

APPRECIATION

We wish to express our sincere gratitude to our shareholders, management team, employees, business partners and our students for their support and contribution to the Group.

On behalf of the Board
Shanghai Gench Education Group Limited
Zhou Xingzeng
Chairman

Shanghai, China, 29 August 2023

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June 2023 RMB'000 (Unaudited)	For the six months ended 30 June 2022 RMB'000 (Unaudited)
REVENUE	4	494,242	404,473
Cost of sales		(155,617)	(129,144)
GROSS PROFIT		338,625	275,329
Other income and gains		10,211	5,949
Selling and distribution expenses		(2,234)	(472)
Administrative expenses		(86,682)	(84,967)
Other expenses		(1,729)	(200)
Finance costs		(11,670)	(12,505)
PROFIT BEFORE TAX	5	246,521	183,134
Income tax expense	6	(63,062)	(50,018)
PROFIT FOR THE PERIOD		183,459	133,116
Attributable to:			
Owners of the parent		183,459	133,116
		RMB (Unaudited)	RMB (Unaudited)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		0.46	0.33

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	183,459	133,116
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Translation difference of the financial statements using different presentation currency	(2,437)	—
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(2,437)	—
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Translation difference of the financial statements using different presentation currency	2,559	6,272
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	2,559	6,272
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	122	6,272
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	183,581	139,388
Attributable to:		
Owners of the parent	183,581	139,388

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	2,207,989	2,083,060
Right-of-use assets		610,545	618,177
Other intangible assets		3,770	751
Long-term prepayments and other receivables		26,678	16,385
Deferred tax assets		96	86
Equity investments designated at fair value through profit or loss		—	1,085
Total non-current assets		2,849,078	2,719,544
CURRENT ASSETS			
Inventories		142	105
Accounts receivable	10	9,262	9,203
Prepayments and other receivables		13,608	128,069
Cash and cash equivalents		328,108	617,520
Total current assets		351,120	754,897
CURRENT LIABILITIES			
Other payables and accruals		154,649	176,610
Interest-bearing bank borrowings		54,000	50,000
Contract liabilities		116,123	474,398
Tax payable		58,646	78,386
Deferred income		2,229	5,219
Total current liabilities		385,647	784,613
NET CURRENT LIABILITIES		(34,527)	(29,716)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,814,551	2,689,828
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		705,403	724,403
Deferred income		2,526	4,584
Total non-current liabilities		707,929	728,987
NET ASSETS		2,106,622	1,960,841
EQUITY			
Equity attributable to owners of the parent			
Share capital	11	3,677	3,677
Share premium		383,789	419,736
Reserves		1,719,156	1,537,428
TOTAL EQUITY		2,106,622	1,960,841

Zhou Xingzeng	**Zheng Xiangzhan**
Director	*Director*

For the six months ended 30 June 2023

	Attributable to owners of the parent							
	Issued capital RMB'000 Note 11	Share premium RMB'000	Share Award Scheme* RMB'000 Note 12	Capital reserve* RMB'000	Statutory surplus reserves* RMB'000	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Total equity RMB'000
As at 1 January 2023 (audited)	3,677	419,736	(80,091)	184,787	215,382	5,207	1,212,143	1,960,841
Repurchase of shares	—	—	(1,853)	—	—	—	—	(1,853)
Profit for the period	—	—	—	—	—	—	183,459	183,459
Other comprehensive income for the period:								
Exchange differences on translation of the financial statements	—	—	—	—	—	122	—	122
Total comprehensive income for the period	—	—	—	—	—	122	183,459	183,581
2022 final dividend declared	—	(35,947)	—	—	—	—	—	(35,947)
As at 30 June 2023 (unaudited)	3,677	383,789	(81,944)	184,787	215,382	5,329	1,395,602	2,106,622

* These reserve accounts comprise the consolidated reserves of RMB1,719,156,000 (31 December 2022: RMB1,537,428,000) in the consolidated statement of financial position as at 30 June 2023.

For the six months ended 30 June 2022

	Attributable to owners of the parent							
	Issued capital RMB'000 Note 11	Share premium RMB'000	Share Award Scheme* RMB'000 Note 12	Capital reserve* RMB'000	Statutory surplus reserves* RMB'000	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Total equity RMB'000
As at 1 January 2022 (audited)	3,677	489,484	(46,538)	184,787	192,094	(5,764)	1,010,499	1,828,239
Repurchase of shares	—	—	(22,769)	—	—	—	—	(22,769)
Profit for the period	—	—	—	—	—	—	133,116	133,116
Other comprehensive income for the period:								
Exchange differences on translation of the financial statements	—	—	—	—	—	6,272	—	6,272
Total comprehensive income for the period	—	—	—	—	—	6,272	133,116	139,388
Appropriations to statutory surplus reserves	—	—	—	—	13,775	—	(13,775)	—
2021 final dividend declared	—	(33,849)	—	—	—	—	—	(33,849)
As at 30 June 2022 (unaudited)	3,677	455,635	(69,307)	184,787	205,869	508	1,129,840	1,911,009

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		246,521	183,134
Adjustments for:			
Finance costs		11,670	12,505
Interest income		(3,125)	(2,478)
Fair value gain on equity investments designated at fair value through profit or loss		(529)	(474)
Government grants released		(15,801)	(15,968)
Gain on disposal of items of property, plant and equipment		(134)	—
Provision/(reversal of provision) for impairment of accounts receivable, net	5	102	(8)
Depreciation of property, plant and equipment	5,9	30,080	25,025
Amortisation of other intangible assets	5	517	251
Depreciation of right-of-use assets	5	7,632	7,611
		276,933	209,598
Receipt of government grants		12,467	11,104
Increase in inventories		(37)	—
Decrease in prepayments and other receivables		1,625	248
Increase in accounts receivable		(161)	(1,939)
(Decrease)/increase in other payables and accruals		(20,600)	9,775
Decrease in contract liabilities		(358,275)	(378,877)
Cash used in operations		(88,048)	(150,091)
Interest received		2,633	2,478
Tax paid		(82,812)	(66,404)
Net cash flows used in operating activities		(168,227)	(214,017)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(184,146)	(54,221)
Purchase of right-of-use assets		—	(5,170)
Purchases of other intangible assets		(646)	(194)
Proceeds from disposal of items of property, plant and equipment		255	—
Proceeds from disposal of equity investments designated at fair value through profit and loss		1,614	—
Decrease/(Increase) in other receivables		12,253	(1,827)
Repayment from an independent construction contractor for the construction of campus facilities		112,442	—
Receipt of government grants for property, plant and equipment		790	500
Interest received		886	—
Net cash flows used in investing activities		(56,552)	(60,912)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase of shares held for the Share Award Scheme		(1,853)	(22,769)
New interest-bearing bank borrowings		—	32,123
Repayment of interest-bearing bank borrowings		(15,000)	(11,000)
Dividends paid		(35,947)	(33,849)
Interest paid		(11,761)	(15,206)
Net cash flows used in financing activities		(64,561)	(50,701)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(289,340)	(325,630)
Cash and cash equivalents at beginning of period		617,520	488,735
Effect of foreign exchange rate changes, net		(72)	5,746
CASH AND CASH EQUIVALENTS AT END OF PERIOD		328,108	168,851
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		328,108	168,851
CASH AND CASH EQUIVALENTS AS STATED IN THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS		328,108	168,851

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") were principally engaged in providing undergraduate education and junior college education services in the People's Republic of China (the "PRC").

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 2023 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 2022.

The Group recorded net current liabilities of RMB34,527,000 as at 30 June 2023. The directors of the Company (the "Directors") have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

The Directors believe that the Group has sufficient cash flows from the operations and current available banking facilities to meet its liabilities as and when they fall due. Therefore, the financial statements are prepared on a going concern basis.

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

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 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

IFRS 17	*Insurance Contracts*
Amendments to IFRS 17	*Insurance Contracts*
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 — Comparative Information*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform — Pillar Two Model Rules*

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:

a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES — *continued*

b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases and decommissioning obligations as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases and decommissioning obligations that occurred on or after 1 January 2022, if any.

   There were no temporary differences arising from leases and decommissioning obligations. The amendments did not have any impact on the financial position or performance of the Group.

d) Amendments to IAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

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, 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 information about the operating segment is presented.

Geographical information

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

Information about major customers

No revenue from the provision of services to a single customer amounted 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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue from contracts with customers		
Tuition fees	422,329	356,068
Boarding fees	64,293	45,414
Education-related services	7,433	2,991
Other services	187	—
Total revenue from contracts with customers	494,242	404,473

4. REVENUE — *continued*

(i) Disaggregated revenue information

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Recognised over time		
Tuition fees	422,329	356,068
Boarding fees	64,293	45,414
Education-related services	4,554	2,991
Other services	187	—
Total revenue from contracts with customers	491,363	404,473
Recognised at a point in time		
Education-related services	2,879	—

(ii) Performance obligations

Tuition fees and boarding fees

The performance obligation is satisfied over time as services are rendered and tuition fees and boarding fees 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):

	Note	For the six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Employee benefit expense (including Directors' and chief executive's remuneration):			
Wages, salaries and other allowances		137,034	115,214
Pension scheme contributions and social welfare		22,115	15,839
		159,149	131,053
Depreciation of property, plant and equipment	9	30,080	25,025
Depreciation of right-of-use assets		7,632	7,611
Amortisation of other intangible assets		517	251
Provision/(reversal of provision) for impairment of accounts receivable, net		102	(8)

6. INCOME TAX

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act (Revised) 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 BVI Business Companies Act 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 ("CIT") of 25% during the period, except for Wangting Education Technology (Shanghai) Limited ("Gench WFOE"). In accordance with the requirements of the tax regulations in the PRC, Gench WFOE applied for the "High and New Technology Enterprise" qualification and obtained the certificate on 4 December 2020. The "High and New Technology Enterprise" qualification is subject to review by the relevant tax authority in the PRC for every three years. In December 2021, Gench WFOE obtained the software enterprise and software product certification from the Shanghai Software Industry Association and was subject to a preferential corporate income tax rate of "two exemptions and three half" since the profit-making year. Gench WFOE was in the position of tax loss since establishment. Accordingly, Gench WFOE was subject to CIT at a rate of 15% for the six months ended 30 June 2023 and 2022.

6. INCOME TAX — *continued*

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

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current — Mainland China:	63,072	50,027
Deferred	(10)	(9)
Total tax charge for the period	63,062	50,018

7. DIVIDENDS

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Final declared and paid — HK$0.10 (six months ended 30 June 2022: HK$0.10) per ordinary share	35,947	33,849

A final dividend of HK$0.10 per share in respect of the year ended 31 December 2022 has been proposed by the Board and was approved by the shareholders at the annual general meeting of the Company on 8 June 2023. The Board has resolved to declare an interim dividend of HK$0.10 per share for the six months ended 30 June 2023 (six months ended 30 June 2022: HK$0.10).

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 RMB183,459,000 (six months ended 30 June 2022: RMB133,116,000), and the weighted average number of ordinary shares of 395,712,843 (six months ended 30 June 2022: 401,031,307) in issue during the period. The number of shares for the six months ended 30 June 2023 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 ended 30 June 2023 and 2022.

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

The calculation of basic and diluted earnings per share is based on:

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	183,459	133,116

	Number of shares For the six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Shares		
Weighted average number of ordinary shares used in the basic and diluted earnings per share calculation	395,712,843	401,031,307

9. PROPERTY, PLANT AND EQUIPMENT

	30 June 2023 RMB'000 (Unaudited)
At 1 January 2023	2,083,060
Additions	155,130
Disposals	(121)
Depreciation provided during the period	(30,080)
At 30 June 2023	2,207,989

As at 30 June 2023, the original cost of the Group's property, plant and equipment of RMB235,182,000 (31 December 2022: RMB233,457,000) was netted off by the government grants received.

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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Accounts receivable:		
Within 1 year	6,772	7,447
1 to 2 years	1,882	1,435
2 to 3 years	544	300
Over 3 years	64	21
	9,262	9,203

11. SHARE CAPITAL

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Number of ordinary shares		
Authorised:		
Ordinary shares of HK$0.01 each	500,000,000	500,000,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each	415,000,000	415,000,000

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Authorised:		
Ordinary shares of HK$0.01 each	4,462	4,462
Issued and fully paid:		
Ordinary shares of HK$0.01 each	3,677	3,677

12. SHARE AWARD SCHEME

On 11 December 2020, the Board approved an employee share award scheme (the "Share Award Scheme") under which: (i) an employee (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, 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 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 on which 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 of the Share Award Scheme starting from the 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 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) as an Eligible Participant.

12. SHARE AWARD SCHEME — *continued*

The following shares were purchased by the Trustee under the Share Award Scheme during the six months ended 30 June 2023:

	Number of shares purchased for the Share Award Scheme	Total
		RMB'000
At 31 December 2022 and 1 January 2023 (audited)	19,081,500	80,091
Purchased and withheld	517,000	1,853
At 30 June 2023 (unaudited)	19,598,500	81,944

Since 11 December 2020 and up to the date of approval of these financial statements, the Board neither granted, lapsed nor cancelled any awards.

13. COMMITMENTS

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Contracted, but not provided for:		
Property, plant and equipment	**194,182**	345,800
Authorised, but not contracted for:		
Property, plant and equipment	**161,222**	173,400

14. RELATED PARTY TRANSACTIONS

(1) Name and relationship

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

Name of related parties	Relationship with the Group
上海琪遇酒店管理有限公司* (“Qi Yu Hotel Management Limited”)	A company controlled by a member of the key management personnel of the Group (Up to 14 June 2023)

* Qi Yu Hotel Management Limited had not been a related company of the Group since 15 June 2023.

(2) Transaction with a related party

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Services received from a related company		
Qi Yu Hotel Management Limited	417	830

(3) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Short-term employee benefits	3,095	3,108
Pension scheme contributions	216	204
Total compensation paid to key management personnel	3,311	3,312

15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Financial assets				
Other receivables				
— non-current	—	12,059	—	11,048
Equity investments designated at fair value through profit or loss	—	1,085	—	1,085
	—	13,144	—	12,133
Financial liabilities				
Interest-bearing bank borrowings	759,403	774,403	774,812	790,116

Management has assessed that the fair values of cash and cash equivalents, accounts receivable, the current portion of financial assets included in prepayments and other receivables, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

The fair values of unlisted equity investments designated at fair value through profit or loss have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the Directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as price to book ("P/B") multiple, for each comparable company identified. The multiple is calculated by dividing the price per share of the comparable company by net assets value per share. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The Directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the Reporting Period.

15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS — *continued*

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

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all required significant inputs to fair value of an instrument are observable, the instruments are included in Level 2. If one or more of the significant inputs are not based on observable market data, the instruments are included in Level 3.

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

Fair value hierarchy

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

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
As at 31 December 2022 (audited)				
Equity investments designated at fair value through profit or loss	—	—	1,085	1,085

15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS — *continued*

Fair value hierarchy — *continued*

The movements in fair value measurements within Level 3 during the period are as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Equity investments designated at fair value through profit or loss		
At 1 January	**1,085**	320
Total gains recognised in profit or loss included in other income	**529**	474
Effect of foreign exchange rate changes	**—**	25
Disposals	**(1,614)**	—
At 30 June	**—**	819

Assets for which fair values are disclosed:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2022 (audited)				
Other receivables — non-current	—	11,048	—	11,048

15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS — *continued*

Fair value hierarchy — *continued*

Liabilities for which fair values are disclosed:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 30 June 2023 (unaudited)				
Interest-bearing bank borrowings	—	774,812	—	774,812
As at 31 December 2022 (audited)				
Interest-bearing bank borrowings	—	790,116	—	790,116

During the period, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements (six months ended 30 June 2022: Nil).

16. EVENTS AFTER THE REPORTING PERIOD

On 29 August 2023, the Company has resolved to recommend the payment of an interim dividend of HK$0.10 per ordinary share for the six months ended 30 June 2023 to the shareholders whose names appear on the register of members of the Company on 16 October 2023. Such proposal is subject to the approval by the shareholders of the Company at the forthcoming extraordinary general meeting of the Company.

17. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the Board on 29 August 2023.

DEFINITION

In this interim report, 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
"2023 Interim Dividend"	interim dividend recommended by the Board for the six months ended 30 June 2023
"affiliate(s)"	with respect to any specific person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"associate(s)"	has the meaning ascribed thereto in the Listing Rules
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors of the Company
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"China" or "PRC"	for the purpose of this interim report, the People's Republic of China, other than the regions of Hong Kong, the Macau Special Administrative Region and Taiwan, China
"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 announcements of the Company dated 20 January 2021, 24 June 2022, 6 January 2023 and 9 June 2023
"COVID-19"	2019 novel coronavirus, being a disease caused by a new strain of coronavirus
"Director(s)"	the director(s) of the Company
"Group", "we" or "us"	the Company, its subsidiaries and New 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$" or "Hong Kong dollar(s)"	Hong Kong dollars respectively, the lawful currency of Hong Kong

"Hong Kong"	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 New Registered Shareholders. It is 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 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
"Listing"	the listing of our Shares on the Main Board of the Stock Exchange
"Listing Date"	16 January 2020, since which our Shares have been listed on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Model Code"	the Model code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"New Registered Shareholder(s)"	shareholder(s) 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, Ms. Huang Chunlan and Mr. Zheng Juxing
"Nomination Committee"	the nomination committee of the Company
"PRC Affiliated Entities"	collectively, Jian Qiao University Company and the School Holders, each an affiliated entity of the Company
"PRC Legal Advisors"	Commerce & Finance Law Offices, our legal advisors as to the laws of the PRC
"Prospectus"	the prospectus of the Company dated 31 December 2019

DEFINITION

"Remuneration Committee"	the remuneration committee of the Company
"Reporting Period"	the six months ended 30 June 2023
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"School Holders"	the shareholders of Jian Qiao University Company, namely, Jian Qiao Group and Jian Qiao Investment
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Share Award Scheme"	the share award scheme adopted by the Company on 11 December 2020
"Share Option Scheme"	the share option scheme adopted by the Company on 19 December 2019
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules. For the avoidance of doubt, the subsidiaries of the Company include the School Holders and our University
"Substantial Shareholders"	has the meaning ascribed to it under the Listing Rules
"University", "our University", or "Shanghai Jian Qiao University"	a university in the PRC operated as a private non-enterprise unit under the name of "Shanghai Jian Qiao University" (上海建橋學院) from 28 June 2000 to 9 August 2021 and as a limited liability company under the name of "Shanghai Jian Qiao University Co., Ltd."* (上海建橋學院有限責任公司) since 10 August 2021, with the short name of "Shanghai Jian Qiao University" (上海建橋學院) in the relevant private school operating permit
"Yangtze River Delta"	comprises Jiangsu, Zhejiang, Anhui and Shanghai in the PRC
"%"	percent

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