SHANGHAI GENCH EDUCATION GROUP LIMITED

上海建橋教育集團有限公司

2022 INTERIM REPORT

Stock code:1525

(Incorporated in the Cayman Islands with limited liability)

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhou Xingzeng (周星增) *(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)
Huaxia Bank (Lingang Branch)
China Construction Bank (Jinqiao Branch)

COMPANY WEBSITE

http://www.genchedugroup.com

STOCK CODE

1525

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
REVENUE	404,473	347,614
Cost of sales	(129,144)	(122,280)
GROSS PROFIT	275,329	225,334
Other income and gains	5,949	4,037
Selling and distribution expenses	(472)	(1,540)
Administrative expenses	(84,967)	(51,845)
Other expenses	(200)	—
Finance costs	(12,505)	(26,200)
PROFIT BEFORE TAX	183,134	149,786
Income tax expense	(50,018)	(37,933)
PROFIT FOR THE PERIOD	133,116	111,853

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 undergraduate students enrolled in the 2021/22 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 2022 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 2022, our University offered 71 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 of China pilot reform undergraduate major, as well as 15 first-class undergraduate majors in Shanghai. Our University has a team of stable and professional teachers. As of 30 September 2021, 36.6% of our full-time teachers are with a senior title whereas 26.1% 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, accelerating the construction of a "core area of the Global Power City (全球動力之城核心區)"

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》) and 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》), Shanghai re-issued 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》) in June 2022, which stipulates that Shanghai focuses on building a core area of the Global Power City (全球動力之城核心區) in Lingang to accelerate the construction of industrial systems in aviation, aerospace, automotive, marine, energy and power, endeavour to become the source of innovation and upgrading of power important for the nation and as a major force to represent China in international power competition. Lingang New Area is rapidly becoming a gathering point of China's strategic emerging industries. 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) With the successive implementation of national supporting policies, vocational education has a promising future and huge development potential

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》), which encourages listed companies and leading enterprises in the industry to engage in vocational education, and encourages application-oriented universities to carry out undergraduate vocational education, the Standing Committee of the National People's Congress resolved to approve the newly revised Vocational Education Law in April 2022, which re-iterates clearly to encourage, guide and support enterprises and other social forces to sponsor vocational schools according to law, clarifies that higher vocational school education shall be provided by higher vocational schools and regular colleges and universities to promote enterprises' in-depth engagement in vocational education, encourages enterprises to establish high-quality vocational education schools and offers incentives and tax concessions to companies that are deeply involved in the industry-education integration and school-enterprise cooperation.

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

(I) High-quality brands benefiting the whole country

In January 2022, CUAA.net (中國校友會網) announced the 2022 CUAA University Rankings, which showed that our University ranked third among the 2022 CUAA category I private universities in China. Over 22 years of operation, our University was awarded "Shanghai Civilized Company (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 won the title of "National Model Unit of Civilization (全國文明單位)" from 2015 to 2021, 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, and is one of the four private universities that have been approved nationwide. In March 2022, our University was elected as a cultivation and creation unit of "National Party Building Demonstration Universities", one of the three private colleges and universities selected nationwide.

(II) High-quality majors leading in the industry

In May 2022, according to "2022 First-class Majors Ranking (Application-oriented) in China" published by CUAA.net (中國校友會網), 24 undergraduate majors of our University ranked among top 10 in China, representing approximately two-thirds of total undergraduate majors of our University, and 27 undergraduate majors ranked among top 20 in China, representing approximately three-fourths of total undergraduate majors of our University; and our University ranked 4th in Shanghai and 34th in China (including public universities) in terms of comprehensive strength. In June 2022, 9 majors of our University were included in 2021 Shanghai first-class undergraduate majors construction site, and provincial first-class undergraduate major construction points increased to 15, reaching 40.5% of the undergraduate majors of our University. In July 2022, eight majors of our University obtained project approval as municipal key course construction in colleges and universities in Shanghai in 2022.

(III) The high teaching quality has strong capacity

The proportion of full-time teachers with doctoral degrees in our University remains the top in the industry, demonstrating strong practical teaching strength. As of 30 September 2021, among the full-time teachers of our University, the doctoral degree accounted for 26.1%, the senior title accounted for 36.6%, and the double-position accounted for 19.5%. 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.

(IV) The well-operated facilities rank first in the industry

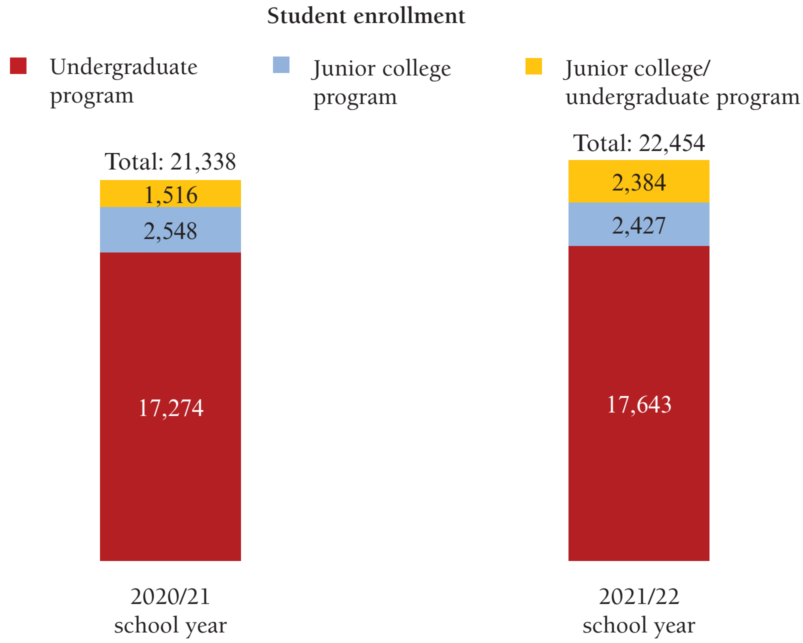
The total value of teaching and scientific research instruments and equipment of our University has maintained a leading level among private universities, and the construction of smart campus has won many awards. In January 2021, our University signed a contract with Shanghai Nanlin Integrated Circuit Co., Ltd. (上海南麟集成電路有限公司) to jointly establish the "integrated circuit package test" industry-education integration and demonstration base. The enterprise invested approximately RMB40 million to establish a complete integrated circuit pilot test line as the base in the school, which has formed a complete talent cultivation and training system in the industrial chain of integrated circuit layout from design, packaging to testing, etc. In December 2021, our University, as the only private undergraduate university in Shanghai, received the Silver Award for Outstanding Cases of Information Construction and Application of Colleges and Universities in Shanghai in 2021 (2021年度上海市高校信息化建設與應用優秀案例銀獎).

(V) 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 stable at 98% and above while the satisfaction rate of employers remains stable at a high level. As of 27 August 2021, the employment rate of 2021 graduates reached 98.8%, of which 64.6% of graduates chose to stay in Shanghai for employment. The rate of our students studying abroad reached 3.9%, with 28 students entering the top 100 universities in QS World University Rankings and 45 students entering the top 200 universities in QS World University Rankings.

Student enrollment

In the 2021/22 school year, the overall number of full-time enrolled students of our University reached 22,454, representing an increase of 1,116 as compared to that of the 2020/21 school year. Such increase in the number of enrolled students was mainly due to the increase in student enrollment of our University.



In addition, in the 2022/23 school year, student admission in junior college/undergraduate program of our University reached 2,847, an increase of 99% as compared to that in the 2021/22 school year. Based on our preliminary assessment, it is expected that the number of new students of our University in the 2022/23 school year, which remains subject to the actual student registration, will increase by approximately 20% as compared to that of the 2021/22 school year.

Tuition rates

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

	For the six months ended 30 June			
	2022	2021	Change	Percentage change
	RMB	RMB	RMB	(%)
Average annualised tuition fees(1)	27,017	24,618	2,399	9.75%

Note:

(1) Average annualised tuition fees for the six months ended 30 June 2021 and 2022 are calculated by dividing total revenue generated from tuition fees of full-time students (excluding part-time students in our continuing education program) that is annualized for the period (9 months) in which the income was generated in the year by the total number of full-time students enrolled as of 31 October 2020 (due to the impact of COVID-19 outbreak, the enrollment date of the new students of 2020/21 school year extended to October 2020) and 30 September 2021.

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

	Tuition Fee of New Students(1)		
	2020/21 school year	2021/22 school year	2022/23 school year
	RMB	RMB	RMB
Undergraduate program(2)	23,000–38,000	30,000–39,800	32,000–39,800
Junior college program	15,000–18,000	15,000–20,000	20,000
Junior college/undergraduate program	23,000–30,000	23,000–30,000	23,000–38,000

Notes:

(1) Tuition fees shown above are applicable to full-time students enrolled in the relevant school years only, excluding tuition fees charged for part-time students enrolled in our continuing education program.

(2) The tuition fee range of the undergraduate program includes (i) the undergraduate program; and (ii) the undergraduate program under the international program. It excludes tuition fee rate of RMB80,000 per school year for the international design college, the tuition fee rate of RMB58,000 per school year for the bilingual-lectured digital media technology program, the tuition fee rate of RMB45,000 per school year for the bilingual-lectured journalism program and the tuition fee rate of RMB45,000 per school year for the international program with Vaughn College of Aeronautics and Technology.

FUTURE OUTLOOK AND BUSINESS STRATEGY

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 operate 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, 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 2022/23 school year, we have optimized our tuition fee for new students of undergraduate and junior college programs. The minimum tuition fee for new students of undergraduate programs increased from RMB30,000 per year to RMB32,000 per year and that of the junior college programs increased from RMB15,000 per year to RMB20,000 per year. In addition, we charge students who are living in the two dormitory buildings under phase two of our construction plan boarding fees of RMB5,800 per student per school year. We plan to charge students who will live in the two smart dormitory buildings which are expected to be ready for use in September 2022 and are under phase three of our construction plan boarding fees of RMB7,800 per student per school year.

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

   We intend to continue to increase our investment in new construction projects to build academic, administrative and boarding facilities to meet the needs of our expansion in the future. In this regard, our University has implemented the following measures:

   - Our University commenced phase three of our campus construction plan in September 2020. Such campus facilities, with a total gross floor area of approximately 60,950 square meters, mainly comprise (i) a multi-function academic building with a total gross floor area of approximately 9,413 square meters; (ii) two dormitory buildings with a total gross floor area of approximately 21,742 square meters and 21,715 square meters, respectively, and with an aggregate of approximately 3,984 beds; and (iii) an ancillary dormitory building for boarding-related services (such as an office of dormitory management personnel and laundry rooms). The total capital expenditures on phase three of our new dormitory building construction plan are estimated to be approximately RMB340 million (equivalent to approximately HK$377.4 million), which are expected to be incurred by the end of 2022.

   - Our University also plans to commence phase four of our campus construction plan to enhance schooling conditions and increase teaching resources. Such campus facilities, with a total gross floor area of approximately 9,900 square meters, mainly comprise an academic building mainly used for teaching activities of the international education institute and the continuing education college. Such total capital expenditures are estimated to be approximately RMB65 million (equivalent to approximately HK$79.8 million) which are expected to be incurred by the end of 2024.

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 in December 2021 to expand international curriculum programs, broaden the students' international horizons and facilitate studying aboard.

2) As to adult continuing education, the number of students of the Group has a gratifying growth. As of 30 June 2022, adult students of the continuing education programs of our University amounted to 6,166, representing an increase of 37.8% as compared to that of the corresponding period of last year.

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 2022, 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. In addition, as the national core area for pilot integration of industry and education, Lingang will have more exploration opportunities for industry-education integration.

Our University is located at the core region of Lingang New Area and has fully benefited from the strategic emerging industries and the development of industry-education integration in Lingang New Area. It has operated 4 high-energy industry-education integration bases, involving high-tech fields such as communication technology, Internet, intelligent manufacturing and integrated circuit. In September 2021, the "Digital Smart Manufacturing (「數聯智造」)" Industrial College of our University was approved as 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 our University was awarded 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), which was the only private university among the first batch of 9 organizations in November 2021.

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", actively takes 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, 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 represented the value of services rendered during the Reporting Period. Our Group derives revenue from tuition fees, boarding fees and other education related services its University collects from students.

For the six months ended 30 June 2022, the Group's revenue was approximately RMB404.5 million, representing an increase of approximately RMB56.9 million, or 16.4%, as compared with the corresponding period of last year, which was mainly due to (i) the increase in the revenue derived from tuition fees and other education related services by approximately RMB58.5 million, or 19.5%, from approximately RMB300.5 million for the six months ended 30 June 2021 to RMB359.1 million for the six months ended 30 June 2022, which was in relation to the increase in the average tuition rates and the growth in the number of newly admitted students for the 2021/2022 school year; and (ii) the decrease in the revenue derived from boarding fees by approximately RMB1.7 million, or 3.5%, as our Group is expected to refund the boarding fees to students who did not live on campus in accordance with the boarding fees refund policy released by the relevant authorities under the outbreak of COVID-19 in Shanghai during the Reporting Period.

Cost of Sales

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

For the six months ended 30 June 2022, the Group's cost of sales increased by approximately RMB6.9 million, or 5.6%, 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 RMB11.3 million, or 18.2%, from approximately RMB62.0 million for the six months ended 30 June 2021 to approximately RMB73.3 million for the six months ended 30 June 2022, as a result of the increase of the number of teachers and the average salary rates; and (ii) the decrease of student-related expenses, cooperative education expenses and other miscellaneous costs as some of our students did not live on campus under the outbreak of COVID-19 in Shanghai during the Reporting Period.

Gross Profit and Gross Profit Margin

The Group's gross profit represented our revenue less cost of sales. The Group's gross profit increased by approximately RMB50.0 million, or 22.2% from approximately RMB225.3 million for the six months ended 30 June 2021 to approximately RMB275.3 million for the six months ended 30 June 2022.

The Group's gross profit margin represented the Group's gross profit as a percentage of its revenue. For the six months ended 30 June 2022, the Group achieved a gross profit margin of 68.1%, up by 3.3 percentage points as compared to the corresponding period of last year, which was mainly due to the combined effects of (i) the increasing number of student enrollment and average tuition fees; and (ii) some of our students did not live on campus under the outbreak of COVID-19 in Shanghai during the Reporting Period, which resulted in the decrease of the revenue from boarding fees, and the cost saving on the student-related expenses, cooperative education expenses and other miscellaneous costs.

Other Income and Gains

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

The Group's other income and gains increased by RMB1.9 million, or 47.4%, from RMB4.0 million for the six months ended 30 June 2021 to RMB5.9 million for the six months ended 30 June 2022, which was mainly due to the increase of bank interest income amounting to RMB1.2 million, or 99.5%, compared with the amount of the corresponding period in prior year, as reasonable using of funds under the Group's arrangement.

Selling and Distribution Expenses

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

The Group's selling and distribution expenses decreased by approximately RMB1.1 million, or 69.4%, from approximately RMB1.5 million for the six months ended 30 June 2021 to approximately RMB0.5 million for the six months ended 30 June 2022, which was mainly due to a decrease in cost on travel expenses and promotional brochures, as our Group currently carries out admission campaigns online in most cases.

Administrative Expenses

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

The Group's administrative expenses increased by RMB33.1 million, or 63.9%, from approximately RMB51.9 million for the six months ended 30 June 2021 to approximately RMB85.0 million for the six months ended 30 June 2022, which was primarily due to the increase in administrative salary expenses, logistic expenses and other expenses amounting to RMB32.6 million as a result of (i) the increase of the number of administrative staff and the average salary rates; and (ii) the increase of procurement of epidemic prevention and control supplies.

Finance Costs

The Group's finance costs primarily consisted of the interest expenses for bank loans. Finance costs decreased by RMB13.7 million, or 52.3%, from RMB26.2 million for the six months ended 30 June 2021 to RMB12.5 million for the six months ended 30 June 2022, which was due to the scale of interest-bearing borrowings of our Group decreased from RMB1,312.1 million as at 30 June 2021 to RMB805.4 million as at 30 June 2022, and the average effective interest decreased from 4.47% to 4.20%.

Profit Before Tax

For the six months ended 30 June 2022, the Group recorded a profit before tax of approximately RMB183.1 million, representing an increase of approximately 22.3% from approximately RMB149.8 million for the corresponding period of prior year.

Income Tax Expense

Income tax expense increased from approximately RMB37.9 million for the six months ended 30 June 2021 to approximately RMB50.0 million for the six months ended 30 June 2022, 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 and other borrowings and related interest expenses. During the Reporting Period, we funded our operations principally with cash generated from our operations and bank and other borrowings. In the future, we believe that our liquidity requirements will be satisfied with a combination of cash flows generated from our operating activities, bank and other borrowings and the net proceeds from the initial public offering of the Company and other funds raised from the capital markets from time to time.

Treasury Policy

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 2022, the Group's property, plant and equipment amounted to approximately RMB2,069.4 million, representing an increase of approximately RMB15.7 million, or 0.8%, as compared to the balance as at 31 December 2021. Such an increase was mainly due to the phase three 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 2022, the Group's cash and cash equivalents were approximately RMB168.9 million, representing a decrease of approximately RMB319.9 million, or 65.5%, as compared to the balance as at 31 December 2021. The decrease was mainly contributed by the combined effects of (i) recorded approximately RMB59.6 million in capital expenditures; (ii) recorded approximately RMB22.8 million in repurchase of shares held for the Share Award Scheme and approximately RMB33.8 million in dividends paid; (iii) recorded approximately RMB66.4 million in tax paid; and (iv) incurred approximately RMB132.6 million in employee remuneration cost.

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 RMB805.4 million as at 30 June 2022 (31 December 2021: approximately RMB784.3 million) were all denominated in Renminbi. As at 30 June 2022, our bank borrowings bore effective interest rates ranging from 4.0% to 4.2% 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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Analysed into:		
Repayable within one year	46,000	42,000
Repayable in the second year	54,000	50,000
Repayable in the third to fifth years, inclusive	356,000	355,000
Repayable beyond five year	349,403	337,280
	759,403	742,280
	805,403	784,280

Capital Expenditure

Capital expenditures during the Reporting Period primarily related to the phase three of our campus construction plan, maintaining and upgrading existing school premises for the University. For the six months ended 30 June 2022, the Group's capital expenditures were RMB59.6 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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Contracted, but not provided for:		
Property, plant and equipment	8,400	751
Authorised, but not contracted for:		
Property, plant and equipment	80,547	110,341

Contingent Liabilities

As at 30 June 2022, 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 2021: nil).

Gearing Ratio

As at 30 June 2022, the gearing ratio of the Group was 0.4, which remained stable when compared with the gearing ratio as at 31 December 2021.

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 2022, nor other material acquisitions and disposals of subsidiaries and associated companies. Save as disclosed in this interim report, as at 30 June 2022, our Group did not have any immediate plans for material investments and acquisition of capital assets.

Pledge of Assets

As at 30 June 2022, our Group's bank borrowings of RMB805.4 million were secured by the Group's rights over tuition fees and boarding fees.

Employees and Remuneration Policy

As at 30 June 2022, our Group had 1,613 full-time employees (30 June 2021: 1,347 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 2022 was RMB131.1 million (30 June 2021: RMB100.7 million).

OTHER INFORMATION

REALLOCATION OF 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 at 30 June 2022, the Group has utilised approximately HK$434.3 million, representing approximately 65.2% of the net proceeds, details of which are set out below:

Unit: Hong Kong dollar million

Items	Original percentage	Original allocation of net proceeds	Utilised	Unutilised
Acquisitions and/or Investments	34.8%	231.7	—	231.7
Campus Construction	35.0%	233.1	233.1	—
Bank Loans Repayment	20.2%	134.6	134.6	—
General Working Capital	10.0%	66.6	66.6	—
Total	100.0%	666.0	434.3	231.7

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 30 June 2022:

Unit: Hong Kong dollar million

Items	Revised percentage	Revised allocation of net proceeds	Utilised	Unutilised
Acquisitions and/or Investments	—	—	—	—
Campus Construction	69.8%	464.8	233.1	231.7
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

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

The Board considers that the reallocation of the unutilised net proceeds will not have any material adverse impact on the existing business and operations of the Group and is in the best interest of the Company and its shareholders as a whole. Save as disclosed above, the Board confirms that there are no other changes in the use of the net proceeds.

The Board will continuously assess the plans for the use of unutilised net proceeds and may adjust such plans as and when appropriate to cope with the changing market conditions in order to strive for a better business performance of the Group.

EVENTS AFTER THE REPORTING PERIOD

On 26 August 2022, 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 2022 to the shareholders whose names appear on the register of members of the Company on 14 October 2022. 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

Ms. Liu Tao, our independent non-executive Director ceased to be an independent director of SafBon Water Service (Holding) Inc., Shanghai* (上海巴安水務股份有限公司), a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 300262) following the expiration of her director service contract in May 2022.

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

INTERIM DIVIDEND

On 26 August 2022, the Board has resolved to recommend the payment of an interim dividend of HK$0.10 per ordinary share of the Company. The 2022 Interim Dividend is intended to be paid out of the share premium of the Company and thus is subject to the approval of shareholders of the Company. The circular convening the extraordinary general meeting of the Company to be held on 10 October 2022 will be dispatched in due course.

Upon the Company's shareholders' approval, the 2022 Interim Dividend will be payable on or around 26 October 2022 to the shareholders whose names appear on the register of members of the Company on 14 October 2022. The 2022 Interim Dividend represents approximately 26.1% of the profit attributable to shareholders of the Company for the six months ended 30 June 2022.

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 Wednesday, 5 October 2022 to Monday, 10 October 2022, 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 Monday, 10 October 2022. 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 Monday, 3 October 2022.

For determining the entitlement of the shareholders of the Company to receive the 2022 Interim Dividend, the register of members of the Company will be closed on Friday, 14 October 2022, during which period no transfer of Shares will be registered. The record date for entitlement to the 2022 Interim Dividend is Friday, 14 October 2022. In order to be qualified for the entitlement to receive the 2022 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 Thursday, 13 October 2022. The payment date of the 2022 Interim Dividend is expected to be on Wednesday, 26 October 2022.

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 2022.

Separately, as of 30 June 2022, 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 16,781,500 Shares at a total consideration of approximately HK$81,043,025.

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 2022. 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 2022.

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

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and practices adopted by the Group. The Audit Committee, together with the Board and external auditor, have reviewed the Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2022. 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 2022, 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
Mr. Zhou Xingzeng	Interest in a controlled corporation(1)	35,700,000	Long position	8.60%
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 2022, 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 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 2022, 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 2022, 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.

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 2022, 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 2022, 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
She De Limited	Beneficial owner	16,000,000	Long position	3.86%
Gan En Limited	Beneficial owner	19,700,000	Long position	4.75%
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 2022, 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 2022, 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 22 of this interim report.

Save as disclosed above, as at 30 June 2022, 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.

During the Reporting Period, the Board did not grant, lapse or cancel any awards. As of 30 June 2022, 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 16,781,500 Shares at a total consideration of approximately HK$81,043,025.

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.

CONTRACTUAL ARRANGEMENTS

Please refer to the section headed "Contractual Arrangements" in the Prospectus and the announcements of the Company dated 20 January 2021 and 24 June 2022 for details. 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 24 June 2022, to further facilitate the communication between the Company and its employees, one more staff representative, namely, Mr. Xu Haogang (徐皓剛) ("Mr. Xu"), has been nominated by the staff of Jian Qiao University Company and appointed as a director of Jian Qiao University Company with effect from 24 June 2022. Since more than two-thirds of the board of Jian Qiao University Company is the quorum required for approving material decisions of Jian Qiao University Company, Mr. Xu entered into a director's power of attorney (the "POA") on the same date. The terms of the POA are substantially the same as the directors' power of attorney currently in place under the Contractual Arrangements. In addition, under the POA, Mr. Xu agreed to be bound by the rights and obligations of the directors' rights entrustment agreement currently in place under the Contractual Arrangements. Save for the aforesaid, there is no change to the Contractual Arrangements. For more details, please refer to the announcement of the Company dated 24 June 2022.

As at the date of this interim report, save for the aforesaid, there was no change to the Contractual Arrangements.

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.

OTHER INFORMATION

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.

CHANGE IN CONSTITUTIONAL DOCUMENTS

In order to bring the existing Articles in line with revised Companies Act of Cayman Islands and the Listing Rules, and to amend certain housekeeping matters, including but not limited to allowing the Company to hold hybrid general meetings, a special resolution of the Shareholders was passed on 1 June 2022 to adopt the second amended and restated articles of association of the Company with effect from the same date.

The second amended and restated articles of association of the Company are available on the website of the Stock Exchange and the website of the Company.

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, 26 August 2022

INDEPENDENT REVIEW REPORT

27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

EY安永

To the board of directors of
Shanghai Gench Education Group Limited
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 30 to 51, which comprises the condensed consolidated statement of financial position of Shanghai Gench Education Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2022 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six months period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board ("IASB"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young
Certified Public Accountants
Hong Kong
26 August 2022

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
REVENUE	4	404,473	347,614
Cost of sales		(129,144)	(122,280)
GROSS PROFIT		275,329	225,334
Other income and gains		5,949	4,037
Selling and distribution expenses		(472)	(1,540)
Administrative expenses		(84,967)	(51,845)
Other expenses		(200)	—
Finance costs		(12,505)	(26,200)
PROFIT BEFORE TAX	5	183,134	149,786
Income tax expense	6	(50,018)	(37,933)
PROFIT FOR THE PERIOD		133,116	111,853
Attributable to:			
Owners of the parent		133,116	111,853
		RMB (Unaudited)	RMB (Unaudited)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		0.33	0.27

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	133,116	111,853
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Translation difference of the Company's financial statements using different presentation currency	6,272	(2,546)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	6,272	(2,546)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	6,272	(2,546)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	139,388	109,307
Attributable to:		
Owners of the parent	139,388	109,307

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	2,069,415	2,053,681
Right-of-use assets		625,809	628,250
Other intangible assets		970	1,027
Long-term prepayments and other receivables		75,788	57,616
Deferred tax assets		113	104
Equity investments designated at fair value through profit or loss		819	320
Total non-current assets		2,772,914	2,740,998
CURRENT ASSETS			
Accounts receivable	10	7,304	5,357
Prepayments and other receivables		7,456	7,704
Cash and cash equivalents		168,851	488,735
Total current assets		183,611	501,796
CURRENT LIABILITIES			
Other payables and accruals		160,386	150,300
Dividend payable		446	427
Interest-bearing bank borrowings		46,000	42,000
Contract liabilities		16,205	395,082
Tax payable		48,112	64,489
Deferred income		12,729	6,468
Total current liabilities		283,878	658,766
NET CURRENT LIABILITIES		(100,267)	(156,970)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,672,647	2,584,028
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		759,403	742,280
Deferred income		2,235	13,509
Total non-current liabilities		761,638	755,789
NET ASSETS		1,911,009	1,828,239
EQUITY			
Equity attributable to owners of the parent			
Share capital	11	3,677	3,677
Share premium		455,635	489,484
Reserves		1,451,697	1,335,078
TOTAL EQUITY		1,911,009	1,828,239

Zhou Xingzeng
Director

Zheng Xiangzhan
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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 Company's 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)	—
Final 2021 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

* These reserve accounts comprise the consolidated reserves of RMB1,451,697,000 (31 December 2021: RMB1,335,078,000) in the consolidated statement of financial position as at 30 June 2022.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	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 2021 (audited)	3,677	551,155	—	184,787	173,113	(813)	850,468	1,762,387
Repurchase of shares	—	—	(11,481)	—	—	—	—	(11,481)
Profit for the period	—	—	—	—	—	—	111,853	111,853
Other comprehensive income for the period:								
Exchange differences on translation of the Company's financial statements	—	—	—	—	—	(2,546)	—	(2,546)
Total comprehensive income for the period	—	—	—	—	—	(2,546)	111,853	109,307
Appropriations to statutory surplus reserves	—	—	—	—	11,313	—	(11,313)	—
Final 2020 dividend declared	—	(27,195)	—	—	—	—	—	(27,195)
As at 30 June 2021 (unaudited)	3,677	523,960	(11,481)	184,787	184,426	(3,359)	951,008	1,833,018

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		183,134	149,786
Adjustments for:			
Finance costs		12,505	26,200
Bank interest income		(2,478)	(1,242)
Gain on disposal of items of property, plant and equipment		—	(1)
Fair value gain on equity investments designated at fair value through profit or loss		(474)	—
Government grants released		(15,968)	(22,148)
Reversal of impairment of accounts receivable	5	(8)	(6)
Depreciation of property, plant and equipment	5,9	25,025	25,186
Amortisation of other intangible assets	5	251	318
Depreciation of right-of-use assets	5	7,611	7,570
		209,598	185,663
Receipt of government grants		11,104	12,382
Decrease/(increase) in prepayments and other receivables		248	(5,064)
(Increase)/decrease in accounts receivable		(1,939)	282
Increase/(decrease) in other payables and accruals		9,775	(25,668)
Decrease in contract liabilities		(378,877)	(271,221)
Cash used in operations		(150,091)	(103,626)
Interest received		2,478	1,242
Tax paid		(66,404)	(4,632)
Net cash flows used in operating activities		(214,017)	(107,016)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(54,221)	(69,583)
Proceeds of disposal of items of property, plant and equipment		—	2
Purchase of right-of-use assets		(5,170)	—
Purchases of other intangible assets		(194)	(139)
Increase in other receivables		(1,827)	(9,425)
Receipt of government grants for property, plant and equipment		500	17,671
Purchases of equity investments designated at fair value through profit or loss		—	(1,498)
Net cash flows used in investing activities		(60,912)	(62,972)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase of shares held for the Share Award Scheme	(22,769)	(11,481)
New interest-bearing bank borrowings	32,123	961,680
Repayment of interest-bearing bank borrowings	(11,000)	(774,180)
Dividends paid	(33,849)	(27,195)
Interest paid	(15,206)	(26,410)
Net cash flows (used in)/from financing activities	(50,701)	122,414
NET DECREASE IN CASH AND CASH EQUIVALENTS	(325,630)	(47,574)
Cash and cash equivalents at beginning of period	488,735	714,621
Effect of foreign exchange rate changes, net	5,746	(1,827)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	168,851	665,220
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	168,851	665,220
CASH AND CASH EQUIVALENTS AS STATED IN THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	168,851	665,220

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 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 2022 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 2021.

The Group recorded net current liabilities of RMB100,267,000 as at 30 June 2022. 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.

2.2 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 2021, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*
Annual Improvements to IFRS Standards 2018–2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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

2.2 Changes in accounting policies and disclosures — *continued*

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

a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations as at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

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

2.2 Changes in accounting policies and disclosures — *continued*

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

d) *Annual Improvements to IFRS Standards 2018–2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendments prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there were no fees paid or received on modification of the Group's financial liabilities during the period, the amendments did not have any impact on the financial position and performance of the Group.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

3. OPERATING SEGMENT INFORMATION

The Group principally provides higher education services in the PRC.

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purposes of the resource allocation and assessment of performance, does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no 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	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue from contracts with customers		
Tuition fees	356,068	291,829
Boarding fees	45,414	47,081
Education-related services	2,991	8,704
Total revenue from contracts with customers	404,473	347,614

(i) Disaggregated revenue information

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Recognised over time		
Tuition fees	356,068	291,829
Boarding fees	45,414	47,081
Education-related services	2,991	7,194
Total revenue from contracts with customers	404,473	346,104
Recognised at a point in time		
Education-related services	—	1,510

(ii) Performance obligations — Education services

The performance obligation is satisfied over time as services are rendered and tuition fees, boarding fees and fees on education-related services are generally received 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 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages, salaries and other allowances		115,214	90,101
Pension scheme contributions and social welfare		15,839	10,618
		131,053	100,719
Depreciation of property, plant and equipment	9	25,025	25,186
Depreciation of right-of-use assets		7,611	7,570
Amortisation of other intangible assets		251	318
Auditors' remuneration		1,200	1,200
Reversal of impairment of accounts receivable		(8)	(6)

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 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 certificate is effective for three years from 1 January 2020. 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 during the six months ended 30 June 2022. Accordingly, Gench WFOE was subject to CIT at a rate of 15% for the six months ended 30 June 2022 and 2021.

6. INCOME TAX — *continued*

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

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current — Mainland China:	50,027	37,975
Deferred	(9)	(42)
Total tax charge for the period	50,018	37,933

7. DIVIDENDS

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Final declared and paid — HK$0.10 (six months ended 30 June 2021: HK$0.08) per ordinary share	33,849	27,195

A final dividend of HK$0.10 per share in respect of the year ended 31 December 2021 has been proposed by the board of directors and was approved by the shareholders at the annual general meeting of the Company on 1 June 2022 (six months ended 30 June 2021: HK$0.08).

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 RMB133,116,000 (six months ended 30 June 2021: RMB111,853,000), and the weighted average number of ordinary shares of 401,031,307 (six months ended 30 June 2021: 414,596,544) in issue during the period. The number of shares for the six months ended 30 June 2022 has been arrived at after eliminating the shares of the Group held under the Share Award Scheme (as defined in note 12) and shares repurchased.

The Group had no potentially dilutive ordinary shares in issue during the six months as at 30 June 2022 and 2021.

The calculation of basic earnings per share is based on:

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	133,116	111,853

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

	Number of shares For the six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Shares		
Weighted average number of ordinary shares used in the basic earnings per share calculation	401,031,307	414,596,544

9. PROPERTY, PLANT AND EQUIPMENT

	30 June 2022 RMB'000 (Unaudited)
At 1 January 2022	2,053,681
Additions	40,759
Depreciation provided during the period	(25,025)
At 30 June 2022	2,069,415

As at 30 June 2022, the original cost of the Group's property, plant and equipment of RMB230,305,000 (31 December 2021: RMB229,464,000) 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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Accounts receivable:		
Within 1 year	5,735	4,458
1 to 2 years	1,307	785
2 to 3 years	256	111
Over 3 years	6	3
	7,304	5,357

11. SHARE CAPITAL

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (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 2022 RMB'000 (Unaudited)	31 December 2021 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 of directors of the Company (the "Board") approved an employee share award scheme ("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.

12. SHARE AWARD SCHEME — *continued*

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.

The following shares were purchased by the Trustee under the Share Award Scheme during the six months ended 30 June 2022:

	Number of shares purchased for the Share Award Scheme	Total RMB'000
At 31 December 2021 and 1 January 2022 (audited)	10,808,500	46,538
Purchased and withheld	5,973,000	22,769
At 30 June 2022 (unaudited)	16,781,500	69,307

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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Contracted, but not provided for:		
Property, plant and equipment	8,400	751
Authorised, but not contracted for:		
Property, plant and equipment	80,547	110,341

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

(2) Transaction with a related party

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Services received from a related company		
Qi Yu Hotel Management Limited	830	35

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

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Short-term employee benefits	3,108	879
Pension scheme contributions	204	41
Total compensation paid to key management personnel	3,312	920

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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Financial assets				
Other receivables				
— non-current	11,545	9,198	10,335	9,198
Equity investments designated at fair value through profit or loss	819	320	819	320
	12,364	9,518	11,154	9,518
Financial liabilities				
Interest-bearing bank borrowings	805,403	784,280	802,643	806,243

Management has assessed that the fair values of cash and cash equivalents, accounts receivable, financial assets included in prepayments and other receivables, financial liabilities included in other payables and accruals, and dividend payable 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.

For the fair value of the unlisted equity investments at fair value through profit or loss, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

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.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis at the end of the reporting period:

	Valuation technique	Significant unobservable input	Range/ ratio	Sensitivity of fair value to the input
Equity investments designated at fair value through profit or loss	Valuation multiples	Average P/B multiple of peers	0.62–2.79	10% increase/(decrease) in multiple would result in (decrease)/ increase in fair value by RMB89,000/RMB89,000
		Discount for lack of marketability	20%	10% increase/(decrease) in multiple would result in (decrease)/ increase in fair value by RMB112,000/RMB112,000

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.

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

Fair value hierarchy

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

Assets measured at fair value:

As at 30 June 2022 (unaudited)

	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
Other receivables — non-current	—	10,335	—	10,335
Equity investments designated at fair value through profit or loss	—	—	819	819
	—	10,335	819	11,154

As at 31 December 2021 (audited)

	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
Other receivables — non-current	—	9,198	—	9,198
Equity investments designated at fair value through profit or loss	—	—	320	320
	—	9,198	320	9,518

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	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Equity investments designated at fair value through profit or loss		
At 1 January	320	—
Total gains recognised in profit or loss included in other income	474	—
Effect of foreign exchange rate changes	25	—
At 30 June	819	—

Liabilities measured at fair value:

As at 30 June 2022 (unaudited)

	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
Interest-bearing bank borrowings	—	802,643	—	802,643

As at 31 December 2021 (audited)

	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
Interest-bearing bank borrowings	—	806,243	—	806,243

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 2021: Nil).

16. EVENTS AFTER THE REPORTING PERIOD

On 26 August 2022, 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 2022 to the shareholders whose names appear on the register of members of the Company on 14 October 2022. 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 of directors on 26 August 2022.

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
"2022 Interim Dividend"	interim dividend declared by the Company for the six months ended 30 June 2022
"affiliate(s)"	with respect to any specific person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"associate(s)"	has the meaning ascribed thereto in the Listing Rules
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors of the Company
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rule
"China" or "PRC"	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
"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 and 24 June 2022
"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 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

"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates
"Jian Qiao Group"	Shanghai Jian Qiao (Group) Limited* (上海建橋(集團)有限公司), a limited liability company established under the laws of the PRC on 7 November 2000, which is currently owned by the 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
"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
"Registered Shareholders"	shareholders of Jian Qiao Group, namely, Mr. Zhou Xingzeng, Mr. Zheng Xiangzhan, Mr. Zhao Donghui, Mr. Shi Yinjie, Mr. Jin Yinkuan, Mr. Chen Shengfang, Mr. Chen Zhiyong, Mr. Zhou Tianming, Mr. Bao Jianmin, Mr. Wang Hualin, Mr. Wang Chengguang, Mr. Chen Minghai, Mr. Chen Shengcai, Mr. Wang Xuangui (prior to 16 December 2020), Ms. Huang Chunlan (since 16 December 2020), and Mr. Zheng Juxing
"Remuneration Committee"	the remuneration committee of the Company

DEFINITION

"Reporting Period"	the six months ended 30 June 2022
"RMB"	Renminbi, the lawful currency of the PRC
"School Directors"	eight directors (representing more than two-thirds of the board being the quorum required for approving material decisions) of our University who entered into the Contractual Arrangements from time to time
"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
"Shanghai Jian Qiao University"	Shanghai Jian Qiao University (上海建橋學院), a private institution of formal higher education established under the laws of the PRC on 28 June 2000, of which the school sponsors' interest was owned as to 52.11% by Jian Qiao Group and as to 47.89% by Jian Qiao Investment immediately prior to its de-registration on 10 August 2021. It was an affiliated entity of the Company prior to its de-registration
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Share Award Scheme"	the share award scheme adopted by the Company on 11 December 2020
"Share Option Scheme"	the share option scheme conditionally adopted by the Company on 19 December 2019
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholders"	has the meaning ascribed to it under the Listing Rules
"Subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules. For the avoidance of doubt, the subsidiaries of the Company include the School Holders and our University
"University" or "our University"	Shanghai Jian Qiao University or Jian Qiao University Company (as the case may be)
"US$" or "USD"	United States dollars, the lawful currency for the time being of the United States
"Yangtze River Delta"	comprises Jiangsu Province, Zhejiang Province, Anhui Province and Shanghai in the PRC
"%"	percent

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