



SHANGHAI GENCH
EDUCATION GROUP LIMITED

上海建橋教育集團有限公司

2024

INTERIM REPORT

Stock code: I525

(Incorporated in the Cayman Islands with limited liability)



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhao Donghui (趙東輝) (*Chairman*)

Mr. Ding Zheyin (丁哲寅)

Non-executive Directors

Mr. Du Jusheng (杜舉勝)

(*resigned on 29 August 2024*)

Ms. Li Huihui (李慧惠)

(*appointed on 29 August 2024*)

Mr. Ye Qionghai (葉瓊海)

Ms. Zhao Jiaqiao (趙佳俏)

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. Ding Zheyin (丁哲寅)

Ms. Liu Tao (劉濤)

NOMINATION COMMITTEE

Mr. Zhao Donghui (趙東輝) (*Chairman*)

Mr. Hu Rongen (胡戎恩)

Mr. Chen Baizhu (陳百助)

COMPANY SECRETARY

Ms. Zhang Zhimo (張芷陌)

AUTHORISED REPRESENTATIVES

Mr. Ding Zheyin (丁哲寅)

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

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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 Pilot Free Trade Zone New Area Branch)

China Construction Bank

(Shanghai Pilot Free Trade Zone New Area Branch)

COMPANY WEBSITE

<http://www.genchedugroup.com>

STOCK CODE

1525

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
REVENUE	535,434	494,242
Cost of sales	(204,601)	(155,617)
GROSS PROFIT	330,833	338,625
Other income and gains	16,585	10,211
Selling and distribution expenses	(2,701)	(2,234)
Administrative expenses	(86,797)	(86,580)
Impairment losses on financial assets	(2,202)	(102)
Other expenses	(272)	(1,729)
Finance costs	(13,756)	(11,670)
PROFIT BEFORE TAX	241,690	246,521
Income tax expense	(61,833)	(63,062)
PROFIT FOR THE PERIOD	179,857	183,459

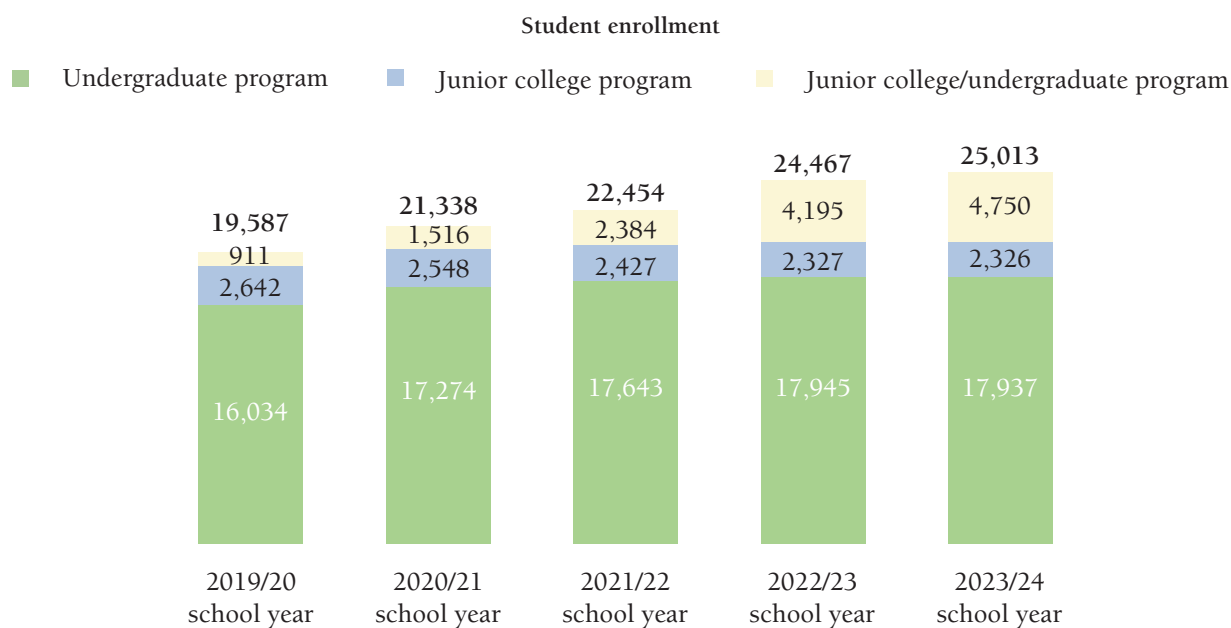
MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group is a higher vocational education group which provides undergraduate education and junior college education, focusing on high-quality schooling for the provision of excellent education for students. The Group operates Shanghai Jian Qiao University, being the domestic leading private university, at Lingang New Area in the China (Shanghai) Pilot Free Trade Zone. As measured by the number of full-time students enrolled in the 2023/24 school year, our University is the largest private university in Shanghai and is also a leading private university in the entire Yangtze River Delta. According to CUAANet (中國校友會網), our University ranked third among all category I private universities in China for three consecutive years from 2022 to 2024 and first among private universities in Yangtze River Delta for five consecutive years from 2020 to 2024.

Student enrollment

In the 2023/24 school year, the overall number of full-time enrolled students of our University reached 25,013, representing an increase of 546 as compared to that of the 2022/23 school year. Such increase in the number of enrolled students was due to the increase in student enrollment of our University. In the 2024/25 school year, our University plans to enroll 4,886 undergraduates, 850 junior colleges, 1,988 junior colleges/undergraduates.



MANAGEMENT DISCUSSION AND ANALYSIS

Tuition rates

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

	Tuition Fee of New Student ⁽¹⁾		
	2022/23	2023/24	2024/25
	school year	school year	school year
	RMB	RMB	RMB
Undergraduate program	32,000–39,800 ⁽²⁾	32,000–39,800 ⁽²⁾	32,000–39,800 ⁽²⁾
Junior college program	20,000	20,000	20,000
Junior college/undergraduate program	23,000–38,000	30,000–39,800	32,000–39,800

Notes:

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

BUSINESS REVIEW AND OPERATIONAL UPDATE

Our University

Our University is an applied technology university which focuses on undergraduate education. As of 30 June 2024, our University offered 40 undergraduate majors and 10 junior college majors in a wide range of areas including economics, management, literature, art, science and pedagogy. Our University has 1 major with national characteristics, 1 Ministry of Education (MOE) comprehensive pilot reform undergraduate major, 15 first-class undergraduate majors in Shanghai, as well as 3 majors with Shanghai characteristics.

The schooling quality of our University ranked in the forefront of peer universities, which has accumulated a solid brand reputation. In January 2024, CUAANet (中國校友會網) announced the 2024 CUAANet University Rankings, which showed that our University continued to rank third among the CUAANet category I private universities in China for three consecutive years. Over 24 years of operation, our University has been consecutively awarded “Shanghai Civilized Unit (上海市文明單位)” for 9 times over 18 years since 2004, won the honorary title of “Shanghai Garden Unit (上海市花園單位)” from 2015 to 2020 and awarded the “National Model Unit of Civilization (全國文明單位)” for the first time in 2015 (the first private university in Shanghai), and passed the reexamination twice in 2017 and 2020, continuing to retain the honorary title of the “National Model Unit of Civilization (全國文明單位)”, and certified by Shanghai Audit Centre of Quality System to have implemented the ISO9001 quality management system in 2018, and passed the re-certification in May 2021, and passed the MOE undergraduate teaching quality assessment (教育部本科教學工作審核評估) in November 2019. In February 2022, our University has also been approved by the MOE as an innovation and development centre for ideological and political work in colleges and universities, in the same month, our University was selected as Shanghai Safe and Civilized Campus for 2019–2020 school year, and was once again selected as Shanghai Safe and Civilized Campus for 2021–2022 school year in March 2024. Our University was among the first batch of universities in the PRC to be granted reputable title of “Lei Feng Spirit College Demonstration Education Base (雷鋒精神高校示範教育基地)” in April 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

DUAL SUPPORT FROM LINGANG SPECIAL AREA POLICY AND VOCATIONAL EDUCATION POLICY

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

In April 2023, Shanghai Municipal Development and Reform Commission (上海市發展和改革委員會) and Shanghai Municipal Education Commission (上海市教育委員會) issued the “Several Measures on Supporting the Lingang New Area to Promote the First Trial to Explore the City Construction of Deep Integration of Industry and Education (《支持臨港新片區加大先行先試探索 深化產教融合城市建設若干措施》)”, further supporting the construction of the national pilot core area of industry-education integration in Lingang New Area, encouraging Lingang New Area to build a high-level industry-education integration base and demonstration base, and supporting the base to undertake and implement certain influential activities and projects of collaborative education, scientific research and innovation, vocational expertise to create key functional platforms and demonstration samples to promote the deep integration of industry and education, with an emphasise on the need to give full play to the supporting role of the universities in Lingang Area and to accelerate the construction of key projects such as the ecological park of the industry and education integration in Shanghai Jian Qiao University. In September 2023, the Working Committee of Lingang New Area issued a notice on “Several Opinions on Accelerating the High-Quality Development of Education in Lingang New Area of China (Shanghai) Pilot Free Trade Zone (《關於加快推進中國(上海)自由貿易試驗區臨港新片區教育高質量發展的若干意見》)”, proposing to improve the education services supply system, support the standardised development of private education, encourage and support colleges and universities, and vocational schools in the Lingang New Area to focus on the industrial system of the Lingang New Area, lay out the development of characteristic disciplines and majors, enhance the effectiveness of the collaborative scientific research between colleges and universities and enterprises, and promote the development of industry-education integration in an in-depth manner. Lingang New Area is rapidly becoming a gathering point of China’s strategic emerging industries, increasing the exploration of differentiation system innovation in several areas, and putting effort into building a world-class industrial cluster. Under the favourable policy of Lingang National Core Pilot Area for Industry-education Integration, our University, as the only private university in Lingang, has a significant geographical advantage in admitting students and exploring new business model on industry-education integration.

MANAGEMENT DISCUSSION AND ANALYSIS

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

In June 2023, the National Development and Reform Commission, the MOE, the Ministry of Human Resources and Social Security, jointly issued the “Implementation Plan for Enhancing the Integration of Industry and Education in Vocational Education (2023–2025) (《職業教育產教融合賦能提升行動實施方案(2023–2025年)》)”, proposed to promote the formation of the leading effect of integration of industry and education, consolidate the development foundation of vocational colleges, build training bases for integration of industry and education, and deepen cooperation between schools and enterprises in integration of industry and education. Furthermore, they further improved the combined incentive of “finance + fiscal + land + credit” to accelerate the formation of a positive interaction between industry and education and a deep integration development framework of industry and education with complementary advantages of schools and enterprises. In October 2023, the Shanghai Municipal Education Commission issued the “Ten Measures on Promoting the High-Quality Development of Higher Vocational Education in Shanghai (《關於推動上海高等職業教育高質量發展的十條措施》)”, pointing out the need to steadily develop undergraduate-level vocational education and push forward the pilot projects of industry and education integration. The National Conference on Education (全國教育工作會) held in January 2024 proposed to strengthen the adaptability and attractiveness of vocational education, and insist on the integration with the industries, local and government policies, social and regional structures, and individual lifelong learning so as to steadily push forward the reform of the construction of a modern vocational education system at the provincial level, and to push forward breakthroughs in the construction of municipal industry and education consortia and industrial communities of industry and education integration as soon as possible. In March 2024, the 2024 Government’s Work Report considered and approved by the second session of the 14th National People’s Congress also clearly proposed to guide and regulate the development of private education, vigorously improve the quality of vocational education, implement pilot comprehensive reforms of higher education, optimise the structural layout of disciplines, majors and resources, accelerate the construction of world-class universities with Chinese characteristics and advantageous disciplines, and strengthen applied undergraduate colleges. The support and encouragement of the policies provided a strong support for integration of industry and education and high-quality development of vocational education.

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

(I) Docking with the market demand for talents and optimising the layout of disciplines and majors

Majors ranking of our University remained the top among application-oriented universities and colleges across the country and our majors closely kept pace with the needs. In April 2024, according to “2024 First-class Majors Ranking (Application-oriented) in China” published by CUAA.net (中國校友會網), 29 majors of our University ranked among top 10 in China, and 33 majors ranked among top 20 in China. Our University has added a new undergraduate major in business English in the 2024/25 school year, aiming to cultivate applied business English versatile talents with solid basic English language skills and relevant business professional knowledge, who are proficient in the use of English to engage in economic and trade, management, finance and other areas in foreign-related fields such as international business, international trade, cross-border e-commerce, and so on. We believe that this major will further expand our undergraduate major categories, optimise our majors settings, and cultivate more applied technical talents for the society.

MANAGEMENT DISCUSSION AND ANALYSIS

(II) Enhancing the strength of teachers and strengthening the construction of curriculum quality

The proportion of full-time teachers with doctoral degrees in our University remains in the forefront of peer universities. As of 30 September 2023, among the full-time teachers of our University, the master degree or higher accounted for 83.7%, the doctoral degree accounted for 24.7%, the senior title accounted for 35.5%, and the double-position accounted for 35.9%. Our University adheres to the combination of the positioning of talent training objectives, as well as the goal of first-class majors construction, carries out curriculum construction in a planned, focused and step-by-step manner, and strengthens practical teaching and quality teaching. In January 2024, a total of 8 courses of our University were rated as first-class undergraduate programs in Shanghai, bringing the cumulative number of programs selected as first-class undergraduate programs in Shanghai to 19.

(III) Devoting to upgrading teaching facilities and building a smart campus with characteristics

The Group continues to deepen the upgrading and modification of teaching and scientific research instruments and equipment as well as teaching laboratories, and is committed to building a modern and intelligent teaching environment. We have completed the construction of Cloud Teaching Center, Cloud Examination Center and Cloud Teaching Management Center for the first phase of Cloud Gench Intelligent Teaching Platform, and built a “student-oriented, learning-centered” teaching process support system, meanwhile, we have constructed a scientific research system to enhance the effectiveness of scientific research management, and independently developed the office automation (OA) workflow system, which further improves the efficiency of work and management level.

(IV) Promoting all-round development of students and enhancing their competitiveness in employment

Focusing on the general requirements of “five-pronged education stratagem (五育並舉)” and “three comprehensive education (三全育人)”, our University continues to deepen the talent cultivation system of “core qualities, competence-based, result-oriented and continuous improvement (核心素養+能力本位+成果導向+持續改進)” to further improve the quality of applied talent cultivation. Our University also attaches great importance to the high-quality employment of students. In recent years, the employment rate of our graduates has always been stabling at 98% and above. As of 31 August 2023, the employment rate of 2023 graduates of our University reached 99.1%, of which 58.9% of graduates chose to stay in Shanghai for employment. The college-entrance rate reached 7.1%, and the rate of studying abroad reached 4.6%. In addition, according to the MyCOS report, the overall satisfaction rate of employers who have hired recent graduates of our University in 2022 and 2023 has reached over 95%. In May 2024, our University was awarded the honorary title of “Advanced Institution in Promoting Employment of Shanghai Municipality (上海市促進就業先進集體)”.

MANAGEMENT DISCUSSION AND ANALYSIS

(V) Further deepening school-enterprise cooperation and developing industry-education integration for collaborative talent cultivation

Based on the past, our University has made significant progress in integrating industry and education. As of 30 June 2024, we have 159 school-enterprise collaboration projects. In 2023, our University increased 36 off-campus internship, practice, and training bases, and established overseas internship bases in Japan, Thailand, Sri Lanka and the United Kingdom. Our University has operated 4 high-level industry-education integration bases, involving high-tech fields such as communication technology, Internet, intelligent manufacturing and integrated circuit. Our University is both the high-tech talents cultivation base in Shanghai and the first batch of industry-education integration bases in Lingang New Area (臨港新片區首批產教融合基地). The “Digital Smart Manufacturing (數聯智造)” Industrial College is one of the first batch of Shanghai municipal key modern industrial colleges (首批上海市級重點現代產業學院) while the “Integrated Circuit (集成電路)” Industrial College is one of the second batch of Shanghai municipal key modern industrial colleges (第二批上海市級重點現代產業學院). In August 2023, our University, as the leading unit among universities, jointly applied with Lingang Industrial University* (臨港產業大學) for the “Shanghai Lingang New Area High-end Equipment Industrial Zone Industry-education Consortia* (上海臨港新片區高端裝備產業區產教聯合體)”, which was granted as one of the first 14 “Municipal Industry-education Consortia (市域產教聯合體)” in Shanghai. The Group also commenced phase four of our campus construction plan in December 2022, with a total gross floor area of approximately 86,400 square meters for such campus facilities, mainly comprise (i) a teaching and training building (which will be conducive to connect university-enterprise resources and deepen the integration of industry and education); (ii) three talent apartments (which will increase the attraction of outstanding talents for the University and help the University to introduce various experts in the integration of industry and education); and (iii) a multi-functional research and development centre (which will contribute to the research on the integration of industry and education and the joint talent training with the on-campus enterprises). Phase four of the campus facilities are targeted to be put into use in 2024/25 school year.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE OUTLOOK AND BUSINESS STRATEGY

As always, the Group adheres to the educational philosophy of running a high-quality school, strives to establish a high-quality applied technical talents training system and operates schools to the people's satisfaction and first-class private university in the nation. The Group's development connotation is highly in line with the national direction to promote the high-quality development of vocational education. We believe that based on the geographical advantages of Pudong and Lingang dual special zones and the development opportunities of Lingang as a cluster of China's strategic emerging industries, adherence to quality improvement and connotative development, building an ecological benchmark campus with the integration of industry and education, practicing the development thoughts of being a long-distance runner for high-quality development of higher education in China and scarce value of our University's for-profit transformation, the Group is expected to gain wider recognition in the industry. Looking forward, we will utilise the following strategies to promote our business development:

BUILDING ON OUR EXISTING STRENGTHS AND ADHERING TO THE PATH OF HIGH-QUALITY DEVELOPMENT

In the 2024/25 school year, we continue to optimise the tuition fee, with the minimum tuition fee for new students of junior college/undergraduate programs being optimized from RMB30,000 per year to RMB32,000 per year. At the same time, the boarding fees in respect of our smart dormitory buildings for the freshman remain at RMB7,800 per year. In the future, we will continue to adhere to the educational philosophy of “student-oriented, teaching-centred, undergraduate-focused (育人為本，教學為本，本科為本)” and the work ideology of “quality as the core, teaching as the centre, students as the base, teachers as the principal (品質核心，教學中心，學生本位，教師主體)” to deepen the reform of talent cultivation models, optimise the structure and layout of professional disciplines, continuously strengthen the construction of college program quality and faculty team, ensure teaching quality, improve the effectiveness of scientific research work, comprehensively serve students' growth and development, thus promoting the high-quality development of school undertakings.

PROMOTING BUSINESS DIVERSIFICATION AND EXPLORING NEW GROWTH AREAS

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

- 1) As to international education, in order to seize the opportunity of international talents of Lingang, our University established an international curriculum center to expand international curriculum programs, broaden the students' international horizons and facilitate studying abroad. In April 2023, our University entered into a cooperation agreement with Beijing Chivast Education International Intercourse Co., Ltd. (北京嘉華世達國際教育交流有限公司), a wholly-owned subsidiary of the Chinese Service Center for Scholarly Exchange (教育部留學服務中心), to jointly promote the study abroad project of international curriculum and to provide students with more high-quality education resources abroad, as well as all-rounded training and services for smooth going abroad.
- 2) As to adult continuing education, as of 30 June 2024, the number of adult students of the continuing education programs of our University amounted to 6,389.
- 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 2024, our University provided a total of 397 types of vocational qualification certificate training.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

FINANCIAL REVIEW

Revenue

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

For the six months ended 30 June 2024, the Group’s revenue was approximately RMB535.4 million, representing an increase of approximately RMB41.2 million, or 8.3%, as compared with the corresponding period of last year, which was mainly due to the increase in the revenue derived from tuition fees and boarding fees by approximately RMB38.8 million, or 8.0%. Such an increase was mainly due to the growth in the number of students and average tuition and boarding fees per student during the Reporting Period.

Cost of Sales

The Group’s cost of sales primarily consisted of salary costs, depreciation and amortization, student-related expenses, logistics 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 2024, the Group’s cost of sales increased by approximately RMB49.0 million, or 31.5%, as compared with the corresponding period of last year, which was primarily due to the combined effects of (i) the salary costs increased by approximately RMB18.2 million, or 20.1%, from approximately RMB90.4 million for the six months ended 30 June 2023 to approximately RMB108.6 million for the six months ended 30 June 2024, as a result of the growth of the number of teachers and the average salary rates; (ii) the increase of the depreciation and amortization expenses, which was mainly due to the changes in accounting estimates for depreciation period of buildings and facilities for the property, plant and equipment from 50 years to 30 years since July 2023; and (iii) the increase of the outsourced logistics services.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Profit Margin

The Group's gross profit represents our revenue less cost of sales. The Group's gross profit decreased by approximately RMB7.8 million, or 2.3% from approximately RMB338.6 million for the six months ended 30 June 2023 to approximately RMB330.8 million for the six months ended 30 June 2024.

The Group's gross profit margin represents the Group's gross profit as a percentage of its revenue. For the six months ended 30 June 2024, the Group achieved a gross profit margin of 61.8% down by 6.7 percentage points as compared to corresponding period of last year. The decrease was due to the above-mentioned growth in cost of sales exceeding growth in revenue.

Other Income and Gains

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

The Group's other income and gains increased by RMB6.4 million, or 62.4%, from RMB10.2 million for the six months ended 30 June 2023 to RMB16.6 million for the six months ended 30 June 2024, which was mainly due to the combined effects of (i) the government grants, mainly the tax refund from the local government, increasing by approximately RMB2.0 million; (ii) operating lease income increasing by approximately RMB3.0 million; and (iii) the increase of interest income and investment income and gain on changes in fair value from financial assets at fair value through profit or loss amounting to RMB1.2 million during the Reporting Period.

Selling and Distribution Expenses

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

The Group's selling and distribution expenses increased by approximately RMB0.5 million, or 20.9%, from approximately RMB2.2 million for the six months ended 30 June 2023 to approximately RMB2.7 million for the six months ended 30 June 2024, which was mainly due to the increase of labour costs for strengthening the enrolment promotion during the Reporting period.

Administrative Expenses

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

For the six months ended 30 June 2024, the Group's administrative expenses was approximately RMB86.8 million, which remained stable as compared to the corresponding period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance Costs

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

Finance costs increased by RMB2.1 million, or 17.9%, from RMB11.7 million for the six months ended 30 June 2023 to RMB13.8 million for the six months ended 30 June 2024, which was due to (i) the scale of interest-bearing borrowings of our Group increased from RMB759.4 million as at 30 June 2023 to RMB838.4 million as at 30 June 2024; (ii) the decrease in the annual average effective interest rate from 3.85% to 3.79%; and (iii) the effect of preferential interest policies such as the Opinions on the Implementation of the Loan Discount for Core Enterprises in the Lingang New Area of the China (Shanghai) Pilot Free Trade Zone (《中國(上海)自由貿易試驗區臨港新片區重點企業貸款貼息的實施意見》).

Profit Before Tax

For the six months ended 30 June 2024, the Group recorded a profit before tax of approximately RMB241.7 million, representing a decrease of approximately RMB4.8 million from approximately RMB246.5 million for the corresponding period of prior year.

Income tax expense

The Group's income tax expenses decreased from approximately RMB63.1 million for the six months ended 30 June 2023 to approximately RMB61.8 million for the six months ended 30 June 2024, which was mainly due to the decrease of the profit before tax.

Liquidity and Capital Resources

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

Treasury Policy

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

Property, Plant and Equipment

As at 30 June 2024, the Group's property, plant and equipment amounted to approximately RMB2,330.8 million, representing an increase of approximately RMB12.3 million, or 0.5%, as compared to the balance as at 31 December 2023. Such an increase was mainly due to the phase four of our campus construction plan, maintaining and upgrading existing school premises for the University during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Cash and Cash Equivalents

As at 30 June 2024, the Group's cash and cash equivalents were approximately RMB306.0 million, representing a decrease of approximately RMB200.1 million, or 39.5%, as compared to the balance as at 31 December 2023. The decrease was mainly as the effect of seasonality as our University typically receives most of our tuition fees and boarding fees from students in the second half of the year while our University still needs to pay staff salaries, utility expenses and the capital expenditure in the first half of the year to support its operation.

Bank Borrowings

Our bank borrowings are 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 RMB838.4 million as at 30 June 2024 (31 December 2023: approximately RMB759.4 million) were all denominated in Renminbi. As at 30 June 2024, our bank borrowings bore effective interest rate was 3.79% 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 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Analysed into:		
Repayable within one year	78,000	72,652
Repayable in the second year	164,000	161,000
Repayable in the third to fifth years, inclusive	543,250	464,094
Repayable beyond five year	53,175	61,680
	760,425	686,774
	838,425	759,426

Capital Expenditure

Capital expenditures during the Reporting Period primarily related to the phase four of our campus construction plan, maintaining and upgrading existing school premises for the University. For the six months ended 30 June 2024, the Group's capital expenditures were RMB116.9 million.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Property, plant and equipment	45,913	88,979

Contingent Liabilities

As at 30 June 2024, 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 2023: nil).

Gearing Ratio

The Group's gearing ratio equals to the interest-bearing debt divided by total equity.

As at 30 June 2024, the gearing ratio of the Group was 0.4, which remains stable compared with the gearing ratio for the same period of prior year.

Foreign Exchange Risk Management

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

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

There were no significant investments held as at 30 June 2024, nor other material acquisitions and disposals of subsidiaries and associated companies. Save as disclosed in this interim report, as at 30 June 2024, our Group did not have any immediate plans for material investments and acquisition of capital assets.

Pledge of Assets

As at 30 June 2024, the balance of secured bank borrowings of the Group was RMB838.4 million, of which RMB705.4 million was secured by the Group's rights over tuition fees and boarding fees, and the other was secured by the charging right of the talent center in the phase four of the campus construction.

MANAGEMENT DISCUSSION AND ANALYSIS

Employees and Remuneration Policy

As at 30 June 2024, our Group had 1,810 full-time employees (30 June 2023: 1,645 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 2024 was RMB177.2 million (30 June 2023: RMB159.1 million).

OTHER INFORMATION

USE OF NET PROCEEDS FROM LISTING

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

Net proceeds from the initial public offering of the Company (including the full exercise of the over-allotment option) amounted to approximately HK\$666.0 million, after deducting underwriting fee and relevant expenses. It was disclosed in the Prospectus and subsequent annual reports of the Company that the Company intended to use such net proceeds of approximately HK\$666.0 million for the following purposes:

- (1) approximately 34.8% (HK\$231.7 million) is used for acquisitions or investments to expand our school network (the "Acquisitions and/or Investments");
- (2) approximately 35.0% (HK\$233.1 million) is used to finance construction projects on our campus and purchase furniture and equipment (the "Campus Construction");
- (3) approximately 20.2% (HK\$134.6 million) is used to repay our short-term loans and the current portion of our long-term loans as they become due (the "Bank Loans Repayment"); and
- (4) approximately 10.0% (HK\$66.6 million) is used to supplement our working capital and for general corporate purposes (the "General Working Capital").

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

- (1) to implement the strategic decision of "Promoting the High-quality Development of Modern Vocational Education" from the central government, increasing the supply of high-quality higher education degrees, and building academic, administrative and boarding facilities to meet the needs of future expansion; and
- (2) to seize the policy opportunities of the Lingang New Area as the "First Trial Test Field of the Pioneer Area for Socialist Modernization" and the "National Core Area for Pilot Industry-Education Integration", actively respond to the national and regional development strategies and deeply promote the integrated development of industry, education and city.

OTHER INFORMATION

Set out below is the revised reallocation of use of the unutilised net proceeds as at 31 December 2023 and 30 June 2024:

Unit: Hong Kong dollar million

Items	Revised percentage	Revised allocation of net proceeds	Utilized net proceeds as at 31 December 2023	Unutilized net proceeds as at 31 December 2023	Utilized net proceeds during the six months ended 30 June 2024	Unutilized net proceeds as at 30 June 2024
Acquisitions and/or Investments	—	—	—	—	—	—
Campus Construction	69.8%	464.8	450.8	14.0	14.0	—
Bank Loans Repayment	20.2%	134.6	134.6	—	—	—
General Working Capital	10.0%	66.6	66.6	—	—	—
	<u>100.0%</u>	<u>666.0</u>	<u>652.0</u>	<u>14.0</u>	<u>14.0</u>	<u>—</u>

EVENTS AFTER THE REPORTING PERIOD

On 29 August 2024, the Board has resolved to recommend the payment of an interim dividend of HK\$0.10 per ordinary share for the six months ended 30 June 2024 to the shareholders whose names appear on the register of members of the Company on Monday, 14 October 2024.

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

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

CHANGE IN CONSTITUTIONAL DOCUMENTS

On 30 May 2024, a special resolution was passed by the shareholders of the Company to adopt the third amended and restated articles of association of the Company to (i) provide the Board with the power to declare dividends out of share premium of the Company; and (ii) bring the existing articles of association of the Company in line with the latest legal and regulatory requirements in relation to the expanded paperless listing regime and the electronic dissemination of corporate communications by listed issuers and the relevant amendments made to Listing Rules which took effect from 31 December 2023, the third amended and restated articles of association of the Company are available on the websites of the Stock Exchange and the Company.

OTHER INFORMATION

INTERIM DIVIDEND

On 29 August 2024, the Board has resolved the payment of an interim dividend of HK\$0.10 per ordinary share of the Company for the six months ended 30 June 2024 (for the six months ended 30 June 2023: HK\$0.10 per ordinary share). The 2024 Interim Dividend is intended to be paid out of the share premium of the Company.

The 2024 Interim Dividend will be payable on or around Friday, 25 October 2024 to the shareholders whose names appear on the register of members of the Company on Monday, 14 October 2024.

CLOSURE OF THE REGISTER OF MEMBERS

For determining the entitlement of the shareholders of the Company to receive the 2024 Interim Dividend, the register of members of the Company will be closed on Monday, 14 October 2024, during which period no transfer of Shares will be registered. The record date for entitlement to the 2024 Interim Dividend is Monday, 14 October 2024. In order to be qualified for the entitlement to receive the 2024 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, 10 October 2024. The payment date of the 2024 Interim Dividend is expected to be on Friday, 25 October 2024.

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 2024.

Separately, during the six months ended 30 June 2024, no Shares were purchased by the trustee of the Share Award Scheme pursuant to the terms of the trust deed of the Share Award Scheme.

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 2024. 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 2024.

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.

OTHER INFORMATION

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the accounting principles and practices adopted by the Group. The Audit Committee, together with the Board, have reviewed the Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2024. 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 2024, 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 C3 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 ⁽⁵⁾
Mr. Zhao Donghui	Interest in a controlled corporation ⁽¹⁾	100,000,000	Long position	24.10%
	Person having a security interest in shares ⁽¹⁾⁽²⁾	87,350,000	Long position	21.05%
Mr. Ye Qionghai	Beneficial owner	4,728,000	Long position	1.14%
Mr. Zheng Xiangzhan ⁽³⁾	Interest in a controlled corporation ⁽⁴⁾	30,600,000	Long position	7.37%

Notes:

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

OTHER INFORMATION

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 Jiuhaio 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 Jiuhaio Enterprise Management Consulting Co., Ltd.	0.01	N	Long position	70,000,000
Hangzhou 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

- (2) As at 30 June 2024, 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.
- (3) Mr. Zheng Xiangzhan resigned as an executive Director on 27 December 2023 and resigned as the chief executive officer of the Company on 29 August 2024.
- (4) 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 2024, 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.
- (5) The approximately percentage of shareholding in our Company is calculated based on the total number of 415,000,000 shares in issue as at 30 June 2024.

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. Zhao Donghui	Jian Qiao Group	Beneficial owner	17,500,000	10.00%
Mr. Zheng Xiangzhan	Jian Qiao Group	Beneficial owner	17,850,000	10.20%

Save as disclosed above, as at 30 June 2024, 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.

OTHER INFORMATION

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

As at 30 June 2024, to the best knowledge of the Directors, the following persons (other than being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/Nature of interest	Number of Shares	Long/Short position	Approximately Percentage of Shareholding in our Company ⁽⁴⁾
Ai Xin Limited	Beneficial owner ⁽¹⁾	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 ⁽¹⁾	70,000,000	Long position	16.87%
Hangzhou Changqi Enterprise Management Consulting Partnership (Limited Partnership)	Interest in a controlled corporation ⁽¹⁾	70,000,000	Long position	16.87%
Shanghai Jiu hao Enterprise Management Consulting Co., Ltd.	Interest in a controlled corporation ⁽¹⁾	70,000,000	Long position	16.87%
Changjiu Industrial Group Co., Ltd.	Interest in a controlled corporation ⁽¹⁾	70,000,000	Long position	16.87%
Ze Ren Limited	Beneficial owner ⁽³⁾	30,600,000	Long position	7.37%
Everone (Hong Kong) Company Limited	Beneficial owner	25,880,000	Long Position	6.24%

Notes:

- (1) Further information are set out in note (1) on pages 20 and 21 of this interim report.
- (2) As at 30 June 2024, 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) As at 30 June 2024, Ze Ren Limited (a company in which Mr. Zheng Xiangzhan is the sole shareholder and the sole director) 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.
- (4) The approximately percentage of shareholding in our Company is calculated based on the total number of 415,000,000 shares in issue as at 30 June 2024.

Save as disclosed above, as at 30 June 2024, the Directors and the chief executive of the Company were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE AWARD SCHEME

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

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

Pursuant to the Chapter 17 of the Listing Rules as amended on 1 January 2023, the Company may continue to make grants to directors and employees of the Group under the Share Award Scheme (i) to award existing shares, and (ii) to award new shares using general mandate until the second AGM after 1 January 2023. As at 30 June 2024, the Company has yet to amend the terms of the existing Share Award Scheme.

During the Reporting Period, the Board did not grant, lapse or cancel any awards. During the Reporting Period, no Shares were purchased by the trustee of the Share Award Scheme pursuant to the terms of the trust deed of the Share Award Scheme.

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

SHARE OPTION SCHEME

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

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

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

OTHER INFORMATION

CONTRACTUAL ARRANGEMENTS

For the details of the Contractual Arrangements of the Group, please refer to the section headed “Contractual Arrangements” in the Prospectus and the announcements of the Company dated 20 January 2021, 24 June 2022, 6 January 2023, 9 June 2023 and 16 July 2024. 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 16 July 2024, six directors of Jian Qiao University Company (namely, Mr. Zhou Xingzeng (周星增), Mr. Zheng Xiangzhan (鄭祥展), Mr. Shi Yinjie (施銀節) and Ms. Xia Yu (夏雨) (collectively “Relevant Outgoing Directors”), Mr. Yang Junhe (楊俊和) and Ms. Zhang Jane) resigned and five new directors (namely, Mr. Zhao Donghui (趙東輝), Mr. Zhang Zhen (張震), Mr. Zhao Leihong (趙雷洪), Mr. Ding Zheyin (丁哲寅) and Mr. Zhou Tianming (周天明) (collectively, “Relevant New Directors”)) were therefore appointed as directors of Jian Qiao University Company and the list of directors has been filed with the Shanghai Municipal Education Commission on 10 July 2024. As a result of the aforesaid change of directors of Jian Qiao University Company, (i) all Relevant Outgoing Directors are no longer required to comply with the relevant agreements under the New Contractual Arrangements upon their resignations, and (ii) all Relevant New Directors have entered into the POAs upon their appointments. The scope of power of attorney under the POAs are the same as the directors’ power of attorney currently in place under the New Contractual Arrangements. In addition, under the POAs, each of the Relevant New Directors agreed to be bound by the rights and obligations of the directors’ rights entrustment agreement currently in place under the New Contractual Arrangements. Save for the aforesaid, there has been no change to the New Contractual Arrangements. For more details, please refer to the announcement of the Company dated 16 July 2024.

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

LATEST REGULATORY DEVELOPMENT

(I) Qualification Requirement

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

(II) 2016 Decision and Related Implementing Rules and Regulations

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

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

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

OTHER INFORMATION

(III) Foreign Investment Law of the PRC and Negative List

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). On 6 September 2024, the Ministry of Commerce and the National Development and Reform Commission jointly released the Special Administrative Measures for Access of Foreign Investment (Negative List) (2024 Edition) (《外商投資准入特別管理措施(負面清單)(2024年版)》) (together with 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)》), the “Negative List”), which will come into effect from 1 November 2024 and replace 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)》), of which the relevant provisions in the field of education are not amended.

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 Negative List, our Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements will not be affected and will continue to be legal, valid and binding on the parties. Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes “foreign investors invest in China through any other methods under laws, administrative regulations, or provisions prescribed by the State Council”. Therefore, there are possibilities that future laws, administrative regulations or provisions of the State Council may stipulate contractual arrangements as a way of foreign investment, and then whether our Contractual Arrangements will be recognized as foreign investment, whether our Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how our Contractual Arrangements will be handled are uncertain.

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

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

APPRECIATION

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

On behalf of the Board
Shanghai Gench Education Group Limited
Zhao Donghui
Chairman

Shanghai, China, 29 August 2024

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

	Notes	For the six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
REVENUE	4	535,434	494,242
Cost of sales		(204,601)	(155,617)
GROSS PROFIT		330,833	338,625
Other income and gains		16,585	10,211
Selling and distribution expenses		(2,701)	(2,234)
Administrative expenses		(86,797)	(86,580)
Impairment losses on financial assets		(2,202)	(102)
Other expenses		(272)	(1,729)
Finance costs		(13,756)	(11,670)
PROFIT BEFORE TAX	5	241,690	246,521
Income tax expense	6	(61,833)	(63,062)
PROFIT FOR THE PERIOD		179,857	183,459
Attributable to:			
Owners of the parent		179,857	183,459
		RMB (Unaudited)	RMB (Unaudited)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		0.45	0.46

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD	179,857	183,459
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Translation difference of the financial statements using different presentation currency	(3,367)	(2,437)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(3,367)	(2,437)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Translation difference of the financial statements using different presentation currency	2,021	2,559
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	2,021	2,559
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	(1,346)	122
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	178,511	183,581
Attributable to:		
Owners of the parent	178,511	183,581

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	2,330,796	2,318,467
Right-of-use assets		595,524	605,653
Other intangible assets		5,157	4,848
Long-term prepayments and other receivables		1,744	2,255
Debt investments at fair value through other comprehensive income		30,307	—
Deferred tax assets		—	131
Total non-current assets		2,963,528	2,931,354
CURRENT ASSETS			
Accounts receivable	10	7,611	9,590
Prepayments and other receivables		13,432	14,935
Financial assets at fair value through profit or loss		180,330	340,516
Cash and cash equivalents		306,046	506,107
Total current assets		507,419	871,148
CURRENT LIABILITIES			
Other payables and accruals		164,298	259,782
Interest-bearing bank borrowings		78,000	72,652
Lease liabilities		—	1,251
Contract liabilities		85,250	511,183
Tax payable		54,512	90,994
Deferred income		1,600	1,031
Total current liabilities		383,660	936,893
NET CURRENT ASSETS/(LIABILITIES)		123,759	(65,745)
TOTAL ASSETS LESS CURRENT LIABILITIES		3,087,287	2,865,609
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		760,425	686,774
Lease liabilities		—	1,254
Deferred income		9,056	7,752
Deferred tax liabilities		5,456	—
Total non-current liabilities		774,937	695,780
NET ASSETS		2,312,350	2,169,829
EQUITY			
Equity attributable to owners of the parent			
Issued capital	11	3,677	3,677
Reserves		2,308,673	2,166,152
TOTAL EQUITY		2,312,350	2,169,829

Zhao Donghui
Director

Ding Zheyang
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

For the six months ended 30 June 2024

	Attributable to owners of the parent							Total equity
	Issued capital	Share premium	Share Award Scheme*	Capital reserve*	Statutory surplus reserves*	Exchange fluctuation reserve*	Retained profits*	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 11		Note 12					
As at 1 January 2024 (audited)	3,677	347,505	(81,944)	184,787	243,979	4,914	1,466,911	2,169,829
Profit for the period	—	—	—	—	—	—	179,857	179,857
Other comprehensive loss for the period:								
Exchange differences on translation of the financial statements	—	—	—	—	—	(1,346)	—	(1,346)
Total comprehensive income for the period	—	—	—	—	—	(1,346)	179,857	178,511
2023 final dividend declared	—	(35,990)	—	—	—	—	—	(35,990)
As at 30 June 2024 (unaudited)	3,677	311,515	(81,944)	184,787	243,979	3,568	1,646,768	2,312,350

* These reserve accounts comprise the consolidated reserves of RMB2,308,673,000 (31 December 2023: RMB2,166,152,000) in the consolidated statement of financial position as at 30 June 2024.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

For the six months ended 30 June 2023

	Attributable to owners of the parent							Total equity RMB'000
	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	
As at 1 January 2023 (audited)	3,677	419,736	(80,091)	184,787	215,382	5,207	1,212,143	1,960,841
Repurchase of shares	—	—	(1,853)	—	—	—	—	(1,853)
Profit for the period	—	—	—	—	—	—	183,459	183,459
Other comprehensive income for the period:								
Exchange differences on translation of the financial statements	—	—	—	—	—	122	—	122
Total comprehensive income for the period	—	—	—	—	—	122	183,459	183,581
2022 final dividend declared	—	(35,947)	—	—	—	—	—	(35,947)
As at 30 June 2023 (unaudited)	<u>3,677</u>	<u>383,789</u>	<u>(81,944)</u>	<u>184,787</u>	<u>215,382</u>	<u>5,329</u>	<u>1,395,602</u>	<u>2,106,622</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Notes	For the six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		241,690	246,521
Adjustments for:			
Finance costs		13,756	11,670
Interest income		(1,991)	(3,125)
Fair value gain on equity investments designated at fair value through profit or loss		—	(529)
Fair value gain on financial assets at fair value through profit or loss		(330)	—
Other interest income from financial assets at fair value through profit or loss		(2,480)	—
Other interest income from debt investments at fair value through other comprehensive income		(307)	—
Government grants released		(17,566)	(15,801)
Loss (gain) on disposal of items of property, plant and equipment		67	(134)
Gain on disposal of right-of-use assets		(19)	—
Provision for impairment of accounts receivable	5	2,176	102
Provision for impairment of other receivables	5	26	—
Depreciation of property, plant and equipment	5, 9	50,932	30,080
Amortisation of other intangible assets	5	495	517
Depreciation of right-of-use assets	5	7,952	7,632
		<u>294,401</u>	<u>276,933</u>
Receipt of government grants		19,553	12,467
Increase in inventories		—	(37)
Decrease in prepayments and other receivables		1,477	1,625
Increase in accounts receivable		(197)	(161)
Decrease in other payables and accruals		(40,833)	(20,600)
Decrease in contract liabilities		(425,933)	(358,275)
		<u>(151,532)</u>	<u>(88,048)</u>
Cash used in operations			
Interest received		1,991	2,633
Tax paid		(92,728)	(82,812)
		<u>(242,269)</u>	<u>(168,227)</u>
Net cash flows used in operating activities			

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(116,046)	(184,146)
Additions to other intangible assets	(804)	(646)
Proceeds from disposal of items of property, plant and equipment	17	255
Proceeds from disposal of equity investments designated at fair value through profit and loss	—	1,614
Decrease in other receivables	—	12,253
Payment for purchases of financial assets at fair value through profit or loss	(420,000)	—
Redemption of financial assets at fair value through profit or loss	582,996	—
Payment for purchases of debt investments at fair value through other comprehensive income	(30,000)	—
Repayment from an independent construction contractor for the construction of campus facilities	—	112,442
Receipt of government grants for property, plant and equipment	—	790
Interest received	—	886
Net cash flows generated from/(used in) investing activities	16,163	(56,552)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase of shares held for the Share Award Scheme	—	(1,853)
Lease payments including related interests	(328)	—
New interest-bearing bank borrowings	100,500	—
Repayment of interest-bearing bank borrowings	(21,501)	(15,000)
Dividends paid	(35,990)	(35,947)
Interest paid	(15,290)	(11,761)
Net cash flows generated from/(used in) financing activities	27,391	(64,561)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(198,715)	(289,340)
Cash and cash equivalents at beginning of period	506,107	617,520
Effect of foreign exchange rate changes, net	(1,346)	(72)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	306,046	328,108
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	306,046	328,108
CASH AND CASH EQUIVALENTS AS STATED IN THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	306,046	328,108

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

1. CORPORATE INFORMATION

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

The Company is an investment holding company. During the period, the Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in providing undergraduate education and junior college education services in the People’s Republic of China (the “PRC”).

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

2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2024 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 2023.

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 2023, 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 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the “2020 Amendments”)
Amendment to IAS 1	<i>Non-current Liabilities with Covenants</i> (the “2022 Amendments”)
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

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 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information of the Group.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

3. OPERATING SEGMENT INFORMATION

The Group principally provides higher education services in the PRC.

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

Geographical information

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

Information about major customers

No revenue from the provision of services to a single customer amounted to 10% or more of the total revenue of the Group during the period.

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue from contracts with customers		
Tuition fees	454,760	422,329
Boarding fees	70,636	64,293
Education-related services	8,409	7,433
Other services	1,629	187
Total	535,434	494,242

4. REVENUE — *continued*

(i) Disaggregated revenue information

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Recognised over time		
Tuition fees	454,760	422,329
Boarding fees	70,636	64,293
Education-related services	5,771	4,554
Other services	1,629	187
Subtotal	<u>532,796</u>	<u>491,363</u>
Recognised at a point in time		
Education-related services	<u>2,638</u>	<u>2,879</u>
Total	<u>535,434</u>	<u>494,242</u>

(ii) Performance obligations

Tuition fees and boarding fees

The performance obligation is satisfied over time as services are rendered and tuition fees and boarding fees are generally paid in advance prior to the beginning of each academic year. The Group has elected the practical expedient for not disclosing the remaining performance obligations for these services.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Note	For the six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Cost of services provided		204,601	155,617
Employee benefit expense (including Directors' and chief executive's remuneration):			
Wages, salaries and other allowances		151,172	137,034
Pension scheme contributions and social welfare		26,003	22,115
Total		177,175	159,149
Depreciation of property, plant and equipment*	9	50,932	30,080
Depreciation of right-of-use assets*		7,952	7,632
Amortisation of other intangible assets*		495	517
Impairment of financial assets, net			
Impairment of accounts receivable, net		2,176	102
Impairment of other receivables, net		26	—

* The depreciation of property, plant and equipment, depreciation of right-of-use assets and amortisation of other intangible assets of RMB50,596,000 (six months ended 30 June 2023: RMB29,952,000), RMB7,635,000 (six months ended 30 June 2023: RMB7,632,000) and RMB249,000 (six months ended 30 June 2023: RMB271,000) for the six months ended 30 June 2024, respectively, are recorded in "Cost of sales" in profit or loss.

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.

6. INCOME TAX — *continued*

All of the Group's subsidiaries operating in Chinese Mainland were subject to the PRC corporate income tax ("CIT") of 25% during the period, except for Wangting Education Technology (Shanghai) Limited ("Gench WFOE"). In accordance with the requirements of the tax regulations in the PRC, Gench WFOE applied for the "High and New Technology Enterprise" qualification and obtained the certificate on 4 December 2020. The certificate was effective for three years from 1 January 2020. Gench WFOE re-applied "High and New Technology Enterprise" qualification and obtained the certification on 15 November 2023 which is effective for another three years from 15 November 2023. Accordingly, Gench WFOE was subject to CIT at a rate of 15% for the six months ended 30 June 2024 and 2023.

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

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current — Chinese Mainland	56,246	63,072
Deferred	5,587	(10)
Total tax charge for the period	<u>61,833</u>	<u>63,062</u>

7. DIVIDENDS

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Final declared and paid		
— HK\$0.10 (six months ended 30 June 2023: HK\$0.10) per ordinary share	<u>35,990</u>	<u>35,947</u>

A final dividend of HK\$0.10 per share in respect of the year ended 31 December 2023 has been proposed by the Board and was approved by the shareholders at the annual general meeting of the Company on 30 May 2024. The Board has resolved to declare an interim dividend of HK\$0.10 per share for the six months ended 30 June 2024 (six months ended 30 June 2023: HK\$0.10).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

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 RMB179,857,000 (six months ended 30 June 2023: RMB183,459,000), and the weighted average number of ordinary shares of 395,401,500 (six months ended 30 June 2023: 395,712,843) in issue during the period. The number of shares for the six months ended 30 June 2024 has been arrived at after eliminating the shares of the Group held under the Share Award Scheme (as defined in note 12) and shares repurchased.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2024 and 2023.

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

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	<u>179,857</u>	<u>183,459</u>
	Number of shares For the six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Shares		
Weighted average number of ordinary shares used in the basic and diluted earnings per share calculation	<u>395,401,500</u>	<u>395,712,843</u>

9. PROPERTY, PLANT AND EQUIPMENT

	30 June 2024 RMB'000 (Unaudited)
At 1 January 2024	2,318,467
Additions	63,345
Disposals	(84)
Depreciation provided during the period	<u>(50,932)</u>
At 30 June 2024	<u>2,330,796</u>

As at 30 June 2024, the original cost of the Group's property, plant and equipment of RMB237,078,000 (31 December 2023: RMB236,965,000) 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 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Accounts receivable:		
Within 1 year	6,166	7,351
1 to 2 years	1,177	1,683
2 to 3 years	262	492
Over 3 years	6	64
	<u>7,611</u>	<u>9,590</u>
Total	<u>7,611</u>	<u>9,590</u>

11. SHARE CAPITAL

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Number of ordinary shares		
Authorised:		
Ordinary shares of HK\$0.01 each	<u>500,000,000</u>	<u>500,000,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each	<u>415,000,000</u>	<u>415,000,000</u>
	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Authorised:		
Ordinary shares of HK\$0.01 each	<u>4,462</u>	<u>4,462</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each	<u>3,677</u>	<u>3,677</u>

12. SHARE AWARD SCHEME

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

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

The Share Award Scheme shall be subject to the administration of the Board in accordance with the Scheme Rules and the terms of the trust deed (the “Trust Deed”) which was entered into between the Company as settlor and the trustee (as restated, supplemented and amended from time to time), namely CMB Wing Lung (Trustee) Limited (the “Trustee”), on 11 December 2020.

The Trustee shall hold the trust fund (including the awarded shares and related income) in accordance with the terms of the Trust Deed.

The Board may from time to time issue implementation and operation manual for the Share Award Scheme.

The Board may, at any time and from time to time cause to be paid an amount of cash to the Trustee for the purchase of the shares on and/or off the market for the operation of the Share Award Scheme.

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

12. SHARE AWARD SCHEME — *continued*

The following shares were purchased by the Trustee under the Share Award Scheme during the six months ended 30 June 2024:

	Number of shares purchased for the Share Award Scheme	Total RMB'000
At 31 December 2023 and 1 January 2024 (audited)	19,598,500	81,944
Purchased and withheld	—	—
At 30 June 2024 (unaudited)	<u>19,598,500</u>	<u>81,944</u>

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 contractual commitments at the end of the reporting period:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Property, plant and equipment	<u>45,913</u>	<u>88,979</u>

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 family member of Mr. Zhou Xingzeng
上海長九騏盛能源有限公司 ("Shanghai Changjiu Qisheng Energy Co., Limited")	A company controlled by Mr. Zhao Donghui
上海長九房地產開發有限公司 ("Shanghai Changjiu Real Estate Development Co., Limited")	A company controlled by Mr. Zhao Donghui

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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14. RELATED PARTY TRANSACTIONS — *continued*

(2) Transaction with related parties

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Services received from a related company		
Qi Yu Hotel Management Limited	—	417
Repayment from related companies for the rental deposits		
Shanghai Changjiu Qisheng Energy Co., Limited	250	—
Shanghai Changjiu Real Estate Development Co., Limited	1,350	—
	<u>1,600</u>	<u>—</u>
Lease payments to related companies		
Shanghai Changjiu Qisheng Energy Co., Limited	40	—
Shanghai Changjiu Real Estate Development Co., Limited	288	—
	<u>328</u>	<u>—</u>

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

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Short-term employee benefits	3,402	3,095
Pension scheme contributions	275	216
Total compensation paid to key management personnel	<u>3,677</u>	<u>3,311</u>

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 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Financial assets				
Financial assets at fair value through profit or loss	180,330	340,516	180,330	340,516
Debt investments at fair value through other comprehensive income	30,307	—	30,307	—
Total	210,637	340,516	210,637	340,516
Financial liabilities				
Interest-bearing bank borrowings	838,425	759,426	850,347	770,225

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

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

The Group invests in unlisted investments, which represent finance products were placed with a licensed financial institution in Chinese Mainland. The Group has estimated the fair values of these unlisted investments by using a discounted cash flow valuation model based on the expected interest rate per annum of instruments with similar terms and risks.

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

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

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 2024

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	—	180,330	—	180,330
Debt investments at fair value through other comprehensive income	—	30,307	—	30,307
Total	—	210,637	—	210,637

As at 31 December 2023

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	—	340,516	—	340,516

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

Fair value hierarchy — *continued*

Liabilities for which fair values are disclosed:

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
As at 30 June 2024 (unaudited)				
Interest-bearing bank borrowings	—	850,347	—	850,347
As at 31 December 2023 (audited)				
Interest-bearing bank borrowings	—	770,225	—	770,225

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 2023: Nil).

16. EVENTS AFTER THE REPORTING PERIOD

On 29 August 2024, 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 2024 to the shareholders whose names appear on the register of members of the Company on Monday, 14 October 2024.

17. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed financial information was approved and authorised for issue by the board of directors on 29 August 2024.

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
“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 C1 to the Listing Rules
“China” or “PRC”	for the purpose of this interim report, the People’s Republic of China, other than the regions of Hong Kong, the Macau Special Administrative Region and Taiwan, China
“Company”	Shanghai Gench Education Group Limited
“Contractual Arrangements”	the framework of contractual arrangements adopted by the Company as described in the Prospectus and, where appropriate, include such minor updates as described in the announcements of the Company dated 20 January 2021, 24 June 2022, 6 January 2023, 9 June 2023 and 16 July 2024
“Director(s)”	the director(s) of the Company
“Group”, “we” or “us”	the Company, its subsidiaries and New PRC Affiliated Entities from time to time, or, where the context so requires in respect of the period before the Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time
“HK\$” or “Hong Kong dollar(s)”	Hong Kong dollars respectively, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITION

“Jian Qiao Group”	Shanghai Jian Qiao (Group) Limited* (上海建橋(集團)有限公司), a limited liability company established under the laws of the PRC on 7 November 2000, which is owned by the New Registered Shareholders. It is an affiliated entity of the Company
“Jian Qiao Investment”	Shanghai Jian Qiao Investment and Development Limited* (上海建橋投資發展有限公司), a limited liability company established under the laws of the PRC on 3 August 1999, which is wholly owned by Jian Qiao Group. It is an affiliated entity of the Company
“Jian Qiao University Company”	Shanghai Jian Qiao University Co., Ltd.* (上海建橋學院有限責任公司), a limited liability company established under the laws of the PRC on 28 September 2020, of which the equity interest is owned as to 90% by Jian Qiao Group and as to 10% by Jian Qiao Investment. It is an affiliated entity of the Company
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Date”	16 January 2020, since which our Shares have been listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Model Code”	the Model code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
“New Registered Shareholder(s)”	shareholder(s) of Jian Qiao Group, namely, Mr. Zhou Xingzeng, Mr. Zheng Xiangzhan, Mr. Zhao Donghui, Mr. Shi Yinjie, Mr. Jin Yinkuan, Mr. Chen Shengfang, Mr. Chen Zhiyong, Mr. Zhou Tianming, Mr. Bao Jianmin, Mr. Wang Hualin, Mr. Wang Chengguang, Mr. Chen Minghai, Mr. Chen Shengcai, Ms. Huang Chunlan and Mr. Zheng Juxing
“Nomination Committee”	the nomination committee of the Company
“PRC Affiliated Entities”	collectively, Jian Qiao University Company and the School Holders, each an affiliated entity of the Company
“PRC Legal Advisors”	Commerce & Finance Law Offices, our legal advisors as to the laws of the PRC
“Prospectus”	the prospectus of the Company dated 31 December 2019
“Remuneration Committee”	the remuneration committee of the Company

DEFINITION

“Reporting Period”	the six months ended 30 June 2024
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“School Holders”	the shareholders of Jian Qiao University Company, namely, Jian Qiao Group and Jian Qiao Investment
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Award Scheme”	the share award scheme adopted by the Company on 11 December 2020
“Share Option Scheme”	the share option scheme adopted by the Company on 19 December 2019
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules. For the avoidance of doubt, the subsidiaries of the Company include the School Holders and our University
“Substantial Shareholders”	has the meaning ascribed to it under the Listing Rules
“University”, “our University”, or “Shanghai Jian Qiao University”	a university in the PRC operated as a private non-enterprise unit under the name of “Shanghai Jian Qiao University” (上海建橋學院) from 28 June 2000 to 9 August 2021 and as a limited liability company under the name of “Shanghai Jian Qiao University Co., Ltd.”* (上海建橋學院有限責任公司) since 10 August 2021, with the short name of “Shanghai Jian Qiao University” (上海建橋學院) in the relevant private school operating permit
“Yangtze River Delta”	comprises Jiangsu, Zhejiang, Anhui and Shanghai in the PRC
“%”	percent

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