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SHANGHAI GENCH EDUCATION GROUP LIMITED
上海建橋教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1525)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**", each a "**Director**") of Shanghai Gench Education Group Limited (the "**Company**") is pleased to announce the unaudited interim condensed consolidated financial results of the Company, its subsidiaries and affiliated entities (collectively, the "**Group**", "**we**" or "**our**") for the six months ended 30 June 2020 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2019. Due to the impact of the 2019 novel coronavirus ("**COVID-19**") pandemic, the Group had to refund boarding fees for the four months from 1 March 2020 to 30 June 2020.

Nevertheless, we still experience growth in financial performance as follows:

HIGHLIGHTS

	Six months ended 30 June		**Percentage**
	2020	2019	**change**
	RMB'000	*RMB'000*	
	(Unaudited)	(Audited)	
Revenue	**279,053**	254,211	9.8%
Gross profit	**179,690**	147,307	22.0%
Profit before tax	**104,345**	81,469	28.1%
Profit for the period	**103,975**	80,998	28.4%
Adjusted net profit for the period(1)	**113,473**	90,187	25.8%

	2019/2020 school year(2)	**2018/2019 school year(2)**	**Percentage change**
Student enrollment	19,857	17,808	11.5%

Notes:

(1) The adjusted net profit, which is unaudited in nature, is presented because our management believes such non-IFRS measure provides useful information to investors in understanding and evaluating our results of operations in the same manner as it helps our management and in comparing financial results across accounting periods and to those of our peer companies.

(2) Although our financial year ends on 31 December, our school year generally starts on 1 September of each calendar year and ends on 31 August of the following calendar year. For consistency purposes, we use 30 September of the first calendar year to present student enrollment for each school year. Student enrollment figures do not include international students enrolled in our international design college.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

		For the six months ended 30 June	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Audited)
REVENUE	*4*	**279,053**	254,211
Cost of sales		**(99,363)**	(106,904)
GROSS PROFIT		**179,690**	147,307
Other income and gains		**3,726**	5,053
Selling and distribution expenses		**(748)**	(1,610)
Administrative expenses		**(49,722)**	(45,647)
Reversal of impairment losses on financial assets		**949**	10
Other expenses		**—**	(170)
Finance costs		**(29,550)**	(23,474)
PROFIT BEFORE TAX	*5*	**104,345**	81,469
Income tax expense	*6*	**(370)**	(471)
PROFIT FOR THE PERIOD		**103,975**	80,998
Attributable to:			
Owners of the parent		**103,975**	80,998
		RMB	*RMB*
		(Unaudited)	(Unaudited)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic and diluted		**0.26**	0.27

UNAUDITED INTERIM CONDENSED CONSOLIDATED COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
PROFIT FOR THE PERIOD	**103,975**	80,998
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**15,057**	—
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**15,057**	—
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**15,057**	—
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**119,032**	80,998
Attributable to:		
Owners of the parent	**119,032**	80,998

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2020

	Notes	**30 June 2020** *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**1,833,218**	1,820,421
Right-of-use assets		**650,958**	658,320
Other intangible assets		**1,430**	1,853
Long-term prepayments		**4,308**	9,926
Deferred tax assets		**—**	346
Total non-current assets		**2,489,914**	2,490,866
CURRENT ASSETS			
Accounts receivable	*10*	**2,855**	4,984
Prepayments and other receivables		**5,752**	9,007
Time deposits		**182,688**	—
Cash and bank balance		**387,532**	334,867
Total current assets		**578,827**	348,858
CURRENT LIABILITIES			
Other payables and accruals		**146,818**	196,282
Interest-bearing bank borrowings		**228,000**	275,000
Contract liabilities		**27,247**	307,208
Tax payable		**24**	147,592
Deferred income		**17,544**	17,065
Total current liabilities		**419,633**	943,147
NET CURRENT ASSETS/(LIABILITIES)		**159,194**	(594,289)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,649,108**	1,896,577

	Note	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**898,280**	856,280
Deferred income		**27,061**	25,322
Total non-current liabilities		**925,341**	881,602
NET ASSETS		**1,723,767**	1,014,975
EQUITY			
Equity attributable to owners of the parent			
Share capital	*11*	**3,677**	—
Share premium		**586,083**	—
Other reserves		**1,134,007**	1,014,975
TOTAL EQUITY		**1,723,767**	1,014,975

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 JUNE 2020

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 Reporting Period, the Company and its subsidiaries (collectively referred to as the "**Group**") principally provided higher education services in the People's Republic of China (the "**PRC**").

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

In the opinion of the directors of the Company, the ultimate controlling shareholders of the Group are Mr. Zhou Xingzeng, Mr. Zheng Xiangzhan and Mr. Shi Yinjie.

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

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to IAS 1 and IAS 8	*Definition of Material*

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

a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group does not have any interest rate hedge relationships.

c) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

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

d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

The Group principally provides higher education services in the PRC.

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

Geographical information

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

Information about major customers

No service provided to a single customer contributed to 10% or more of the total revenue of the Group during the Reporting Period.

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Revenue from contracts with customers		
Tuition fees	**257,248**	222,874
Boarding fees	**15,883**	30,554
Others	**5,922**	783
Total revenue from contracts with customers	**279,053**	254,211

(i) Disaggregated revenue information

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Recognised over time		
Tuition fees	**257,248**	222,874
Boarding fees	**15,883**	30,554
Total revenue from contracts with customers recognised over time	**273,131**	253,428
Recognised at a point in time		
Education-related services	**5,922**	783

(ii) Performance obligations — Education services

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

5. PROFIT BEFORE TAX

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

		For the six months ended 30 June	
		2020	2019
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Audited)
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages, salaries and other allowances		**73,723**	67,377
Pension scheme contributions and social welfare		**6,804**	8,457
		80,527	75,834
Depreciation of property, plant and equipment	*9*	**27,428**	24,011
Depreciation of right-of-use assets		**7,568**	7,567
Amortisation of intangible assets		**423**	313
Listing expense		**9,498**	9,189
Auditors' remuneration		**1,200**	329
Reversal of impairment of accounts receivable		**(949)**	(10)

6. INCOME TAX

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

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

According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. The preferential tax treatment policies applicable to private schools requiring reasonable returns are to be separately formulated by the financing authority, taxation authority and other authorities under the State Council. During the Reporting Period and up to the date of this announcement, no separate policies, regulations or rules have been promulgated by such authorities in this regard. In accordance with the historical tax returns filed to the relevant tax authorities and the compliance confirmation obtained therefrom, the Group's university did not pay corporate income tax for the provision of formal educational services and has enjoyed the preferential tax treatment since its establishment. As a result, no income tax expense was recognised for the income from the provision of formal educational services during the Reporting Period.

The non-academic education services provided by the university of the Group is subject to corporate income tax at a rate of 25%.

All of the Group's non-school subsidiaries operating in Mainland China were subject to the PRC corporate income tax of 25% during the Reporting Period.

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current — Mainland China:	**24**	468
Deferred	**346**	3
Total tax charge for the period	**370**	471

7. DIVIDENDS

The Board has resolved to recommend the payment of interim dividend of HK$10.0 cents per share out of the share premium account of the Company for the six months ended 30 June 2020 and is subject to the approval by the shareholders of the Company at the forthcoming extraordinary general meeting of the Company. The condensed consolidated financial information does not reflect this dividend payable.

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent of RMB103,975,000 (six months ended 30 June 2019: RMB80,998,000), and the weighted average number of ordinary shares of 403,379,121 (six months ended 30 June 2019: 300,000,000) in issue during the period, as adjusted for the assumption that 299,990,000 new shares issued pursuant to the Capitalisation Issue (as defined in note 11) had been completed throughout the six months ended 30 June 2020 and 2019.

The Group had no potentially dilutive ordinary shares in issue during the six months as at 30 June 2020 and 2019.

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**103,975**	80,998
Shares		
Issue of shares on 8 May 2018	**10,000**	10,000
Effect of capitalisation issue on 16 January 2020	**299,990,000**	299,990,000
Effect of the IPO (excluding shares issued under the over-allotment option) on 16 January 2020	**91,758,242**	—
Effect of the over-allotment option on 11 February 2020	**11,620,879**	—
Weighted average number of ordinary shares used in the basic and diluted earnings per share calculation	**403,379,121**	300,000,000

9. PROPERTY, PLANT AND EQUIPMENT

	30 June 2020
	RMB'000
	(Unaudited)
At 1 January 2020	**1,820,421**
Additions	**40,225**
Depreciation provided during the period	**(27,428)**
At 30 June 2020	**1,833,218**

As at 30 June 2020, the original cost of the Group's property, plant and equipment of RMB210,504,000 (2019: RMB194,440,000) was net off by the government grants received.

Included in the property, plant and equipment were buildings with a carrying value of RMB187,435,000 (2019: RMB189,268,000), for which the property certificate has not been obtained as at 30 June 2020.

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 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Accounts receivable:		
Within 1 year	**2,386**	2,205
1 to 2 years	**380**	1,953
2 to 3 years	**83**	647
Over 3 years	**6**	179
	2,855	4,984

11. SHARE CAPITAL

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Number of ordinary shares		
Authorised:		
Ordinary shares of HK$0.01 each	**500,000,000**	500,000,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each	**415,000,000**	10,000

	30 June 2020 ***RMB'000*** **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
Authorised:		
Ordinary shares of HK$0.01 each	**4,462**	4,462
Issued and fully paid:		
Ordinary shares of HK$0.01 each	**3,677**	—

A summary of movements in the Group's issued capital during the period is as follows:

	Notes	**Numbers of shares in issue**	**Issued capital** *RMB'000*
Before the capitalisation issue		10,000	—
Capitalisation issue	*(a)*	299,990,000	2,656
Global offering (excluding shares issued under the over-allotment option)	*(b)*	100,000,000	886
Over-allotment	*(c)*	15,000,000	135
As at 30 June 2020		415,000,000	3,677

Notes:

(a) On 16 January 2020, a total of 299,990,000 shares were issued by way of capitalisation (the "**Capitalisation Issue**") with a par value HK$0.01 each, and the respective share capital amount was approximately RMB2,656,000.

(b) On 16 January 2020, 100,000,000 shares of HK$0.01 each of the Company were issued at HK$6.05 by way of placing and public offering and the Company's shares were listed on the Main Board of the Stock Exchange. The proceeds of HK$1,000,000 (approximately RMB886,000), representing the par value, have been credited to the Company's share capital, and the remaining proceeds of HK$604,000,000 (approximately RMB534,896,000) have been credited to the share premium account.

(c) On 11 February 2020, the Company further issued 15,000,000 ordinary shares of HK$0.01 each at a subscription price of HK$6.05 per share pursuant to the exercise of over-allotment options, resulting in a share premium of RMB81,549,000, representing the difference between the subscription price and nominal value of the Company's ordinary shares before netting off share issue cost.

12. COMMITMENTS

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

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contracted, but not provided for:		
Property, plant and equipment	**1,677**	800
Authorised, but not contracted for:		
Property, plant and equipment	**340,000**	—

13. EVENTS AFTER THE REPORTING PERIOD

a) On 26 August 2020, 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 2020 (the "**2020 Interim Dividend**") to the shareholders whose names appear on the register of members of the Company on 12 October 2020. Such proposal is subject to the approval by the shareholders at the forthcoming extraordinary general meeting of the Company.

b) On 26 August 2020, the University entered into a construction contract with an independent third party construction contractor, in relation to the construction works, installation works and related ancillary works of the campus facilities, which are part of the phrase three of the campus construction plan, at an estimated consideration of RMB250.0 million, subject to adjustment based on settlement audit.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

We operate the leading private university in Shanghai, which is also a leading private university in the entire Yangtze River Delta, as measured by the total number of full-time students enrolled. Our Shanghai Jian Qiao University (上海建橋學院) (the "**University**") was:

- the largest private university in Shanghai in terms of full-time student enrollment in the 2018/19 school year,
- the fourth largest university in the Yangtze River Delta in terms of full-time student enrollment in the 2018/19 school year, and
- the fastest-growing university in terms of full-time student enrollment among the top five largest private universities in the Yangtze River Delta from 2015 to 2018.

THE UNIVERSITY

Our University provides high-quality education to our students with a focus on applied sciences. Our comprehensive curriculums, which encompass a broad range of practical major offerings, are designed to equip our students with practical skills and enable them to meet the demands of the rapidly evolving job market. We develop our courses and majors based on extensive market research conducted to determine demands in the job market. As at 30 September 2019, our University offered 54 majors and concentrations in our formal undergraduate program in a wide range of areas, and additional 13 majors and concentrations in our junior college program. We collaborate closely with enterprise partners and have established school-industry collaboration programs, including two Ministry of Education of the PRC industry and education integrated innovation bases, to help our students acquire readily applicable skills and find desirable employment.

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

	Six months ended 30 June			**Percentage**
	2020	2019	**Change**	**change**
	RMB'000	*RMB'000*	*RMB'000*	*(%)*
Average annualised tuition fees[(1)]	23,319	22,528	791	3.5

Note:

(1) Average annualised tuition fees for the six months ended 30 June 2019 and 2020 are calculated by dividing total revenue generated from tuition fees of full-time students (excluding part-time students in our continuing education program) which is annualised based on the revenue-generating period of nine months, using the total number of full-time students enrolled as of 30 September in the previous calendar year.

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

	Tuition fee[1]	
	2018/2019 school year	2019/2020 school year
	RMB	
Undergraduate program	23,000–30,000[2]	23,000–30,000[2]
Junior college program	15,000–18,000	15,000–18,000
Junior college/undergraduate program	23,000–27,000[3]	23,000–27,000[3]

Notes:

(1) Tuition fees shown above are applicable only to full-time students enrolled in the relevant school years, 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, but excludes the 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 digital media technology program (with bilingually delivered lectures) and the tuition fee rate of RMB45,000 per school year for the international program with Vaughn College of Aeronautics and Technology.

(3) In the 2018/2019 and 2019/2020 school years, the tuition fee rate for our product design (jewelry design) major was RMB27,000 per school year. The tuition fee rate for all other majors under our junior college/undergraduate program was RMB23,000 per school year.

Student Enrollment and Utilization

The table below sets forth information relating to student enrollment, school capacity and school utilization rate of our University for the 2018/2019 and 2019/2020 school years indicated:

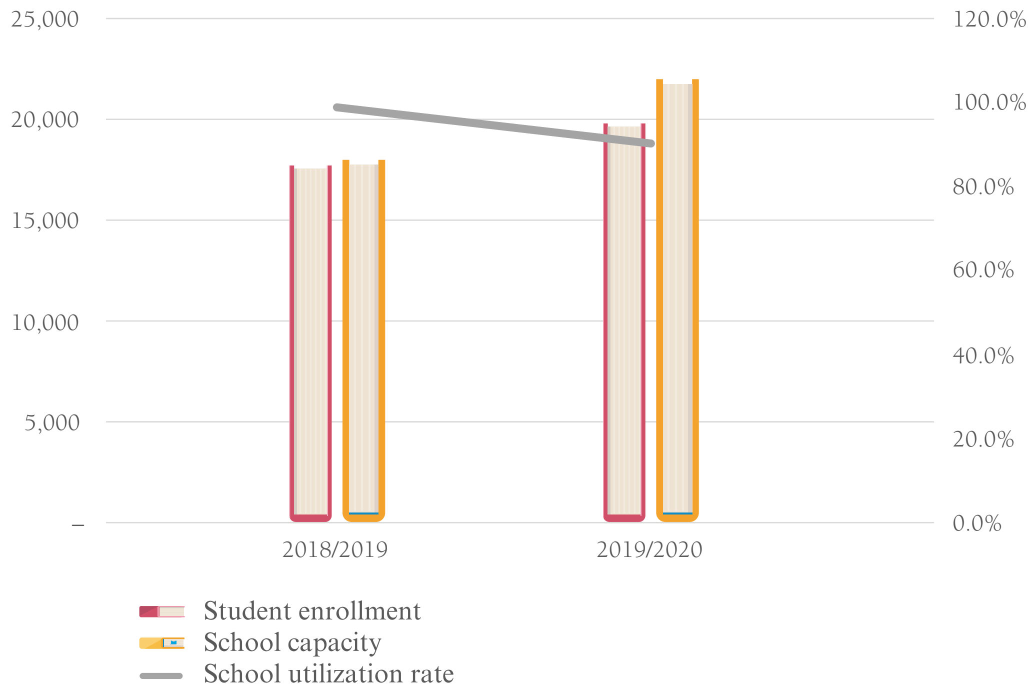
School year	Student enrollment[1]	School capacity[2]	School utilization rate[3] (%)
2018/2019	17,808	18,008	98.9
2019/2020	19,857	22,008	90.2

Notes:

1) The student enrollment information was based on the internal records of our University.

2) We generally require all full-time students of our University to live on campus. The school capacity is presented as the number of beds available in student dormitories at our University for the relevant school years.

3) The school utilization rate represents the total student enrollment for a school year divided by the school capacity for the same school year multiplied by 100.



OUTLOOK AND BUSINESS STRATEGIES

FUTURE OUTLOOK

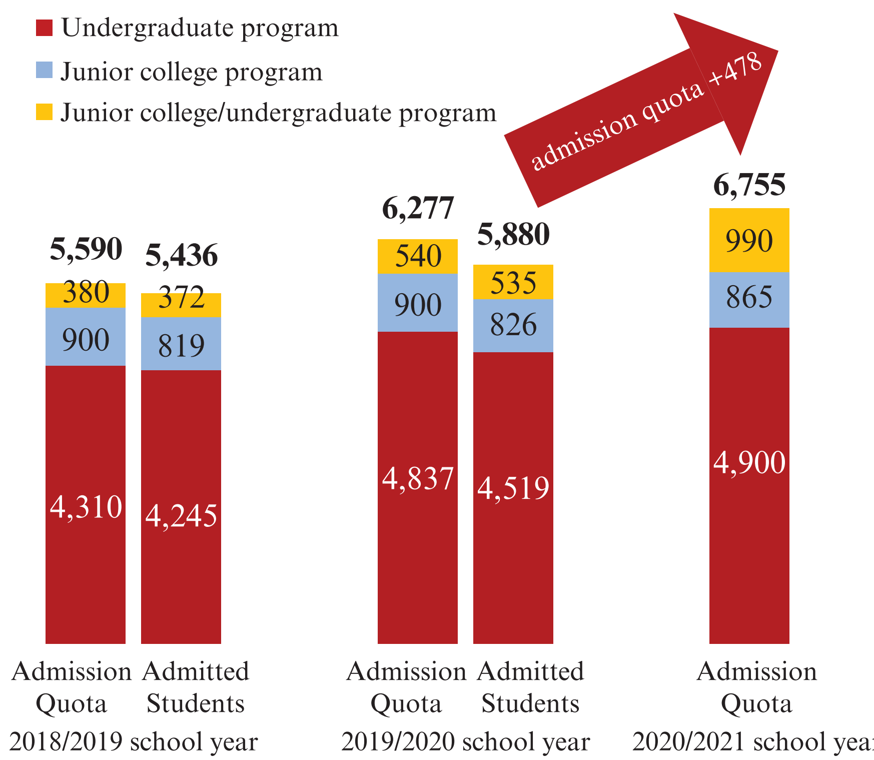
In view of the COVID-19 epidemic, our Group has actively introduced online teaching since March 2020 during the Reporting Period in adherence to the nation's policy of "classes suspended but learning continues". As online teaching has been delivered for about 90% of the courses taken by our enrolled students, a practice which has been highly rated by parents and students alike. According to our internal statistics, as at 30 June 2020, our online teaching program attained an average rating of 91.3 out of 100 among students and parents. Meanwhile, our Group has developed a proprietary real-time monitoring system to ensure the health and safety of our teachers and students as well as the smooth progress of various works and affairs. Moreover, we have also made vigorous efforts to procure employment for students. With the full support of various academic and operational departments, we have endeavoured to broaden the employment pathways for students so that they could secure job offers at an early stage.

We believe that our Group's solid status as the largest private higher education group in Shanghai has well-positioned us to benefit from the growing demand of private higher education. The University's location in Lingang New City area, Pudong New Area has afforded distinct regional advantages. In August 2019, the State Council announced the establishment of Lingang New Area in the China (Shanghai) Pilot Free Trade Zone. As an important component of the action plan for the integrated development of Yangtze

River Delta region, comprising Jiangsu Province, Zhejiang Province, Anhui Province and Shanghai in the PRC, ("**Yangtze River Delta**"), our location in Lingang New City will be conducive to consolidating the Group's competitive edge in Yangtze River Delta.

In the meantime, the government announced in 2020 a number of policies that were favourable to the Group's business development in many respects. It was confirmed at a press conference held on 28 February 2020 under the joint prevention and control mechanism of the State Council of the PRC that there will be an expected increase in the number of admission of postgraduate students and graduates from general higher institutions for junior college/undergraduate programs by 189,000 and 322,000 year-on-year from the number for the last year, respectively. In the Report of the Government of the PRC published on 22 May 2020, it was stated that the student enrollment at higher vocational colleges will increase by 2 million in the current year and the next. On 28 May 2020, the Ministry of Education of the PRC published the "Notice on the Continued Provision of Second Bachelor's Degree Education at General Higher Institutions" to encourage the launch of second bachelor's degrees at higher institutions.

Benefiting from the expansion of student enrollment for junior college/undergraduate programs, admission quota of our University for the 2020/2021 school year is expected to increase to 6,755 students, an addition of 478 students compared to the 2019/2020 school year, including 450 increase in junior college/undergraduate program.



In view of the above, as well as our regional advantages and favourable government policies, the Group will continue to focus on providing market-oriented programs for students, recruiting high-calibre talents, improving our campus environment and schooling conditions and enhancing our social influence. In the future, we will drive business development through four strategic approaches as follows, with a view to growing the University into a first-rate private university in China with unique features and international standing:

Enhancing profitability by optimising pricing and increasing student enrollment at our University

The level of tuition fees and boarding fees charged by us represents an important factor affecting our profitability. For the 2020/2021 school year, the tuition fees for eight majors will be increased by approximately 30%–40%.

Such increment in tuition fees is commensurate with our efforts to upgrade our work for the University through the provision of more comprehensive curriculums and the adoption of international teaching approaches. Going forward, we plan to review our tuition fee rate on an ongoing basis and adjust the tuition fee rates as and when appropriate.

In addition, we charge students who are living in the two dormitory buildings under phase two of our construction plan RMB5,800 per student per school year, which is approximately 60% higher than our previous boarding fee rate. For the dormitory buildings under phase one of our campus construction plan, we have increased the boarding fees from RMB3,600 to RMB4,800 for new students to be enrolled in 2020.

We believe that the ongoing increase in student enrollment is also important to our success. We intend to continue to increase our investment in new construction projects to build academic, administrative, and boarding facilities that can meet the needs of our expansion in the years to come.

In order to increase the school capacity in relation to student dormitories and teaching facilities that can meet the needs of the Group's expansion in the years to come, our University decided to commence phase three of our campus construction plan. It is expected that the construction works of the campus facilities to be constructed as part of the phase three of our campus construction plan shall commence in September 2020. Such campus facilities, with a total gross floor area of approximately 60,950 square meters, mainly comprise (i) a multi-function teaching building with a total gross floor area of approximately 9,413 square meters, (ii) two dormitory buildings with a total gross floor area of approximately 21,742 square meters and 21,715 square meters, respectively, and with an aggregate of 3,984 beds which will increase our school capacity, as well as (iii) an ancillary dormitory building for boarding-related services (such as an office of dormitory management personnel and laundry rooms).

The total capital expenses on phase three of our campus construction plan is currently estimated to be approximately RMB340 million (equivalent to approximately HKD377.4 million), which shall be incurred by the end of 2022.

Expanding our school network and enhancing our market penetration

We have plans to seek suitable opportunities to acquire or invest in other schools in China or elsewhere, as a means to expand our school network and increase our market share. In China, we intend to prioritize private higher education institutions which school sponsors have elected or intend to elect them to be for-profit schools, in particular universities offering bachelor's degree programs focused on applied sciences. Our target institutions will have a student enrollment of at least 5,000 generating revenue of not less than RMB100 million. In terms of geographic location, we intend to prioritize suitable target schools in east China, particularly in the Yangtze River Delta, which we believe will enhance our profile and create synergies in the region. According to an independent market research report, commissioned by our Company on the PRC private education market and prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., there were approximately 50 to 80 private higher education institutions in the Yangtze River Delta region meeting the aforementioned standards as at the end of 2018. Internationally, we intend to prioritize institutions with postgraduate research capabilities recognized by the Ministry of Education of the PRC. In terms of geographic location, we intend to prioritize institutions in developed countries. An expanded overseas school network will provide students with more options of destinations for studying aboard, while further attracting overseas students to be enrolled.

We have been in the process of identifying and in discussion on ongoing opportunities and potential projects. The Group will make disclosures on mergers and acquisitions as and when appropriate.

Building on our existing strengths and exploring new growth areas

We believe the quality of our education services is the cornerstone of our business. We intend to continue with the expansion and diversification of our course offerings in response to industry trends and market demand, including the offering of new majors based on market developments. We plan to further solidify our competitive advantage in the provision of well-rounded education with a special focus on applied sciences.

We have established two new majors for our undergraduate program: (i) health services and management, and (ii) art and technology, for the 2020/2021 school year. We believe that these majors will further expand the categories of our majors and meet the increasing demands of the health services and the cultural and creative industries. We have also established the college of health management in June 2020, offering two undergraduate major programs: (i) nursing, and (ii) health services and management, and one junior college program in nursing. In addition, we also have plans to submit an application in 2020 for the launch of our own postgraduate courses to further increase the levels of education offered by our University.

We also plan to expand our continuing education college. We believe that the number of our part-time student enrollment will continue to maintain a growth trend in tandem with the growing demand for continuing education among the employed population. As at 30 June 2020, our continuing education college had an enrollment of 2,474 students. In addition to our on-campus facilities, we have also entered into arrangements for the use of facilities of independent third party training or tutoring service providers in Shanghai to provide certain continuing education courses at their premises and have established eight off-campus education centers in different areas in Shanghai in order to provide prospective part-time students with more location options and convenient commute times.

On 6 July 2020, our four majors, namely, international economics and trade, mechanical design, manufacturing and automation, network engineering, and gemology and jewelry materials study, were approved for registration as majors for the second bachelor's degree at general higher institutions in 2020, as we became the only private university in Shanghai securing such registration. We plan to admit students for these majors in the 2020/2021 school year, targeting at current-year graduates of general higher education institutions with a bachelor's degree, as well as graduates of general higher education institutions with a bachelor's degree in the past three years who are currently unemployed. As an incremental quota, the admission quota for second bachelor's degrees will be separately incorporated into the State-approved total enrollment of general undergraduate students, in addition to the existing admission quota for the University's general undergraduate programs.

In the meantime, our minor bachelor's degree program admission has continued to make steady progress, in accordance with the principles set out in the "Measures for the Administration of the Delegation and Conferment of Bachelor's Degrees" published by the Academic Degrees Committee of the State Council of the PRC. In addition to his/her major, our student can concurrently study for a minor at undergraduate level and receive a bachelor's degree for his/her minor after completion of required units and fulfilment of conditions for the conferment of bachelor's degree. Students will be charged a tuition fee for minor based on units taken.

Reaping benefits afforded by the Lingang New Area policy to pursue the integrated development of industry, education and city

According to the "General Planning for State-owned Land in Lingang New Area of the China (Shanghai) Pilot Free Trade Zone (2019–2035)", by 2035, Lingang New Area will be developed into a world-class coastal city with a gross domestic product of RMB1,000 billion and a resident population of approximately 2.50 million, characterised by young, internationalised and well-educated residents with high mobility, and housing not less than one-third of the multinational corporate headquarters in Shanghai. To take advantage of the development of Lingang New Area, we have entered into a strategic framework agreement for university-enterprise cooperation with Lingang Group for the joint creation of the Lingang New Area Industrial University (臨港新片區產業大學), which aims to offer majors for five key industrial aspects, commence multidimensional cooperation projects with 50 leading enterprises in Lingang, build a 500-member high-calibre teaching team and groom 5,000 specialised talents urgently required by corporations in the new area by 2023. We will continue to work with local enterprises to further identify the respective advantages and resources of the industry and higher education institution, so as to commence in-depth cooperation in joint training of high-tech talents, industry-university-research collaboration and employment promotion.

FINANCIAL REVIEW

Revenue

The Group's revenue represents the value of services rendered during the Reporting Period. The Group derives revenue from tuition fees, boarding fees and other education related services our University collect from students.

Considering the global outbreak of COVID-19 during the Reporting Period and the national policy of "classes suspended but learning continues" ("停課不停學"), the Group actively arranged students to switch from studying at school to online, and online teaching progressed smoothly. For the six months ended 30 June 2020, the Group's revenue was approximately RMB279.1 million, representing an increase of approximately RMB24.9 million, or 9.8%, as compared with the corresponding period of last year, which was mainly due to, (i) the increase in the revenue derived from tuition fees by approximately RMB34.4 million, or 15.4%, as the total number of full-time students enrolled in the Group's university for the 2019/2020 school year increased, and the tuition fee rates in 2019/2020 school year which were applicable to newly admitted students increased, and (ii) the decrease in the revenue derived from boarding fees by approximately RMB14.7 million, or 48.0%, as the Group's university refunded the boarding fees amounting to approximately RMB33.9 million to students in accordance with the boarding fees refund policy released by the relevant authorities due to the COVID-19 pandemic during the Reporting Period.

Cost of Sales

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

For the six months ended 30 June 2020, the Group's cost of sales decreased by approximately RMB7.5 million, or 7.1%, as compared with the corresponding period of last year, which was primarily due to the decrease of student-related expenses, maintenance expenses and other miscellaneous costs, as our students did not live on campus under the outbreak of COVID-19 during the Reporting Period.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by approximately RMB32.4 million, or 22.0%, from approximately RMB147.3 million for the six months ended 30 June 2019 to approximately RMB179.7 million for the six months ended 30 June 2020. 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 2020, the Group achieved a gross margin of 64.4%, up by 6.5 percentage points as compared to the corresponding period of last year, which was mainly due to the combined effects of (i) the increasing number of student enrollment and average tuition fees, and (ii) the temporary closure of our campus under the outbreak of COVID-19 in China during the Reporting Period, which resulted in the decrease of the revenue from boarding fees, and the cost saving on the student-related expenses, maintenance expenses and other miscellaneous costs.

Other Income and Gains

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

The Group's other income and gains decreased by approximately RMB1.4 million, or 26.3%, from approximately RMB5.1 million for the six months ended 30 June 2019 to approximately RMB3.7 million for the six months ended 30 June 2020, which was mainly due to a decrease in operating lease income, as effected by the outbreak of COVID-19 during the Reporting Period.

Selling and Distribution Expenses

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

The Group's selling and distribution expenses decreased by approximately RMB0.9 million, or 53.5%, from approximately RMB1.6 million for the six months ended 30 June 2019 to approximately RMB0.7 million for the six months ended 30 June 2020, which was mainly due to a decrease in cost on travel expenses and promotional brochures, as our Group currently carries out our student admission marketing activities mostly online.

Administrative Expenses

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

The Group's administrative expenses increased by approximately RMB4.1 million, or 8.9%, from approximately RMB45.6 million for the six months ended 30 June 2019 to approximately RMB49.7 million for the six months ended 30 June 2020, which was primarily due to an increase of approximately RMB3.8 million in expenses incurred for engaging professional services in relation to interim and annual audit and annual legal advisory services, and other compliance consultant services since the Listing Date.

Finance Costs

The Group's finance costs primarily consisted of the interest expenses for bank loans. Because certain bank loans were borrowed for the phase two of our campus construction plan and the buildings under such campus construction plan were put into use at the end of August 2019, the corresponding interests ceased to be capitalised accordingly, which led to an increase in the finance costs for the six months ended 30 June 2020, compared to the amount for the six months ended 30 June 2019.

Profit Before Tax

For the six months ended 30 June 2020, the Group recorded a profit before tax of approximately RMB104.3 million, representing an increase of approximately 28.1% from approximately RMB81.5 million for the same period of last year.

Adjusted Net Profit

To supplement our consolidated statements of profit or loss and consolidated statements of comprehensive income which are presented in accordance with IFRS, we also use adjusted net profit as an additional financial measure. We present this financial measure because it is used by our management to evaluate our operating performance. We also believe that such non-IFRS measure provides useful information to investors in the same manner as it helps our management in understanding and evaluating our results of operations and in comparing financial results across accounting periods and to those of our peer companies.

Adjusted net profit eliminates the effect of listing-related expenses, which is a non-recurring item. The term of adjusted net profit is not defined under IFRS. The use of adjusted net profit has material limitations as an analytical tool, as adjusted net profit does not include all items that impact our net profit for the year. We compensate for these limitations by reconciling this financial measure to the nearest IFRS performance measure, which should be considered when evaluating our performance.

The Group's adjusted net profit was determined by adjusting profit for the six months ended 30 June 2020 from continuing operations of approximately RMB104.0 million (for the six months ended 30 June 2019: approximately RMB81.0 million) for the effect of listing expenses of approximately RMB9.5 million (for the six months ended 30 June 2019: approximately RMB9.2 million). The Group's adjusted net profit increased significantly by approximately 25.8% from approximately RMB90.2 million for the six months ended 30 June 2019 to approximately RMB113.5 million for the six months ended 30 June 2020.

Liquidity and Capital Resources

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

Treasury Policy

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

Property, Plant and Equipment

As at 30 June 2020, the Group's property, plant and equipment amounted to approximately RMB1,833.2 million, representing an increase of approximately RMB12.8 million, or 0.7%, as compared to the balance as at 31 December 2019. Such an increase was due to the phase two of our campus construction plan, maintaining and upgrading existing school premises and purchasing additional educational facilities and equipment during the Reporting Period.

Cash and Cash Equivalents

As at 30 June 2020, the Group's cash and cash equivalents were approximately RMB570.2 million, representing an increase of approximately RMB235.4 million, or 70.3%, as compared to the balance as at 31 December 2019. The increase was mainly contributed by the combined effects of (i) the net proceeds from the initial public offering of the Company (including the full exercise of the over-allotment option) received by the Group during the Reporting Period, and (ii) the repayment of bank loans, payment for phase two of our campus construction plan, and the payment of approximately RMB147.2 million income tax, which was in relation to the disposal of old school buildings and transfer of land to an independent third party in August 2015 in accordance with the relevant tax rules, during the Reporting Period.

Bank Borrowings

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

We primarily borrowed loans from banks to supplement our working capital and finance our capital expenditure. Our bank borrowings amounting an aggregate of approximately RMB1,126.3 million as at 30 June 2020 (31 December 2019: approximately RMB1,131.2 million) were all denominated in Renminbi. As at 30 June 2020, our bank and other borrowings bore effective interest rates ranging from 4.35% to 5.94% 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 2020	31 December 2019
	RMB'000	*RMB'000*
Analysed into:		
Repayable within one year	**228,000**	275,000
Repayable in the second year	**181,000**	167,000
Repayable within two to five years	**551,000**	523,000
Repayable in more than five years	**166,280**	166,280
	898,280	856,280
	1,126,280	1,131,280

Capital Expenditure

Our capital expenditures during the Reporting Period were primarily related to phase two of our campus construction plan, maintaining and upgrading existing school premises and purchasing additional educational facilities and equipment for the University. For the six months ended 30 June 2020, the Group's capital expenditures were approximately RMB108.0 million.

Contractual Commitments

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

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Property, plant, and equipment	**1,677**	800
Authorised, but not contracted for:		
Property, plant, and equipment	**340,000**	—

Contingent Liabilities

As at 30 June 2020, the Group did not have any significant contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened (31 December 2019: Nil).

Gearing Ratio

Gearing ratio equals total debt divided by total equity as at the respective period end date. Total debt includes all interest-bearing bank borrowings. Compared to the gearing ratio as at 31 December 2019, the gearing ratio as at 30 June 2020 decreased from 1.1 to 0.7, which was mainly due to (i) a decrease in the interest-bearing bank loans and other borrowings, and (ii) an increase of our equity, which was in relation to the new shares of the Company issued and the increasing business performance during the Reporting Period.

Foreign Exchange Risk Management

The functional currency of the Company is Renminbi. The majority of the Group's revenue and expenditures was denominated in Renminbi, while there were certain monetary assets that were denominated in Hong Kong dollars, which would expose the Group to foreign exchange risk. The Group currently does not have a foreign currency hedging policy. However, the management of the Company monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

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

There were no significant investments held as at 30 June 2020, nor other material acquisitions and disposals of subsidiaries and associated companies. Save as disclosed in this announcement, as at 30 June 2020, the Group did not have any immediate plans for material investments and capital assets.

On 26 August 2020, the University entered into a construction contract with an independent third party construction contractor, in relation to the construction works, installation works and related ancillary works of the campus facilities, which are part of the phrase three of our campus construction plan, at an estimated consideration of approximately RMB250.0 million (equivalent to approximately HKD277.5 million), subject to adjustment (which is not expected to be material) based on settlement audit. Such consideration will be financed by partial proceeds from the initial public offering of the Company and bank borrowings. For further information about this transaction, please refer to the announcement of the Company dated 26 August 2020. With regards to other construction works, installation works and related ancillary works to be conducted under phase three of the campus construction plan, it is currently estimated that the related costs and expenses shall be approximately RMB90.0 million (equivalent to approximately HKD99.9 million). The Company will make further announcement(s) as and when appropriate as required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong (the "**Listing Rules**").

Pledge of Assets

As at 30 June 2020, the Group's bank borrowings of RMB721,280,000 were secured by the Group's rights over tuition fees and boarding fees.

Employees and Remuneration Policy

As at 30 June 2020, the Group had 1,146 full-time employees (30 June 2019: 1,098 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 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 2020 was approximately RMB80.5 million (30 June 2019: approximately RMB75.8 million).

EVENTS AFTER THE REPORTING PERIOD

a) On 26 August 2020, the Company has resolved to recommend the payment of the 2020 Interim Dividend to the shareholders whose names appear on the register of members of the Company on 12 October 2020. Such proposal is subject to the approval by the shareholders at the forthcoming extraordinary general meeting of the Company.

b) On 26 August 2020, the University entered into a construction contract with an independent third party construction contractor, in relation to the construction works, installation works and related ancillary works of the campus facilities, which are part of the phrase three of the campus construction plan, at an estimated consideration of RMB250.0 million, subject to adjustment based on settlement audit.

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

On 24 July 2020, Mr. Du Jusheng (杜舉勝) was appointed as a non-executive Director. For details of Mr. Du Jusheng, please refer to the announcement of the Company dated 24 July 2020. On the same date, (i) Mr. Zhou Qiaoqi (周喬琪) was appointed as the deputy chief executive officer of the Company; (ii) Mr. Zhou Yuhua (周宇華) was appointed as the deputy chief executive officer of the Company; and (iii) Ms. Wan Zhifang (萬志芳) resigned as the deputy chief executive officer and the chief financial officer of the Company and was appointed as the senior consultant of the Company.

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

INTERIM DIVIDEND

On 26 August 2020, the Board has resolved to recommend the payment of the 2020 Interim Dividend. The 2020 Interim Dividend is intended to be paid out of the share premium of the Company and thus is subject to the approval of shareholders of the Company. The circular convening the extraordinary general meeting of the Company to be held on 29 September 2020 will be dispatched in due course.

Upon Shareholders' approval, the interim dividend will be payable on or around 30 October 2020 to the shareholders whose names appear on the register of members of the Company on 12 October 2020. The 2020 Interim Dividend represents approximately 36.5% of the profit attributable to Shareholders for the six months ended 30 June 2020.

CLOSURE OF THE REGISTER OF MEMBERS

In order to determine the entitlement to attend and vote at the extraordinary general meeting of the Company, the register of members of the Company will be closed from Thursday, 24 September 2020 to Tuesday, 29 September 2020, both days inclusive, during which period no transfer of the Shares will be registered. In order to be eligible to attend and vote at the extraordinary general meeting of the Company, all transfer of the shares of the Company accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 23 September 2020.

In order to determine the entitlement of the shareholders of the Company to receive the 2020 Interim Dividend, the register of members of the Company will be closed from Wednesday, 7 October 2020 to Monday, 12 October 2020, both days inclusive, during which period no transfer of Shares will be registered. The record date for entitlement to the 2020 Interim Dividend is Monday, 12 October 2020. In order to qualify for the entitlement to receive the 2020 Interim Dividend, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 6 October 2020. The payment date of the 2020 Interim Dividend is expected to be on Friday, 30 October 2020.

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

Save for the Company's initial public offering (including the full exercise of the over-allotment option) as described in the Company's prospectus dated 31 December 2019 (the "**Prospectus**") from which the Company received net proceeds of approximately HK$666.0 million, after deducting underwriting fee and relevant expenses, there is no other issue of shares by the Company, and neither the Company nor any of its subsidiaries had purchased, sold or redeemed any other listed securities of the Company during the period from the Listing Date to 30 June 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE 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 Corporate Governance Code (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 period from the Listing Date to 30 June 2020. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions since its listing on 16 January 2020. 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 period from the Listing Date to 30 June 2020.

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

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has reviewed the accounting principles and practices adopted by the Group. The Audit Committee, together with the Board and external auditor, have reviewed the Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2020. The Audit Committee is of the opinion that such financial statements comply with the applicable accounting standards, the Listing Rules and all other applicable legal requirements.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://www.genchedugroup.com). The interim report for the six months ended 30 June 2020 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and made available on the same websites in due course.

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

Shanghai, 26 August 2020

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