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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 2023

INTERIM RESULTS

The Board of Directors of the Company is pleased to announce the unaudited interim condensed consolidated financial results of the Group for the six months ended 30 June 2023, together with the comparative figures for the corresponding period in 2022.

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		**Percentage change**
	2023	2022	
	RMB'000	*RMB'000*	
	(Unaudited)	(Unaudited)	
Revenue	**494,242**	404,473	22.2%
Gross profit	**338,625**	275,329	23.0%
Profit before tax	**246,521**	183,134	34.6%
Profit for the period	**183,459**	133,116	37.8%

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2023

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

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

	Note	30 June 2023 *RMB'000* (Unaudited)	31 December 2022 *RMB'000* (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**705,403**	724,403
Deferred income		**2,526**	4,584
Total non-current liabilities		**707,929**	728,987
NET ASSETS		**2,106,622**	1,960,841
EQUITY			
Equity attributable to owners of the parent			
Share capital	*11*	**3,677**	3,677
Share premium		**383,789**	419,736
Reserves		**1,719,156**	1,537,428
TOTAL EQUITY		**2,106,622**	1,960,841

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

1. CORPORATE INFORMATION

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

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

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

2.1 Basis of Preparation

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

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

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

2.2 Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

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

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

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

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

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

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

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

3. OPERATING SEGMENT INFORMATION

The Group principally provides higher education services in the PRC.

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

Geographical information

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

Information about major customers

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

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Tuition fees	**422,329**	356,068
Boarding fees	**64,293**	45,414
Education-related services	**7,433**	2,991
Other services	**187**	—
Total revenue from contracts with customers	**494,242**	404,473

(i) Disaggregated revenue information

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

(ii) Performance obligations

Tuition fees and boarding fees

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

5. PROFIT BEFORE TAX

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

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

6. INCOME TAX

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

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

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

All of the Group's subsidiaries operating in Mainland China were subject to the PRC corporate income tax ("CIT") of 25% during the period, except for Wangting Education Technology (Shanghai) Limited ("Gench WFOE"). In accordance with the requirements of the tax regulations in the PRC, Gench WFOE applied for the "High and New Technology Enterprise" qualification and obtained the certificate on 4 December 2020. The "High and New Technology Enterprise" qualification is subject to review by the relevant tax authority in the PRC for every three years. In December 2021, Gench WFOE obtained the software enterprise and software product certification from the Shanghai Software Industry Association and was subject to a preferential corporate income tax rate of "two exemptions and three half" since the profit-making year. Gench WFOE was in the position of tax loss since establishment. Accordingly, Gench WFOE was subject to CIT at a rate of 15% for the six months ended 30 June 2023 and 2022.

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

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

7. DIVIDENDS

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

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

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent of RMB183,459,000 (six months ended 30 June 2022: RMB133,116,000), and the weighted average number of ordinary shares of 395,712,843 (six months ended 30 June 2022: 401,031,307) in issue during the period. The number of shares for the six months ended 30 June 2023 has been arrived at after eliminating the shares of the Group held under the Share Award Scheme (as defined in note 12) and shares repurchased.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2023 and 2022.

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

	For the six months ended 30 June	
	2023	2022
	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 calculation	**183,459**	133,116

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

9. PROPERTY, PLANT AND EQUIPMENT

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

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

10. ACCOUNTS RECEIVABLE

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

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

11. SHARE CAPITAL

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

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

12. SHARE AWARD SCHEME

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

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

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

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

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

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

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

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

13. COMMITMENTS

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group is a higher vocational education group which provides undergraduate education and junior college education, focusing on high-quality schooling for the provision of excellent education for students. The Group operates Shanghai Jian Qiao University, being the domestic leading private university, at Lingang New Area in the China (Shanghai) Pilot Free Trade Zone. As measured by the number of full-time students enrolled in the 2022/23 school year, our University is the largest applied technology university in Shanghai and is also a leading private university in the entire Yangtze River Delta. According to CUAA.net (中國校友會網), our University ranked third among all category I private universities in China in 2023 again and first among private universities in all tier one cities (including Beijing, Shanghai, Guangzhou and Shenzhen) for four consecutive years from 2018 to 2021.

BUSINESS REVIEW AND OPERATIONAL UPDATE

Our University

Our University is an applied technology university which focuses on undergraduate education. As of 30 June 2023, our University offered 68 majors and concentrations in its formal undergraduate program and offered 12 majors and concentrations in its formal junior college program in a wide range of areas including economics, management, literature, art, science and pedagogy. Our University has 1 major with national characteristics, 1 Ministry of Education (MOE) comprehensive pilot reform undergraduate major, 15 first-class undergraduate majors in Shanghai, as well as 3 majors with Shanghai characteristics. Our University has a team of stable and professional teachers. As of 30 September 2022, 84.3% of our full-time teachers are with a master's or higher degree, 36.4% of our full-time teachers are with a senior title whereas 27.1% of our full-time teachers are with a doctoral degree.

DUAL SUPPORT FROM LINGANG SPECIAL AREA POLICY AND VOCATIONAL EDUCATION POLICY

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

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

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

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

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

(I) High-quality brands benefiting the whole country

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

(II) High-quality majors leading in the industry

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

(III) The high teaching quality has strong capacity

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

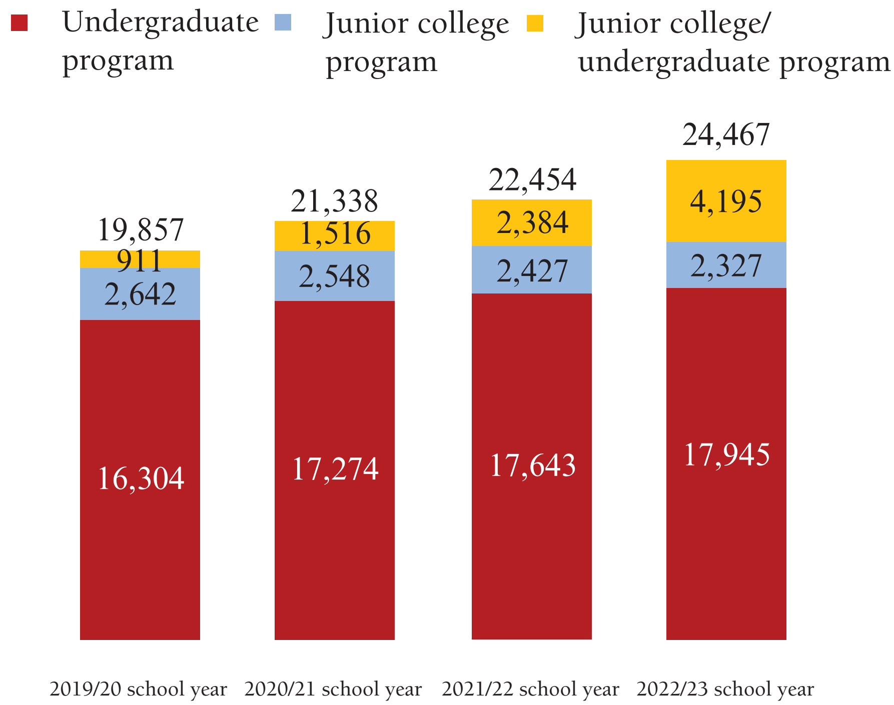
(IV) The high rate of high-quality employment has remained stable

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

Student enrollment

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

Student enrollment



Tuition rates

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

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

Notes:

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

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

FUTURE OUTLOOK AND BUSINESS STRATEGY

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

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

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

   In the 2023/2024 school year, we continue to optimize the tuition fee, with the minimum tuition fee for new students of junior college/undergraduate programs being optimized from RMB23,000 per year to RMB30,000 per year. At the same time, we revamped two dormitory buildings to smart buildings under phase two of our campus construction plan and increase the boarding fees for the freshman from RMB5,800 per year to RMB7,800 per year, which is in line with two smart dormitory buildings under phase three of our campus construction plan.

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

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

BUILDING ON OUR EXISTING STRENGTHS AND EXPLORING NEW GROWTH AREAS

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

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

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

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

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

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

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

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

FINANCIAL REVIEW

Revenue

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

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

Cost of Sales

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

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

Gross Profit and Gross Profit Margin

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

The Group's gross profit margin represents the Group's gross profit as a percentage of its revenue. For the six months ended 30 June 2023, the Group achieved a gross profit margin of 68.5%, which remained stable as compared to the corresponding period of last year.

Other Income and Gains

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

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

Selling and Distribution Expenses

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

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

Administrative Expenses

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

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

Finance Costs

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

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

Profit Before Tax

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

Income tax expense

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

Liquidity and Capital Resources

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

Treasury Policy

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

Property, Plant and Equipment

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

Cash and Cash Equivalents

As at 30 June 2023, the Group's cash and cash equivalents were approximately RMB328.1 million, representing a decrease of approximately RMB289.4 million, or 46.9%, as compared to the balance as at 31 December 2022. The decrease was mainly as the effect of seasonality as our University typically receives most of our tuition fees and boarding fees from students in the second half of the year while our University still needs to pay staff salaries, utility expenses and the capital expenditure in the first half of the year to support its operation.

Bank Borrowings

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

We primarily borrowed loans from banks and financial institutions to supplement our working capital and finance our capital expenditure. Our bank borrowings amounting an aggregate of approximately RMB759.4 million as at 30 June 2023 (31 December 2022: approximately RMB774.4 million) were all denominated in Renminbi. As at 30 June 2023, our bank borrowings bore effective interest rate was 3.85% per annum. The following table sets forth the maturity profile of the interest-bearing bank and other borrowings as of the dates indicated:

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Analysed into:		
Repayable within one year	**54,000**	50,000
Repayable in the second year	**63,000**	58,000
Repayable in the third to fifth years, inclusive	**463,000**	457,000
Repayable beyond five year	**179,403**	209,403
	705,403	724,403
	759,403	774,403

Capital Expenditure

Capital expenditures during the Reporting Period primarily related to the phase four of our campus construction plan, maintaining and upgrading existing school premises for the University. For the six months ended 30 June 2023, the Group's capital expenditures were RMB184.8 million.

Contractual Commitments

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

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

Contingent Liabilities

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

Gearing Ratio

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

Foreign Exchange Risk Management

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

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

There were no significant investments held as at 30 June 2023, nor other material acquisitions and disposals of subsidiaries and associated companies. Save as disclosed in this announcement, as at 30 June 2023, our Group did not have any immediate plans for material investments and acquisition of capital assets.

Pledge of Assets

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

Employees and Remuneration Policy

As at 30 June 2023, our Group had 1,645 full-time employees (30 June 2022: 1,613 employees), the remuneration policy and package of the Group's employees are periodically reviewed in accordance with industry practice and result performance of the Group. The Group provides external and internal training programs to its employees. The Group participates in various employee social security plans for its employees that are administered by local governments, including housing, pension, medical insurance, occupational injury insurance, maternity insurance and unemployment insurance. The total remuneration cost incurred by the Group for the six months ended 30 June 2023 was RMB159.1 million (30 June 2022: RMB131.1 million).

USE OF NET PROCEEDS FROM LISTING

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

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

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

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

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

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

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

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

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

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

Unit: Hong Kong dollar million

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

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

EVENTS AFTER THE REPORTING PERIOD

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

INTERIM DIVIDEND

On 29 August 2023, the Board has resolved to recommend the payment of an interim dividend of HK$0.10 per ordinary share of the Company. The 2023 Interim Dividend is intended to be paid out of the share premium of the Company and thus is subject to the approval of shareholders of the Company. The circular and notice convening the extraordinary general meeting of the Company to be held on 10 October 2023 will be dispatched to shareholders of the Company in due course.

Upon the Company's shareholders' approval, the 2023 Interim Dividend will be payable on or around 27 October 2023 to the shareholders whose names appear on the register of members of the Company on 16 October 2023.

CLOSURE OF THE REGISTER OF MEMBERS

For determining the eligibility of the shareholders of the Company to attend and vote at the extraordinary general meeting of the Company, the register of members of the Company will be closed from Thursday, 5 October 2023 to Tuesday, 10 October 2023, both days inclusive, during which period no transfer of Shares will be registered. The record date for eligibility to attend the extraordinary general meeting of the Company is Tuesday, 10 October 2023. In order to be eligible to attend and vote at the extraordinary general meeting of the Company, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 4 October 2023.

For determining the entitlement of the shareholders of the Company to receive the 2023 Interim Dividend, the register of members of the Company will be closed on Monday, 16 October 2023, during which period no transfer of Shares will be registered. The record date for entitlement to the 2023 Interim Dividend is Monday, 16 October 2023. In order to be qualified for the entitlement to receive the 2023 Interim Dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 13 October 2023. The payment date of the 2023 Interim Dividend is expected to be on Friday, 27 October 2023.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any other listed securities of the Company during the six months ended 30 June 2023.

Separately, during the six months ended 30 June 2023, the trustee of the Share Award Scheme, pursuant to the terms of the trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 517,000 Shares at a total consideration of approximately HK$2,041,850.

COMPLIANCE WITH THE CG CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability. The Company has adopted the code provisions under the CG Code as its own code of corporate governance. The Company has complied with all applicable code provisions under the CG Code during the six months ended 30 June 2023. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code during the six months ended 30 June 2023.

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

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and practices adopted by the Group. The Audit Committee, together with the Board, have reviewed the Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2023. The Audit Committee is of the opinion that such financial statements comply with the applicable accounting standards, the Listing Rules and all other applicable legal requirements.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.genchedugroup.com). The interim report for the six months ended 30 June 2023 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and made available on the same websites in due course.

DEFINITION

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

"2023 Interim Dividend"	interim dividend of HK$0.10 per ordinary share of the Company recommended by the Board for the six months ended 30 June 2023
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors of the Company
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rule
"China" or "PRC"	for the purpose of this announcement, the People's Republic of China, other than the regions of Hong Kong, the Macau Special Administrative Region and Taiwan
"Company"	Shanghai Gench Education Group Limited
"COVID-19"	2019 novel coronavirus disease, being a disease caused by a new strain of coronavirus
"Director(s)"	the director(s) of the Company
"Group", "we" or "us"	the Company, its subsidiaries and PRC Affiliated Entities from time to time, or, where the context so requires in respect of the period before the Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time
"HK$" or "Hong Kong dollar(s)"	Hong Kong dollars respectively, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Jian Qiao Group"	Shanghai Jian Qiao (Group) Limited* (上海建橋(集團)有限公司), a limited liability company established under the laws of the PRC on 7 November 2000, which is currently owned by the Registered Shareholders. It is an affiliated entity of the Company

"Jian Qiao Investment"	Shanghai Jian Qiao Investment and Development Limited* (上海建橋投資發展有限公司), a limited liability company established under the laws of the PRC on 3 August 1999, which is wholly owned by Jian Qiao Group. It is an affiliated entity of the Company
"Jian Qiao University Company"	Shanghai Jian Qiao University Co., Ltd.* (上海建橋學院有限責任公司), a limited liability company established under the laws of the PRC on 28 September 2020, of which the equity interest is owned as to 90% by Jian Qiao Group and as to 10% by Jian Qiao Investment. It is an affiliated entity of the Company
"Listing Date"	16 January 2020, since which our Shares have been listed on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Model Code"	the Model code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"PRC Affiliated Entities"	collectively, Jian Qiao University Company and the School Holders, each an affiliated entity of the Company
"Prospectus"	the prospectus of the Company dated 31 December 2019
"Registered Shareholders"	shareholders of Jian Qiao Group, namely, Mr. Zhou Xingzeng, Mr. Zheng Xiangzhan, Mr. Zhao Donghui, Mr. Shi Yinjie, Mr. Jin Yinkuan, Mr. Chen Shengfang, Mr. Chen Zhiyong, Mr. Zhou Tianming, Mr. Bao Jianmin, Mr. Wang Hualin, Mr. Wang Chengguang, Mr. Chen Minghai, Mr. Chen Shengcai, Ms. Huang Chunlan and Mr. Zheng Juxing
"Reporting Period"	the six months ended 30 June 2023
"RMB"	Renminbi, the lawful currency of the PRC
"School Holders"	the shareholders of Jian Qiao University Company, namely, Jian Qiao Group and Jian Qiao Investment
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Share Award Scheme"	the share award scheme adopted by the Company on 11 December 2020

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"University", "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 Province, Zhejiang Province, Anhui Province and Shanghai in the PRC
"%"	percent

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

Shanghai, 29 August 2023

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

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