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China New Higher Education Group Limited
中國新高教集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 2001)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020
AND
APPOINTMENT OF EXECUTIVE DIRECTOR**

INTERIM RESULTS

Due to the impact of the coronavirus (COVID-19) pandemic, teaching arrangements of some schools under the Group were adjusted, and summer supplementary lessons were provided in July and August 2020. Therefore, the recognition of the tuition income of approximately RMB63.9 million is deferred to July and August 2020.

The Board of Directors of China New Higher Education Group Limited is pleased to announce the interim results of the Group for the six months ended 30 June 2020, together with the comparative figures for the six months ended 30 June 2019.

HIGHLIGHT

	Six months ended 30 June 2020 <i>(RMB million)</i>	Six months ended 30 June 2019 <i>(RMB million)</i>	Change <i>(RMB million)</i>	Percentage Change
Total revenue [^]	694.3	564.9	+129.4	+22.9%
Revenue	641.2	501.0	+140.2	+28.0%
Net profit	265.7	225.7	+40.0	+17.7%
Net profit attributable to owners of the parent	238.7	201.0	+37.7	+18.8%
Adjusted net profit ^{^^}	329.6	225.7	+103.9	+46.0%
Adjusted net profit attributable to owners of the parent ^{^^}	299.3	201.0	+98.3	+48.9%

[^] Total revenue derived from the main business of the Group as well as other income and gains.

^{^^} The adjusted net profit and the adjusted net profit attributable to owners of the parent refer to the sum of the deferred tuition income recognised in July and August 2020 as a result of extra lessons provided in summer vacation for comparison purpose with the figures of the same period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The financial results for the six months ended 30 June 2020 and the same period of last year are as follows:

	Six month ended		
	30 June 2020	30 June 2019	Change
	<i>RMB million</i>	<i>RMB million</i>	
Revenue	641.2	501.0	+28.0%
Cost of sales	(303.4)	(232.4)	+30.6%
Gross profit	337.8	268.6	+25.8%
Other income and gains	53.1	63.9	(16.9%)
Selling and distribution expenses	(6.8)	(5.5)	+23.6%
Administrative expenses	(25.6)	(30.1)	(15.0%)
Other expenses	(7.2)	(16.2)	(55.6%)
Finance costs	(55.0)	(42.1)	+30.6%
PROFIT BEFORE TAX	296.3	238.6	+24.2%
Income tax expense	(30.6)	(12.9)	+137.2%
Net profit	265.7	225.7	+17.7%
Net profit attributable to owners of the parent	238.7	201.0	+18.8%
Adjusted net profit [^]	329.6	225.7	+46.0%
Adjusted net profit attributable to owners of the parent [^]	299.3	201.0	+48.9%

[^] The adjusted net profit and the adjusted net profit attributable to owners of the parent refer to the sum of the deferred tuition income recognised in July and August 2020 as a result of extra lessons provided in summer vacation for comparison purpose with the figures of the same period of last year.

Revenue

Due to the impact of the coronavirus (COVID-19) pandemic, teaching arrangements of some schools under the Group were adjusted, and summer supplementary lessons were provided in July and August 2020. Therefore, the deferred tuition income of RMB63.9 million was recognised in July and August 2020. The Group's revenue increased by 28.0% from RMB501.0 million for the same period of last year to RMB641.2 million for the six months ended 30 June 2020. Including the deferred tuition income of RMB63.9 million to be recognised in July and August 2020, the adjusted revenue increased by 40.7% from the same period of last year to RMB705.1 million. Such substantial increase was primarily due to (1) the completion of acquisition of Central China School in the second half of 2019, and (2) the fact that the Group is committed to provision of first-class education quality and first-class student experience, such that the number of student enrollments and tuition and boarding fees had increased.

Cost of Sales

Cost of sales of the Group increased by 30.6% from RMB232.4 million for the six months ended 30 June 2019 to RMB303.4 million for the six months ended 30 June 2020. The increase was primarily due to (1) the completion of acquisition of Central China School in the second half of 2019, (2) increase in student enrollments, and (3) the Group's increased investment in teaching, employment, hygiene and safety, and campus environment for creating first-class education quality and first-class student experience.

Gross Profit and Gross Profit Margin

Gross profit increased by 25.8% from RMB268.6 million for the six months ended 30 June 2019 to RMB337.8 million for the six months ended 30 June 2020, consistent with the growth of the Group's business. The gross profit margin decreased slightly to 52.7% for the year ended 30 June 2020 from 53.6% for the year ended 30 June 2019. The decrease in gross profit margin was mainly due to the Group's deferred recognition of tuition income to July and August 2020, from extra lessons provided in the summer vacation of 2020 by the Group as a result of the outbreak of COVID-19, and the refund of student boarding fees in accordance with national policies. If the impact of COVID-19 had not been taken into account, the gross profit margin would have increased compared with that for the same period of last year.

Other Income and Gains

Other income and gains of the Group decreased by 16.9% from RMB63.9 million for the six months ended 30 June 2019 to RMB53.1 million for the six months ended 30 June 2020. The decrease was primarily attributable to the completion of acquisitions of Central China School in the second half of 2019, and Huihuang Company no longer charges service fees from Central China School according to the exclusive technical services and education consultancy agreements, resulting in the decrease in other income and gains of the Group. Without taking into account such impact of income from service fees charged by Huihuang Company, other income and gains increased by 21.2% compared with that for the same period of last year, mainly due to reversal of provision as a result of recovery of prepayment made for a potential acquisition in Xingjiang.

Selling and Distribution Expenses

Selling and distribution expenses of the Group increased by 23.6% from RMB5.5 million for the six months ended 30 June 2019 to RMB6.8 million for the six months ended 30 June 2020. This increase was primarily attributable to (1) the increase in enrollment and promotion related work as result of COVID-19, (2) the completion of acquisition of Central China School in the second half of 2019. The expenses account for approximately 1% of the total revenue, which is generally consistent with historical levels.

Administrative Expenses

Administrative expenses of the Group decreased by 15.0% from RMB30.1 million for the six months ended 30 June 2019 to RMB25.6 million for the six months ended 30 June 2020, which was primarily attributable to that the Group's active response to COVID-19 where administrative expenses were reduced.

Other Expenses

Other expenses of the Group decreased by 55.6% from RMB16.2 million for the six months ended 30 June 2019 to RMB7.2 million for the six months ended 30 June 2020, which was primarily due to the reduction in the logistics expenses as a result of the COVID-19.

Finance Costs

Finance costs of the Group increased by 30.6% from RMB42.1 million for the six months ended 30 June 2019 to RMB55.0 million for the six months ended 30 June 2020, which was mainly due to the fact that there was no capitalised interest as a result of completion of project for the six months ended 30 June 2020, and if the interest capitalization factor in 2019 were taken into consideration, the Group's financing costs for the six months ended 30 June 2020 would be increased by 5.2% as compared with that for the same period of last year.

Profit before Tax

As a result of the foregoing, the Group recognised a profit before income tax of RMB296.3 million for the six months ended 30 June 2020 as compared with RMB238.6 million for the same period of last year, representing an increase of 24.2%. As a result of the outbreak of the COVID-19 in 2020, the normal operation and teaching work of our schools were affected. The Group had actively responded to the emergencies in the following ways: (1) in response to national policies, the student's boarding fee for the absence of school was refunded, and extra lessons were provided in summer at the colleges, (2) undertaking corporate social responsibility, negotiating with merchants to reduce or exempt part of rents, and (3) optimizing costs, strictly controlling administrative expenses while guaranteeing teaching investment in order to ensure a competitive growth and achieve a reasonable return to investors. If the impact of the COVID-19 were excluded, profit before tax would increase by 69.4% as compared with that for the same period of last year.

Income Tax Expense

The Group's income tax expense increased by 137.2% from RMB12.9 million for the six months ended 30 June 2019 to RMB30.6 million for the six months ended 30 June 2020, which was primarily due to (1) the increase in profit before tax for the six months ended 30 June 2020 as compared that for the same period of last year, (2) the increase of service fee income under the Structured Contracts, resulting in the increase in tax burden of Huihuang Company, and (3) the increase of withholding income tax on dividend payout.

Net Profit

As a result of the combined effect of income, costs and expenses above, the net profit of the Group was RMB265.7 million for the six months ended 30 June 2020, an increase of 17.7% as compared with RMB225.7 million for the same period of last year.

Net profit attributable to owners of the parent

Due to the combined effects of the above income and costs, the Group's net profit attributable to owners of the parent increased by 18.8% to RMB238.7 million for the six months ended 30 June 2020 from RMB201.0 million for the same period of last year.

Adjusted net profit

The adjusted net profit of the Group increased by 46.0% to RMB329.6 million for the six months ended 30 June 2020 from RMB225.7 million for the same period of last year.

	For the six months ended 30 June	
	2020	2019
Net profit	265.7	225.7
Add: income to be recognised during the period but deferred to July and August 2020 in respect of the supplementary lessons in summer vacation	63.9	0.0
	329.6	225.7

Adjusted net profit attributable to owners of the parent

The adjusted net profit of the Group attributable to owners of the parent increased by 48.9% to RMB299.3 million for the six months ended 30 June 2020 from RMB201.0 million for the same period of last year.

	For the six months ended 30 June	
	2020	2019
Net profit attributable to owners of the parent	238.7	201.0
Add: income to be recognised during the period but deferred to July and August 2020 in respect of the supplementary lessons in summer vacation	60.6	0.0
	299.3	201.0

LIQUIDITY AND CAPITAL RESOURCES

The total capital of the Group, which equals to the aggregate of cash and cash equivalents plus time deposits and pledged deposits, increased by 109.3% from RMB474.6 million as of 30 June 2019 to RMB993.4 million as of 30 June 2020. The capital reserves were significantly increased.

CAPITAL EXPENDITURES

For the six months ended 30 June 2020, the Group's capital expenditures were RMB78.7 million, which was primarily used for the construction of our school buildings and facilities at the new campus, prepaid land lease and purchase of equipment and software.

Capital Commitments

The Group's capital commitments were primarily related to the balance payment for the construction of school building, purchase of facilities and investment in Gansu College. The following table sets out a summary of our capital commitments as of the dates indicated:

	As of 30 June 2020 <i>RMB million</i>	As of 31 December 2019 <i>RMB million</i>
Contracted but not provided for:		
Property, plant and equipment	132.7	140.0
Investments	23.0	43.0
	<u>155.7</u>	<u>183.0</u>

As of 30 June 2020, the Group had no significant capital commitment authorized but not contracted for.

INDEBTEDNESS

Bank Loans and Other Borrowings

The Group's bank loans and other borrowings primarily consisted of short-term working capital loans and long-term project loans for the construction of our school buildings and facilities. The bank loans and other borrowings amounted to RMB1,938.0 million as of 30 June 2020, among which HK\$400.3 million was denominated in Hong Kong dollar, while the remaining was denominated in Renminbi.

Contingent Liabilities

As of 30 June 2020, the Group did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the Group.

Interest-Bearing Debt/Total Assets

Interest-bearing debt equals to the total amount of interest-bearing bank loans and other borrowings as of 30 June 2020. The Group's interest-bearing debt/total assets increased from 29.0% as of 30 June 2019 to 32.8% as of 30 June 2020, mainly due to the increase in scale of interest-bearing debt.

Net Interest-Bearing Debt/Total Equity

Net interest-bearing debt equals to the total interest-bearing bank loans and other borrowings net of total capital as of 30 June 2020. The Group's net interest-bearing debt to total equity decreased from 36.3% as of 30 June 2019 to 34.0% as of 30 June 2020, which was primarily attributable to the increase in the Group's capital reserves and the decrease in net interest-bearing liabilities.

Gearing Ratio

Gearing ratio equals to ratio of interest-bearing debt divided by total equity as of 30 June 2020. The Group's gearing ratio increased from 53.2% as of 30 June 2019 to 69.8% as of 30 June 2020, mainly due to the increase in scale of interest-bearing debt.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this announcement, the Group did not have other plans for material investments and capital assets.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

Save as disclosed in this announcement, there were no other significant investments held by the Group, no material acquisitions or disposals of subsidiaries, associates or joint ventures during the six months ended 30 June 2020, nor was there any plan authorized by the Board for other material investments or additions of capital assets during the six months ended 30 June 2020.

FOREIGN EXCHANGE RISK MANAGEMENT

The functional currency of the Group is RMB. The majority of the Group's revenue and expenditures are denominated in RMB. As at 30 June 2020, certain bank loan and bank balances were denominated in USD and HKD. The Group currently does not have foreign currency hedging policies. The management will continue to monitor the Group's foreign exchange risk exposure and consider adopting prudent measures as appropriate.

PLEDGE OF ASSETS

The pledged assets of the Group as at 30 June 2020 are as follows:

- (i) the Group's buildings, furniture and fixtures and electronic devices with an aggregate net carrying amount of approximately RMB186,032,000 as at 30 June 2020 (31 December 2019: RMB250,178,000);
- (ii) all shares of Yunnan Daai Fangzhou Information Consultancy Co., Ltd., Beijing Aiyinsheng Education Investment Co., Ltd., Huihuang Company, Aspire Education Holding Co., Ltd. and Aspire Education Information Co., Ltd.;
- (iii) 73.91% equity interest in Harbin Xuande Technology Co., Ltd.;
- (iv) personal guarantees executed by Mr. Li Xiaoxuan ("Mr. Li"), a director of the Company, Ms. Yang Xuqing (spouse of Mr. Li);
- (v) corporate guarantees executed by subsidiaries of the Group, which are controlled by Mr. Li;
- (vi) deposits of the Group with an amount of RMB271,960,000 as at 30 June 2020 (31 December 2019: RMB343,000,000);
- (vii) the charging right of Guizhou Vocational College of Industry & Commerce for tuition and boarding fees;
- (viii) the charging right of the Middle School Affiliated to Talent International College Guangxi for tuition and boarding fees; and
- (ix) the charging right of Yunnan School for tuition and boarding fees.

HUMAN RESOURCES

As of 30 June 2020, the Group had 7,450 employees (7,147 as of 31 December 2019). As required by the PRC laws and regulations, the Group participates in various employee social security plans for our employees that are administered by local governments, including housing, pension, medical insurance, maternity insurance and unemployment insurance. The Group maintains a good working relationship with employees, and the Group has not experienced any material labor disputes during the six months ended 30 June 2020.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the date of this announcement, the Group had not entered into any off-balance sheet transactions.

PAYMENT OF INTERIM DIVIDEND

The Board has resolved to recommend the payment of a interim dividend of RMB0.042 per Share for the six months ended 30 June 2020. The interim dividend will be declared in Renminbi and paid in Hong Kong dollars. The exchange rate adopted for conversion was the average middle exchange rate published by the People's Bank of China of the five business days prior to the declaration of the interim dividend (i.e. 20 August 2020 to 26 August 2020) (HK\$1.0 to RMB0.892454). Accordingly, the amount of the interim dividend payable in Hong Kong dollars will be HK\$0.0471 per Share. The interim dividend will be paid on or about Monday, 12 October 2020 to the Shareholders whose names appear on the register of members of the Company on or about Thursday, 17 September 2020.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed by the Group from Tuesday, 15 September 2020 to Thursday, 17 September 2020, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to be qualified for the interim dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Hong Kong Share Register, 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 Monday, 14 September 2020.

BUSINESS REVIEW

Positioning

1. *Collectivized School Operation Practitioner*

Established in 2005 and relocating its headquarters to Beijing in 2012, the Group has now formed a replicable collectivized school operation model that empowers the growth value of the Group and its Group members.

2. *Propeller of Application-oriented Universities*

The Group is the initiator and Vice Chairman Unit of the Association of Universities (Colleges) of Applied Science of the MOE.

3. *Leader of High-quality Employment*

The schools of the Group have won the title of the Top 50 National Employment of the MOE (教育部全國就業工作50強), with average employment rate remaining at above 97%. Its high-quality employment has been recognized by students and the society.

4. *Pioneer of Cross-regional Layout*

Since entering different provinces to operate schools in 2009, the Group has built up its business in seven provinces in China, including Yunnan, Guizhou, Hubei, Heilongjiang, Henan, Guangxi and Gansu.

5. *Forerunner of Organic Growth*

The total student enrollment and tuitions fees of the seven schools which were self-founded and invested by the Group continued to increase.

Group Strength

As a leading private higher education group in China, it is the mission of the Group to “Help Students Become The Best They Can Be”. The Group has years of experience in private education and has 5 successful acquisition cases. For 2019/2020 academic year, the total student enrollment in the 7 self-founded and invested schools exceeds 118,700. The Group has over 300 undergraduate and junior college majors, providing more than 3,200 online and offline quality courses. As the leader of high-quality employment, there are more than 1,000 on-campus and off-campus experimental training bases and over 10,000 cooperations who are high quality employment partners with the schools.

HIGHLIGHTS IN THE FIRST HALF OF THE YEAR AND IN RECENT PERIOD

- ***The total student enrollment for 2019/20 academic year increased by 27.0% year-on-year***

The student enrollment for the 2019/20 academic year was more than 113,500, and together with nearly 5,300 expanded enrollment, the total student enrollment for 2019/20 academic year is more than 118,700.

- ***Recovery of Prepayments in Xinjiang Potential Acquisition***

The Group accelerated the recovery of prepayments of RMB137 million where the provision was reversed to increase profits, and risks and uncertainties was completely eliminated.

- ***Further Acquisition of Minority Interests in Henan School and Guangxi Schools***

The significant collectivized management advantage has improved post-investment operations and financial performance. The reasonable valuation of the further acquisition has brought a lower PE ratio than that of the first acquisition.

- ***Acquisition of Interests in a Training Institution (Yunnan Vocational School)***

The Group expanded the scale of training income, realized income diversification, improved students' professional skills, and supported high-quality development strategies. The valuation of the Yunnan Vocational School is affordable, with a PE ratio of 6.4 times.

- ***Implementation of Changes to the Financial Year***

Changes to the financial year were made so that financial performance of the Group matches the teaching business cycle.

- ***Successful Undertaking of Teaching Arrangements by Online Platform***

During the outbreak period, the Group arranged online teaching according to the original teaching plan and the original class schedule, and fully completed the teaching work for the spring semester, realizing the principle of "Delay backing to school, no delay in teaching and learning". The online teaching platform provides extensive teaching modes, optimizes teaching costs, and improves the efficiency of running schools.

- ***Active Anti-epidemic Measures***

The Group has donated an amount of RMB1.4 million from fund raising for COVID-19 prevention, kept abreast of the health of teachers and students in real time during the outbreak period, and accumulated more than 7.5 million pieces of health information. The anti-epidemic deeds of teachers and outstanding graduates have been recognized by the industry and widely reported by the media. Schools have strengthened campus protection, and students started to return to school in May 2020.

Development Strategy

The Group maintains an “Organic Growth + Value Investment” two-wheel driven growth strategy to build internal and external growth engines, and continues to drive high-speed growth. The emphasis will be put on organic growth, supplemented by external investment extension.

Organic Growth

The Group promotes organic growth by implementing the “Quality, Grow and Light” strategy of “Quality improvement, revenue growth and light assets”.

“Quality improvement” represents that the Group will continue to improve the quality in teaching, employment, management and services.

The Group diversifies revenue to achieve the sustainable performance growth of “revenue growth”.

1. Increase revenue in principal businesses: to raise the revenue from tuition fees and boarding fees by focusing on raising tuition fees of outstanding majors and boarding fees.
2. Increase revenue in non-principal businesses: to expand value-added services to students or specified groups and give priority to exploit potential resources in campuses to expand revenue from logistics commerce, training, and integration of industry and teaching.

The Group is also carrying out “Light assets” mode aiming for scientific classification of asset inventories, perfect management of demand, use, input and income of each type of assets through exploring innovative business models, reducing required investment and improving return on assets.

Value Investment

As a practitioner in cross-region operation, the Group commenced running schools in various provinces in 2009 and the network of school has covered seven provinces with years of experience in self-operation and acquisitions of schools.

Precision

- Find premium schools located in areas with low gross enrollment rate, scarce educational resources but huge growth potential in the future
- Focus on higher education

Stability

- Improve post-investment management capabilities
- Strengthen financial foundation
- Planned self-establishment or acquisition of universities

Collectivization Operation

- Resource sharing in the Group
- Collaborative innovation in multiple fields
- Supported by digitalized platform

ACHIEVEMENTS OF ORGANIC GROWTH IN THE FIRST HALF OF THE YEAR AND IN RECENT PERIOD

With “Six Excellences” as the overall strategic goals, the Group implements “Six Excellences”, including excellent teaching quality, excellent students’ experience, excellent social reputation, excellent schooling benefit, excellent technological support and excellent management, and adheres to the strategic direction of “Quality, Grow and Light”. In the first half of 2020, the Group has made many achievements in improving the quality of teaching and employment, expanding income, and acquiring external resources.

In terms of quality improvement, in the first half year, the Group has taken the following measures to improve the quality of running schools: improving the quality of online education, actively expanding and enhancing international cooperation, maintaining a high level of employment, and further improving the level of digitalization.

In terms of income expansion, the Group has grasped the opportunities from the government subsidized training policy to expand its income from government subsidized trainings. In the first half of this year, the Group acquired a diversified lifelong vocational education and training institution, namely, the Yunnan Vocational School providing accounting training, IT training, adult commissioned training and other training services.

In terms of light assets, the Group actively allocated its assets for investment in society and coconstruction of shared training center.

Improvement of Quality

Improvement of Online Education

After the outbreak of the COVID-19, by leveraging on the online education and learning platform, the Group enabled all schools to commence online teaching as scheduled. The courses cover all majors and general knowledge courses of the schools of the Group, fully meeting the normal teaching needs affected by the COVID-19.

In addition, the colleges and universities of the Group coordinated lesson preparation across schools, and shared selected professional courses among schools to demonstrate its collectivized advantages.

In the future, the Group will continue combine big data analysis to evaluate and compare the teaching results of different schools and other intelligent means.

Enhancement of International Cooperation

The Group has signed cooperation agreements with overseas schools or institutions in countries such as the United States, United Kingdom, Germany, Canada and Switzerland. Through teacher-student visits, course sharing, professional co-setting and joint running of schools, the Group has broadened the channels for its teachers and students in terms of overseas exchange and international talents training. In addition, the Group has 533 international students from 37 countries studying and exchanging at the schools.

Recently, the Group signed a cooperation agreement with Swiss Education Group (SEG), the largest hotel management education alliance in Switzerland with the highest employment rate in the world, to commence in-depth cooperation, jointly develop and promote various types of curriculum setting and vocational training, and deepen the visits and professional exchanges between teachers and students.

Maintaining of a High Level of Employment

Recently, the average employment rate of various schools of the Group exceeded that of similar schools in the same province, of which, the average employment rate of Gansu College far exceeded that of Gansu Province, reaching 84.2%, which was praised by the Department of Education of Gansu Province. The employment of Guangxi Schools has been highly recognized by the education authorities and has been reported to the Ministry of Education as a typical case of college employment in the province, with an employment rate of 86.9%. Through the “Qiduo.net” employment platform, the Group has provided online training, guidance, recruitment and other employment services for students, as at 28 July 2020, schools of the Group had held more than 220 online job fairs through the “Qiduo.net”, involving more than 5,670 companies. The Group maintained a high level of employment through the following core measures, and will continue to improve the quality of employment.

Corporation with Famous Enterprises

The Group has established an in-depth cooperation mechanism of “one major and one famous enterprise”, formed resource database with an aggregate of 893 companies for cooperation with the Group, and increased the internship rate of famous enterprises.

The Group put into effect the high-quality internship employment resources in the three economically developed regions of the Yangtze River Delta, the Pearl River Delta, and Beijing-Tianjin-Hebei, including: Huawei, Alibaba, JD, ByteDance, State Grid, PetroChina, Ping An, etc.

Star Employment

The star employment rate increased by 20% as compared with that for the same period of 2019 (graduates with an annual salary of RMB80,000 or more, taking postgraduate entrance examinations and entering a provincial key undergraduate university, municipal and above civil servants, and studying abroad).

Excellent Training

The Group plans to build a total of 15 high-paying employment excellence classes for freshmen to promote high-quality employment.

IMPROVEMENT OF DIGITALIZATION

- *Teaching digitalization*

In response to the COVID-19 and fully implement online and offline teaching reforms, the Group has cooperated with AliCloud, Zhiyuan (智園), and CC Video to meet the large-scale online teaching and learning needs of teachers and students.

- *Management digitalization*

By applying the products of a renowned management software provider, Yonyou to upgrade the ERP management system, the Group achieved comprehensive online budgetary control. The Group promoted the construction of a data decision system (BI), strengthened its data integration and management, enhanced its operational and decision-making capabilities, improved its operational efficiency, and leveraged the advantage arising from collectivized operation.

- *Service digitalization*

The Group uses micro-front end, big data, and cloud computing to independently develop a comprehensive digital service platform for teacher and student. It had provided teachers and students with comprehensive services including academic record, registration for examinations, payment of fees, evaluation of teaching, apartment maintenance and suggestions more than 20 million times. During the COVID-19, the health of teachers and students is monitored in real time, collecting over 7.5 million pieces of health information.

- *Security digitalization*

The Group cooperates with Hikvision to apply emerging technologies such as face recognition, big data, and behavior recognition to implement comprehensive safety management on campus personnel safety, fire safety, food safety, and intra-school traffic safety to achieve zero major safety accidents. Yunnan School and Gansu School are highly recognized by the government and the technology was approved to promote in schools across the two provinces.

Expansion of Revenue Source

Expansion of Revenue from Government Subsidized Training

The Group actively responds to the call of the government to provide vocational skills training services for the public. As of 30 June 2020, the Group has carried out public government-subsidized training for approximately 3,500 people. At present, the Group has been granted a training quota of 14,000 people, and it is expected that the number of trainees will increase significantly in the second half of the year.

- *Policy Support*

Government subsidized training has received policy supports such as the Implementation Plan for the National Vocational Education Reform and the Action Plan for Upgrading Vocational Skills (2019-2021). The Group continues to analyze on provincial policies, connects well with government departments such as education, human resources and social security, and actively provides vocational skills training services for the public, making contributions to the “Employment Support”.

- *Major Works*

Various schools have established special institutions, including continuing education colleges, vocational education colleges, to select and deploy professional talents, adjusting the structure of training programs, and vigorously promoting government subsidized training programs. The six schools of the Group have been approved as 1+X certificate pilot colleges by the education authority.

Acquisition of Yunnan Vocational School Project

Subsidized vocational skills training has received policy support. The Action Plan for Upgrading Vocational Skills (2019-2021) proposes to carry out various subsidized vocational skills training for more than 50 million people from 2019 to 2021, and the proportion of highly-skilled talents to skilled labor will reach over 30% by the end of 2021.

In order to expand the scale of training income in the first half of the year, the Group acquired the Yunnan Vocational School, which is a diversified lifelong vocational education and training institution integrating accounting training, IT training, adult commissioned training and other training services. The PE ratio of the acquisition was only 6.4 times. The acquisition was more cost-effective in the sector.

Through the channel resources of the Group's colleges and universities, the Yunnan Vocational School uses the existing classrooms, teaching equipment, campuses and online platforms of the Group's schools to open up a new channel while maintaining its existing training for students enrolled, so as to expand off-campus training, focus on light assets and increase income.

Light Asset Development

Asset Investment Socialization

By increasing the introduction of social resources, the Group has improved campus facilities and equipment, so as to provide students with quality services while increasing logistic income. For example, sharing bicycles/electric vehicles, broadband, convenience washing machines, vending machines, lending power banks, one-code payment/material procurement/online car-hailing/commercial library, etc. are applied on the campuses of the Group's schools.

Shared Training Center

The Group has cooperated with the Vocational Education Park Service Guarantee Center of Lanzhou New District (蘭州新區職教園區服務保障中心) to jointly build the public training center, public library, college students' innovation and entrepreneurship incubation base, college students' activity center, college students' health care center and other functional areas. Among which, the public training center is equipped with 5 fields covering modern manufacturing technology, modern control technology, modern service (logistics) technology, modern chemical safety and production technology, and modern information network technology, and Gansu Province Intelligent Manufacturing Platform (Northwest Center of Industry 4.0 Intelligent Factory Laboratory of Tongji University), and with a total of 42 laboratories, all covering mechanical and electrical, electrical and electronic, materials and chemical engineering, and information engineering, energy and power and logistics areas.

Rapid Growth of Student Enrollment

For the academic year of 2019/2020, school members under the Group had reached new record high in terms of the number of students enrolled, representing the strength and reputation of each school which is highly competitive in the local region.

In the 2019/20 academic year, the Group enrolled 5,264 students in higher vocational education for four categories of social personnel. The Group owns Yunnan School and Guizhou School, and acquired Northeast School, Henan School, Guangxi Schools and Central China School (the "Schools"), all of which had been consolidated into the accounts of the Group as at the end of 2019. The Group newly invested in Gansu College (For the purpose of this paragraph, together with the "Schools", the "All Schools"). (Since Gansu College completed the campus construction and relocation of students in September 2019, the student enrollment number was not included in the cardinal number of 2018/19 academic year).

The total number of enrolled students of All Schools increased to 118,771 in the 2019/2020 academic year, representing an increase of approximately 27% as compared to 93,548 in the 2018/2019 academic year.

The total number of enrolled students of the Schools increased to 110,533 in the 2019/2020 academic year, representing an increase of approximately 18% as compared to 93,548 in the 2018/2019 academic year.

Schools	Number of Enrolled Students	
	Academic Year^{Note (4)}	
	2019/2020	2018/2019
Yunnan School	30,658	27,755
Guizhou School	17,308	16,828
Northeast School	9,258	9,261
Henan School	27,008	21,167
Central China School ^{Note (1)}	10,764	8,584
Guangxi Schools ^{Note (2)}	10,273	9,953
Total	105,269	93,548
Gansu College ^{Note (3)}	8,238	8,218
Higher education enrollment expansion for four categories of social personnel	5,264	–
Total	118,771	101,766

Notes:

- (1) The Group has obtained all necessary approvals and completed the acquisition of the Central China School on 26 August 2019.
- (2) The Group has obtained all necessary approvals and completed the acquisition of the Guangxi Schools on 11 January 2019.
- (3) Gansu College completed the campus construction and relocation of students in September 2019. The acquisition of Gansu College is still pending approval for change of school sponsor of Gansu College by the MOE.
- (4) An academic year generally starts from September 1 of each calendar year to August 31 of the following year.

Continuous Growth of Student Quota

In the 2020/21 academic year, the student quota had increased rapidly, the Group records continuous increase in enrollment quota, and achieved an increase in the quota of undergraduate and junior colleges, of which the undergraduate quota (including top-up programme) increased by 18%, and the quota of top-up programme increased by more than 120%.

Achievements of Value Investment

According to the market environment and its own actual development, the Group has established a development strategy with “organic growth as the mainstay and value investment as the supplement”. In terms of investment, based on the internal first then external principle, the Group holds the strategy of first integrating existing schools, and subsequently supplementing by excellent external mergers and acquisitions. Recently, the Group further acquired minority interests in Henan School and Guangxi Schools.

Further Acquisition of Henan School

On 8 May 2020, Beijing Daai Gaoxue, a wholly owned subsidiary of Yun Ai Group, entered into a share transfer agreement, pursuant to which Beijing Daai Gaoxue agreed to further acquire 45% equity interest in Henan Rongyu (the school sponsor of Henan School) from Rongrui Shangyu Company and Rongyaojia Company. Beijing Daai Gaoxue will hold 100% equity interest in Henan Rongyu upon completion of the Acquisition.

Firstly, the Acquisition reflects the Company’s strategy to improve its penetration in regional markets with rapid growth: Henan Province is one of the most populous provinces in China and the largest source of students participating in the national higher education entrance examination. The gross higher education enrollment rate of Henan Province is slightly lower than that of the national average level, bringing higher potential for improvement. Also, the GDP growth rates of Henan Province were above the national average levels in recent years, bringing higher potential for future increase in tuition fee.

Secondly, the Acquisition is helpful to give full play to its strength in collectivized school operation and to achieve the Group’s high-quality development goals. Upon the first acquisition, the operation and management capability and profitability of Henan School have been significantly improved: a) the student enrollment of Henan School for the academic year of 2019/2020 increased significantly by approximately 9,000 to over 27,000 as compared to the academic year of 2017/2018 prior to the first acquisition of Henan School; the net profit in 2019 increased significantly as compared to that in 2017. Upon the completion of the Acquisition, it will give full play to the strength in collectivized school operation and the operational capability and profitability will be further improved.

Lastly, the valuation of the Acquisition is reasonable. The costs per student of the further acquisition is also lower than that of the first acquisition, and the PE ratio of the further acquisition of Henan School is lower than that of the first acquisition.

Please refer to the announcements of the Company dated 8 October 2018 and 8 May 2020 for details.

Further Acquisition of Guangxi Schools

On 29 July 2020, Daai Education further acquired 39% equity interest of Songming Xinju (the sole shareholder of the Guangxi School Sponsor) from Greenwoods Jia Xin Rui Xuan for a consideration of RMB152 million (the “Further Acquisition of Guangxi Schools”). Upon completion of the Further Acquisition of Guangxi Schools, Songming Xinju will become owned as to 90% by Daai Education and as to 10% by Mr. Li Jianchun.

Firstly, the Further Acquisition of Guangxi Schools is consistent with the Group’s strategy to persistently enhance its penetration in regional markets with high growth rate. Guangxi Zhuang Autonomous Region currently has relatively low gross student enrollment rate compared with that of other provinces in the PRC. The Beibu Gulf Economic Zone, in which the Guangxi Schools are located, is a strategic development zone in Guangxi Zhuang Autonomous Region under the “The Belt and Road” (“一帶一路”) initiative which possesses the regional advantage of covering the countries within the Association of Southeast Asian Nations and is the fastest growing region in Guangxi Zhuang Autonomous Region. Meanwhile, only a few universities are located in this region where the higher education services supply falls short of demand, bringing growth potential for the Guangxi Schools. Also, the GDP growth rates of Guangxi Province were above the national average levels in recent years, bringing higher potential for future increase in tuition fee.

Secondly, the Guangxi Schools provide higher vocational education in 37 disciplines. There are only two universities in Qinzhou whereas the Guangxi Schools are the only private university in the region and they cooperated with various renowned and quality corporations across the nation in respect of internship and employment for students.

Thirdly, the Further Acquisition of Guangxi Schools will enable the Group to give full play to its strength in collectivized school operation and to achieve the Group’s high-quality development goals. After the acquisition of 51% equity interest of Songming Xinju, the sole shareholder of the Guangxi School Sponsor which was completed on 11 January 2019 (the “First Acquisition of Guangxi Schools”), the operational capability and profitability of such schools have been significantly improved. Upon the completion of the Further Acquisition of Guangxi Schools, it will give full play to the strength in collectivized school operation and the operational efficiency will be further improved.

Lastly, the valuation of the Further Acquisition of Guangxi Schools is reasonable. Taking into account the expanding enrollment in vocational high schools, the costs per student of the Further Acquisition of Guangxi Schools is lower than that of the First Acquisition of Guangxi Schools, and the PE ratio of the Further Acquisition of Guangxi Schools is lower than that of the First Acquisition of Guangxi Schools.

Please refer to the announcements of the Company dated 14 September 2018, 26 August 2019 and 29 July 2020 for details.

Schools Status

Schools	Status	
Yunnan School	Self-founded	<ul style="list-style-type: none">• Founded in 2005 and provides undergraduate education and junior college education• The first private undergraduate school in Yunnan Province• Top 50 National Graduate Employment of the MOE (教育部全國畢業生就業工作50強)• Approved as applied talents training model institute in Yunnan Province in 2019• The first applied undergraduate university in Yunnan Founding University Edge Computing Network Engineering Research Center• The average annual salary of the 2019 Excellence Class graduates exceeds RMB75,000• Won the first award of the Yunnan Duty Appraisal of Employment Target for 10 consecutive years
Guizhou School	Self-founded	<ul style="list-style-type: none">• Founded in 2012 and provides junior college education• The largest full-time vocational college by enrollment in Guizhou Province• The only private college in Guiyang awarded the “Advanced Educational Institution in Guiyang” in 2019• The average annual salary of the 2019 Excellence Class graduates exceeds RMB80,000, far exceeding the average market level• Focus on providing three major streams i.e. big health, big data and big finance• Accounting major is on the list of key majors developed by Education Office of Guizhou province• The passing rate of nurse qualification examinations for four consecutive years is higher than the national average level of higher vocational education, and ranking the top in Guizhou

Schools	Status	
Northeast School	Investment (completed in December 2018)	<ul style="list-style-type: none"> • First built in 1992, then established as an independent institute and provides undergraduate education • The earliest private undergraduate university in Heilongjiang Province • The only national key construction base for the training of qualifications of higher- and middle-level professional teachers in private universities • Heilongjiang Top 100 Quality Institution • Automobile service engineering major was recommended to participate in the construction of national first-class majors • Strengthen cooperation with Geely, Midea, FAW and other well-known enterprises • Based on the construction of Talent Class for outstanding majors, more than 1,000 students have been trained. In 2019, there are 8 Talent Class for majors such as smart manufacturing engineering. The average annual salary of the graduates of the Talent Class in 2019 exceeds RMB80,000, and the employment rate is nearly 100%
Henan School	Investment (completed in October 2018)	<ul style="list-style-type: none"> • Established in 2013 and provides junior college and vocational education • Excellent private school in Henan Province • The National Top 10 E-commerce Educational Institutions • The first batch of pilot colleges to hold the National E-commerce Skills Examination • E-commerce major was selected as provincial brand major construction site • Automobile testing and maintenance major was rated as a national key major by the MOE • Expansion of campus: built a new campus of about 500 mu, increased investment in books and facilities, greatly improved hardware conditions, and met the need of school development

Schools	Status	
Guangxi Schools	Investment (completed in January 2019)	<ul style="list-style-type: none"> • Established in 2005 and provides junior college and vocational education • Located in the port city of Beibu Gulf Economic Zone • The only private college in the local • The most international college in the area • Signed cooperation agreements with 11 undergraduate colleges, such as Guilin University of Technology, Guilin University of Electronic Technology, Beibu Gulf University, and Guangxi Normal University for Nationalities, in relation to excellent graduates exempted from college entrance examination • Campus Improvement: made investment to improve campus environment, experimental training equipment, classrooms, dormitories and other hardware conditions, further improve the quality of education and teaching, and improve students' satisfaction • Teaching enhancement: integrated group education resources, optimized professional settings, innovated working mechanisms, strengthen cooperation with Guangxi undergraduate schools and provided undergraduate courses for college graduates
Central China School	Investment (completed in August 2019)	<ul style="list-style-type: none"> • Established in 2003 and provides undergraduate and junior college education in medicine, arts and other subject • National Advanced Independent College • Obtained the qualification to grant Bachelor of Medicine • In 2019, it was named the advanced collective of college admissions team in Hubei Province • Awarded “Excellent Project of National College Student Volunteer Service in Western China in 2019 (2019年全國大學生志願服務西部就業計劃優秀項目)” • Ranked first in the province in terms of job satisfaction • Government entrusted targeted training unit for medical students • Financial management and nursing science won provincial first-class professional construction site

Schools

Status

- Improving efficiency: tuition fees for medical, art (music, dance), and economic management majors have been significantly increased; comprehensive budget management has been implemented; asset utilization has been strengthened; the cost of running schools has been effectively controlled, and the efficiency of running schools has increased significantly per capita
- Expansion of campus: increased investment to expand the campus, and in experimental teaching equipment and continuous improvement of school conditions, the number of students increased rapidly to 12,000

Gansu College

Investment
(pending closing)

- Established in 2004 and provides undergraduate education
- Ranked No. 1 in employment rate of Gansu Independent College in 2019
- Recognized as Excellent Engineering Training Platform in Northwest of China
- The first batch of pilot universities for transformation and development of applied technology universities in Gansu Province
- Recognized as Advanced Unit of Employment in Ordinary Colleges and Universities in Gansu Province
- Ranked No. 1 in patents in independent colleges in the province
- The average employment salary in 2019 is 30% higher than that of college students in Gansu Province
- There are 1 provincial key laboratory, 2 provincial experimental teaching demonstration centers, 7 school-enterprise collaborative engineering technology research and development centers, and more than 30 professional laboratories
- Established off-campus training and employment bases with more than 200 companies, including Fortune 500 companies such as State Grid, CSCEC, China Railway Group, and Zhejiang Geely Group
- Reputable in the field of domestic truss robots, and graduates have established 2 national high-tech enterprises, and more than 100 graduates have been in many robot companies

Recent Favorable Policies for Industry

Expansion of Higher Vocational Enrollment quota by 2 million in these two years and expansion of enrollment quota for top-up programme

The Report on the Work of the Government in 2020 proposed an increasing number of 2 million enrollment of vocational colleges. The number of enrolled students of the Group has grown rapidly, with 5,264 students enrolled in the four categories of social personnel for the 2019/2020 academic year; enrollment quota has continued to grow, with enrollment quota of top-up programme of the Group increasing by more than 120% for the 2020/2021 academic year.

Promoting the Conversion of Independent Colleges into Private Undergraduate Colleges

The MOE issued the Implementation Plan on Promoting the Conversion of Independent Colleges (《關於加快推進獨立學院轉設工作的實施方案》) in May 2020, which proposed that by the end of 2020, all independent colleges should formulate work plans for the conversion. The policy accelerated the conversion of independent colleges into private undergraduate colleges, and the conversion of Gansu College and Central China School under the Group was carried out in an orderly manner.

Property can be mortgaged, and the financing space of for-profit private schools is expanded

In May 2020, the Civil Code of the People's Republic of China (《中華人民共和國民法典》) was passed. According to the law, for-profit legal persons including schools may use their property for mortgage. The Group expects to expand its financing space after business selection.

Government Subsidized Vocational Skills Training

The Action Plan for Upgrading Vocational Skills (2019-2021) (《職業技能提升行動方案(2019-2021年)》) proposed to carry out various subsidized vocational skills training with over 50 million attendances from 2019 to 2021, and high-skilled talents account for more than 30% of skilled workers by the end of 2021; the Report on the Work of the Government in 2020 proposed to carry out vocational skills training with over 35 million attendances in this year and next year, so that more workers will gain skills and get jobs. The Group vigorously promoted government subsidized training programs, and six colleges and universities have been approved by the education authority as 1+X certificate pilot colleges.

Prospects

The Company will continue to implement the two-wheels driven development strategy of “organic growth and value investment”. In terms of organic growth, the Group will further improve the quality of teaching, employment, management and services, as well as expand income in respect of tuition fee, logistics and commerce, integration of industry and education. To make asset base lighter, the Group will study demand more scientifically, use resources more efficiently, input more reasonably and generate income more efficiently. The Group will continue to give full play to the advantages of collectivized school operation and achieve collectivized resource sharing, collaborative innovation in various fields. In terms of Value Investment, the Group will adhere to the principle of “Precision, Stability and Collectivized Operation”, continue to focus on higher education, and identify premium targets in areas with low gross enrollment rates, huge amount of students, and great potential for future development. The Group will continue to leverage extensive management experiences of established flagship schools as its target to quickly unleash the potential of newly invested schools, so as to quickly improve operational efficiency and profitability.

The implementation of the “Two-wheel driven” business strategy

First of all, the Group prospectively acquired 5 universities at the purchase prices which were much lower than the average market level and completed the integration through collectivized management experience. Recently, the Group has successively completed the acquisitions of minority interests in Henan School and Guangxi Schools at the acquisition costs which were far lower than the market average cost level and the results of such acquisition were positive and remarkable, which accumulated abundant experiences for the Group in terms of merger and acquisition at various levels and across several locations. With the original organic growth of the Group, coupled with the rapid development of newly acquired schools, the financial strength of the Group is consolidated. Leveraging strong foundation for the Group’s external expansion based on the doubling of capital reserves, the Group will further promote the external potential mergers and acquisitions.

Investment Highlights

With its strong collectivized management capacities, currently, the Group has more than 118,700 students (including the number of expand enrollment), ranking third among the PRC higher education sector in the Hong Kong stock market, and the quota of top-up programme in the 2020/21 academic year will increase by more than 120%.

The Group proactively invested in 5 colleges and universities before and after the listing where first-mover advantage is obvious. In 2020, it adheres to the principle of steady development and implement two-wheels driven development strategy. It has successively further acquired minority interests in Henan School and Guangxi Schools, the acquisition cost is far lower than the current market price, accumulating extensive experience in mergers and acquisitions, restarting the valuation of external potential mergers and acquisitions projects.

The Group has a strong post-investment management ability. The quality of teaching and employment in the schools invested has improved significantly, and the net profit has increased significantly. The compound annual growth rate of the Group’s net profit in the past 3 years had reached 56.5%.

Currently, the Group’s average tuition fee is lower than the average market level, and the Group will continue to increase the investment in teaching, experimental training and scientific research, continuously enhance the quality of teaching, student employment and student experience. The Group still has a huge potential for improvement in revenue in principal businesses such as tuition and boarding fees in future.

Benefiting from the national “vocational skills improvement action”, the Group seized the opportunities to actively provide vocational skills training services to the society, and vigorously carry out government subsidized training projects to further realize the diversification of revenue.

Finally, the Group’s development strategy with “organic growth+ value investment” as the mainstay and investment as the supplement has been verified. The Group has leading organic growth rate in the industry and will accelerate the valuation of investment targets. The future performance will continue to improve with high quality.

The Group's Joint Efforts to Fight The Outbreak of COVID-19 and Measures in Response to the Pandemic

Due to the outbreak of COVID-19 in the early of 2020, the nation/regions carried out and continued to carry out a series of prevention and control measures. To ensure teachers' and students' safety and health, the Group organized online teaching and learning on the online education platform, which has always being applied by the Group, for teachers and students according to the principle of "delay backing to school, no delay in teaching and learning" for spring academic year, to realize the migration of teaching from offline to online and the integration of both. Some teachers and students have returned to their respective schools progressively in May, and made up lessons during the summer vacation.

Meanwhile, representatives of medical graduates went to the anti-epidemic front line in Wuhan, and five outstanding nursing graduates from the Guizhou School joined the Aid-Hubei medical team to go to the anti-epidemic front line in Wuhan. Teachers and students from several schools have taken the initiative to participate in COVID-19 prevention and control work, raised and donated medical and living supplies. The faculty and students of the Group also voluntarily donated to support the prevention and control work on COVID-19 epidemic. At present, we have received donations of about RMB1.40 million and a large amount of supplies. At the same time, the Group provided special scholarships and stipends for children of the front-line medical personnel in the fight against the COVID-19, and assisted those poverty-stricken students, which are well recognized by the society.

As of 30 June 2020, adjustments have been made according to the teaching plans of some schools under the Group, therefore tuition fees income amounting to approximately RMB63.9 million has been deferred to be recognized in July and August 2020. In addition, in accordance with the relevant guideline on refunding of boarding fees to the students due to the COVID-19 outbreak issued by local competent education authorities, the Group's schools has arranged the refund of boarding fees. At the same time, the Group has implemented rent concession for canteen and shop tenants affected by the COVID-19 pandemic. Save as disclosed above, there was no significant impact on the financial position of the Group since the outbreak of the COVID 19 pandemic up to the date of this announcement.

CORPORATE GOVERNANCE CODE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Shareholders. The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all Shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more value for its Shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for Shareholders.

During the six months ended 30 June 2020, the Company has complied with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has also adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors in March 2017.

Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code regarding directors’ securities transactions for the six months ended 30 June 2020.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2020.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) has reviewed and discussed with the management of the Company in relation to the accounting principles and practices adopted by the Company, the internal controls and financial report matters, and the Company’s policies and practices on corporate governance. The interim results for the six months ended 30 June 2020 has been reviewed by the Audit Committee. The Company’s external auditor, Ernst & Young, has carried out a review of the interim financial report for the six months ended 30 June 2020 in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. There is no disagreement by the Audit Committee with the accounting treatment adopted by the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (<http://www.xingaojiao.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 Shareholders of the Company and available on the same websites in due course.

APPOINTMENT OF EXECUTIVE DIRECTOR

The Board announces that Ms. Shen Chunmei (申春梅) (“**Ms. Shen**”) has been appointed as an executive Director of the Group with effect from 27 August 2020.

The biographical details of Ms. Shen are set out below:

Ms. Shen, aged 37, joined the Group as vice president in early 2020. She has over 10 years of professional experience in investor relation management, initial public offering, fundraising, merger and acquisition, strategic consulting and international financial media of companies listed in Hong Kong and the United States, as well as internationally renowned strategic consulting firm.

Prior to joining the Group, Ms. Shen was the director of corporate finance and investor relations of TCL Electronics Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 1070), taking up the overall responsibility of its capital market related matters. From 2016 to 2018, Ms. Shen was the head of strategic communications of Grab Holdings Inc., a multinational technology company offering ride-hailing transport services and payment solutions based in Singapore, during which she participated in and assisted with its series G financing of USD 2.5 billion which is the largest single financing transaction in the history of Southeast Asia at that time. From 2015 to 2016, Ms. Shen was the investor relation director of Xinyuan Real Estate Co., Ltd., a top 100 real estate company in China and listed on the New York Stock Exchange (stock code: XIN). From 2012 to 2015, Ms. Shen was a director at FTI Consulting, one of the largest financial consulting firms in the world and headquartered in the United States, leading projects relating to initial public offering and investor relations consulting of Chinese companies seeking a listing in Hong Kong and the United States. In 2014, she led the team to win the Sabre Awards (Global Campaign of the Year). From 2009 to 2012, Ms. Shen was the investor relation manager at Feihe International, Inc. (now known as China Feihe Limited, a company listed on the Hong Kong Stock Exchange (stock code: 6186)).

Ms. Shen received her bachelor's degree from University of Leeds in the United Kingdom in 2005. She also received her master's degree in business administration from University of Aberdeen in the United Kingdom in 2006.

Ms. Shen has entered into a service contract with the Company on 27 August 2020 for a term of three years, automatically renewable, subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company. Under the service contract, the director service fees payable to Ms. Shen is HK\$240,000 per year, which is determined by reference to, among other things, her duties and responsibilities with the Company.

Save as disclosed herein, Ms. Shen held no other directorships in any listed public companies in the last three years and Ms. Shen has not held any other positions with the Company and its subsidiaries. Ms. Shen does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company. As at the date of this announcement, pursuant to Part XV of the SFO, Ms. Shen is deemed to be interested in 350,000 Shares which may be issued to her upon exercise of the 350,000 share options granted to her on 23 July 2020. Save as disclosed, there is no other information relating to Ms. Shen that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules, and there is no other matter which needs to be brought to the attention of the Shareholders.

EDUCATION POLICY TREND

In the first half of 2019, the PRC government promulgated the “National Vocational Education Reform Implementation Plan” (《國家職業教育改革實施方案》), which places vocational education on the equal position as general education on the top-level design. It also clarifies the direction of social diversified school establishment, and once again strengthens the policy of encouraging private education. The plan has opened up more development potential for private vocational education, especially for those higher education groups (such as the Group) which have both undergraduate colleges focusing on applied sciences as well as vocational colleges. The plan not only demonstrates the correctness of the strategic choice of applied education, it also provides guidance for future development of school establishment.

The promulgation of a series of policies and documents such as “China Education Modernization 2035” (《中國教育現代化2035》) and “Accelerating the Implementation Plan of Education Modernization (2018-2022)” (《加快推進教育現代化實施方案(2018-2022年)》) shows that private higher vocational education has become an important part of the national education strategy. Relying on the encouragement, guidance and standardized supervision of the PRC government, more development opportunities will emerge in the private education sector. In addition, it is mentioned in the 2019 government work report that it will further reform and improve the examination and enrollment methods for higher vocational colleges and expand enrolment by recruiting additional one million students in 2019, which reflected the determination of the State to promote the development of vocational education. All higher vocational colleges will directly benefit therefrom, in particular schools with brand and competitive advantages will have greater development opportunities. In the 2020 government work report, it is mentioned that the funding support is provided for stabilizing employment by skill trainings. This year and next year, more than 35 million vocational skills training will be provided, and higher vocational colleges will further enroll 2 million students. This will enable more labour to develop their skills and better employment opportunities.

In July 2019, the MOE announced an increase in the quota of national scholarships for higher vocational colleges and the expansion of national scholarships coverage to facilitate a more healthy development of the higher education industry in the PRC. The Group will continue to shoulder its social responsibility to relieve poverty through education.

In December 2019, the MOE released the Draft Amendment on the Vocational Education Law of the People’s Republic of China (Draft for Comments) to solicit public opinion. Such draft clarifies the equal status between vocational education and general education, defines a clear development direction for the vocational education in various aspects namely, the mechanism of running a school, management system, systematic framework, system support, teacher and education system, quality evaluation mechanism, autonomy to run a school and investment mechanism of operating funds, specifically demonstrates the Implementation Plan for the National Vocational Education Reform from the perspective of legislation, and will provide a strong guarantee for the State to accelerate the vocational education reform.

In July 2020, the MOE, the National Development and Reform Commission, the Ministry of Finance, the Ministry of Human Resources and Social Security, the Ministry of Agriculture and Rural Affairs, and the Ministry of Veterans Affairs jointly announced the Notice of General Office of the Ministry of Education and Other Six Departments on the Special Work for the Expansion of Higher Vocational Education in 2020 (《教育部辦公廳等六部門關於做好2020年高職擴招專項工作的通知》), which requires all regions to comprehensively consider factors such as the source of students, school establishment conditions, economic support, etc., to reasonably determine the enrollment plan by schools, and guide the schools to make arrangements for enrollment plans by majors in accordance with the principles of providing more support on high-quality higher vocational colleges, majors that are urgently needed for regional economic development and social and people's livelihood-related sectors, and with high employment rates, and to the poverty-stricken regions, especially those which are under bad conditions.

Recent developments of regulatory framework

(I) Classified Registration

According to the Several Opinions of the State Council on Encouraging Social Power to Set up Education to Promote the Healthy Development of Private Education (29 December 2016), a classification registration and management system shall be applicable to private schools, and private school sponsors can choose to run non-profit or for-profit private schools. The revised Laws for Promoting Private Education of the PRC (implemented on 1 September 2017) also promulgated the same provisions.

According to the Implemental Rules on Private School Registration (30 December 2016), if an existing private school chooses to register as a non-profit private school, it should modify its article of association, continue to run the school and complete new registration procedures in accordance with relevant laws. If it chooses to register as a for-profit private school, it should conduct financial settlement, clarify the ownership of school land, school premises, school accumulation, and pay related taxes and fees, obtain a new permit in running a school, re-register and continue the operations for education.

In order to further implement the above requirements, government and relevant competent departments in region where the Group runs schools have successively issued supporting measures, including (1) Notice of the Five Departments including Education Department of Yunnan Province on Steady and Orderly Promotion of Classified Registration and Management of Private Schools (12 June 2019); (2) Implementation Opinions issued by the People's Government of Guizhou Province on Supporting and Regulating Social Forces to Set up Education to Promote the Healthy Development of Private Education (3 August 2018), Measures for the Implementation of Classified Examination and Approval of Registration and Supervision and Management of Private Schools in Guizhou Province (Trial) (11 June 2019); (3) Implementation Opinions issued by Heilongjiang Province on Encouraging Social Powers to Set up Education to Promote the Healthy Development of Private Education, Measures for the Implementation of Classified Registration of Private Schools in Heilongjiang Province, and Measures for the Supervision and Administration of for-profit Private Schools in Heilongjiang Province (26 February 2019); (4) Implementation Opinions of the People's Government of Gansu Province on Further Promoting the Healthy Development of Private Education (8 November 2017), Measures for the Implementation of Classified Registration of Private Schools in Gansu Province (15 November 2018); (5) Implementation Opinions issued by the People's Government of Guangxi Zhuang Autonomous Region on Encouraging Social Powers to Set up Education to Promote the Healthy Development of Private Education (2 July 2018), Measures for the Implementation of Classified Registration of Private Schools in Guangxi Zhuang Autonomous Region (10 October 2018), Measures for the Implementation of Supervision and Administration of for-profit Private Schools in Guangxi Zhuang Autonomous Region (16 October 2018); (6) Implementation Opinions issued by the People's Government of Hubei Province on Encouraging Social Powers to Set up Education to Promote the Healthy Development of Private Education (20 December 2017); (7) Implementation Opinions issued by the People's Government of Henan Province on Encouraging Social Powers to Set up Education to Promote the Healthy Development of Private Education (2 February 2018).

The above local regulations provide a framework procedure for the classification and registration of existing private schools in relevant provinces as for-profit private schools or non-profit private schools, but do not further specify the process of classification and registration, for example, (1) the specific procedures for a school to be registered as a for-profit or non-profit school, and (2) the various preferential taxes and land use policies that can be enjoyed by for-profit and non-profit schools. As of the date of this announcement, the Company has not commenced the process of classification and registration for schools under the Group. Since there are certain uncertainties in the interpretation and application of the above requirements, the uncertainties are in respect of when the private schools under the Group can complete the classified registration, whether the relevant taxes and fees will need to be paid in accordance with local supporting rules in the process of classified registration in the future, and what supporting policies provided by government regarding tax and land use they will enjoy.

(II) The MOJ Draft for Comments

On 10 August 2018, the Ministry of Justice issued the Regulations for the Implementation of the Law on the Promotion of Private Education of the People's Republic of China (Revised Draft) (the Draft for Examination and Approval) (《中華人民共和國民辦教育促進法實施條例(修訂草案)(送審稿)》) (the “MOJ Draft for Comments”), to solicit public opinions.

If the MOJ Draft for Comments is approved in the current manner and takes effect, and if our mode of running a school is identified as centralized school management mode and our Structured Contracts is identified as “contractual agreements” according to Article 12 of the MOJ Draft for Comments, we may need to register the subordinate private colleges and universities as for-profit private schools. In addition, as we can no longer acquire or control non-profit private schools by means of franchising or contractual agreements, our acquisition scope may be limited, this provision may have an impact on our expansion strategy. In addition, our Structured Contracts may be treated as connected transactions.

However, there are still uncertainties as to whether the MOJ Draft for Comments will be adopted in its current form and how it will be interpreted and implemented. We cannot predict with confidence the impact of the laws or regulations related to the implementation of the Private Education Promotion Law of the PRC on our business, financial condition and results of operations (if any) in the future at this stage.

As confirmed by our PRC Legal Advisors, the Company hereby informs the Shareholders and investors that the MOJ Draft for Comments is still in the negotiation stage and has not been issued or implemented in China. The Company will continue to follow up the development of the MOJ Draft for Comments and relevant laws and regulations.

(III) Foreign Investment Law

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (“**Foreign Investment Law**”) approved by the National People's Congress on 15 March 2019 has been implemented since 1 January 2020, and has become the basic law for foreign investment in China. According to this law, existing foreign-invested enterprises may maintain their existing organization structure within five years from the effective date of the Foreign Investment Law. On 26 December 2019, the State Council issued the Implementation Regulations of the Foreign Investment Law of the PRC (“**Implementation Regulations**”), which also came into effect on 1 January 2020, aiming to implement the legislative principles and purposes of the Foreign Investment Law.

The Foreign Investment Law clearly specifies three forms of foreign investment, but neither the Foreign Investment Law nor the Implementing Regulations explicitly stipulate contractual agreements as a form of foreign investment. As confirmed by our PRC legal advisors, as the Foreign Investment Law and Implementation Regulations do not define contractual agreements as a form of foreign investment, if future laws, administrative regulations, and regulations of the State Council do not include contractual agreements as a form of foreign investment, the Structured Contracts as a whole and the agreements constituting the Structured Contracts will not be affected, and will continue to be legally valid, effective and binding on the parties. However, if future laws, administrative regulations, and regulations of the State Council stipulate contractual agreements as one of the ways of foreign investment, the Group may need to take relevant measures in accordance with the requirements of the laws, regulations and regulations of the State Council at that time. There will be uncertainty as to whether we can complete these measures in a timely manner or at all. Failure to take appropriate measures in a timely manner to address any of the compliance requirements in the above provisions may have a significant effect on our current group structure, corporate governance and business operations.

As of the date of this announcement, the Company's operations have not been affected by the Foreign Investment Law.

The Board will continue to monitor any updates regarding the foreign investment and seek guidance from our PRC Legal Advisors to ensure that the Company meets all relevant laws and regulations in China.

(IV) Independent Colleges Conversions

In May 2020, the Ministry of Education issued the "Implementation Plan on Accelerating Promotion of the Independent Colleges Conversions" (《關於加快推進獨立學院轉設工作的實施方案》), which requires making the independent colleges conversions as the top priority of the establishment of universities, and actively creating conditions to promote the completion of conversions. By the end of 2020, all independent colleges shall formulate the conversions work plans, and at the same time promote certain independent colleges to complete their conversions. For the independent colleges conversions, it shall perform financial settlement procedures, amend and perfect the articles of association in accordance with the relevant provisions of the Private Education Promotion Law, and then submit an application to the provincial education administrative department upon the approval of the independent college's board of directors (board of management), and after reviewed by experts in the province, publicity and other procedures, it will be reported by the provincial people's government to the Ministry of Education for approval.

As of the date of this announcement, the conversion of Gansu College and Central China School of the Group is in smooth progress.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2020

		2020	2019
		(Unaudited)	(Unaudited)
	<i>Notes</i>	RMB'000	RMB'000
REVENUE	4	641,166	501,023
Cost of sales		(303,384)	(232,391)
Gross profit		337,782	268,632
Other income and gains	4	53,061	63,945
Selling and distribution expenses		(6,798)	(5,545)
Administrative expenses		(25,552)	(30,084)
Other expenses		(7,138)	(16,229)
Finance costs	5	(54,997)	(42,119)
PROFIT BEFORE TAX	6	296,358	238,600
Income tax expense	7	(30,646)	(12,934)
PROFIT FOR THE PERIOD		265,712	225,666
Attributable to:			
Owners of the parent		238,685	201,016
Non-controlling interests		27,027	24,650
		265,712	225,666
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (<i>RMB</i>)			
– For profit for the period	9	0.15	0.14
Diluted (<i>RMB</i>)			
– For profit for the period	9	0.15	0.14

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2020

	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	<u>265,712</u>	<u>225,666</u>
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	<u>(7,274)</u>	<u>(775)</u>
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	<u>(7,274)</u>	<u>(775)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(7,274)</u>	<u>(775)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>258,438</u>	<u>224,891</u>
Attributable to:		
Owners of the parent	<u>231,411</u>	200,241
Non-controlling interests	<u>27,027</u>	24,650
	<u>258,438</u>	<u>224,891</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 JUNE 2020

		30 June 2020 (Unaudited) <i>RMB'000</i>	31 December 2019 (Audited) <i>RMB'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	<i>10</i>	3,104,885	3,089,932
Investment properties		208,994	210,292
Right-of-use assets		469,693	477,036
Goodwill		241,732	225,379
Other intangible assets		20,755	21,223
Other non-current assets	<i>11</i>	721,773	825,766
		<hr/>	<hr/>
Total non-current assets		4,767,832	4,849,628
CURRENT ASSETS			
Prepayments, other receivables and other assets	<i>12</i>	140,619	104,004
Pledged deposits		271,960	380,832
Time deposits		47,500	107,500
Cash and cash equivalents		673,981	559,007
Other current assets		267	394
		<hr/>	<hr/>
Total current assets		1,134,327	1,151,737
CURRENT LIABILITIES			
Deferred revenue	<i>13</i>	103,102	725,363
Other payables and accruals	<i>14</i>	906,334	645,379
Interest-bearing bank and other borrowings	<i>15</i>	824,041	698,877
Deferred income		9,490	10,622
Tax payable		33,016	44,259
		<hr/>	<hr/>
Total current liabilities		1,875,983	2,124,500
NET CURRENT LIABILITIES		<hr/> (741,656)	<hr/> (972,763)
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 4,026,176	<hr/> 3,876,865

		30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
	<i>Note</i>		
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	<i>15</i>	1,113,980	787,952
Deferred income		32,626	35,698
Deferred tax liabilities		102,762	101,559
		<hr/>	<hr/>
Total non-current liabilities		1,249,368	925,209
		<hr/>	<hr/>
Net assets		2,776,808	2,951,656
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital		1,056	1,056
Reserves		2,481,585	2,484,475
		<hr/>	<hr/>
		2,482,641	2,485,531
		<hr/>	<hr/>
Non-controlling interests		294,167	466,125
		<hr/>	<hr/>
Total equity		2,776,808	2,951,656
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 JUNE 2020

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability under the Companies Law of the Cayman Islands on 8 July 2016. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 19 April 2017.

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 rendering private education services in the People’s Republic of China (the “PRC”).

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with HKAS 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 2019.

The Group recorded net current liabilities of RMB741,656,000 as at 30 June 2020 (31 December 2019: RMB972,763,000), included in which were deferred revenue of RMB103,102,000 as at 30 June 2020 (31 December 2019: RMB725,363,000).

In view of the net current liabilities position, 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. Having considered the cash inflow from operations and its available resource of finance, the Directors are of the opinion that the Group is able to meet in full its financial obligations as they fall due for the foreseeable future and it is appropriate to prepare the interim condensed consolidated financial statements 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 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKFRS 16	<i>COVID-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

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

- (a) Amendments to HKFRS 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 HKFRS 9, HKAS 39 and HKFRS 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 as the Group does not have any interest rate hedge relationships.
- (c) Amendment to HKFRS 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. During the period ended 30 June 2020, no payment for the leases of the Group's office buildings has been reduced or waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases.
- (d) Amendments to HKAS 1 and HKAS 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 is principally engaged in the provision of education services in the PRC.

HKFRS 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 purpose of 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 further information about the operating segment is presented.

Geographical information

During the 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 geographical information is presented.

Information about major customers

No revenue from sales to a single customer contributed to 10% or more of the total revenue of the Group during the period.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Tuition fees	605,832	454,846
Boarding fees	35,334	46,177
	<hr/>	<hr/>
	641,166	501,023
	<hr/> <hr/>	<hr/> <hr/>

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Type of services		
Education services	<u>641,166</u>	<u>501,023</u>
Geographical markets		
Mainland China	<u>641,166</u>	<u>501,023</u>
Timing of revenue recognition		
Services transferred over time	<u>641,166</u>	<u>501,023</u>
	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Other income and gains		
Service income	2,083	35,654
Rental income	16,140	12,431
Government grants	5,204	7,015
Catering income	–	4,535
Reversal of impairment allowance (<i>Note(i)</i>)	19,774	–
Others	<u>9,860</u>	<u>4,310</u>
	<u>53,061</u>	<u>63,945</u>

Note (i): As announced by the Company during the period ended 30 June 2020, the Group has terminated its proposed acquisition of Xinjiang Institute of Finance and Economics (“Xinjiang School”), and entered into a settlement agreement with the counterparties in April 2020, pursuant to which an amount of RMB136,792,000 was mutually agreed as final settlement sum and duly received by the Company during the period ended 30 June 2020. With the receipts of the settlement sum of RMB136,792,000, the Group recognized a write-off amount of RMB11,201,000 being the differential of the original prepayment amount of RMB147,993,000 and the final settlement sum of RMB136,792,000, and reversed the provision of impairment allowance as previously recognized at RMB30,975,000, that resulted in a net reversal of impairment allowance as other income of RMB19,774,000 during the period ended 30 June 2020.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
Interest on bank and other loans	54,694	52,071
Interest on lease liabilities	303	244
	<hr/>	<hr/>
Total interest expense on financial liabilities not at fair value through profit or loss	54,997	52,315
Less: Interest capitalized	–	10,196
	<hr/>	<hr/>
	54,997	42,119
	<hr/> <hr/>	<hr/> <hr/>

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	180,933	140,019
Equity-settled share option expense	324	2,772
Pension scheme contributions (defined contribution plan)	7,246	10,737
	<hr/>	<hr/>
	188,503	153,528
	<hr/>	<hr/>
Depreciation of property, plant and equipment	61,496	49,847
Depreciation of investment properties	2,601	2,669
Depreciation of right-of-use assets	9,289	5,074
Amortisation of other intangible assets *	3,366	3,514
Impairment allowance of prepayments, other receivables and other assets	–	354
Loss on disposal of items of property, plant and equipment	44	964
	<hr/> <hr/>	<hr/> <hr/>

* The amortisation of other intangible assets during the period is included in "Cost of sales" in the consolidated statement of profit or loss.

7. INCOME TAX

The Company was 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.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the period.

According to relevant provisions of Implementation Rules for the Law for Promoting Private Education (the “Implementation Rules”), private schools, whether requiring reasonable returns or not, may enjoy a preferential tax treatment. The Implementation Rules provide that the private schools for which the sponsors do not require reasonable returns/schools are elected as to be not-for-profit schools are eligible to enjoy the same preferential tax treatment as public schools, and relevant authorities under the State Council may introduce preferential tax treatments and related policies applicable to private schools requiring reasonable returns. To date, however, no separate policies, regulations or rules have been introduced by the authorities in this regard. In accordance with the historical tax returns filed to the relevant tax authorities and the confirmation obtained therefrom previously, Yunnan Technology and Business University (“Yunnan School”), Guizhou Technology and Business Institute, Harbin Huade University, Guangxi Yinghua International Occupation College, Guangxi Yinghua International Occupation Middle School, Guangxi Qinzhou Yinghua International Occupation and Technology School and Science and Technology College of Hubei Minzu University (the “PRC Private Schools”) have historically enjoyed the preferential tax treatment since their establishment. There was no corporate income tax imposed on the income from the provision of formal educational services of the schools of the Group. As a result, no income tax expense was recognised for the income from the provision of formal educational services by the PRC Private Schools during the period. The PRC Private Schools have not yet elected to be for-profit or not-for-profit schools. According to the relevant in-charge tax bureau, since the relevant tax policy for schools that have not yet elected to be for-profit or not-for-profit is not yet announced and if the school nature has not yet been changed, the schools could follow previous corporate income tax exemption treatment for income from provision of formal educational services.

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

According to the Circular on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies, certain qualifying subsidiaries of the Group that are located in Yunnan, Guizhou, Hubei Province and Tibet Autonomous Region engaged in encouraged business are entitled to a preferential corporate income tax rate of 15%. Other entities of the Group established in mainland China are subject to corporate income tax at a rate of 25% on their respective taxable income.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current – Mainland China		
Charge for the period	29,623	9,791
Deferred	1,023	3,143
	<hr/>	<hr/>
Total tax charge for the period	30,646	12,934
	<hr/> <hr/>	<hr/> <hr/>

8. DIVIDENDS

	For the six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interim dividend proposed subsequent to the reporting period		
– RMB0.042 (2019: RMB0.036) per ordinary share	<u>64,726</u>	<u>55,480</u>

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of RMB0.042 (six months ended 30 June 2019: RMB0.036) per share, amounting to RMB64,726,000 (six months ended 30 June 2019: RMB55,480,000) will be paid to the owners of the Company.

9. 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 RMB238,685,000 (2019: RMB201,016,000), and the weighted average number of ordinary shares of 1,541,100,000 (2019: 1,476,933,333) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2020 in respect of a dilution as the exercise prices of the Company's outstanding share options were higher than the average market prices for the Company's shares during the period.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired assets with a cost of RMB77,010,000 (unaudited) (six months ended 30 June 2019: RMB167,811,000 (unaudited)), excluding property, plant and equipment acquired through a business combination disclosed in note 16 to the interim condensed consolidated financial information.

Assets with a net book value of RMB642,000 (unaudited) were transferred to investment properties by the Group during the six months ended 30 June 2020 (six months ended 30 June 2019: RMB227,000 (unaudited)).

Assets with a net book value of RMB2,934,000 (unaudited) was disposed by the Group during the six months ended 30 June 2020 (six months ended 30 June 2019: RMB1,548,000 (unaudited)), resulting in a net loss on disposal of RMB44,000 (unaudited) (net loss for the six months ended 30 June 2019: RMB964,000 (unaudited)).

11. OTHER NON-CURRENT ASSETS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Prepayment for investments	555,085	696,006
Prepayment for land use rights	139,221	129,177
Prepayment for other intangible assets	673	647
Prepayment for property, plant and equipment	<u>26,794</u>	<u>30,911</u>
	721,773	856,741
Impairment allowance	<u>–</u>	<u>(30,975)</u>
	<u><u>721,773</u></u>	<u><u>825,766</u></u>

Prepayments mainly represent down payments for investments of a new school.

12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Prepaid expenses	5,842	8,779
Advance and other receivables	79,435	46,078
Staff advances	2,386	3,073
Deposits and other miscellaneous receivables	<u>52,956</u>	<u>46,074</u>
	<u><u>140,619</u></u>	<u><u>104,004</u></u>

The amounts are interest-free and are not secured with collateral.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

13. DEFERRED REVENUE

Details of contract liabilities are as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Tuition fees	85,786	646,353
Boarding fees	17,316	79,010
	<hr/>	<hr/>
Total contract liabilities	103,102	725,363
	<hr/> <hr/>	<hr/> <hr/>

Contract liabilities include short-term advances received from students in relation to the proportionate service not yet provided. The Group receives tuition and boarding fees from students in advance prior to the beginning of each academic year. Tuition and boarding fees are recognised proportionately over the relevant period of the applicable program. Students are entitled to refund of the payment in relation to the proportionate service not yet provided.

14. OTHER PAYABLES AND ACCRUALS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Payables for purchase of property, plant and equipment	89,844	127,143
Accrued bonus and social insurance	102,582	107,888
Miscellaneous expenses received from students (<i>Note (i)</i>)	104,738	125,895
Deposits	31,445	25,024
Payables to cooperative schools	11,082	28,384
Advance from lessee	27,672	44,768
Government subsidies payable to students and teachers	48,969	14,504
Consideration payable for acquisitions (<i>Note (ii)</i>)	289,800	80,000
Other payables	150,442	79,362
Accrued expenses	13,616	12,411
Boarding fees refundable to students	36,144	–
	<hr/>	<hr/>
	906,334	645,379
	<hr/> <hr/>	<hr/> <hr/>

The above balances are unsecured and non-interest-bearing. The carrying amount of other payables and accruals at the end of the period approximated to their fair value due to their short term maturity.

Note (i): The amount represents the miscellaneous expenses received from students which will be paid out on behalf of students.

Note (ii): The amount mainly includes consideration payable for the acquisition of non-controlling interests in Luoyang Science and Technology Vocational College amounted to RMB239,800,000 in accordance with the acquisition agreement.

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 30 June 2020			As at 31 December 2019		
	Effective interest rate (%)	Maturity	RMB'000 (Unaudited)	Effective interest rate (%)	Maturity	RMB'000 (Audited)
Current						
Lease liabilities	3.82-4.26	2020-2021	8,557	3.82-4.26	2020	7,411
Bank loans – secured	4.35-6.37, HIBOR+0.05	2020-2021	371,029	4.35-5.66, HIBOR+0.05	2020	354,256
Current portion of long term bank loans – secured	4.99-7.20, HIBOR+2.25	2020-2021	309,917	4.99-6.65, HIBOR+2.25	2020	203,178
Current portion of other loans – secured	7.28-14.38	2020-2021	138,948	7.28-14.38	2020	138,357
Transaction costs			(4,410)			(4,325)
			<u>824,041</u>			<u>698,877</u>
Non-current						
Lease liabilities	3.82-4.26	2021-2024	7,477	3.82-4.26	2021-2022	9,849
Bank loans – secured	4.99-6.65, HIBOR+2.25	2021-2024	997,403	4.99-6.65, HIBOR+2.25	2021-2024	620,027
Other loans – secured	7.28-14.38	2021-2030	116,527	7.28-14.38	2021-2030	167,432
Transaction costs			(7,427)			(9,356)
			<u>1,113,980</u>			<u>787,952</u>
Total			<u><u>1,938,021</u></u>			<u><u>1,486,829</u></u>
				30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)	
Analysed into:						
Bank loans repayable:						
Within one year or on demand				676,536	553,109	
In the second year				429,625	209,253	
In the third to fifth years, inclusive				560,351	401,418	
				<u>1,666,512</u>	<u>1,163,780</u>	
Other borrowings repayable:						
Within one year				147,505	145,768	
In the second year				76,201	95,879	
In the third to fifth years, inclusive				29,690	59,174	
Beyond five years				18,113	22,228	
				<u>271,509</u>	<u>323,049</u>	
				<u><u>1,938,021</u></u>	<u><u>1,486,829</u></u>	

All of the bank loans are jointly secured and pledged by:

- (i) the Group's buildings, furniture and fixtures and electronic devices with an aggregate net carrying amount of approximately RMB186,032,000 as at 30 June 2020 (31 December 2019: RMB250,178,000);
- (ii) all shares of Yunnan Daai Fangzhou Information Consultancy Co., Ltd., Beijing Aiyinsheng Education Investment Co., Ltd., Tibet Daai Huihuang Information and Technology Co., Ltd., Aspire Education Holding Co., Ltd. and Aspire Education Information Co., Ltd.;
- (iii) 73.91% equity interest of Harbin Xuande Technology Co., Ltd.;
- (iv) personal guarantees executed by Mr. Li Xiaoxuan ("Mr. Li"), a director of the Company, Ms. Yang Xuqing (spouse of Mr. Li);
- (v) corporate guarantees executed by subsidiaries of the Group, which are controlled by Mr. Li;
- (vi) deposits of the Group with an amount of RMB271,960,000 as at 30 June 2020 (31 December 2019: RMB343,000,000);
- (vii) Guizhou Technology and Business Institute's charging right of tuition and boarding fees;
- (viii) Guangxi Yinghua International Occupation Middle School's charging right of tuition and boarding fees; and
- (ix) Yunnan School's charging right of tuition and boarding fees.

16. BUSINESS COMBINATION

During the period ended 30 June 2020, the Group acquired the entire interests of Beijing Fangzhi Yuanlue Enterprise Management Co., Ltd. ("Beijing Fangzhi") in June 2020 from two independent third parties at a total consideration of RMB38,600,000. Beijing Fangzhi was the sole shareholder of Songming Zhonghe Enterprise Management Consulting Co., Ltd. ("Songming Zhonghe"), which is the school sponsor of Yunnan Einsun Science and Technology College ("Yunnan Vocational School") and Kunming Einsun Science & Technology Vocational College ("Kunming Einsun"). Apart from Yunnan Vocational School, there has been no business operation for Beijing Fangzhi, Songming Zhonghe and Kunming Einsun respectively. The acquisition was accounted for using the acquisition method. The purchase consideration was settled in the form of cash in June 2020.

The acquisition is part of the Group's business strategy to expand into the training business sector and Yunnan Vocational School is a vocational education and training institution, providing accounting, IT and other training services. For the purpose of acquisition of Yunnan Vocational School, the Group engaged an external independent appraiser to perform the valuation with the identification and determination of fair values to be assigned to the acquiree's assets and liabilities as at the acquisition date.

Yunnan Vocational School

The fair values of the identifiable assets and liabilities of Yunnan Vocational School as at the date of acquisition were as follows:

	Fair value recognised on acquisition <i>RMB'000</i> (Unaudited)
Property, plant and equipment	3,015
Right-of-use assets	2,582
Other intangible assets	1,202
Cash and bank balances	1,027
Trade receivables	21,404
Prepayments, other receivables and other assets	656
Deferred revenue	(340)
Other payables and accruals	(4,537)
Lease liabilities	(2,582)
Deferred tax liabilities	(180)
	<hr/>
Total identifiable net assets at fair value	22,247
	<hr/>
Goodwill on acquisition	16,353
	<hr/>
Satisfied by cash	<u>38,600</u>

The goodwill recognised is primarily attributed to the expected business synergies arising from the acquisition, which is not separately recognised. The goodwill recognised is not expected to be deductible for income tax purposes.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities.

In accordance with HKFRS 3 (Revised) Business Combinations, the amounts recorded for the acquisition are provisional and are subject to adjustments during the measurement period of not exceeding one year from the acquisition date if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

17. EVENTS AFTER THE REPORTING PERIOD

- (1) The Company announced on 23 July 2020 that 4,367,200 share options to subscribe for the ordinary shares of US\$0.0001 each in the share capital of the Company were granted, subject to acceptance of the grantees, under the share option scheme adopted by the Company on 20 March 2017. Each share option shall entitle the holder of the share option to subscribe for one share upon exercise of such share option at an exercise price of HK\$5.33 per share, and in accordance with the timetable commencing from the relevant vesting dates and ending five years after the grant date. Among these share options, 906,500 share options were granted to the Directors of the Company and their associates. Exercise of the share options is conditional upon the achievement of certain performance targets during the exercise period of the share options.
- (2) The Company announced on 29 July 2020 that the Board has resolved to change the financial year end date of the Company from 31 December to 31 August, in order to align the financial year end date of the Group with the academic year of the schools operated by the Group in the PRC, which ends in August each year. Accordingly, the next financial year end date of the Group will be 31 August 2020 and the next audited consolidated financial statements of the Group to be published will be in respect of the 8-month period from 1 January 2020 to 31 August 2020.
- (3) As previously reported on 11 January 2019, the Group completed its acquisition of 51% school sponsor's interest in Guangxi Yinghua International Occupation College, Guangxi Yinghua International Occupation Middle School and Guangxi Qinzhou Yinghua International Occupation and Technology School (collectively referred to as "Guangxi Schools"). Subsequent to the reporting date, the Group announced on 29 July 2020 to further acquire 39% equity interests of the school sponsor of Guangxi Schools at a consideration of RMB152,000,000, and the further acquisition of Guangxi Schools is still subject to the regulatory approvals from the relevant authorities in the PRC.
- (4) As previously reported that the outbreak of COVID-19 in January 2020 had certain impact on the education business of the Group, mainly due to domestic travel restrictions and various precautionary measurements undertaken by respective local authorities which inter alia, include temporarily closure of schools and delays in classroom commencement during the outbreak period. The Group has put in place certain alternative action plans during the outbreak period, which include implementation of on-line modules and website distance learning activities, postponement of extra lessons in summer vacation and refund of boarding fees.

In view of the implementation of the above mentioned action plans, the management has assessed and preliminarily concluded that there was limited impact on the financial position of the Group during the period from January 2020 and up to the date of the interim report. The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impacts on the operation and financial position of the Group, and in the event that there is any significant financial impacts, the Company will release further announcement as and when appropriate, and reflect it in the Group's 2020 annual financial statements.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Bei Ai Company”	Beijing Aiyinsheng Education Investment Co., Ltd.* (北京愛因生教育投資有限責任公司), a limited liability company established under the laws of the PRC on 16 October 2012, and wholly owned by Yun Ai Group. Bei Ai Company will act as the school sponsor of the Gansu College upon the official establishment of the Gansu College
“Beijing Daai Gaoxue”	Beijing Daai Gaoxue Education Technology Co., Ltd.* (北京大愛高學教育科技有限公司), a limited liability company established in the PRC on 23 March 2018. It is wholly owned by Yun Ai Group
“Board” or “Board of Directors”	the board of Directors of the Company
“Business Cooperation Agreement (2019)”	the business cooperation agreement to be entered into by and among Huihuang Company, the PRC Consolidated Affiliated Entities and the Registered Shareholders
“Business Day” or “business day”	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“Central China School”	Science and Technology College of Hubei Minzu University* (湖北民族大學科技學院), an institution of higher education established under the laws of the PRC in 2003. Central China School is a consolidated affiliated entity of the Company
“China” or “PRC”	the People’s Republic of China excluding for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan
“Company”	China New Higher Education Group Limited (中國新高教集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 8 July 2016
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules

“Daai Education”	Beijing Daai Shuren Education Consulting Company Limited* (北京大愛樹人教育諮詢有限公司), a limited liability company established in the PRC on 14 March 2018. It is wholly owned by Yun Ai Group
“Director(s)”	the directors of the Company
“Directors’ Powers of Attorney (2019)”	the school directors’ power of attorney to be executed by each of the directors of each PRC Operating School
“Enchang Company”	Enshi Autonomous Prefecture Changqing Education Development Co., Ltd.* (恩施自治州常青教育發展有限責任公司), a limited liability company established under the laws of the PRC on 13 November 2014. It is wholly owned by Yun Ai Group. Enchang Company is the school sponsor of Central China School
“Equity Pledge Agreement (2019)”	the equity pledge agreement entered into by and among the Registered Shareholders, Yun Ai Group and Huihuang Company
“Exclusive Call Option Agreement (2019)”	the exclusive call option agreement to be entered into by and among Huihuang Company, the PRC Consolidated Affiliated Entities and the Registered Shareholders
“Exclusive Technical Service and Management Consultancy Agreement (2019)”	the exclusive technical service and management consultancy agreement to be entered into by and among Huihuang Company and PRC Consolidated Affiliated Entities
“Gansu College”	College of Technology and Engineering* (蘭州理工大學技術工程學院), an independent institution of higher education established under the laws of the PRC in 2004
“Greenwoods Jia Xin Rui Xuan”	Jia Xin Rui Xuan Tou Zi He Huo Qi Ye (You Xian He Huo) (嘉興瑞軒投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC
“Group”, “we” or “us”	the Company, its subsidiaries, the PRC Operating Schools and the consolidated 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 the present subsidiaries, the entities which carried on the business of the present Group at the relevant time

“Guangxi Schools”	together, Guangxi Yinghua International Occupation College* (廣西英華國際職業學院), Guangxi Qinzhou Yinghua International Occupation and Technology School* (廣西欽州英華國際職業技術學校) and Guangxi Yinghua International Occupation Middle School* (廣西英華國際職業學院附屬中學). Guangxi Schools are consolidated affiliated entities of the Company
“Guangxi School Sponsor”	Qinzhou Yinghua Datang Education Investment Co., Ltd. (欽州英華大唐教育投資有限公司), a limited liability company established under the laws of the PRC on 25 August 2017
“Guizhou School”	Guizhou Technology and Business Institute* (貴州工商職業學院), a private institution of formal higher education established under the laws of the PRC on 3 July 2012, of which the school sponsor’s interest is wholly owned by Yun Ai Group and a consolidated affiliated entity of the Company
“Haxuan Company”	Harbin Xuande Technology Co., Ltd.* (哈爾濱軒德科技有限公司), a limited liability company established under the laws of the PRC on 19 April 2016, and owned as to 73.91% by Yun Ai Group and as to 26.09% by Ningde Company. Haxuan Company is the sole school sponsor of the Northeast School
“Henan Rongyu”	Henan Rongyu Education Consulting Co., Ltd.* (河南榮豫教育諮詢有限公司), a limited liability company established in the PRC on 2 March 2017, and wholly-owned by Beijing Daai Gaoxue. Henan Rongyu is the school sponsor of the Henan School
“Henan School”	Luoyang Science and Technology Vocational College* (洛陽科技職業學院), a private institution of formal higher education established under the laws of the PRC in June 2013. Henan School is a consolidated affiliated entity of the Company
“HK\$”, “Hong Kong dollar(s)”, “HKD” or “cents”	Hong Kong dollars and cents respectively, the lawful currency for the time being of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Huihuang Company”	Tibet Daai Huihuang Information and Technology Co., Ltd.* (西藏大愛輝煌信息科技有限公司), a limited liability company established on 5 August 2016 under the laws of the PRC, which is a wholly owned subsidiary of the Group
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time

“Loan Agreement (2019)”	a loan agreement to be entered into by and among Huihuang Company, the PRC Operating Schools, and Yun Ai Group
“Mr. Li”	Mr. Li Xiaoxuan (李孝軒), the founder, one of the controlling shareholders, chairman of the Board and an executive Director of the Company
“MOE”	the Ministry of Education of the PRC
“Ms. Yang”	Ms. Yang Xuqing (楊旭青), the spouse of Mr. Li
“Northeast School”	Harbin Huade University* (哈爾濱華德學院), an independent institute established under the laws of the PRC in 2004. Northeast School is a consolidated affiliated entity of the Company
“PRC Consolidated Affiliated Entities”	namely, the School Sponsors and the PRC Operating Schools, each a consolidated affiliated entity of the Company and other investment holding companies which were consolidated to the Group by virtue of the Structured Contracts, as amended from time to time
“PRC Legal Advisors”	Commerce & Finance Law Offices, the Company’s Legal advisors as to PRC Laws
“PRC Operating Schools”	the consolidated affiliated entities, namely, Yunnan School, Guizhou School, Henan School, Northeast School, Guangxi Schools and Central China School
“Qinzhou Yinghua”	Qinzhou Yinghua Datang Education Investment Company Limited* (欽州英華大唐教育投資有限公司), a limited liability company established under the laws of the PRC on 25 August 2017 and wholly owned by Songming Xinju. Qinzhou Yinghua is the school sponsor of the Guangxi Schools
“Registered Shareholders”	the shareholders of Yun Ai Group immediately after the completion of the equity transfer agreement, namely Kunming Paiduipai Economic Information Consultancy Co., Ltd., Kunming Bamupu Technology Co., Ltd., Songming Dexue and Songming Zhongyi Enterprise Management and Consulting Services Co., Ltd.
“RMB” or “Renminbi”	Renminbi, the lawful currency for the time being of the PRC
“Rongyaojia Company”	Xianfeng Rongyaojia Network Technology Service Center* (咸豐縣榮耀佳網絡科技服務中心), an investment holding company established in accordance with the laws of the PRC on 13 February 2020

“Rongrui Shangyu Company”	Xianfeng Rongrui Shangyu Network Technology Service Center* (咸豐縣榮睿尚育網絡科技服務中心), an investment holding company established in accordance with the laws of the PRC on 13 February 2020
“School Sponsors”	the current school sponsors, Yun Ai Group, Henan Rongyu, Haxuan Company, Qinzhou Yinghua, Enchang Company and the future school sponsor Bei Ai Company
“School Sponsors’ and Directors’ Rights Entrustment Agreement (2019)”	the school sponsors’ and directors’ rights entrustment agreement entered into by and among School Sponsors, the PRC Operating Schools, the relevant directors appointed by the School Sponsors and Huihuang Company
“School Sponsors’ Powers of Attorney (2019)”	the school sponsors’ power of attorney executed by the School Sponsors in favor of Huihuang Company
“SFO”	Securities and Futures Ordinance
“Share(s)”	ordinary share(s) of US\$0.0001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholders’ Powers of Attorney (2019)”	the shareholders’ power of attorney executed by the Registered Shareholders and Yun Ai Group in favor of Huihuang Company
“Shareholders’ Rights Entrustment Agreement (2019)”	the shareholders’ rights entrustment agreement entered into by and among the Registered Shareholders, the School Sponsors and Huihuang Company
“Songming Dexue”	Songming Dexue Education Development Co., Ltd.* (嵩明德學教育發展有限公司), a limited liability company established under the laws of the PRC on 17 April 2019 and wholly owned by Mr. Li. Songming Dexue is one of the Registered Shareholders and owns 70.8305% equity interest of Yun Ai Group
“Songming Xinju”	Songming Xinju Enterprise Management Company Limited* (嵩明新巨企業管理有限公司), a limited liability company established under the laws of the PRC on 27 October 2016
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Spouse’s Undertakings (2019)”	the spouse undertakings executed by Ms. Yang, the spouse of Mr. Li
“Structured Contracts”	collectively, the Business Cooperation Agreement (2019), the Exclusive Technical Service and Management Consultancy Agreement (2019), the Exclusive Call Option Agreement (2019), the Equity Pledge Agreement (2019), the Shareholders’ Rights Entrustment Agreement (2019), the School Sponsor’s and Directors’ Rights Entrustment Agreement (2019), the School Sponsors’ Powers of Attorney (2019), the Directors’ Powers of Attorney (2019), the Shareholders’ Powers of Attorney (2019), the Loan Agreement (2019) and the Spouse’s Undertakings (2019), and the various supplemental agreements entered into their connection, further details of which are set out in the announcements of the Company dated 26 August 2019, 6 December 2019, 8 May 2020 and 29 July 2020
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“USD”	United States dollars, the lawful currency of the United States
“Xinjiang School”	Xinjiang Institute of Finance and Economics* (新疆財經大學商務學院)
“Yun Ai Group”	Yunnan Einsun Education Investment Group Co., Ltd.* (雲南愛因森教育投資集團有限公司), a limited liability company established under the laws of the PRC on 19 September 2005, which is owned as to 20.0568% by Kunming Paiduipai Economic Information Consultancy Co., Ltd., 5.7305% by Kunming Bamupu Technology Co., Ltd., 70.8305% by Songming Dexue and 3.3822% by Songming Zhongyi Enterprise Management and Consulting Services Co., Ltd..
“Yunnan Vocational School”	Einsun Science and Technology Vocational College* (雲南愛因森科技專修學院)
“%”	percent

By order of the Board of
China New Higher Education Group Limited
Li Xiaoxuan
Chairman

Hong Kong, 27 August 2020

As at the date of this announcement, the executive Directors are Mr. Li Xiaoxuan and Mr. Zhao Shuai; and the independent non-executive Directors are Mr. Kwong Wai Sun Wilson, Mr. Hu Jianbo, Mr. Chan Tung Hoi and Dr. Pang Tsz Kit Peter.