China 21st Century Education Group Limited
中國21世紀教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1598)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

	Six months ended 30 June			
	2018	2017	**Changes**	Percentage of
	RMB' million	*RMB' million*	***RMB' million***	changes
	(Unaudited)	(Audited)		
Revenue	**101.6**	89.5	**+12.1**	+13.5%
Gross Profit	**49.5**	43.5	**+6.0**	+13.8%
Profit for the Period	**29.3**	28.5	**+0.8**	+2.8%
Adjusted Net Profit *(Note)*	**39.8**	33.0	**+6.8**	+20.6%
	2017/2018 school year	2016/2017 school year	**Changes**	Percentage of changes
Total number of students	**21,682**	14,820	**+6,862**	+46.3%

Note: The Company defined its adjusted net profit as its profit for the period after adjusting for those items which were not indicative of the Company's operating performances. Please refer to the section headed "Financial Review" of this announcement for details.

The Board of China 21st Century Education Group Limited is pleased to announce the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2018, together with the comparative figures for the corresponding period of 2017.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	NOTES	***RMB'000***	*RMB'000*
		(unaudited)	(audited)
Revenue from contracts with customers	*4*	**101,610**	89,453
Cost of sales		**(52,111)**	(45,935)
Gross profit		**49,499**	43,518
Other income and gains	*4*	**5,251**	3,969
Selling expenses		**(4,230)**	(4,171)
Administrative expenses		**(18,932)**	(11,721)
Other expenses		**(447)**	(233)
Finance costs	*5*	**(1,481)**	(2,154)
PROFIT BEFORE TAX	*6*	**29,660**	29,208
Income tax expense	*7*	**(361)**	(696)
PROFIT FOR THE PERIOD		**29,299**	28,512
Other comprehensive income			
Exchange differences on translation of foreign operations		**(9)**	–
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**29,290**	28,512
Earnings per share attributable to ordinary equity holders of the Company:	*8*		
Basic and diluted		**RMB3.23 cents**	RMB3.39 cents

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

	NOTES	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**117,640**	122,256
Prepaid land lease payments		**59,463**	60,341
Intangible assets		**1,052**	1,110
Total non-current assets		**178,155**	183,707
CURRENT ASSETS			
Prepayments, deposits and other receivables		**17,412**	21,347
Trade receivables	*10*	**603**	1,179
Amount due from a related party		**–**	1,314
Term deposits		**70,000**	70,000
Cash and bank balances		**420,870**	39,864
Total current assets		**508,885**	133,704
CURRENT LIABILITIES			
Other payables and accruals		**74,729**	64,554
Interest-bearing bank and other borrowings	*11*	**28,000**	34,385
Deferred revenue	*12A*	**–**	57,530
Contract liabilities	*12B*	**38,232**	–
Amount due to a related party		**547**	–
Tax payable		**2,060**	1,849
Total current liabilities		**143,568**	158,318
NET CURRENT ASSETS/(LIABILITIES)		**365,317**	(24,614)
TOTAL ASSETS LESS CURRENT LIABILITIES		**543,472**	159,093
NON-CURRENT LIABILITIES			
Interest-bearing other borrowings	*11*	**–**	721
Deferred rental obligations		**750**	781
Total non-current liabilities		**750**	1,502
Net assets		**542,722**	157,591
EQUITY			
Share capital	*13*	**10,421**	–
Reserves		**532,301**	157,591
Total equity		**542,722**	157,591

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

China 21st Century Education Group Limited (the "Company") is a limited liability company incorporated in the Cayman Islands on 20 September 2016. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. During the six months ended 30 June 2018, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the provision of education services and related management services in the People's Republic of China (the "PRC"). The companies now comprising the Group, including the PRC Operating Entities, were under the common control of Mr. Li Yunong ("Mr. Li") and Ms. Luo Xinlan ("Ms. Luo") (collectively, the "Controlling Shareholders").

These financial statements were approved and authorized for issue by the Board on 21 August 2018.

2.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (the "IASB").

The unaudited interim condensed consolidated financial statements should be read in conjunction with the accountants' report included in the Company's prospectus dated 15 May 2018 (the "Prospectus"), which have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"). The accounting policies and methods of computation used in the preparation of these unaudited interim condensed financial statements are consistent with those adopted in the preparation of the accountants' report included in the Prospectus, except for the adoption of the following IFRS which are relevant to the Group's operation and are effective for the Group's financial year beginning on 1 January 2018.

IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
Amendments to IAS 40	*Transfers of Investment Property*
Annual Improvements to IFRSs 2014-2016 Cycle	Amendments to the following standards: IFRS 1 *First-time Adoption of International Financial Reporting Standards* IAS 28 *Investments in Associates and Joint Ventures*

All IFRSs effective for the accounting period commencing from 1 January 2018, together with the relevant transitional provisions, have been adopted by the Group in preparation of these unaudited interim condensed consolidated financial statements.

Other than as further explained below, the directors do not anticipate that the application of the new and revised IFRSs above will have a material effect on the Group's condensed consolidated financial statements and the disclosure.

IFRS 15 ***Revenue from Contracts with Customers***

IFRS 15 supersedes IAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective method of adoption and it elected to apply that method to only those contracts that were not completed at the date of initial application. The comparative information for each of the primary financial statements would be presented based on the requirements of IAS 18 and related interpretations.

It is considered that the adoption of IFRS 15 did not have significant impact on financial position and performance of the Group during the reporting period.

IFRS 9 ***Financial Instruments***

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together two aspects of the accounting for financial instruments: classification and measurement and impairment.

The Group has applied the transition provision set out in IFRS 9. There is no difference between carrying amounts as at 31 December 2017 and the carryings as at 1 January 2018 that should be recognised in the opening retained profits and other components of equity, without restating comparative information.

(1) *Classification and measurement*

Under IFRS 9, debt financial instruments are subsequently measured at amortised cost or fair value through other comprehensive income. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

(2) *Impairment*

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS39. IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience.

It is considered that the adoption of IFRS 9 did not have significant impact on financial position and performance of the Group during the reporting period.

The unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention. The unaudited interim condensed consolidated financial statements are presented in Renminbi ("RMB") except when otherwise indicated.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[2]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to the following standards: IFRS 3 *Business Combinations*[1] IFRS 11 *Joint Arrangements*[1] IAS 12 *Income Taxes*[1] IAS 23 *Borrowing Costs*[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2021
3 No mandatory effective date yet determined but available for adoption

The Group has not early adopted any standard interpretation or amendment that was issued but not yet effective and is still evaluating the impact on adopting these new and revised IFRSs.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of education services and the college management services in the PRC. For management purposes, the Group is organised into business units based on their services and had three segments including tertiary education service provided by Shijiazhuang Institute of Technology, tutorial center education service provided by Saintach Tutorial Centers and preschool education service provided by Saintach Kindergartens.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit which is measured consistently with the Group's profit before tax except that finance costs, interest income and other unallocated income and expenses are excluded from such measurement.

Segment assets exclude cash and bank balances, term deposits, amount due from a related party and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, amount due to a related party, tax payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Six months ended 30 June 2018

	Tertiary education *RMB'000* (Unaudited)	Tutorial center education *RMB'000* (Unaudited)	Preschool education *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Revenue	**58,062**	**28,317**	**15,231**	**101,610**
Other segment revenue	**2,785**	**46**	**1,476**	**4,307**
Total	**60,847**	**28,363**	**16,707**	**105,917**
Segment results	**37,418**	**12,287**	**3,508**	**53,213**
Reconciliation:				
Finance costs				**(1,481)**
Interest income				**944**
Unallocated expenses				**(23,016)**
Profit before tax				**29,660**
Segment assets	**183,601**	**5,178**	**5,277**	**194,056**
Reconciliation:				
Cash and bank balances				**420,870**
Term deposits				**70,000**
Unallocated head office and corporate assets				**2,114**
Total assets				**687,040**
Segment liabilities	**(61,991)**	**(26,007)**	**(16,006)**	**(104,004)**
Reconciliation:				
Interest-bearing bank borrowings				**(28,000)**
Amount due to a related party				**(547)**
Tax payable				**(2,060)**
Unallocated head office and corporate liabilities				**(9,707)**
Total liabilities				**(144,318)**
Other segment information:				
Depreciation and amortisation	**5,614**	**130**	**578**	**6,322**
Capital expenditure^	**284**	**612**	**90**	**986**
Loss on disposal of items of property, plant, and equipment	**6**	**–**	**–**	**6**

^ Capital expenditure consists of additions of property, plant and equipment and intangible assets.

Six months ended 30 June 2017

	Tertiary education *RMB'000* (Audited)	Tutorial center education *RMB'000* (Audited)	Preschool education *RMB'000* (Audited)	Total *RMB'000* (Audited)
Revenue	49,268	25,911	14,274	89,453
Other segment revenue	3,190	1	753	3,944
Total	52,458	25,912	15,027	93,397
Segment results	34,212	9,155	3,585	46,952
Reconciliation:				
Finance costs				(2,154)
Interest income				25
Unallocated expenses				(15,615)
Profit before tax				29,208
Other segment information:				
Depreciation and amortisation	5,765	115	565	6,445
Capital expenditure^	835	73	127	1,035
Loss on disposal of items of property, plant, and equipment	66	–	–	66

^ Capital expenditure consists of additions of property, plant and equipment and intangible assets.

Year ended 31 December 2017

	Tertiary education *RMB'000* (Audited)	Tutorial center education *RMB'000* (Audited)	Preschool education *RMB'000* (Audited)	Total *RMB'000* (Audited)
Segment assets	192,095	4,099	5,421	201,615
Reconciliation:				
Amount due from a related party				1,314
Term deposits				70,000
Cash and bank balances				39,864
Unallocated head office and corporate assets				4,618
Total assets				317,411
Segment liabilities	(81,407)	(25,717)	(14,551)	(121,675)
Reconciliation:				
Interest-bearing bank and other borrowings				(35,106)
Tax payable				(1,849)
Unallocated head office and corporate liabilities				(1,190)
Total liabilities				(159,820)

Geographical information

During both periods, the Group operated within one geographical area because all of its revenue was generated in Mainland China and all of its long-term assets were located in Mainland China. Accordingly, no geographical information is presented.

Information about major customers

During both periods, revenue from a major customer who contributed over 10% of the total revenue from contracts with customers of the Group is as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	***RMB'000***
	(Unaudited)	(Audited)
河北廿一世紀教育投資有限公司 Hebei Lionful Education Investment Co., Ltd. ("Lionful Education")	**10,031**	10,022

4. REVENUE FROM CONTRACTS WITH CUSTOMERS, OTHER INCOME AND GAINS

		Six months ended 30 June	
		2018	2017
	NOTES	***RMB'000***	*RMB'000*
		(Unaudited)	(Audited)
Revenue from contracts with customers			
Tertiary education			
Tuition fees		**34,914**	30,491
Boarding fees		**3,084**	3,058
College operation service income	*(i)*	**11,018**	10,980
Others	*(ii)*	**9,046**	4,739
		58,062	49,268
Tutorial center education			
Tutoring fees		**28,317**	25,911
Preschool education			
Tuition fees		**15,231**	14,274
		101,610	89,453
Other income and gains			
Interest income from banks	*(iii)*	**944**	25
Site use fees		**1,699**	2,487
Sale of education materials and living goods		**984**	940
Others		**1,624**	517
		5,251	3,969

Notes:

(i) The college operation service income comprises the service income derived from the provision of college operation service and the provision of accommodation service to the students. The total service fees charged by Shijiazhuang Institute of Technology equal to the 65% of the tuition generated by the West Campus of Sifang College which Lionful Education is entitled to receive. Other than the college operation service stated above, under the relevant agreements, Shijiazhuang Institute of Technology is responsible for providing the accommodation services to the students enrolled by the West Campus of Sifang College.

(ii) Others primarily represent service fees received from certain independent universities in respect of the provision of student recruitment services, income received from the provision of vocational training and examination preparation courses and income derived from granting the right of canteen management.

(iii) Amounts represent usage fees received from certain colleges and enterprises in connection with their uses of the school premises and facilities of the Group to organise teaching and training activities.

5. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Interest on bank and other borrowings	**1,091**	1,731
Financing consultancy service charges^	**390**	423
	1,481	2,154

^ The financing consultancy service charges represented service fees paid by the Group in respect of certain bank and other borrowings obtained by the Group during both periods.

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Employee benefit expense (excluding director's remuneration):		
Wages and salaries	**35,392**	33,158
Pension scheme contributions (defined contribution scheme)	**6,914**	4,360
	42,306	37,518
Depreciation	**5,321**	5,470
Recognition of prepaid land lease payments	**878**	878
Amortisation of intangible assets	**123**	97
Minimum lease payments under operating leases:		
– Buildings	**5,946**	3,056
– Others	**279**	278
	6,225	3,334
Listing expenses	**10,485**	4,532
Loss on disposal of items of property, plant and equipment	**6**	66

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.

The Company's directly held subsidiary was incorporated in the British Virgin Island ("BVI") as an exempted company with limited liability under the BVI Companies Act. 2004 and accordingly is not subject to income tax.

Hong Kong Profits Tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2017: nil).

PRC Corporate Income Tax

Pursuant to the PRC Income Tax Law and the respective regulations, all of the Group's non-school subsidiaries established in the PRC are subject to the PRC Corporate Income Tax ("corporate income tax") of 25% during the period (six months ended 30 June 2017: 25%).

There is no corporate income tax imposed on the income from the provision of educational services by Shijiazhuang Institute of Technology. As a result, no income tax expense was recognised by Shijiazhuang Institute of Technology during both periods.

Tutorial centers of the Group which provide non-academic educational services are subject to corporate income tax at a rate of 25% for the period (six months ended 30 June 2017: 25%).

Except for certain kindergartens which were subject to corporate income tax at a rate of 25%, there was no corporate income tax imposed to other kindergartens during both periods.

Corporate income tax of the Group has been provided at the applicable tax rates on the estimated taxable profits arising in Mainland China during both periods.

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current – the PRC charge for the period	**361**	696

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

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue, during the six months ended 30 June 2018 and 2017.

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share and diluted earnings per share for the six months ended 30 June 2018 and 2017 has been retrospectively adjusted for the effect of capitalisation issue as described more fully in note 13.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2018 and 2017.

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	**29,299**	28,512

	Number of shares	
	Six months ended 30 June	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	**908,220,994**	840,000,000

9. DIVIDENDS

The Directors do not recommend the payment of dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

10. TRADE RECEIVABLES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Trade receivables	**603**	1,179

An ageing analysis of the trade receivables as at the end of the reporting period, based on the transaction date and net of provisions, is as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within 1 year	**603**	1,179

Trade receivables represented amounts due from certain of the Group's college and kindergarten students.

None of the above trade receivables is either past due or impaired. The receivables have no recent history of default.

11. INTEREST-BEARING BANK AND OTHER BORROWINGS

	NOTES	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Current			
Bank loan – unsecured	*(i)/(ii)*	**28,000**	15,000
Current portion of long term bank loan – unsecured	*(iii)*	**–**	13,000
Current portion of long term other borrowings – secured	*(iv)/(v)*	**–**	3,800
Current portion of long term other borrowing – unsecured		**–**	2,585
		28,000	34,385
Non-current			
Other borrowing – unsecured		**–**	721
		28,000	35,106

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**28,000**	28,000
Other borrowings repayable:		
Within one year or on demand	**–**	6,385
In the second year	**–**	721
	–	7,106
	28,000	35,106

Notes:

As at 30 June 2018, the effective interest rates of the Group's interest-bearing bank loan and other borrowings ranged from 5.44% to 8.27% (as at 31 December 2017: 5.44% to 10.93%) per annum.

(i) As at 30 June 2018, a bank borrowing of RMB13,000,000 was guaranteed by an independent financing guarantee company as well as jointly and severally guaranteed by Hebei Saintach Education and Technology Co., Ltd..

(ii) As at 30 June 2018 and 31 December 2017, a bank borrowing of RMB15,000,000 was guaranteed by an independent financing guarantee company as well as jointly and severally guaranteed by Hebei Zerui Education Technology Co., Ltd..

(iii) As at 31 December 2017, a bank loan of RMB13,000,000 was guaranteed by an independent financing guarantee company. Pursuant to the relevant guarantee agreement with the independent financing guarantee company, a counter guarantee arrangement was required comprising the pledge of an equity investment owned by Shijiazhuang City Luquan District University Town Management Company. And in January 2018, the Group fully settled this bank loan.

(iv) As at 31 December 2017, an other borrowing of RMB2,400,000 was secured by certain properties owned by employees of the Group.

(v) As at 31 December 2017, an other borrowing of RMB1,400,000 was secured by a property owned by a director of the Group.

12A. DEFERRED REVENUE

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Tuition fees	**–**	47,239
Boarding fees	**–**	3,807
Others	**–**	6,484
	–	57,530

Note:

Upon the adoption of IFRS 15, the Group has reclassified deferred revenue to contract liabilities (note 12B).

12B. CONTRACT LIABILITIES

The following table provides information about contract liabilities from contracts with customers:

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Tuition fees	**27,985**	–
Boarding fees	**1,418**	–
Others	**8,829**	–
	38,232	–

The contract liabilities primarily relate to the advance consideration received from the students for contracts, for which revenue is recognized when the performance obligation is satisfied through service rendered.

During the period, revenue recognised that was included in the contract liabilities at the beginning of the period is RMB54,723,000.

13. SHARE CAPITAL

Shares

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Authorised:		
3,000,000,000 (31 December 2017: 39,000,000) ordinary shares of HK$0.01 each	**25,293**	326
Issued and fully paid:		
1,236,000,000 (31 December 2017: 10,000) ordinary shares of HK$0.01 each	**10,421**	–*

* Less than RMB1,000.

A summary of movements in the Company's share capital is as follows:

	NOTES	**Number of shares in issue**	**Share capital** *RMB'000*
At 31 December 2017 (audited) and 1 January 2018		10,000	–*
Capitalisation issue	*a*	839,990,000	7,082
Issuance of ordinary shares upon listing	*b*	360,000,000	3,035
Exercise of over-allotment	*c*	36,000,000	304
At 30 June 2018 (unaudited)		1,236,000,000	10,421

* Less than RMB1,000.

Notes:

(a) 839,990,000 shares were allotted and issued to the two shareholders of the Company, Sainange Investment Limited and Sainray Limited, credited as fully paid at par value, immediately prior to the listing of the Company's shares on 29 May 2018 by way of capitalisation of the sum of HK$8,400,000 (approximately RMB7,082,000) standing to the credit of the share premium account of the Company.

(b) On 29 May 2018, in connection with the Company's initial public offering, 360,000,000 new ordinary shares of the Company of HK$0.01 each were issued at a price of HK$1.13 per share.

(c) On 17 June 2018, the Company issued additional 36,000,000 shares at the price of HK$1.13 per share as a result of the exercise of the over-allotment options by the underwriters.

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

1.1 Overview

Being located in the core integrated area of Beijing, Tianjin and Hebei Province, the Company has strategic layout in place targeting at the most dynamic cultural and economic circles in Northern China. We focus on the operation of the education industry, derive revenue from diverse sources including tertiary education and open education, K12 tutorial programs and preschool education, and have expanded our customer coverage.

Considering our students as our priority, we are committed to unremittingly providing clients with customized services and solutions based on individual demands. Leveraging on our self-innovated education system and standardized management, we dedicate to offering more friendly and convenient education services for students.

1.2 Our Schools

1.2.1 Overview

As of 30 June 2018, the Company owned 15 schools, including one private college (Shijiazhuang Institute of Technology), six Saintach Tutorial Schools (consisting of 11 Saintach Tutorial Centers) and eight Saintach Kindergartens, among which one Saintach Tutorial Center began operation in January 2018.

Schools of the Company	**30 June 2018**	30 June 2017
College	**1**	1
Tutorial school	**6**	6
Among which: tutorial center	**11**	10
Kindergarten	**8**	8
Total	**15**	15

1.2.2 Student enrollment

As at 30 June 2018, we had 21,682 students enrolled in our schools, including 12,930 full-time students and 8,752 part-time students. The specific details are as follows:

Breakdown of Student Enrollment	**2017-2018 school year**	2016-2017 school year	Changes	Percentage of changes
Full-time Students				
Shijiazhuang Institute of Technology				
Including: Junior college	**9,186**	8,647	539	6.2%
Secondary school	**2,028**	1,275	753	59.1%
Subtotal (full-time college students)	**11,214**	9,922	1,292	13.0%
Saintach Kindergartens①	**1,716**	1,756	(40)	(2.3%)
Subtotal (full-time students)	**12,930**	11,678	1,252	10.7%
Part-time Students				
Shijiazhuang Institute of Technology				
Continuing education programs②	**8,752**	3,142	5,610	178.5%
Subtotal (part-time students)	**8,752**	3,142	5,610	178.5%
Total	**21,682**	14,820	6,862	46.3%

Note:

① As Saintach Kindergartens arrange their students to be graduated in batches from June to August each year to ensure the enrollment of students batch by batch in the fall semester, those graduated students are not included in the number of the students.

② The increase in the number of students in the continuing education programs for the six months ended 30 June 2018 compared to the same period in 2017 was mainly due to the fact that the new cooperation arrangements in 2017 have not started enrolling students in the first half of 2017.

For the six months ended 30 June 2018, our tutorial centers delivered approximately 185,231 Tutoring Hours to approximately 2,897 students, with the student renewal rate after the first curriculum of 63.2%. Details are as follows:

	For the six months ended 30 June			
	2018	2017	Changes	Percentage of changes
Saintach Tutorial Centers				
Number of Tutoring Hours delivered	**185,231**	185,180	51	0.0%
Number of students tutored	**2,897**	2,250	647	28.8%
Renewal rate	**63.2%**	55.2%	8.0%	

For the six months ended 30 June 2018, we provided operation services for 2,960 students in west campus of Sifang College.

1.2.3 *Charge and average tuition revenue*

As disclosed in the Prospectus, we typically charge our students fees comprising tuition (including tutoring fees) and, at our Shijiazhuang Institute of Technology, boarding fees. Our fee range approximates to the charge for the year ended 31 December 2017.

	For the six months ended 30 June			
Average Revenue①	**2018**	2017	Changes	Percentage of changes
Shijiazhuang Institute of Technology	**3,130**	2,901	229	7.9%
Including: Junior college	**3,339**	3,056	283	9.3%
Secondary school	**2,149**	2,035	114	5.6%
Saintach Kindergartens	**8,603**	7,972	631	7.9%

Note:

① The average revenue earned from each full-time student is calculated based on the revenue generated from tuition for half a fiscal year and the average number of students enrolled as of the same beginning year and mid-year.

1.2.4 Employment rate

Shijiazhuang Institute of Technology builds a modern vocational education system, which adopts the "TOP" talent training model (TOP means "Technique-Occupation-Personality"), to continuously cultivate and deliver application-oriented talents for the society. For the six months ended 30 June 2018, the employment rate of graduates for the year was approximately 94.5%:

Employment Rate	**30 June 2018**	30 June 2017	Changes	Percentage of changes
Shijiazhuang Institute of Technology	**94.5%**	91.6%	2.9%	3.2%

Note:

① The employment rate refers to the proportion of employed students to the total number of college graduates for the year.

1.2.5 Our teachers

Teachers	**30 June 2018**	30 June 2017	Changes	Percentage of changes
Full-time Teachers				
Shijiazhuang Institute of Technology	**310**	306	4	1.3%
Saintach Tutorial Centers	**172**	152	20	13.2%
Saintach Kindergartens	**168**	178	(10)	(5.6%)
Subtotal (full-time teachers)	**650**	636	14	2.2%
Part-time Teachers				
Shijiazhuang Institute of Technology	**109**	135	(26)	(19.3%)
Saintach Tutorial Centers	**346**	432	(86)	(19.9%)
Saintach Kindergartens	**–**	–	–	–
Subtotal (part-time teachers)	**455**	567	(112)	(19.8%)
Total	**1,105**	1,203	(98)	(8.1%)

Notes:

① The promotion of the teachers at the end of semester 2018 (assistant teachers being promoted to match-teachers) has not yet completed as compared to that of the end of semester 2017.

② The number of part-time teachers is reduced as a result of the optimized structure of part-time teachers and the increased lesson frequency of excellent part-time teachers.

③ The reduction in part-time teachers at our Saintach Tutorial Centers was due to an increase in full-time teachers.

The quality of education we provide is strongly tied to the quality of our teachers. We are committed to recruiting outstanding teachers and strive to maintain the stability of our teachers. Our teachers with more than two years' experience increased from 66.0% as at 30 June 2017 to 72.3% as at 30 June 2018; and our teachers with a bachelor's degree or above increased from 76.7% as at 30 June 2017 to 79.4% as at 30 June 2018.

1.2.6 Our research support

As an important player in the early childhood education sector, Hebei Saintach planned to develop tools of risk screening and competency assessment for kindergarten teachers with an aim of systematically monitoring and warning of possible teacher risks* (教師風險) existed in early childhood education as well as guiding the early childhood teachers' growth at the same time, it will help to reserve qualified teachers for the Company's key developing segment of early childhood education. On 23 July 2018, we signed the project cooperation agreement of "Development of an Assessment Tool for Risk Screening and Competency of Child Education Practitioners" with the Institute of Psychology, Chinese Academy of Sciences, commissioning the Institute of Psychology, Chinese Academy of Sciences to provide special technical services for the development of the project.

1.3 Use of Proceeds

As of 30 June 2018, the net proceeds from the listing, after deducting the underwriting fees and related expenses, amounted to approximately HK$433 million, which will be utilized based on the section headed "Future Plan and Use of Proceeds" set out in the Prospectus. As at the date of this interim results announcement, the net proceeds of the Company have not been used. The unutilized net proceeds are generally deposited with licensed financial institutions in Hong Kong as short-term interest-bearing deposits.

1.4 Our Licenses

As of 30 June 2018, the Company had obtained all licenses, permits, approvals and certificates necessary to conduct our operations in all material respects from the relevant government authorities in the PRC, and such licenses, permits, approvals and certificates have been examined and verified in the 2017 annual verification as scheduled and remained in full effect. Shijiazhuang Institute of Technology, Shijiazhuang High-tech Industrial Development Zone Tianshan Saintach Kindergarten* (石家莊高新技術產業開發區新天際天山幼兒園) and Shijiazhuang City Chang'an District Saintach Tutorial School* (石家莊市長安區新天際培訓學校) were awarded 2017 Annual Inspection Excellent School (Kindergarten) by Education Department of Hebei Province* (河北省教育廳), Examination and Approval Bureau of Shijiazhuang Hi-tech Industrial Developmental Zone* (石家莊高新區行政審批局) and Shijiazhuang Chang'an District Education Bureau* (石家莊市長安區教育局).

2. MARKET REVIEW

2.1 Status of Private Higher Vocational School and Preschool Education in the Beijing-Tianjin-Hebei Market

With the deepening enforcement of the "Outline of the Plan for Coordinated Development of the Beijing-Tianjin-Hebei Region" (京津冀協同發展規劃綱要), the capital's functional shift has accelerated, and the demand for industrial workers has escalated. According to the Frost & Sullivan Report, the compound growth rate of students enrolled to the private higher vocational colleges in Beijing-Tianjin-Hebei Integrated Area of 4.1% is higher than that of undergraduate and postgraduate of 3.4%. After the two-child policy liberalized and the birth population gradually reached the school age, the compound growth rate of students enrolled to the private kindergarten reached 11.6%, much higher than that of the public kindergarten that had increased the speed of opening kindergartens for inclusive kindergartens of 2.0%.

2.2 New Regulations

On 20 April 2018, the Ministry of Education issued the Implementation Rules for the Law for Promoting Private Education (Revised Draft) (draft for comments) (《中華人民共和國民辦教育促進法實施條例(修訂草案)》(徵求意見稿)), with some tightened mandatory policies (foreign enterprises may not set up compulsory education schools) having no significant impact on the Company; some measures encouraging and regulating the running of private schools have a positive effect on private education, including emphasizing the encouragement and support of social forces to run schools as the basic goal; expanding the scope of government's awards to recognized private school sponsors and making no distinction between for-profit and non-profit; preferential tax, balance of running non-profit private schools being exempted from income tax, for-profit private schools are expected to enjoy 15% income tax rate; there is no price distinction between for-profit and non-profit schools in respect of water, electricity, gas, heat which are necessary to maintain the school's daily operation, enjoying the same preferential price policy like public schools.

As at 10 August 2018, the Ministry of Justice issued "The Regulations on the Implementation of the Private Education Promotion Law of the People's Republic of China (Revised Draft) (Draft for Review)" (《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 "**Draft for Review**") to seek public opinion, which shall be submitted before 10 September 2018, but the timetable for "The Regulations on the Implementation of the Private Education Promotion Law of the People's Republic of China" (《中華人民共和國民辦教育促進法實施條例》) (the "**Implementation Regulations**") has not been specifically promulgated. Due to the facts that (i) none of our schools has practised compulsory education; (ii) pursuant to "The Implementation Opinion of the People's Government of Hebei Province on Encouraging Social Forces to Set Up Education to Promote the Healthy Development of Private Education" (《河北省人民政府關於鼓勵社會力量興辦教育促進民辦教育健康發展的實施意見》) issued by the People's Government of Hebei Province in January 2018, our schools are in the transition period, which shall be managed based on the existing management approaches, and have not yet chosen to be registered as for-profit or non-profit schools. Upon expiry of the transition period on 1 September 2022, and the regulations and rules made by relevant competent authorities of Hebei Province for the current schools to register as profit-making or non-profit-making schools coming into effect, all of our schools are expected to be registered as profit-making. We believe that, if the Implementation Regulations is promulgated and implemented under the current provisions of the Draft for Review, it is expected that the normal business development of the Company will not be affected.

3. FUTURE PROSPECTS

We significantly grow our successful business as a large private education service provider in Hebei Province and the larger Integrated Area.

Tertiary education: application-oriented tertiary education provider with healthy expansion, being committed to becoming a professional education brand with international influence.

K12 after-school tutoring: with data and service as the two cores, extending the industry chain around K12 upstream and downstream to deepen and perfect the main battlefield, and achieving win-win cooperation through investments, mergers and acquisitions, links and learning.

Pre-school education: medium and high-end kindergarten investor and operator, high-quality pre-school education content provider; leading brand in the Beijing-Tianjin-Hebei region.

Thanks to the policy of integration of the Beijing-Tianjin-Hebei region, adjustment of economic structure, transformation and upgrade of industries and introduction of business, it is expected that there will be a leapfrog development in Hebei Province, and the income of residents in Hebei Province will increase with the development of economy. The market demands for preschool education and K12 after-school tutoring as well as the skilled talents are increasing, which provide opportunities for the development of higher education. By virtue of our innovative education system and standardized management, we will become a leading provider of private education service in China in 2020.

3.1 Development Strategy: Increase the Number of Schools, Expand the Volume of Students and Driversity Customer Base by Centering on the "Endogenous Growth + Extension through Merger and Acquisition":

3.1.1 Number of schools:

In terms of tertiary education, we choose to merge and acquire the universities or the junior colleges with the potential to upgrade as universities in order to diversify levels of our education, and at the same time, we also offer high-end and customized vocational training courses. In terms of K12 education, we choose to merge and acquire the training institutions that provide high-quality contents/channels, focus on the small-class courses business and contain K12 exam-oriented/quality-oriented education featured with educational technology elements. In terms of preschool education, we choose to merge and acquire the educational institution chains, with the aim of rapidly becoming an oligopoly in cities where we operate to achieve the regional scale effect and synergistic effect through deeply rooting in the Beijing-Tianjin-Hebei region and the key layout areas (namely Central Plain City Cluster* (中原城市群), Yangtze River Delta City Cluster* (長三角城市群) and Pearl River Delta City Cluster* (珠三角城市群)).

3.1.2 Diversification of customer base, in terms of volume of students (including those from the schools merged and acquired):

By building an educational ecosystem and enriching the product lines, we aim to optimize and diversify our education services and widen our revenue base.

Resources sharing and output through the integration of enterprises with vocational schools and universities: By collaborating various industries (associations and multi-business corporation), enterprises (Top 500 or listed) with education, making use of the financial leverage, and coordinating with relevant government departments, we set to build an industrial and financial base. We integrate the top quality enterprise with college in order to jointly cultivate professional and technical talents that meet the needs of enterprises and social development. We will shorten or eliminate the internship period (transition period) of student employment, and solve the disconnected problem relating to the school theoretical knowledge from the actual needs of society and enterprises.

Saintach Kindergartens offer early childhood education for children below 3 years old. Through realization of the model of "Garden Inside Garden + community early education* (園中園+社區早教) and implementation of a hierarchical "Parental University"* (家庭大學) course, we will be able to achieve good parenting results on one hand, and convert parents who are interested in early childhood education into clients on the other hand.

The "Beijing-Tianjin-Hebei Region Preschool Alliance"* (京津冀學前教育聯盟), as formulated by the Saintach Child Education* (新天際幼兒教育), aims to establish an industry platform for the private child education industry in the Beijing-Tianjin-Hebei region, allowing exchanges, sharing and innovation. Through absorbing an array of premium child education programs, operations, and management of resources, we offer an integrated platform for program development, operations support, central procurement, and management and output to the industry. Through which, we assist the kindergartens, schools, suppliers, and customers to establish connection, and to realize sharing among them.

3.1.3 Operation support:

Through the establishment of cloud platform for education (intelligence) and cloud platform for various business segments and combination with the research and application of artificial intelligence technology such as data mining, the Company will gradually create a cloud ecosystem in its true sense and realize the transformation to a digital enterprise, which enable data to generate value and technology to drive education.

"Tianjiyun"* (天際雲) is an educational cloud platform that is used by the Group. It includes an online management cloud platform from early childhood education, after-school tutoring to tertiary education. The cloud platform can also be used as a configurable SaaS product for output, realizing online standardization and management output.

3.1.4 Optimization of our pricing ability

We aim at expanding our network and enhancing our market penetration in the Integrated Area, as well as strengthening our brand and reputation. We strive to consistently offer students-centered service products which are customizable, and improve the highly scalable business model which is built upon a completed and standardized management. We also maintain the freshness of our products and stickiness of our services.

3.1.5 Support for professional development of teachers to improve teaching quality and teaching skills

As described in the Prospectus, we have two Saintach research centers in place that carry out analysis on teaching progress on the centralized management of teachers, layered training and teaching researches. We also organize learning and study trips for outstanding teachers, and provide internal training, which facilitates digestion and absorption from what they learn.

Through the project collaboration development of "Development of an Assessment Tool for Risk Screening and Competency of Child Education Practitioners"* (《幼師從業人員風險篩查及勝任能力評估工具開發》) with the Institute of Psychology, Chinese Academy of Sciences, the Hebei Saintach will assist us to establish a "competency of child teachers database"* (幼師勝任力) and a "child teachers credit database"* (幼師信用庫), which promotes the growth in teachers while ensuring we have a reserve on teaching resources of consistent high-quality.

3.2 Expansion of Geographic Area

In order to grow a significant presence in Hebei Province and the Beijing-Tianjin-Hebei Integrated Area, approximately 60% of the funds raised by the listing will be used for the acquisition and construction of schools. It is estimated that 13 kindergartens and 8 to 10 after-school tutoring centers will be increased through acquisitions by the end of 2019, with an aim of building a leading brand in the Beijing-Tianjin-Hebei region. Recently, we tend to acquire over 7 kindergartens in Beijing or other regions of Beijing-Tianjin-Hebei area to expand our service area.

While strengthening and deepening the development of business within the integrated region, the Company is also looking abroad to enhance its cooperation with overseas education institutions and establish overseas business.

4. FINANCIAL REVIEW

4.1 Revenue from contracts with customers

We derive revenue primarily from tuition (including tutoring fees) of schools from our students, boarding fees and service income for provision of college operation services to the west campus of Sifang College.

The revenue increased by approximately 13.5% from RMB89.5 million for the six months ended 30 June 2017 to RMB101.6 million for the six months ended 30 June 2018, mainly due to the increased number of student recruitment and average tuition.

4.2 Cost of Sales

Cost of sales primarily consisted of staff costs, rental fees, depreciation and amortization and utilities.

The cost of sales increased by approximately 13.5% from approximately RMB45.9 million for the six months ended 30 June 2017 to approximately RMB52.1 million for the six months ended 30 June 2018, mainly due to (1) the rental expenses of the Shijiazhuang Institute of Technology by approximately RMB2.8 million; and (2) the increase of the staff costs by approximately RMB0.8 million.

4.3 Gross Profit and Gross Profit Margin

The amount of gross profit increased by approximately 13.8% from approximately RMB43.5 million for the six months ended 30 June 2017 to approximately RMB49.5 million for the six months ended 30 June 2018, and the gross profit margin increased from approximately 48.6% for the six months ended 30 June 2017 to approximately 48.7% for the six months ended 30 June 2018, which was mainly due to the increase in the number of student recruitment.

4.4 Other Income and Gains

Other income and gains consisted of (i) interest income from banks; (ii) site use fees charged to certain secondary vocational schools and companies in connection with usage of the premises and facilities of the Shijiazhuang Institute of Technology to organize teaching activities and training sessions for external use; and (iii) gains incurred from early childhood education management output.

Other income and gains increased by approximately 32.5% from approximately RMB4.0 million for the six months ended 30 June 2017 to approximately RMB5.3 million for the six months ended 30 June 2018, mainly due to (1) the increase bank interest income from time deposits by approximately RMB0.7 million; and (2) the increase of gains from product management training output for early childhood education.

4.5 Selling Expenses

Selling expenses primarily consisted of salaries and other benefits for recruitment and advertising staff, advertising expenses and student recruitment expenses.

Selling expenses remained stable as the student recruitment expenses were mainly concentrated in the second half of the year.

4.6 Administrative Expenses

Administrative expenses consisted of salaries and other benefits for general administrative staff, office-related expenses and listing expenses.

Administrative expenses increased by approximately 61.5% from approximately RMB11.7 million for the six months ended 30 June 2017 to approximately RMB18.9 million for the six months ended 30 June 2018. Such increase was due to the increase in listing expenses by approximately 133.3% from approximately RMB4.5 million for the six months ended 30 June 2017 to approximately RMB10.5 million for the six months ended 30 June 2018.

4.7 Other Expenses

Other expenses mainly consisted of (1) the cost of early childhood education management output; and (2) expenses relating to loss on disposal of various fixed assets.

Other expenses increased from approximately RMB0.2 million for the six months ended 30 June 2017 to approximately RMB0.4 million for the six months ended 30 June 2018, which mainly due to an increase in management output expenses attribute to early childhood education.

4.8 Finance Costs

Finance costs mainly represented interest on loans borrowed from financial institutions and fee paid to two independent financing guarantee companies for the loans borrowed by the Group.

Finance costs decreased by approximately 31.8% from approximately RMB2.2 million for the six months ended 30 June 2017 to approximately RMB1.5 million for the six months ended 30 June 2018, mainly due to repayment of partial loans.

4.9 Taxation

Pursuant to the PRC Income Tax Law and the respective regulations, all of our Group's non-school subsidiaries established in the PRC are subject to the PRC Corporate Income Tax of 25%.

Income tax expenses remained stable due to the relatively stable operation of non-school subsidiaries established in the PRC.

4.10 Profit for the Period

Due to the above factors, profit for the period of the Company increased from approximately RMB28.5 million for the six months ended 30 June 2017 to approximately RMB29.3 million for the six months ended 30 June 2018.

4.11 Adjusted Net Profit

The Company defined its adjusted net profit as its profit for the period after adjusting for those items which were not indicative of the Company's operating performances (as presented in the table below). This was not an IFRS measure. The Company had presented this item because the Company considered it as an important supplemental measure of the Company's operational performance used by the Company's management as well as analysts or investors. The following table shows profit and adjusted net profit of the Company for the periods presented below:

	Six months ended 30 June	
	2018	2017
	RMB'million	*RMB'million*
	(Unaudited)	(Audited)
Profit for the period	**29.3**	28.5
Plus:		
Listing expenses	**10.5**	4.5
Adjusted net profit	**39.8**	33.0

Adjusted net profit for the six months ended 30 June 2018 increased by approximately RMB6.8 million compared with the same period in 2017, representing an increase of 20.6%. Adjusted net profit margin increased from approximately 36.9% for the six months ended 30 June 2017 to approximately 39.2% for the six months ended 30 June 2018.

4.12 Net liquidity and capital and funds and borrowing sources

As of 30 June 2018, net current assets of the Company were approximately RMB365.3 million, which mainly consisted of prepayments, deposits and other receivables and cash and bank balances less other payables and accruals, contract liabilities and current bank and other borrowings.

As of 30 June 2018, current assets increased from approximately RMB133.7 million as of 31 December 2017 to approximately RMB508.9 million. The increase in the current assets primarily reflected that cash and bank balances and time deposits increased from approximately RMB109.9 million as of 31 December 2017 to approximately RMB490.9 million as of 30 June 30 2018, which mainly due to proceeds from the issue of Shares in the initial public offering and the partial exercise of the over-allotment option.

As of 30 June 2018, current liabilities decreased from approximately RMB158.3 million as at 31 December 2017 to approximately RMB143.6 million. The decrease in current liabilities mainly reflects (1) the contract liabilities (previously deferred revenue) decreased from approximately RMB57.5 million as of 31 December 2017 to approximately RMB38.2 million as of 30 June 2018, which was mainly due to the recognition of tuition income in 2018; and (2) interest-bearing bank and other borrowings decreased from approximately RMB34.4 million as of 31 December 2017 to approximately RMB28.0 million as of 30 June 2018, which was mainly due to the repayment of loans from financial institutions.

As at 30 June 2018, cash and cash equivalents of the Company were approximately RMB420.9 million.

As at 30 June 2018, current ratio of the Company (current assets divided by current liabilities) was 354.5%, compared with 84.5% as at 31 December 2017.

In order to manage the liquidity risk, the Company monitored and maintained a sufficient level of cash and cash equivalents, which is deemed adequate by the management, as the working capital of the Company, and to eliminate the impact of cash flow fluctuations. The Company expects that it can meet the cash flow requirement in the future with internal cash flow generated by operations and bank borrowings. The Company has adopted other financial instruments during the six months ended 30 June 2018.

All bank borrowings of the Company were denominated in Renminbi, approximately 46% of which used fixed interest rates and the remaining 54% used floating rate. The Company has not adopted financial instruments for hedging purposes.

4.13 Gearing Ratio

As at 30 June 2018, the gearing ratio (calculated by total bank interest-bearing loans divided by total equity) was approximately 5.2%, representing a decrease of 17.1 percentage points from approximately 22.3% as at 31 December 2017, mainly due to the borrowings of RMB7.1 million returned by the Company to financial institutions in March 2018.

4.14 Future Plans for Major Investment and Capital Assets

Except as disclosed in the Prospectus and this interim results announcement, the Company has no other plans for major investment and capital assets.

4.15 Major Acquisitions and Disposals

For the six months ended 30 June 2018 and up to the date of this interim results announcement, the Company has not conducted any major acquisition or disposal of any subsidiary or associated company.

4.16 Contingent liabilities

As at 30 June 2018, the Company did not have any material contingent liabilities, guarantees or any material litigation or claims that were not pending or faced by any member of the Company (31 December 2017: Nil).

4.17 Foreign exchange risk

Most gains and expenses of the Company were denominated in Renminbi. As at 30 June 2018, certain bank balances were denominated in Hong Kong dollars. The Company currently does not have any foreign exchange hedging policy. The management will continue to monitor the foreign currency exchange risk of the Company and consider taking due diligence measures in due course.

4.18 Pledge of Asset

As at 30 June 2018, the Group did not pledge any asset (31 December 2017: Nil).

4.19 Human Resources

As at 30 June 2018, the Group had approximately 1,177 employees (as at 30 June 2017: 1,138). The remuneration policy and treatment of the Group's employees are regularly reviewed in accordance with industry practice and the performance of the Group. The Group provided external and internal training programs to its employees. As required by relevant PRC laws and regulations, the Group participated in various employee social security plans that are administered by local governments, including but not limited to, housing, pension, medical insurance and unemployment insurance.

4.20 Events after the Reporting Period

As at the date of this interim results announcement, there is no major event required to be disclosed by the Company after 30 June 2018.

OTHER INFORMATION

1. CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

During the period from 29 May 2018, being the date of listing of the Shares on the Stock Exchange (the "**Listing Date**"), up to 30 June 2018, the Company has complied with all code provisions under the CG Code and adopted most of the recommended best practices set out therein.

2. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by directors. Having made specific enquiries to all Directors, the Directors has confirmed that they have complied with the standard requirements set out in the Model Code all the time during the period from the Listing Date to 30 June 2018.

3. INTERIM DIVIDEND

The Board does not recommend to pay any interim dividend for the six months ended 30 June 2018.

4. AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive Directors, namely Mr. Yao Zhijun (chairman), Mr. Guo Litian and Mr. Ma Guoqing.

The Audit Committee has adopted the terms of reference which are in line with the CG Code. The primary duties of the Audit Committee include reviewing and monitoring the financial control, risk management and internal control systems and procedures of the Group, reviewing the financial information of the Group and the relationship with the external auditor of the Company. The unaudited condensed interim results of the Group for the six months ended 30 June 2018 have been reviewed by the Audit Committee.

5. PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the period from the Listing Date to 30 June 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.21centuryedu.com, respectively. The interim report of the Group for the six months ended 30 June 2018 containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the above websites in due course.

DEFINITIONS

"Board"	the board of directors of the Company
"Central Plain City Cluster"	Central eastern area of the PRC between Yangtze River Delta, Pearl River Delta and Beijing-Tianjin-Hebei area, which are agglomerations with the largest scale, highest level of integration and the most dense population. It acts as the hub and core area receiving industrial transfer of developed countries via central area and eastern area of the PRC as well as exporting resources to western area
"Company" or "21st Century Education"	China 21st Century Education Group Limited, an exempted company incorporated in the Cayman Islands with limited liability on 20 September 2016, of which 88.96% and 11.04% owned by Sainange Holdings Company Limited and Sainray Limited, respectively. Since their respective incorporation date and as of 30 June 2018, Sainange Holdings Company Limited was wholly-owned by Mr. Li Yunong and Sainray Limited was wholly-owned by Ms. Luo Xinlan
"Director(s)"	the director(s) of the Company
"Frost & Sullivan Report"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party. "Frost & Sullivan Report" refers to an independent market research report commissioned by our Company on the PRC private education market and prepared by Frost & Sullivan, as referred to in "Industry Overview" in the Prospectus
"Group" or "we"	the Company, its subsidiaries, our PRC Operating Entities (as defined in the Prospectus) from time to time
"Hebei Saintach"	Hebei Saintach Education and Technology Co., Ltd.* (河北新天際教育科技有限公司), a limited liability company established under the laws of the PRC on 17 September 2002, one of the Company's PRC Operating Entities

"Institute of Psychology, Chinese Academy Sciences"	a professional institute under Chinese Academy of Sciences. As an international research institution, which is influential to the psychological science development in the PRC, the institute serves for psychological science think tank for national science innovation and urban development, in order to explore human wisdom and analyze mentality and behavior
"Integrated Area"	also known as the Beijing, Tianjin and Hebei Province integrated area. The concept of this area was created pursuant to a national strategic initiative to promote the region's economic development
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Outline of the Plan for Coordinated Development for the Beijing-Tianjin-Hebei Region"	The outline document considered and approved by the Political Bureau of the Central Committee on 30 April 2015, which pointed out that driving coordinated development of Beijing-Tianjin-Hebei is a major national strategy by centering on the dispersion of Beijing's non-capital functions, and initiate breakthroughs in such key areas as traffic integration, environmental protection and industrial upgrading
"Pearl River Delta City Cluster"	Pearl River Delta City Cluster comprises of 14 cities, which is one of the energetic economic zones in Asia Pacific region. As an advanced manufacture industry base and modern service industry base, it acts as the external gateway for southern areas and is the principal area for the PRC to take part in economic globalization
"PRC"	the People's Republic of China
"government" or "State"	the central government of the PRC, including all governmental sub-divisions (such as provincial, municipal and other regional or local government entities)
"private school(s)"	schools organised by social organisations or individuals outside the national institutions using non-state financial funds
"Prospectus"	the prospectus issued by the Company on the initial public offering and listing dated 15 May 2018
"public schools"	schools administered by local, provincial or national education authorities

"RMB" or "Renminbi"	Renminbi, the lawful currency for the time being of the PRC
"Saintach Kindergartens"	Blue Crystal Kindergarten, Fukang Kindergarten, Jianhua Kindergarten, Lidu Kindergarten, Tianshan Kindergarten, Qinghui Kindergarten, Zhengding Kindergarten and Fumenli Kindergarten
"Saintach Tutorial Centers"	Tutorial centers in multiple operating locations which are organized into different Saintach Tutorial Schools
"Saintach Tutorial Schools"	Qiaoxi Tutorial School, Chang'an Tutorial School, Donggang Tutorial School, Zhicheng Tutorial School, High-tech Zone Tutorial School and Huixuan Tutorial School
"school sponsor"	the individual(s) or entity(ies) that funds or holds interests in an educational institution
"school year"	the school year for all of our schools, which generally starts on 1 September of each calendar year and ends on 30 June of the next calendar year
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shijiazhuang Institute of Technology"	Shijiazhuang Institute of Technology* (石家莊理工職業學院), a junior college established under the laws of the PRC on 1 July 2003 of which school sponsors' interest is wholly-owned by Zerui Education as of the date of this interim results announcement and one of our PRC Operating Entities
"Shijiazhuang Saintach"	Shijiazhuang Saintach Education and Technology Co., Ltd.* (石家莊新天際教育科技有限公司), a limited liability company established under the laws of the PRC on 13 July 2011, wholly-owned by Zerui Education as of the date of this interim results announcement and one of our PRC Operating Entities
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Tutoring Hour"	the unit for measuring tutoring time delivered to students, typically represents 60 minutes in lengths for secondary school students and 40 minutes in lengths for primary school students
"Yangtze River Delta City Cluster"	Yangtze River Delta City Cluster is located in alluvial plain away from the Yangtze River estuary and comprise of 26 cities according to Yangtze River Delta City Cluster Development Plan (長江三角洲城市群發展規劃) as approved by the State Council in May 2016. It is the intersection of "One-Belt-One-Road" and Yangtze River Economic Belt and is strategically important in the national modernization and all-round opening-up pattern
"Zerui Education"	Hebei Zerui Education Technology Co., Ltd.* (河北澤瑞教育科技有限責任公司), a limited liability company established under the laws of the PRC on 12 July 2017, owned as to 80.625% by Mr. Li Yunong and 19.375% by Ms. Luo Xinlan as of the date of this interim results announcement, and one of our PRC Operating Entities
"%"	per cent.

Certain amounts and percentage figures included herein have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail.

By order of the Board
China 21st Century Education Group Limited
Li Yunong
Chairman

Hong Kong, 21 August 2018

As at the date of this announcement, the executive Directors are Mr. Li Yunong, Mr. Liu Zhanjie, Ms. Liu Hongwei, Mr. Ren Caiyin and Ms. Yang Li; and the independent non-executive Directors are Mr. Guo Litian, Mr. Ma Guoqing and Mr. Yao Zhijun.

* *For identification purposes only*