21世紀教育
21ST CENTURY EDUCATION

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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

HIGHLIGHTS OF ANNUAL RESULTS:

	Year ended 31 December			
	2019 **(*RMB'000*)**	2018 (*RMB'000*)	**Changes** **(*RMB'000*)**	Percentage of changes
Revenue	**234,242**	201,995	**32,247**	16.0%
Gross Profit	**121,308**	102,304	**19,004**	18.6%
Profit for the Year	**82,753**	69,420	**13,333**	19.2%
Total Comprehensive Income for the Year	**88,731**	95,366	**(6,635)**	(7.0%)
Basic and diluted earnings per Share *(RMB cents)*	**6.78**	6.48	**0.30**	4.6%

	2019/2020 school year	2018/2019 school year	**Changes**	Percentage of changes
Total number of students *(Note 1)*	**32,228**	30,567	**1,661**	5.4%

Note 1: Please refer to the section headed "Student enrollment" of this results announcement for details.

The Board has resolved to propose a final dividend of HK2.22 cents per Share for the year ended 31 December 2019.

The Board is pleased to announce the consolidated results of the Company and its subsidiaries for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 December 2019

	Notes	**2019** **RMB'000**	2018 RMB'000
REVENUE	4	**234,242**	201,995
Cost of sales		**(112,934)**	(99,691)
Gross profit		**121,308**	102,304
Other income and gains	4	**26,209**	10,590
Selling and distribution expenses		**(11,868)**	(7,618)
Administrative expenses		**(40,907)**	(31,474)
Impairment losses on financial assets		**(979)**	–
Other expenses		**(895)**	(944)
Finance costs	6	**(8,204)**	(2,662)
PROFIT BEFORE TAX	5	**84,664**	70,196
Income tax expense	7	**(1,911)**	(776)
PROFIT FOR THE YEAR		**82,753**	69,420
Attributable to:			
Owners of the Company		**82,585**	69,420
Non-controlling interests		**168**	–
		82,753	69,420
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic and diluted			
– For profit for the year		**RMB6.78 cents**	RMB6.48 cents

	2019	2018
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**82,753**	69,420
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**7,798**	25,946
Other comprehensive income that may not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**(1,820)**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**5,978**	25,946
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**88,731**	95,366
Attributable to:		
Owners of the Company	**88,563**	95,366
Non-controlling interests	**168**	–
	88,731	95,366

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**140,719**	125,541
Right-of-use assets		**127,368**	–
Prepaid land lease payments		**–**	58,583
Goodwill		**47,171**	17,121
Other intangible assets		**19,817**	2,584
Equity investment at fair value through other comprehensive income		**180**	–
Financial assets at fair value through profit or loss		**37,888**	–
Other non-current assets		**60,187**	–
Total non-current assets		**433,330**	203,829
CURRENT ASSETS			
Trade receivables	*10*	**2,683**	1,885
Contract costs		**2,563**	2,663
Prepayments, other receivables and other assets		**124,535**	17,662
Amount due from a related party		**2,638**	2,815
Term deposits		**70,000**	162,638
Pledged deposits		**178,500**	105,000
Cash and bank balances		**258,613**	259,491
Total current assets		**639,532**	552,154
CURRENT LIABILITIES			
Other payables and accruals	*11*	**74,179**	83,272
Contract liabilities		**93,296**	71,637
Interest-bearing bank and other borrowings		**139,082**	13,000
Lease liabilities		**16,266**	–
Amount due to a related party		**1,142**	–
Tax payable		**3,562**	2,285
Total current liabilities		**327,527**	170,194
NET CURRENT ASSETS		**312,005**	381,960
TOTAL ASSETS LESS CURRENT LIABILITIES		**745,335**	585,789

	2019	2018
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**4,000**	–
Lease liabilities	**50,428**	–
Deferred tax liabilities	**981**	167
Other non-current liabilities	**17,332**	717
Total non-current liabilities	**72,741**	884
Net assets	**672,594**	584,905
EQUITY		
Share capital	**10,286**	10,323
Treasury shares	**(114)**	(37)
Reserves	**655,479**	574,619
	665,651	584,905
Non-controlling interests	**6,943**	–
Total equity	**672,594**	584,905

NOTES TO FINANCIAL STATEMENTS

31 December 2019

1. CORPORATE INFORMATION

China 21st Century Education Group Limited (the "**Company**") is a limited liability company incorporated in the Cayman Islands on 20 September 2016. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 29 May 2018.

The Company is an investment holding company. During the year, the Company and its subsidiaries (collectively referred to as the "**Group**") were principally engaged in providing educational services and related management services in the People's Republic of China (the "**PRC**").

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Sainange Holdings Company Limited, which is incorporated in the British Virgin Islands ("**BVI**").

2 BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and interpretations) issued by the International Accounting Standards Board ("**IASB**"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for an equity investment at fair value through other comprehensive income, financial assets at fair value through profit or loss, a contingent consideration payable which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest, and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained, and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Changes in Accounting Policies and Disclosures

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Except for the amendments to IFRS 9, IAS 19, IAS 28, and *Annual Improvements to IFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) IFRS 16 replaces IAS 17 *Leases*, IFRIC-Int 4 *Determining whether an Arrangement contains a Lease*, SIC-Int 15 *Operating Leases – Incentives* and SIC-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

IFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption, if any, recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under IAS 17 and related interpretations.

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC-Int 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property, machinery, motor vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("**short-term leases**") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the consolidated statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

Financial impact at 1 January 2019

The impact arising from the adoption of IFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) *RMB'000*
Assets	
Increase in right-of-use assets	129,590
Decrease in prepaid land lease payments	(58,583)
Decrease in prepayments, other receivables and other assets	(6,255)
Increase in total assets	64,752
Liabilities	
Increase in lease liabilities	65,533
Decrease in other payables and accruals	(64)
Decrease in other non-current liabilities	(717)
Increase in total liabilities	64,752
Decrease in retained earnings	–

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	**26,604**
Less:	
Commitments relating to short-term leases	(940)
Add:	
Payments in optional termination periods not recognised as at 31 December 2018	53,268
	78,932
Weighted average incremental borrowing rate as at 1 January 2019	4.26%
Discounted operating lease commitments at 1 January 2019	65,533
Lease liabilities as at 1 January 2019	**65,533**

(b) IFRIC-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "**uncertain tax positions**"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the directors considered the interpretation did not have any impact on the financial position or performance of the Group.

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.

Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 January 2021

3 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

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

Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 (2011) was removed by the IASB in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of education services and the college management services in the PRC.

During the year, management has revised reportable segments and revised the Group's internal reporting, which combined all non-vocational businesses, including tutorial center education service, preschool education service, online education service into one segment (quality-oriented education), while the former tertiary education turns to vocational education. As a result of the changes to reportable segments and segment presentation, segment information for the year ended 31 December 2018 has been re-presented to conform with the revised presentation.

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 (other than interest on lease liabilities), interest income and other unallocated expenses are excluded from such measurement.

Segment assets exclude cash and bank balances, term deposits, pledged deposits, amount due from a related party, financial assets at fair value through profit or loss, equity investment at fair value through other comprehensive income 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.

Year ended 31 December 2019

	Vocational education *RMB'000*	Quality-oriented education *RMB'000*	Total *RMB'000*
Segment Revenue *(note 4)*			
Sales to external customers	**141,028**	**93,214**	**234,242**
Other segment revenue	**8,165**	**618**	**8,783**
	149,193	**93,832**	**243,025**
Segment results	**77,885**	**18,346**	**96,231**
Reconciliation			
Finance costs (other than interest on lease liabilities)			**(5,587)**
Interest income			**12,426**
Unallocated expenses			**(18,406)**
Profit before tax			**84,664**
Segment assets	**338,408**	**59,314**	**397,722**
Reconciliation			
Amount due from a related party			**2,638**
Term deposits			**70,000**
Pledged deposits			**178,500**
Cash and bank balances			**258,613**
Financial assets at fair value through profit or loss			**37,888**
Equity investment at fair value through other comprehensive income			**180**
Unallocated head office and corporate assets			**127,321**
Total assets			**1,072,862**
Segment liabilities	**(154,755)**	**(71,044)**	**(225,799)**
Reconciliation			
Interest-bearing bank and other borrowings			**(143,082)**
Amount due to a related party			**(1,142)**
Tax payable			**(3,562)**
Unallocated head office and corporate liabilities			**(26,683)**
Total liabilities			**(400,268)**
Other segment information:			
Depreciation and amortisation	**20,019**	**11,494**	**31,513**
Capital expenditure^	**21,384**	**25,278**	**46,662**
Loss on disposal of items of property, plant, and equipment	**84**	**–**	**84**

Year ended 31 December 2018

	Vocational education *RMB'000*	Quality-oriented education *RMB'000*	Total *RMB'000*
Segment Revenue *(note 4)*			
Sales to external customers	119,048	82,947	201,995
Other segment revenue	7,184	165	7,349
	126,232	83,112	209,344
Segment results	68,799	18,240	87,039
Reconciliation			
Finance costs			(2,662)
Interest income			3,241
Unallocated expenses			(17,422)
Profit before tax			70,196
Segment assets	207,595	14,512	222,107
Reconciliation			
Amount due from a related party			2,815
Term deposits			162,638
Pledged deposits			105,000
Cash and bank balances			259,491
Unallocated head office and corporate assets			3,932
Total assets			755,983
Segment liabilities	(105,113)	(37,376)	(142,489)
Reconciliation			
Interest-bearing bank and other borrowings			(13,000)
Tax payable			(2,285)
Unallocated head office and corporate liabilities			(13,304)
Total liabilities			(171,078)
Other segment information:			
Depreciation and amortisation	11,275	1,443	12,718
Capital expenditure^	13,266	1,677	14,943
Loss on disposal of items of property, plant, and equipment	369	2	371

^ Capital expenditure consists of additions in property, plant and equipment and intangible assets, including assets from the acquisition of subsidiaries.

Geographical information

During the years ended 31 December 2019 and 2018, the Group operated within one geographical segment 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 segment information is presented.

Information about major customers

During the years ended 31 December 2019 and 2018, no revenue from transaction with a single external customer amounted to 10% or more of the Group's total revenue.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Notes	**2019** *RMB'000*	2018 *RMB'000*
Revenue from contracts with customers			
Vocational education			
Tuition fees		**93,055**	73,564
Boarding fees		**11,273**	7,928
College operation service income	*(a)*	**20,132**	20,415
Others	*(b)*	**16,568**	17,141
		141,028	119,048
Quality-oriented education			
Tutoring fees		**57,016**	49,937
Tuition fees		**28,648**	29,322
Consultation fees		**7,550**	3,688
		93,214	82,947
		234,242	201,995

Notes:

(a) The college operation service income comprises the service income derived from the provision of college operation services and the provision of accommodation services to the students.

(b) Others 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.

Revenue from contracts with customers

(i) Disaggregated revenue information

	2019	2018
	RMB'000	*RMB'000*
Timing of revenue recognition		
Education related services transferred over time	**222,827**	189,194
Other services recognised at point of time	**11,415**	12,801
	234,242	201,995

The Group's contracts with students for college education programmes are normally with duration of 1 year renewed up to total duration of 3–5 years depending on the education programmes, while those for boarding fees are normally with duration of 1 year. Tuition fees of preschool education are with duration of 1 month and for the tutorial center, tuition is charged based on the number of tutoring hours to be taken by students and the type of class. Tuition and boarding fees are determined and paid by the students before the start of the school year.

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2019	2018
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Tuition fees	**55,861**	47,239
Boarding fees	**6,725**	3,807
Others	**9,051**	6,484
	71,637	57,530

No revenue recognised during the year relates to performance obligation that was satisfied in prior years.

(ii) Performance obligations

Education related services

The performance obligations for the provision of education related services are satisfied over time as services are rendered and tuition fees and boarding fees are normally required before rendering the services.

Other services

The performace obligation related to other services are satisfied at point of time upon completion of the related services.

The contracts for education related services are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

An analysis of other income and gains is as follows:

	Notes	2019 RMB'000	2018 RMB'000
Other income and gains			
Interest income		**12,426**	3,241
Site use fees	*(a)*	**2,844**	3,443
Sale of education materials and living goods		**4,660**	2,812
Government grants	*(b)*	**5,000**	–
Financial assets at fair value through profit or loss		**236**	–
Others		**1,043**	1,094
		26,209	10,590

Notes:

(a) 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.

(b) The government grants are related to Zerui Education, a subsidiary of the Group, received from the local government which was RMB5,000,000 for listing award.

5. PROFIT BEFORE TAX

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

	Notes	2019 RMB'000	2018 RMB'000
Depreciation of property, plant and equipment		**13,461**	10,730
Depreciation of right-of-use assets (2018: amortisation of land lease payments)		**17,346**	1,758
Amortisation of intangible assets*		**706**	230
Minimum lease payments under operating leases			
– Buildings		**3,621**	8,462
– Others		**13**	674
		3,634	9,136
Employee benefit expense (excluding directors' remuneration):			
Wages and salaries		**73,754**	69,340
Pension scheme contributions (defined contribution scheme)		**11,197**	8,391
Equity-settled share option expense		**484**	266
		85,435	77,997
Impairment of trade receivables	*10*	**979**	–
Fair value gains, net:			
Financial investments at fair value through profit or loss	*4*	**(236)**	–
Auditor's remuneration		**1,680**	1,400
Loss on disposal of items of property, plant and equipment		**84**	371

* The amortisation of intangible assets for each of the reporting periods is included in "Cost of sales" and "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

6. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**4,807**	1,801
Interest on lease liabilities	**2,617**	–
Financing consultancy service charges^	**780**	861
	8,204	2,662

^ Financing consultancy service charges represented service charges paid by the Group in respect of certain bank and other borrowings obtained.

7. INCOME TAX

The corporate income tax expense for the Group are as follows:

	2019	2018
	RMB'000	*RMB'000*
Current – Mainland China		
Charge for the year	**2,106**	670
(Overprovision)/underprovision in prior years	**(124)**	106
Deferred	**(71)**	–
	1,911	776

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries (or jurisdictions) in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2019	2018
	RMB'000	*RMB'000*
Profit before tax	**84,664**	70,196
Tax at the statutory tax rate	**21,166**	17,549
Profit arising from schools not subject to tax	**(25,226)**	(20,083)
Effect of different tax rates for certain group entities	**(1,134)**	102
Expenses not deductible for tax	**629**	324
Adjustments in respect of current tax of previous periods	**(124)**	106
Tax losses utilised from previous periods	**(716)**	(1,313)
Tax losses not recognised	**7,316**	4,091
	1,911	776

8. DIVIDENDS

As at the date of this results announcement, the Board has resolved to propose a final dividend of HK2.22 cents per Share for the year ended 31 December 2019. The proposed final dividend for the year ended 31 December 2019 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the Company and the weighted average number of the ordinary shares of 1,218,762,058 (2018: 1,070,547,156) in issue during the year.

No adjustment has been made to the basic earnings per share amount presented for the years ended 31 December 2019 and 2018. There was no dilution effect on the basic earnings per share amount presented in respect of the share option outstanding as at 31 December 2019. And the Group had no potential dilutive ordinary share in issue during the years ended 31 December 2019 and 2018.

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

	2019	2018
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	**82,585**	69,420

	Number of shares	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	**1,218,762,058**	1,070,547,156

10. TRADE RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Tuition receivables	**3,662**	1,885
Impairment	**(979)**	–
	2,683	1,885

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

	2019	2018
	RMB'000	*RMB'000*
Within one year	**2,331**	1,885
1 to 2 years	**352**	–
	2,683	1,885

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019	2018
	RMB'000	*RMB'000*
At beginning of year	**–**	–
Impairment losses *(note 5)*	**979**	–
At end of year	**979**	–

The increase in the loss allowance of RMB979,000 was a result of a net increase in trade receivables which were past due in the gross carrying amount.

11. OTHER PAYABLES AND ACCRUALS

	2019	2018
	RMB'000	*RMB'000*
Salary and welfare payables	**25,646**	24,158
Miscellaneous advances from students*	**23,733**	21,647
Other tax payables	**4,325**	3,775
Payables for purchases of property, plant and equipment	**1,720**	926
Deposits	**2,515**	3,046
Accrued listing expenses	**–**	4,621
Scholarships	**1,632**	1,946
Other payables	**12,790**	15,729
Remaining consideration payable for acquisition of subsidiaries	**1,818**	7,360
Current portion of deferred rental obligations	**–**	64
	74,179	83,272

* The balances mainly represented miscellaneous advances received from students for purchasing uniforms and textbooks on their behalf.

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

1.1 Overview

Focusing on the operation and content incubation of the education industry, and adhering to the corporate mission of "promoting the development of the education industry with contents and technologies", the Company has addressed itself to improving the efficiency and customer experience of education operation by virtue of technologies empowerment, and currently has diversified sources of revenue covering full-time vocational education and continuing education, K12 tutorial programs, preschool education and online education.

Considering improving students' abilities 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 to students.

Benefiting from our standardized management and efficient operation, the Group has achieved significant growth in operating indicators such as student numbers and student employment rates, and key financial indicators such as income and profit.

1.2 Cooperation and Acquisitions during the Reporting Period

1.2.1 Acquisitions and investments

On 28 February 2019, the Group entered into a strategic investment agreement with Beijing Ying Yu New Media Interaction Technology Co., Ltd.* (北京英育新媒互動科技有限公司) ("**Ying Yu New Media**") to invest RMB2,000,000 in Ying Yu New Media to acquire 2% of its equity interest. Ying Yu New Media, established in June 2016, is a company mainly engaged in the development and consultancy of technology and corporate management services, and focusing on the integration, research and consultancy of investment and financing resources in the education industry.

On 5 September 2019, Zerui Education entered into an equity transfer agreement with, among others, Zhejiang Peijian Technology Co., Ltd.* (浙江培尖科技有限公司) ("**Zhejiang Peijian**") and the five individual shareholders of Zhejiang Peijian in the PRC ("**Peijian Individual Shareholders**"), pursuant to which Zerui Education agreed to acquire and Peijian Individual Shareholders agreed to sell a total of 51% equity interests in Zhejiang Peijian at the total consideration of approximately RMB23.5 million. As of the date of this results announcement, Zhejiang Peijian had completed the procedures for change in business registration, and its operating results have been consolidated into the Group's financial statements since 22 November 2019.

On 6 September 2019, Shijiazhuang Saintach entered into an equity transfer agreement with Ningbo Xuenuo Enterprise Management Co., Ltd.* (寧波學諾企業管理有限責任公司) ("**Ningbo Xuenuo**"), pursuant to which Shijiazhuang Saintach agreed to acquire and Ningbo Xuenuo agreed to sell 19% of equity interests in Hangzhou Yimai Enterprise Management Consultancy Co., Ltd.* (杭州一脈企業管理諮詢有限責任公司) ("**Hangzhou Yimai**") held by Ningbo Xuenuo at the total consideration of RMB3.8 million. On the same day, Shijiazhuang Saintach also entered into an equity transfer agreement with Hebei Zhiqirui Education Technology Co., Ltd.* (河北智齊銳教育科技有限公司) ("**Hebei Zhiqirui**"), pursuant to which Shijiazhuang Saintach agreed to acquire and Hebei Zhiqirui agreed to sell 51% of equity interests held by Hebei Zhiqirui in Hangzhou Yimai at the total consideration of RMB10.2 million. Upon completion of the transactions, Hangzhou Yimai became a subsidiary of the Company and held as to 70% by Shijiazhuang Saintach and as to 30% by Ningbo Xuenuo, respectively. As of the date of this results announcement, Hangzhou Yimai had completed the procedures for change in business registration, and its operating results have been consolidated into the Group's financial statements since 25 September 2019.

Zhejiang Province was one of the pioneer provinces for the New Gaokao (or college entrance examination) Revolution in 2014. This has enriched Zhejiang Peijian and Hangzhou Yimai with extensive experience in New Gaokao. Entering into the above equity transfer agreements will improve the development of the Group's businesses in relation to New Gaokao under the culture and education business sector, optimize the Group's regional layout and allow the Group to utilize the resources of Zhejiang Peijian and Hangzhou Yimai, including the established brands, good reputation, cooperation channels and a "light-asset" business model that is easy to expand and replicate, which will coordinate with the existing resources of the Group.

1.2.2 Cooperation projects

On 1 April 2019, Shijiazhuang Institute of Technology under vocational education segment entered into a strategic cooperation agreement with the Dundalk Institute of Technology in Ireland, Great Britain to carry out teaching activities and student exchanges, develop cooperation channels suitable for each other, promote the exchange of academic programs and teaching information, and explore the 3+X cooperation model for the majors of early childhood education, construction engineering and costing, computer technology and engineering measurement.

On 31 July 2019, the Company entered into a strategic cooperation agreement with Zhonghai Ruanyin Investment Management Co., Ltd. ("**Zhonghai Ruanyin**") regarding a merger and acquisition fund (the "**Fund**") for the education industry, with the purpose of jointly establishing the model of "Industry plus Financing (產融結合)". Pursuant to the strategic cooperation agreement, the Company and Zhonghai Ruanyin will jointly set up the Fund with a total size of RMB3.0 billion and the Company will leverage its resources with respect to education and continuously engage in the investment and merger and acquisition revolving around the Company's strategic layout of development. Through the Fund, the Company will extend and integrate its industry chain, and make it a leading education platform in the PRC.

On 5 December 2019, the Company formally entered into a cooperation framework agreement with Huawei Technologies Co., Ltd.* (華為技術有限公司) ("**Huawei Company**"). Both parties will strengthen their industry-academia research and exploration in new engineering, jointly promote professional development such as the Internet of Things, big data and artificial intelligence, focus on the future development trends of the industry to promote cooperation on talent training and education, and closely cater to the talent demand of businesses within Huawei Company's ICT industry chain.

1.3 Our Schools

1.3.1 Overview

As of 31 December 2019, the Company owned 21 schools, including 1 private college under vocational education segment (Shijiazhuang Institute of Technology), 6 Saintach Tutorial Schools under quality-oriented education segment (consisting of 11 Saintach Tutorial Centers), 2 Peijian Tutorial Schools, 4 Shinedao Tutorial Schools and 8 Saintach Kindergartens, and was entrusted with the operation of the west campus of Sifang College of Shijiazhuang Tiedao University.

Schools of the Company	**31 December 2019**	31 December 2018
Vocational education – College	**1**	1
Quality-oriented education – Tutorial school	**12**	6
Quality-oriented education – Kindergarten	**8**	8
Total	**21**	15

1.3.2 Student enrollment

As at 31 December 2019, we had 32,228 students enrolled in our schools, including 16,772 full-time students and 15,456 part-time students. The specific details are as follows:

Breakdown of student enrollment	**2019-2020 school year**	2018-2019 school year	Changes	Percentage of changes
Full-time students				
Vocational education – Shijiazhuang Institute of Technology				
Including:				
Junior college	**12,525**	11,604	921	7.9%
Secondary college	**2,516**	2,351	165	7.0%
Subtotal (full-time college students)	**15,041**	13,955	1,086	7.8%
Quality-oriented education – Saintach Kindergartens	**1,731**	1,726	5	0.3%
Subtotal (full-time students)	**16,772**	15,681	1,091	7.0%
Part-time students				
Vocational education – Shijiazhuang Institute of Technology				
Vocational education – Continuing education programs①	**15,456**	14,886	570	3.8%
Subtotal (part-time students)	**15,456**	14,886	570	3.8%
Total	**32,228**	30,567	1,661	5.4%

Note:

① The increase in the number of students in the continuing education programs for the year ended 31 December 2019 compared to that for the year ended 31 December 2018 was mainly due to the increase of student enrollment in adult education exams at Shijiazhuang Institute of Technology.

For the year ended 31 December 2019, our tutorial schools under quality-oriented education segment delivered approximately 469,298 Tutoring Hours to approximately 7,620 students, with a 65.1% student renewal rate for those who still chose to study after completing the first curriculum. Details are as follows:

	For the year ended 31 December **2019**	2018	Changes	Percentage of changes
Number of Tutoring Hours delivered	**469,298**	363,080	106,218	29.3%
Saintach Tutorial Schools①	**346,391**	363,080	(16,689)	(4.6%)
Shinedao Tutorial Schools	**122,907**	–	122,907	–
Number of students tutored	**7,620**	4,984	2,636	52.9%
Saintach Tutorial Schools	**5,182**	4,984	198	4.0%
Shinedao Tutorial Schools	**2,438**	–	2,438	–
Renewal rate	**65.1%**	61.4%	3.7%	6.0%
Saintach Tutorial Schools	**61.1%**	61.4%	(0.3%)	(0.5%)
Shinedao Tutorial Schools	**74.0%**	–	74.0%	–

Note:

① The decrease in the number of Tutoring Hours of Saintach Tutorial Schools delivered for the year ended 31 December 2019 compared to that for the year ended 31 December 2018 was mainly due to the decrease of Tutoring Hours for one-to-one classes.

For the year ended 31 December 2019, there were 620 partner schools under the New Gaokao business of Peijian Tutorial School, providing 11,580 students with competition tutoring services on five subjects; among them, 1,159 students won the provincial first prizes at the five-subject competition.

1.3.3 Charge and average tuition revenue

As disclosed in the Prospectus, we charge our students fees comprising tuition (including tutoring fees) and, at our Shijiazhuang Institute of Technology under vocational education segment, boarding fees. Without taking into consideration of the newly added relevant charges from Peijian Tutorial Schools and Shinedao Tutorial Schools, our other fee range approximates to that for the year ended 31 December 2018.

Average revenue①	**For the year ended 31 December 2019** *RMB*	2018 *RMB*	Changes *RMB*	Percentage of changes
Vocational education②	**6,418**	5,873	545	9.3%
Including: Junior college	**6,742**	6,210	532	8.6%
Secondary college	**4,813**	4,224	589	13.9%
Quality-oriented education				
Saintach Kindergartens	**16,574**	16,530	44	0.3%

Notes:

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

② The increase in average revenue from vocational education was mainly attributable to more students enrolled in such majors that charged higher fees.

The range of tutoring fee for tutorial schools under quality-oriented education segment is as follows:

School and type of course	**2019-2020 school year**
Saintach Tutorial Schools	RMB140 to RMB268 per session
Shinedao Tutorial Schools	RMB40 to RMB340 per hour
Extracurricular tutoring of Peijian Tutorial Schools	RMB24 to RMB840 per session
New Gaokao business of Peijian Tutorial Schools	RMB4,000 to RMB14,000 per semester

1.3.4 Employment rate

Shijiazhuang Institute of Technology works to build 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 society. For the year ended 31 December 2019, we partnered with over 40 of the top 500 enterprises, established 14 order-based classes and organized 6 on-site training programs, which significantly enriched our teaching practice. The employment rate of graduates for the year ended 31 December 2019 was approximately 95.3%:

Employment rate①	**For the year ended 31 December 2019**	2018	Changes	Percentage of changes
Shijiazhuang Institute of Technology	**95.3%**	94.4%	0.9%	1.0%

Note:

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

1.3.5 Our teachers

Teachers	**31 December 2019**	31 December 2018	Changes	Percentage of changes
Full-time Teachers				
Vocational education	**367**	324	43	13.3%
Quality-oriented education – Saintach Tutorial Schools	**165**	163	2	1.2%
Quality-oriented education – Shinedao Tutorial Schools	**63**	–	63	–
Quality-oriented education – Peijian Tutorial Schools	**18**	–	18	–
Quality-oriented education – Saintach Kindergartens①	**152**	163	(11)	(6.8%)
Subtotal (full-time teachers)	**765**	650	115	17.7%
Part-time Teachers				
Vocational education②	**117**	123	(6)	(4.9%)
Quality-oriented education – Saintach Tutorial Schools③	**228**	298	(70)	(23.5%)
Quality-oriented education – Shinedao Tutorial Schools	**60**	–	60	–
Quality-oriented education – Peijian Tutorial Schools④	**242**	–	242	–
Subtotal (part-time teachers)	**647**	421	226	53.7%
Total	**1,412**	1,071	341	31.8%

Notes:

① The number of full-time teachers of Saintach Kindergartens decreased mainly because the number of reserve teachers for Saintach Kindergartens decreased as compared with that for the year ended 31 December 2018.

②③ The decrease in the number of part-time teachers was mainly due to our efforts to gradually increase the number of full-time teachers, standardize, consolidate and optimize the composition of part-time teachers and increase the number of classes given by outstanding part-time teachers.

④ Given the cyclical nature of the New Gaokao business of Peijian Tutorial Schools, we mainly hire part-time teachers for long-term cooperation.

The quality of education we provide is strongly tied to the quality of our teachers. We prioritize the recruitment of outstanding teachers and strive to maintain the stability of our teachers. The percentage of our teachers with a bachelor's degree or above increased from 81.1% as at 31 December 2018 to 94.7% as at 31 December 2019.

1.4 Our Content and Output

1.4.1 Management output

We have acquired the capability of management output for the two major segments of vocational education and quality-oriented education.

For the year ended 31 December 2019, our vocational education segment provided the west campus of Sifang College with entrusted operation service and accommodation service for 3,017 students.

For the year ended 31 December 2019, the "Beijing-Tianjin-Hebei Preschool Education Alliance (京津冀學前教育聯盟)" under our quality-oriented education segment had 1,046 cooperative members, provided paid services for content support and consultation to more than 50 cooperative members, and provided service guidance and training services for nearly 300 kindergartens and over 1,100 teachers.

1.4.2 Content output

We continuously improve our research and development capabilities to meet the needs of different customers, and are committed to promoting the comprehensive and coordinated development of children in various aspects from parents to teachers and from society to school. For the year ended 31 December 2019, our quality-oriented education segment led the development of aesthetic education, sports education, kindergarten teacher college and parent education programs; and we started the external promotion of the aesthetic education program jointly developed with Hebei Youth Calligraphers Association (河北青少年書畫家協會) through the practices in internal kindergartens, with nearly 12,000 books sold in the whole year. On the other hand, we focused on the development of professional sports courses for children, and completed sports courses with the efforts of our research and development team with the background of sports and preschool education, including children's football, children's basketball, balance bike, orienteering, etc., with a service coverage of nearly 60 kindergartens. Our offline family education and training program targeting parents trained more than 300 customers through product output by way of partnership, with our product system still in continuous development and improvement. Our family education cloud platform targeting schools and education institutions is built on technologies such as big data, cloud computing and mobile internet. It provides parent training for schools, education institutions and authorities, offers guidance on family education, and addresses home-school conflicts to bolster the competitiveness of regional education, with the product system still in iteration. Our kindergarten teacher college provides kindergarten teachers with professional, multi-dimensional and practical methods for preschool education, teaching, children's healthcare and home-school education from multiple perspectives to effectively solve the practical problems encountered by kindergarten teachers during work.

1.5 Our Technological Empowerment

Focusing on the strategic layout of "content + technology", the Group further accelerated the expansion of its traditional offline education business into the digital field. Science and technology empower us to establish our content layout in two major segments of vocational education and quality-oriented education, and consolidate and incorporate technology into the content, including technical services and technical consultation. For the year ended 31 December 2019, we successively developed five technology products, with the functions including live streaming, education evaluation, cloud-based classroom, etc., which basically met most of the needs of the target group.

Middle and high-end family education platform–"Parents Cloud-based Classroom (爸媽搜雲課堂)": Parents Cloud-based Classroom is tailor-made for its current 1.50 million users by Beijing Xin Tian Di Xian Information and Technology Co., Ltd.* (北京新天地綫技術有限公司), aiming at providing visual and audio courses relating to quality-oriented education, subject education and parenting classes for 3-12 years-old children and their parents. Parents Cloud-based Classroom comprises three functional modules such as children's university, parents' school and parent-children reading and sharing, including a large number of selected courses and fairy tales for children and various family education lessons for parents, which is beneficial for parents and children to enjoy the fun of learning together.

Gaojiaoyun (高教雲) management platform under vocational education segment – "Sousou Smart School (嗖嗖智校)": It is a SaaS-type cloud platform for college teachers and students, which is based on the complete business process of colleges. It aims to build a core platform for smart campus to provide a series of services such as enrollment management, student registration, financial management, online payment, teaching and related administrative affairs, internship and practical training, and precise employment. For schools, the platform can deliver full life-cycle management of students from enrollment to employment. For students, it can provide value-added services in close relation to school study, life and consumption. At the same time, through data accumulation in terms of teaching, student, finance and operation management at schools, combined with cloud computing, big data, artificial intelligence and other advanced technologies, the platform can build knowledge spectrums and behavior models of students to enable schools to serve as the cockpit for big data and deliver personalized study.

Youjiaoyun (幼教雲) management platform under quality-oriented education segment – "Enlightening Homeland (知蒙家園)": "Enlightening Homeland" is a cloud platform dedicated to improving the information management of kindergartens, focuses on the affairs management, home-school education, employee management and financial management in kindergartens, and enables efficient and convenient communication among kindergartens, kindergarten teachers and parents. The platform, connected to the micro-application terminal on WeChat, allows users to keep abreast of the real-time situation in kindergartens. It provides professional management, standardized services, high-quality content and convenient operation for kindergartens, and has drawn the attention from and been used by many well-known kindergartens after its launch.

Online live broadcast tool – "Live Classroom (直擊課堂)": Live Classroom is an online education live broadcast tool for teachers and small and medium-sized K12 education institutions. It offers core functions at one stop such as course release, online audio live broadcast, student management and paid reading, and can help individuals or organizations to build their exclusive online schools. Live Classroom is a live broadcast tool focused on knowledge dissemination, and any user can use this tool to meet the needs for live broadcast. Free from user terminals, the tool enables live broadcast via browsers, and applies to various scenarios such as one-to-one, one-to-many and double-teacher classrooms.

Intelligent education evaluation platform – "Grand Educational Evaluation (博教智評)": It is a simple and easy-to-use platform that combines questionnaire, exam and evaluation, focusing on providing free questionnaire creation, publication, management, collection and data analysis services for the education industry, allowing most enterprises or individuals to access faster and more convenient data collection and evaluation services.

1.6 Our Licenses and Honors

For the year ended 31 December 2019, the Company completed the 2018 annual examination and verification of the licenses, permits, approvals and certificates necessary to conduct our operations in all material aspects from the relevant government authorities in the PRC as scheduled, which have remained in full effect. 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), Shijiazhuang High-tech Industrial Development Zone Saintach Tutorial School (石家莊高新區新天際培訓學校), Shijiazhuang Qiaoxi District Bilingual Culture Tutorial School (石家莊市橋西區雙語文化培訓學校) and Shijiazhuang Qiaoxi District Zhicheng Tutorial School (石家莊市橋西區智城培訓學校) were awarded 2018 Annual Inspection Excellent School (Kindergarten) by the Examination and Approval Bureau of Shijiazhuang Hi-tech Industrial Developmental Zone (石家莊高新區行政審批局) and Shijiazhuang Qiaoxi District Education Bureau (石家莊橋西區教育局), respectively.

On 16 January 2019, the Group won the award of "2018 Golden Hong Kong Listed Companies – Most Valuable Company with Small to Medium Market Value (2018金港股最具價值中小市值股公司)" at the annual award ceremony for 2018 "Golden Hong Kong Listed Companies (金港股)" held in Shenzhen by virtue of the steady growth in performance and continuous improvement in comprehensive strength in recent years and strong development potential in future.

On 9 March 2019, the Group's Saintach Kindergarten under quality-oriented education segment was awarded the title of 2018 "Advanced Unit (先進單位)" by Shijiazhuang Private Education Association. It was the third consecutive year that Saintach Kindergarten had won this honorary title.

On 21 June 2019, the 2019 annual award results of "China Financial Market Grand Prize (中國融資大獎)" were revealed in Hong Kong, where the Group won the award of "Listed Company with the Greatest Potential (最具潛力上市公司)" by virtue of its growth.

On 24 June 2019, the cultural education training of the Group's Saintach Tutorial Schools under quality-oriented education segment won the second prize in the "Great Corporate Trainings in Hebei (河北好企訓)" activity by virtue of their excellent teaching quality and high social satisfaction.

On 22 November 2019, the Group won the award of "Most Influential Education Brand (最具影響力教育品牌)" at the Second Investor Day and the Award Ceremony of China Education "Golden Knowledge Award" (第二屆投資人節暨中國教育「金知獎」) by virtue of its years of high-quality education services and social satisfaction.

2. MARKET REVIEW AND NEW REGULATIONS

2.1 Further Policy Support for Vocational education

With the real economy experiences slower growth, the importance of vocational education has risen to the national strategic level. On 24 January 2019, the State Council issued the Notice on Issuing the National Plan for Implementing Vocational Education Reform (《關於印發國家職業教育改革實施方案的通知》), offering further policy support for vocational education. On 10 April 2019, the Ministry of Education and three other ministries jointly issued the notice on the Pilot Plan for Implementing the "Academic Certificates plus Vocational Skills Level Certification" System in Educational Institutions (《關於在院校實施「學歷證書+若干職業技能等級證書」制度試點方案》), thereby launching the pilot system of "Academic Certificates plus Vocational Skills Level Certification (the "**1+X Certification**"). On 6 May 2019, five ministries including the Ministry of Education jointly issued the notice on the Special Implementation Plan for Expanding Enrollment in Vocational High Schools (《高職擴招專項工作實施方案》) to implement the relevant requirements set out in the 2019 Government Work Report in relation to expanding enrollment in vocational high schools by one million students; the notice also points out that "higher vocational education shall serve as a strategic initiative to alleviate the current employment pressure and address the shortage of high-skilled talents. On 10 October 2019, the National Development and Reform Commission, the Ministry of Education and other departments jointly issued the National Pilot

Plan for Implementing Industry-Education Integration (《國家產教融合建設試點實施方案》), with pilot work to develop approximately 50 Chinese cities featuring industry-education integration within five years. On 5 December 2019, the Ministry of Education issued the Revised Draft of Vocational Education Law of the People's Republic of China (Draft for Soliciting Views) (《中華人民共和國職業教育法修訂草案(徵求意見稿)》), which sets out that our state will enable separate development for vocational education and general education in different stages after compulsory education. The draft also explicitly sets out that vocational education shall adheres to industry-education integration, school-enterprise cooperation, work-study integration, as well as knowledge and action in accord, to cultivate the craftsmanship spirit. Our state encourages the development of multi-level vocational education, and promotes diversified education operations where businesses play a central role and various social subjects are supported to extensively engage in vocational education. On 5 December 2019, the Group formally signed a cooperation framework agreement with Huawei Company, under which the Group would tap into the national initiative of "New Engineering Education" as an opportunity, focus on the future development trends of the industry to promote cooperation on talent training and education, and closely cater to the talent demand of businesses within Huawei Company's ICT industry chain.

2.2 Fully Developing Quality-oriented Education and Cultivating Top-tier Talents for Basic Disciplines More Quickly

On 8 July 2019, the State Council issued the Opinions on Deepening the Reform of Education and Teaching and Comprehensively Improving the Quality of Compulsory Education (《關於深化教育教學改革全面提高義務教育品質的意見》), which maintained the balanced development of "Five-Pronged Education (五育)", full development of quality-oriented education, and a high school admission model based on the performance of junior secondary school graduation examination with the evaluation of overall quality taken into account.

On 20 August 2019, the Ministry of Education issued the Notice on Constructing Cultivation Bases for Top-tier Students in Basic Disciplines from 2019 to 2021 (《關於2019–2021年基礎學科拔尖學生培養基地建設工作的通知》). On 14 January 2020, the Ministry of Education issued the Opinions on Implementing the Pilot Admission Reform for Basic Subjects in Some Universities (《關於在部分高校開展基礎學科招生改革試點工作的意見》) (the "**Foundation Enhancement Program (強基計劃)**"). Designed to actively explore the models for cultivating top-tier innovative talents in basic disciplines, the Foundation Enhancement Program (強基計劃) selects and cultivates students with outstanding comprehensive qualities or performance in basic disciplines. It highlights the supporting and leading function of basic disciplines and further clarifies the key position of academic grades, enabling universities to refocus on the results of college entrance exam during admissions and further enhancing the justness and fairness of entrance exams. In 2019, the Company vigorously developed its cultural education business under quality-oriented education, by successively acquiring Zhejiang Peijian and Hangzhou Yimai and actively engaging in operations relating to New Gaokao.

2.3 A Booming Period for the Online Education Industry amidst the Current "COVID-19" Outbreak

According to iiMedia Research, the online education market is expected to be worth RMB453.8 billion in 2020. With the growing maturity of technologies such as big data, artificial intelligence and live broadcast, "Internet+ Education" will embrace further development. Affected by the outbreak of "COVID-19" epidemic during the Chinese New Year in 2020 and in response to the requirement of "class suspension with continuing education (停課不停教、停課不停學)", online education will witness faster industrialization and popularization. Leveraging on its strategic layout of "Content+ Technology", the Company has developed a number of information-based education products. In view of the current epidemic outbreak, the Company will accelerate the commercial output and promotion of its proprietary information-based education products, particularly online education tools. In addition, except for the Company's kindergartens, all physical schools of the Company have commenced online teaching, leaving the Company's business operations largely unaffected. The Company will increase the recording and research and development progress of its online courses to ensure the learning efficiency and effectiveness of its students.

2.4 A Light-asset Operation Model for Management Output of Kindergarten Business

On 15 November 2018, Xinhua News Agency was authorized to issue Certain Opinions of the CPC Central Committee and the State Council on Deepening the Reform and Regulating the Development of Preschool Education (《中共中央、國務院關於學前教育深化改革規範發展的若干意見》) (the "**Opinions**"), pointing out a clear direction for further improving the Chinese public service system on preschool education. Internally, the Group, focusing on its corporate mission of "Driving the Development of Education through Content and Technology" as well, has optimized the development strategy of its preschool education business, and realized management output in the light-asset operation model and through content development and technology empowerment as the core, instead of physical expansion of kindergartens. Furthermore, on 12 June 2019, the Group changed the use of proceeds allocated for kindergarten acquisition, the details of which are set out in the section headed "Use of Net Proceeds from the Initial Public Offering" below. According to Shijiazhuang's local policy for benefiting the general public, three kindergartens of the Group launched a public inclusivity system with appropriately lower nursery fees from October to December 2019, coupled with rental waiver or deduction by the government which was expected to reduce the revenue from kindergarten business under quality-oriented education segment, whereas gross margin and profit for the year were largely unaffected. As the revenue and profit of our kindergarten business under quality-oriented education segment accounted for a relatively small share of the Group's overall results, the public inclusivity system of the Group's kindergartens had a relatively small impact on the Group's overall results.

3. FUTURE PROSPECTS

Centering on the overall national objective for education modernization, we, as a large private education service provider, will exert great efforts to develop vocational education and quality-oriented education, and sustain a diversified industrial layout.

We will attach greater importance to content development, specialty construction and the improvement of teaching quality and operational efficiency, continue to provide customers with quality education services and good customer experience, and take advantage of various technologies to empower customers to learn more efficiently and effectively. Meanwhile, we will apply our information-based education products to more schools, kindergartens and institutions, gradually achieve commercial output and accumulate larger bases of customers and students.

We will actively build and promote our quality-oriented education business for children and young customer groups between 0 and 18 years old, helping to cultivate a wider range of abilities such as logical thinking, hands-on skills and creativity for young children and cultivate the learning abilities targeting at the revolution of new college entrance examination for mature teenagers. We will proactively consolidate and integrate the abilities relating to research and training of faculty, upgrade of product research and development and improvement of operational efficiency of Saintach Education, Shinedao Education and Peijian Education.

We will create a more convenient and efficient learning environment for students by leveraging our high-quality faculty and course products as well as internet tools and technologies. We will continue to maintain a light-asset operation model, and achieve output management by centering on content development and technology empowerment, and accelerate the development of our online education business.

We will develop the vocational education business for adolescent aged above 15 and adult customers. Through deepening faculty research and training, designing academic subjects, specialty construction and specialty development as well as standardized and well-regulated teaching management and implementing application-oriented and high-skilled talents cultivation mode of "Vocational Skills + Working Certificates + Graduation Certificates" (「專業技能+崗位證書+畢業證書」), we strive to maintain a high employment rate. We will invest in and acquire some high-quality vocational colleges and training institutions as appropriate, and ramp up industry-education integration and school-enterprise cooperation for vocational education, to cultivate talents who are equipped with such technologies and skills as urgently required in our state's development.

Meanwhile, we will be more active to keep abreast of and establish our presence in overseas education business as appropriate.

4 FINANCIAL REVIEW

4.1 Revenue

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.

Revenue increased by approximately 16.0% from approximately RMB202.0 million for the year ended 31 December 2018 to approximately RMB234.2 million for the year ended 31 December 2019, mainly due to the increase of student enrollment and average tuition fee.

4.2 Cost of Sales

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

Cost of sales increased by approximately 13.3% from approximately RMB99.7 million for the year ended 31 December 2018 to approximately RMB112.9 million for the year ended 31 December 2019, mainly due to (1) the increase in staff costs; (2) the increase in costs resulted from the acquisition of Zhejiang Peijian and Hangzhou Yimai; and (3) the increase in the costs of teaching as a result of the increase in the number of students.

4.3 Gross Profit and Gross Profit Margin

The amount of gross profit increased by approximately RMB19.0 million from RMB102.3 million for the year ended 31 December 2018 to RMB121.3 million for the year ended 31 December 2019; and the gross profit margin increased from approximately 50.6% for the year ended 31 December 2018 to approximately 51.8% for the year ended 31 December 2019, which was mainly due to the increase of student enrollment.

4.4 Other Income and Gains

Other income and gains consisted of (1) interest income from banks; (2) government grants; and (3) site use fees charged to certain secondary vocational schools and companies for their external use of the premises and facilities of Shijiazhuang Institute of Technology for organizing teaching activities and training sessions.

Other income and gains increased by approximately 147.5% from approximately RMB10.6 million for the year ended 31 December 2018 to approximately RMB26.2 million for the year ended 31 December 2019, mainly due to (1) the increase in interest income from fixed term deposits with banks; and (2) the receipt of government grants.

4.5 Selling and Distribution Expenses

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

Selling and distribution expenses increased by approximately 55.8% from approximately RMB7.6 million for the year ended 31 December 2018 to approximately RMB11.9 million for the year ended 31 December 2019, mainly due to (1) the increase of wage for student recruitment personnel; and (2) the increase of recruitment promotion expenses.

4.6 Administrative Expenses

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

Administrative expenses increased by approximately 30.0% from approximately RMB31.5 million for the year ended 31 December 2018 to approximately RMB41.0 million for the year ended 31 December 2019, mainly due to (i) wage increase arising from the increase of management personnel; and (2) the increase of auditing and consultation service fees.

4.7 Other Expenses

Other expenses mainly consisted of (1) exchange loss; and (2) expenses relating to loss on disposal of various fixed assets.

Other expenses amounted to approximately RMB0.9 million for the year ended 31 December 2019, which stayed at roughly the same level as that for the year ended 31 December 2018.

4.8 Finance Costs

Finance costs mainly represented interest on loans borrowed from financial institutions and guarantee fees paid to third parties for the loans borrowed.

Finance costs increased by approximately 208.2% from approximately RMB2.7 million for the year ended 31 December 2018 to approximately RMB8.2 million for the year ended 31 December 2019, mainly due to the increase of finance costs arising from the increase of bank borrowings.

4.9 Taxation

Income tax expenses increased by approximately RMB1.1 million from RMB0.8 million for the year ended 31 December 2018 to RMB1.9 million for the year ended 31 December 2019, mainly due to the income tax expenses arising from the listing award amounted to RMB5.0 million received from the local government.

4.10 Profit for the Year

Due to the above factors, the Company's profit for the year grew from approximately RMB69.4 million for the year ended 31 December 2018 to approximately RMB82.8 million for the year ended 31 December 2019.

4.11 Net Liquidity and Capital and Funds and Borrowing Sources

As at 31 December 2019, net current assets of the Company were approximately RMB312.0 million, which mainly consisted of prepayments, other receivables and other assets, term deposits, pledged deposits and cash and bank balances.

As at 31 December 2019, current assets increased from approximately RMB552.2 million as at 31 December 2018 to approximately RMB639.5 million. The increase in current assets was mainly due to (1) the additional financial assets at fair value through profit or loss; and (2) the additional prepayments for renovation projects.

As at 31 December 2019, current liabilities increased from approximately RMB170.2 million as at 31 December 2018 to approximately RMB327.5 million. The increase in current liabilities was mainly due to (1) the increase of borrowings from financial institutions; and (2) the increase of tuition and boarding fees received in advance from students.

As at 31 December 2019, the current ratio of the Company (current assets divided by current liabilities) was 195.3%, as compared with 324.4% as at 31 December 2018. The decrease in current ratio was mainly due to the increase of borrowings from financial institutions.

4.12 Gearing Ratio

As at 31 December 2019, gearing ratio (calculated by total interest-bearing bank and other borrowings divided by total equity) was approximately 21.3%, representing an increase of 19.1 percentage points from approximately 2.2% as at 31 December 2018, mainly due to the increase in interest-bearing bank and other borrowings.

4.13 Major Investment

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

4.14 Major Acquisitions and Disposals

For the year ended 31 December 2019, the Group has not conducted any major acquisition or disposal of any subsidiary or associated company.

4.15 Contingent Liabilities

As at 31 December 2019, the Company did not have any material contingent liabilities, guarantees or any material litigation or claims, pending or threatened against any member of the Company (31 December 2018: Nil).

4.16 Foreign Exchange Risk

Most gains and expenses of the Company were denominated in Renminbi. As at 31 December 2019, certain bank balances were denominated in Hong Kong dollars or US 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 prudent measures in due course.

4.17 Pledge of Asset

For the year ended 31 December 2019, the Group pledged bank deposits of RMB178.5 million for obtaining a bank facility (2018: RMB105.0 million), of which RMB105.0 million was unutilized as at 31 December 2019 (2018: RMB105.0 million).

4.18 Events after the Reporting Period

1. *Outbreak of the Novel Coronavirus (COVID-19)*

   Subsequent to the end of the reporting period, there was an outbreak of the novel coronavirus (COVID-19) across China. The Group provided and completed its education services for the 2019/2020 fall semester by early January 2020. The Group's spring semester has been delayed due to school closure during the outbreak period. The Group implemented certain alternative actions for students during the closure period, including implementing on-line teaching activities.

   In view of the alternative actions described above, management had assessed and preliminarily concluded that there was no significant impact on the financial position of the Group subsequent to the year ended 31 December 2019 up to the date of this results announcement. Having said that, management would remain alert to the development of the pandemic and take additional measures as appropriate. The Group will release further announcement as and when appropriate in the event that there is any significant financial impact from COVID-19 on the Group's financial results and reflect such impact in the Group's interim and annual financial statements.

2. *Proposal for Dividend*

   As at the date of this results announcement, the Board has resolved to propose a final dividend of HK2.22 cents per Share for the year ended 31 December 2019.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

On 29 May 2018, the Company issued 360,000,000 Shares at a price of HK$1.13 per Share pursuant to the initial public offering of Shares, the total proceeds of which amounted to approximately HK$408.9 million, and the Shares were listed on the Main Board of the Stock Exchange. On 17 June 2018, the Company issued 36,000,000 Shares at a price of HK$1.13 per Share pursuant to a partial exercise of over-allotment options relating to listing, the total proceeds of which amounted to approximately HK$40.7 million. The net proceeds from listing (net of underwriting fees and relevant expenses) amounted to approximately HK$433 million. The amount will be applied in the manner as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus and the announcement of the Company dated 12 June 2019 regarding the change in use of proceeds (the "**Announcement**").

	Intended use of net proceeds *(HK$ million)*	Amended use of proceeds as at the date of the Announcement *(HK$ million)*	Actual use of net proceeds up to 31 December 2019 *(HK$ million)*	Remaining balance up to 31 December 2019 *(HK$ million)*	Expected time of full utilization of remaining balance
Acquire and rebrand third-party kindergartens to expand our Saintach Kindergartens network in the Integrated Area by the end of 2020	173.2	–	–	–	–
Invest in, acquire and rebrand the domestic and overseas vocational education and quality-oriented education training schools and junior and undergraduate colleges	–	173.2	–	173.2	31 December 2020
Expand our Saintach Tutorial Center network in the Integrated Area through acquisition of third-party tutorial schools primarily engaged in providing small-group tutoring services by the end of 2020	86.6	86.6	20.4	66.2	31 December 2020
Maintain, renovate and upgrade the facilities, equipment and infrastructure of our schools and tutorial centers and improve student accommodation, campus environment and teaching conditions at Shijiazhuang Institute of Technology	86.6	86.6	19.8	66.8	31 December 2020
Establish our presence overseas and obtain experience in operating schools abroad	43.3	43.3	–	43.3	30 June 2020
Fund our working capital and general corporate purposes	43.3	43.3	20.0	23.3	30 June 2020
Total	433.0	433.0	60.2	372.8	

PROFIT DISTRIBUTION

The Board recommends a final dividend of HK2.22 cents per ordinary Share for the year ended 31 December 2019. Subject to approval by the Shareholders at the annual general meeting (the "**AGM**") to be held on 30 June 2020, the final dividend will be paid on or before 31 July 2020 to the Shareholders whose names appear on the register of members of the Company on 24 July 2020.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement of Shareholders to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 24 June 2020 to Tuesday, 30 June 2020, both days inclusive, during which no transfer of Shares will be registered. The record date for determining the eligibility to attend and vote at the AGM is Tuesday, 30 June 2020. In order to be eligible to attend and vote at the AGM, all transfer of Shares with stamp duty duly paid accompanied by the relevant share certificates must be lodged by the Shareholders with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 23 June 2020.

In order to determine the eligibility of Shareholders to receive the proposed final dividend, the register of members of the Company will be closed from Friday, 17 July 2020 to Friday, 24 July 2020, both days inclusive, during which no transfer of Shares will be registered. The record date for the entitlement to the proposed final dividend is Friday, 24 July 2020. In order to qualify for the proposed final dividend, all transfer of Shares together with the relevant share certificates must be delivered to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 16 July 2020.

SUFFICIENT PUBLIC FLOAT

According to the information available to the Company in public and to the knowledge of the Directors, at any time during the year ended 31 December 2019 and up to the date of this results announcement, at least 25% (i.e., the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules) of the total issued Shares of the Company were held by the public.

CORPORATE GOVERNANCE CODE

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.

For the year ended 31 December 2019, the Company complied with all the applicable code provisions under the CG Code, and adopted most of the recommended best practices set forth therein. The Company will continue to review and monitor its corporate governance practices to ensure the compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Limited Issuers (the "**Model Code**") as its own code of conduct regarding Directors' securities transactions. Upon specific enquiries to all the Directors, each of them has confirmed that he/she complied with the requirements set out in the Model Code for the year ended 31 December 2019.

For the year ended 31 December 2019, the Company also adopted its own code of conduct regarding employees' securities transactions on terms no less exacting than the standard set out in the Model Code, for compliance by its employees who are likely to possess unpublished inside information of the Company in respect of their dealings in the Company's securities.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

For the year ended 31 December 2019, the Company purchased a total of 12,672,000 Shares at a total purchase price (net of expenses) of approximately HK$9,892,917.30 on the Stock Exchange. The reason for such Share repurchases was that the Board believed that the Shares had been trading at a level which significantly undervalued the Company's performance and underlying value; and since the Board is committed to actively managing the Company's capital, such Share repurchases would create capital management benefits to the Shareholders. The Company is dealing with the cancellation procedures of all the Shares so purchased. The details of purchase of these Shares are set out as follows:

Month of purchase	**Number of Shares purchased**	**Maximum price paid per Share** *(HK$)*	**Minimum price paid per Share** *(HK$)*	**Total purchase price** *(HK$)*
October 2019	2,826,000	0.7600	0.7300	2,089,831.80
November 2019	8,688,000	0.8200	0.7600	6,815,785.50
December 2019	1,158,000	0.8700	0.8400	987,300.00
Total	12,672,000			9,892,917.30

AUDIT COMMITTEE

For the year ended 31 December 2019, the audit committee of the Company (the "**Audit Committee**") consisted of three members, namely Mr. Yao Zhijun (chairman), Mr. Guo Litian and Mr. Wan Joseph Jason, all of whom were independent non-executive Directors.

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 annual results and the consolidated financial statements of the Group for the year ended 31 December 2019 have been reviewed by the Audit Committee.

SCOPE OF WORK OF THE GROUP'S AUDITOR

The figures set out in the preliminary announcement of the Group's results for the year ended 31 December 2019 have been agreed by the Group's auditor, Ernst & Young ("**EY**") to the amounts set out in the Group's consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by EY on this preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND 2019 ANNUAL REPORT ON WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.21centuryedu.com. The 2019 annual report containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

DEFINITIONS

"Board"	the board of directors of the Company
"Company"	China 21st Century Education Group Limited, an exempted company incorporated in the Cayman Islands with limited liability on 20 September 2016, with its Shares listed on the Main Board of the Stock Exchange
"Director(s)"	the director(s) of the Company
"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)
"Group" or "we"	the Company, its subsidiaries and PRC Operating Entities 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

"Integrated Area"	also known as the Beijing-Tianjin-Hebei Integrated Area. Its concept was raised according to a national strategic initiative to promote the region's economic development
"Listing Date"	29 May 2018, being the date of listing of Shares on the Main Board of the Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Peijian Tutorial School(s)"	Chongqing Peijian Tutorial School Limited* (重慶培尖課外培訓學校有限公司) and Hangzhou Huashi Peijian Tutorial School Limited* (杭州華石培尖培訓學校有限公司), which are the PRC Operating Entities
"PRC" or "China"	the People's Republic of China
"PRC Operating Entities"	Shijiazhuang Saintach, Hebei Saintach, Shijiazhuang Institute of Technology, Saintach Tutorial Schools, Peijian Tutorial Schools, Shinedao Tutorial Schools and Saintach Kindergartens
"Prospectus"	the prospectus dated 15 May 2018 and issued by the Company in respect of its initial public offering and listing
"RMB"	the lawful currency of the PRC
"Saintach Kindergartens"	Shijiazhuang Qiaoxi District Blue Crystal Saintach Kindergarten* (石家莊市橋西區新天際藍水晶幼兒園), Shijiazhuang Luquan District Fukang Saintach Kindergarten* (石家莊市鹿泉區新天際福康幼兒園), Shijiazhuang Chang'an District Jianhua Saintach Kindergarten* (石家莊市長安區新天際建華幼兒園), Shijiazhuang Qiaoxi District Lidu Saintach Kindergarten* (石家莊市橋西區新天際麗都幼兒園), 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), Shijiazhuang Chang'an District Qinghui Saintach Kindergarten*(石家莊市長安區新天際清暉幼兒園), Zhengding County Saintach Kindergarten* (正定縣新天際幼兒園) and Zhengding County Fumenli Saintach Kindergarten* (正定縣新天際福門里幼兒園), which are the PRC Operating Entities
"Saintach Tutorial Centers"	Tutorial centers in multiple operating locations which are organized into different Saintach Tutorial Schools

"Saintach Tutorial Schools"	Shijiazhuang City Qiaoxi District Bilingual Culture Tutorial School* (石家莊市橋西區雙語文化培訓學校), Shijiazhuang City Chang'an District Saintach Tutorial School* (石家莊市長安區新天際培訓學校), Shijiazhuang Yuhua District Donggang Road Saintach Tutorial School* (石家莊市裕華區東崗路新天際培訓學校), Shijiazhuang City Qiaoxi District Zhicheng Tutorial School* (石家莊市橋西區智城培訓學校), Shijiazhuang City High-tech Zone Saintach Tutorial School* (石家莊市高新區新天際培訓學校) and Shijiazhuang City Xinhua District Huixuan Education Tutorial School* (石家莊市新華區慧軒教育培訓學校), which are the PRC Operating Entities
"school sponsors"	the individual(s) or entity(ies) that funds or holds interests in an educational institution
"school year"	the school year for all 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 (whose school sponsors' interest was wholly-owned by Zerui Education as at the date of this 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 and wholly-owned by Zerui Education as at the date of this results announcement, and one of our PRC Operating Entities
"Shinedao Tutorial Schools"	Shaoxing Shangyu Shinedao Education Tutorial School* (紹興市上虞區學鼎教育培訓學校), Zhoushan Dinghai Shinedao Education Tutorial School* (舟山市定海區學鼎教育培訓學校), Yuyao Xueneng Tutorial School Limited* (余姚學能培訓學校有限公司) and Jiashan County Shinedao Education Tutorial School Limited* (嘉善縣學鼎培訓學校有限公司), which are the PRC Operating Entities

"Sifang College"	Sifang College of Shijiazhuang Tiedao University (石家莊鐵道大學四方學院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tutoring Hour(s)"	the unit for measuring tutoring time delivered to students, typically representing a duration of 60 minutes for secondary school students and 40 minutes for primary school students
"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, which was owned as to 80.625% by Mr. Li Yunong and 19.375% by Ms. Luo Xinlan as at the date of this results announcement, and one of our PRC Operating Entities
"%"	per cent.

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

Hong Kong, 31 March 2020

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

* *For identification purposes only*