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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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

FINANCIAL HIGHLIGHTS

**For the six months ended
30 June**

	2021	2020	Changes	Percentage
	(RMB'000)	(RMB'000)	(RMB'000)	of changes
	(Unaudited)	(Unaudited)		
Revenue	157,999	115,500	42,499	36.8%
Gross Profit	80,958	60,851	20,107	33.0%
EBITDA	72,690	61,057	11,633	19.1%
Profit for the Period	44,156	36,682	7,474	20.4%
Earnings per Share	RMB3.90 cents	RMB3.00 cents	RMB0.90 cents	30.0%

The Board of China 21st Century Education Group Limited is pleased to announce the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2021, together with the comparative figures for the corresponding period of 2020.

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

For the six months ended 30 June 2021

	<i>Notes</i>	Six months ended 30 June	
		2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
REVENUE	4	157,999	115,500
Cost of sales		<u>(77,041)</u>	<u>(54,649)</u>
Gross profit		80,958	60,851
Other income and gains	4	17,624	12,719
Selling expenses		(9,173)	(6,279)
Administrative expenses		(34,715)	(23,764)
Impairment losses on financial and contract assets		(1,121)	(1,381)
Other expenses		(77)	(465)
Finance costs	5	<u>(9,498)</u>	<u>(5,325)</u>
PROFIT BEFORE TAX	6	43,998	36,356
Income tax expense	7	<u>158</u>	<u>326</u>
PROFIT FOR THE PERIOD		<u>44,156</u>	<u>36,682</u>
Attributable to:			
Owners of the Company		44,424	36,261
Non-controlling interests		<u>(268)</u>	<u>421</u>
		<u>44,156</u>	<u>36,682</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic and diluted			
— For profit for the period		<u>RMB3.90 cents</u>	<u>RMB3.00 cents</u>

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	44,156	36,682
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	<u>(2,857)</u>	<u>6,864</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	<u>(2,857)</u>	<u>6,864</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>41,299</u>	<u>43,546</u>
Attributable to:		
Owners of the Company	41,567	43,125
Non-controlling interests	<u>(268)</u>	<u>421</u>
	<u>41,299</u>	<u>43,546</u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		30 June 2021	31 December 2020
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	232,101	151,126
Right-of-use assets		134,677	95,580
Goodwill		68,007	68,007
Other intangible assets		19,911	20,816
Amount advance to a related party		—	78,750
Financial asset at fair value through profit or loss		35,835	36,247
Other non-current assets		66,702	65,334
Total non-current assets		557,233	515,860
CURRENT ASSETS			
Trade receivables	11	6,164	5,619
Contract costs		2,337	3,185
Prepayments, deposits and other receivables		61,861	23,877
Amount due from related parties		16,927	5,183
Financial assets at fair value through profit or loss		8,121	4,646
Term deposits		40,000	40,000
Pledged deposits		187,000	187,000
Cash and bank balances		418,368	357,700
Total current assets		740,778	627,210
CURRENT LIABILITIES			
Other payables and accruals		81,899	88,839
Interest-bearing bank and other borrowings	12	309,909	143,926
Contract liabilities		31,772	108,495
Amount due to related parties		517	275
Lease liabilities		12,284	12,717
Tax payable		1,927	2,914
Other current payables		6,609	5,598
Total current liabilities		444,917	362,764
NET CURRENT ASSETS		295,861	264,446
TOTAL ASSETS LESS CURRENT LIABILITIES		853,094	780,306

		30 June 2021	31 December 2020
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	12	103,234	70,035
Lease liabilities		27,666	26,436
Other non-current liabilities		5,340	12,366
Deferred tax liabilities		1,426	1,522
		<u> </u>	<u> </u>
Total non-current liabilities		137,666	110,359
		<u> </u>	<u> </u>
Net assets		715,428	669,947
		<u> </u>	<u> </u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	13	9,801	9,801
Treasury shares		(237)	(237)
Reserves		698,239	652,490
		<u> </u>	<u> </u>
		707,803	662,054
		<u> </u>	<u> </u>
Non-controlling interests		7,625	7,893
		<u> </u>	<u> </u>
Total equity		715,428	669,947
		<u> </u>	<u> </u>

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

The Company is an investment holding company. During the six months ended 30 June 2021, the Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in the provision of education services and related management services in the People’s Republic of China (the “PRC”).

2.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2021 (the “Period”) have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (the “IASB”).

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised International Financial Reporting Standards (“IFRSs”) for the first time for the Period’s financial information.

Amendments to IFRS 9, IAS 39 and IFRS 7, Interest Rate Benchmark Reform-Phase 2

IFRS 4 and IFRS 16

Amendment to IFRS 16

Covid-19-Related Rent Concessions beyond 30 June 2021
(early adopted)

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

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity

reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

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

During the period ended 30 June 2021, certain monthly lease payments for the leases of the Group's office buildings have been reduced or waived by the lessors as a result of the covid-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the covid-19 pandemic during the period ended 30 June 2021. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB599,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2021.

3. OPERATING SEGMENT INFORMATION

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

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, an amount due from a related party, financial assets at fair value through profit or loss 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, an amount due to a related party, tax payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Six months ended 30 June 2021

	Vocational education RMB'000 (Unaudited)	Quality- oriented education RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue	90,787	67,212	157,999
Other segment revenue	<u>8,408</u>	<u>4,843</u>	<u>13,251</u>
Total	<u><u>99,195</u></u>	<u><u>72,055</u></u>	<u><u>171,250</u></u>
Segment results	55,940	6,135	62,075
<i>Reconciliation:</i>			
Finance costs (other than interest on lease liabilities)			(8,735)
Interest income			4,196
Unallocated expenses			<u>(13,538)</u>
Profit before tax			<u><u>43,998</u></u>
Segment assets	390,884	122,715	513,599
<i>Reconciliation:</i>			
Cash and bank balances			418,368
Term deposits			40,000
Pledged deposits			187,000
Amounts due from related parties			16,927
Financial assets at fair value through profit or loss			43,956
Unallocated head office and corporate assets			<u>78,161</u>
Total assets			<u><u>1,298,011</u></u>
Segment liabilities	(76,637)	(76,983)	(153,620)
<i>Reconciliation:</i>			
Interest-bearing bank borrowings			(413,143)
Amount due to a related party			(517)
Tax payable			(1,927)
Unallocated head office and corporate liabilities			<u>(13,376)</u>
Total liabilities			<u><u>(582,583)</u></u>
Other segment information:			
Depreciation and amortisation	11,562	8,034	19,596
Capital expenditure	126,490	1,533	128,023
Loss on disposal of items of property, plant and equipment	<u>6</u>	<u>2</u>	<u>8</u>

Six months ended 30 June 2020

	Vocational education <i>RMB'000</i> (Unaudited)	Quality- oriented education <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Revenue	74,638	40,862	115,500
Other segment revenue	<u>1,631</u>	<u>2,069</u>	<u>3,700</u>
Total	<u><u>76,269</u></u>	<u><u>42,931</u></u>	<u><u>119,200</u></u>
Segment results	43,910	5,314	49,224
<i>Reconciliation:</i>			
Finance costs (other than interest on lease liabilities)			(3,991)
Interest income			8,884
Unallocated expenses			<u>(17,761)</u>
Profit before tax			<u><u>36,356</u></u>
Other segment information:			
Depreciation and amortisation	10,863	8,963	19,826
Capital expenditure^	1,933	1,212	3,145
Loss on disposal of items of property, plant and equipment	<u><u>4</u></u>	<u><u>90</u></u>	<u><u>94</u></u>

Year ended 31 December 2020

	Vocational education RMB'000 (Audited)	Quality- oriented education RMB'000 (Audited)	Total RMB'000 (Audited)
Segment assets	355,836	70,447	426,283
<i>Reconciliation</i>			
Term deposits			40,000
Pledged deposits			187,000
Cash and bank balances			357,700
Financial assets at fair value through profit or loss			40,893
Unallocated head office and corporate assets			<u>91,194</u>
Total assets			<u><u>1,143,070</u></u>
Segment liabilities	(158,878)	(66,033)	(224,911)
<i>Reconciliation</i>			
Interest-bearing bank and other borrowings			(213,961)
Amount due to a related party			(275)
Tax payable			(2,914)
Unallocated head office and corporate liabilities			<u>(31,062)</u>
Total liabilities			<u><u>(473,123)</u></u>

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

Geographical information

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

Information about major customers

During both periods, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

4. REVENUE, OTHER INCOME AND GAINS

		Six months ended 30 June	
		2021	2020
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
<u>Revenue from contracts with customers</u>			
Vocational education			
Tuition fees		62,901	57,750
Boarding fees		8,636	842
College operation service income	(i)	12,900	10,700
Others	(ii)	6,350	5,346
		<u>90,787</u>	<u>74,638</u>
Quality-oriented education			
Tutoring fees		51,321	36,618
Tuition fees		13,790	1,711
Consultation fees		2,101	2,533
		<u>67,212</u>	<u>40,862</u>
<u>Other income and gains</u>			
Interest income		4,196	8,884
Site use fees	(iii)	1,017	1,631
Sale of education materials and living goods		1,009	70
Government grants		178	135
Fair value gain on financial assets at fair value through profit or loss		3,535	1,345
Others		7,689	654
		<u>17,624</u>	<u>12,719</u>

Notes:

- (i) The college operation service income comprises the service income derived from the provision of college operation service and the provision of accommodation service to the students.
- (ii) Others primarily represent service fees received from certain independent universities in respect of the provision of student recruitment services, income received from the provision of vocational training and examination preparation courses and income derived from granting the right of canteen management.
- (iii) The amounts represent usage fees received from certain colleges and enterprises in connection with their uses of the school premises and facilities of the Group to organise teaching and training activities.

5. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	8,333	3,541
Interest on lease liabilities	763	1,334
Financing consultancy service charges [^]	402	450
	<u>9,498</u>	<u>5,325</u>

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

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cost of sales	77,041	54,649
Depreciation of property, plant and equipment	10,226	8,965
Depreciation of right-of-use assets	8,069	9,725
Amortisation of intangible assets	1,301	1,136
Minimum lease payments under operating leases:		
— Buildings	415	606
— Others	139	70
	<u>554</u>	<u>676</u>
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	54,881	34,821
Equity-settled share option expense	2,804	137
Pension scheme contributions (defined contribution scheme)	6,448	5,892
	<u>64,133</u>	<u>40,850</u>
Impairment of trade receivables	1,121	1,381
Fair value gains from financial investment at fair value through profit or loss	(3,535)	(1,345)
Loss on disposal of items of property, plant and equipment	<u>8</u>	<u>94</u>

7. INCOME TAX

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

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

Hong Kong Profits Tax

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

PRC Corporate Income Tax ("CIT")

Beijing Xin Tian Di Xian Information and Technology Co., Ltd.* (北京新天地線信息技術有限公司) was accredited as a High-tech Enterprise and was entitled to a preferential tax rate of 15%.

Shijiazhuang Qiaoxi District Blue Crystal Saintach Kindergarten* (石家莊市橋西區新天際藍水晶幼兒園), Shijiazhuang Chang'an District Qinghui Saintach Kindergarten* (石家莊市長安區新天際清暉幼兒園), 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 Qiaoxi District Lidu Saintach Kindergarten* (石家莊市橋西區新天際麗都幼兒園), Zhengding County Fumenli Saintach Kindergarten* (正定縣新天際福門里幼兒園), Shijiazhuang Chang'an District Jianhua Saintach Kindergarten* (石家莊市長安區新天際建華幼兒園), Shijiazhuang Luquan District Fukang Saintach Kindergarten* (石家莊市鹿泉區新天際福康幼兒園), Zhengding County Saintach Kindergarten* (正定縣新天際幼兒園), Shijiazhuang Xinhua District Huixuan Education Tutorial School* (石家莊市新華區慧軒教育培訓學校), Shijiazhuang High-tech Industrial Development Zone Saintach Tutorial School* (石家莊市高新區新天際培訓學校), Hangzhou Huashi Peijian Tutorial School, Ltd.* (杭州華石培尖培訓學校有限公司), Jiashan County Shinedo Education Tutorial School, Ltd.* (嘉善縣學鼎培訓學校有限公司), Hangzhou Yimai Enterprise Management Consulting Co., Ltd.* (杭州一脈企業管理諮詢有限責任公司), Shaoxing Shangyu Xueding Education Consulting Co., Ltd.* (紹興上虞學鼎教育諮詢有限公司), Shaoxing Shangyu Shinedao Education Tutorial School* (紹興市上虞區學鼎教育培訓學校), Yuyao Xuedao Education Tutorial School, Ltd.* (余姚學道教育培訓學校有限公司), Yuyao Xueneng Tutorial School, Ltd.* (余姚學能培訓學校有限公司), Shijiazhuang Zhehan Book Sales Co., Ltd.* (石家莊哲瀚圖書銷售有限公司), Hebei Sheng Dao Xiang Cheng Education and Technology Co., Ltd.* (河北晟道象成教育科技有限公司) (“Sheng Dao Xiang Cheng”), Beijing Zhihang Education Technology Co., Ltd.* (北京志航教育科技有限公司) and Shanghai Zhiyu Education Technology Co., Ltd.* (上海志宇教育科技有限公司) were certified as small and micro-sized enterprises (“SMEs”) in 2021 whose accumulated taxable income of the year was below RMB1,000,000, and enjoyed 75% reduction of the accumulated taxable income and the preferential CIT rate of 20% for the Period.

Shijiazhuang Qiaoxi District Zhicheng Tutorial School* (石家莊市橋西區智城培訓學校), Shijiazhuang Chang'an District Saintach Tutorial School* (石家莊市長安區新天際培訓學校), Shijiazhuang Qiaoxi District Bilingual Culture Tutorial School* (石家莊市橋西區雙語文化培訓學校), 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), Zhejiang Peijian Technology Co., Ltd.* (浙江培尖科技有限公司), Chongqing Peijian Tutorial School, Ltd.* (重慶培尖課外培訓學校有限公司) and Zhoushan Dinghai Shinedao Education Tutorial School Co., Ltd.* (舟山市定海區學鼎培訓學校有限公司) were certified as SMEs in 2021, whose accumulated taxable income of the year exceeded RMB1,000,000 but below RMB3,000,000. These subsidiaries enjoyed 75% reduction of the accumulated taxable income and the preferential CIT rate of 20% for the taxable income below RMB1,000,000, and 50% reduction of the accumulated taxable income and the preferential CIT rate of 20% for the taxable income exceeding RMB1,000,000 and below RMB3,000,000.

Pursuant to the CIT Law and the respective regulations, the other PRC subsidiaries were subject to income tax at a statutory rate of 25% for the Period.

According to Implementation Regulations, non-public schools, whether requiring reasonable returns or not, may enjoy preferential tax treatments. Non-public schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. It is stated in the Implementation Regulations that the relevant authorities under the State Council may introduce preferential tax treatments and related policies applicable to private schools requiring reasonable returns. During the year and up to the date approved of these financial statements, no separate policies, regulations or rules have been introduced by the authorities in this regard. In accordance with the historical tax returns filed to the relevant tax authorities, the Group's schools which require reasonable returns did not pay CIT and had enjoyed the preferential CIT exemption treatments in 2020. Except for the tutorial centers and certain kindergartens, there was no CIT imposed on Shijiazhuang Institute of Technology and the remaining kindergartens in respect of the education services provided in 2021.

As a result, no income tax expense was recognised for the income from the provision of formal education services for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current-Mainland China		
Charge for the Period	169	85
Overprovision in prior years	(230)	(348)
Deferred	<u>(97)</u>	<u>(63)</u>
	<u>(158)</u>	<u>(326)</u>

8. DIVIDENDS

The Board does not recommend the payment of dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

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

The calculation of basic earnings per share is based on the profit for the Period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue, during the six months ended 30 June 2021 and 2020.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2021 and 2020.

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	<u>44,424</u>	<u>36,261</u>
	Number of shares ('000)	
	Six months ended 30 June	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue	1,167,216	1,207,869
Weighted average number of shares held for the restricted share unit scheme	<u>(27,999)</u>	<u>—</u>
Adjusted weighted average number of ordinary shares in issue used in the basic and diluted earnings per share calculation	<u>1,139,217</u>	<u>1,207,869</u>

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property, plant and equipment at a cost of RMB91,200,000 (six months ended 30 June 2020: RMB4,181,000).

Assets with a net book value of RMB14,000 were disposed of by the Group during the six months ended 30 June 2021 (six months ended 30 June 2020: RMB94,000), resulting in a net loss on disposal of RMB8,000 (six months ended 30 June 2020: RMB94,000).

11. TRADE RECEIVABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Tuition receivables	9,715	8,049
Impairment	(3,551)	(2,430)
	<u>6,164</u>	<u>5,619</u>

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within one year	5,171	4,637
One to two years	986	895
Two to three years	7	87
	<u>6,164</u>	<u>5,619</u>

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

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the trade receivables are from the same customer bases. The provision rates of the trade receivables are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns. The calculation reflects the historical loss rate, adjusted for forward-looking, reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

		30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
	Notes		
Current			
Short term bank loan-unsecured	(i)	200,298	139,416
Current portion of long term bank loan-secured	(ii)	69,709	510
Current portion of other borrowings-secured	(iii)	<u>39,902</u>	<u>4,000</u>
		<u>309,909</u>	<u>143,926</u>
Non-current			
Long term bank loan-secured	(ii)	573	70,035
Other borrowings-secured	(iii)	<u>102,661</u>	<u>—</u>
		<u>103,234</u>	<u>70,035</u>
		<u>413,143</u>	<u>213,961</u>
		30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Analysed into:			
Bank loans repayable:			
Within one year or on demand		270,008	139,926
In the second year		111	69,512
In the third to fifth years, inclusive		<u>462</u>	<u>523</u>
		<u>270,581</u>	<u>209,961</u>
Other borrowing repayable:			
Within one year or on demand		39,902	4,000
In the second year		52,390	—
In the third to fifth years, inclusive		<u>50,270</u>	<u>—</u>
		<u>142,562</u>	<u>4,000</u>
		<u>413,143</u>	<u>213,961</u>

Notes:

As at 30 June 2021, the effective interest rates of the Group's interest-bearing bank loan and other borrowings ranged from 5.3%–12.6% (31 December 2020: 5.3%–12.6%) per annum.

- (i) As at 30 June 2021 and 31 December 2020, a bank borrowing of RMB50,000,000 was guaranteed by Mr. Li Yunong.

As at 30 June 2021, a bank borrowing of RMB13,000,000 was guaranteed by an independent financing guarantee company (31 December 2020: RMB13,000,000).

As at 30 June 2021 and 31 December 2020, a bank borrowing of RMB10,000,000 was guaranteed by Hebei Zerui Education Technology Co., Ltd.* (河北澤瑞教育科技有限責任公司) (“Zerui Education”) and Mr. Li Yunong, with the pledge of the charging rights of eight kindergartens, including Shijiazhuang Qiaoxi District Blue Crystal Saintach Kindergarten* (石家莊市橋西區新天際藍水晶幼兒園), Zhengding County Saintach Kindergarten* (正定縣新天際幼兒園), 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 Qinghui Saintach Kindergarten* (石家莊市長安區新天際清暉幼兒園), 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 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) and Zhengding County Fumenli Saintach Kindergarten* (正定縣新天際福門里幼兒園).

As at 30 June 2021, a bank borrowing of HK\$128,952,000 (equivalent to RMB107,298,000) were unsecured (31 December 2020: HK\$114,558,000, equivalent to RMB96,416,000).

- (ii) As at 30 June 2021, a bank borrowing of RMB682,000 (31 December 2020: RMB745,000) is secured by a director’s life insurance policy.

As at 30 June 2021, a bank borrowing of RMB69,600,000 (31 December 2020: RMB69,800,000) was secured by the Group’s term deposits amounting to RMB187,000,000.

- (iii) As at 30 June 2021, other borrowing of RMB43,650,000 was guaranteed by Mr. Li Yunong and Zerui Education.

As at 30 June 2021, other borrowing of RMB50,662,500 was guaranteed by Mr. Li Yunong, Sheng Dao Xiang Cheng and Zerui Education.

As at 30 June 2021, other borrowing of RMB48,250,000 was secured by the charging rights of Shijiazhuang Institute of Technology and guaranteed by Mr. Li Yunong and Sheng Dao Xiang Cheng.

As at 31 December 2020, other borrowing of RMB4,000,000 was secured by the Group’s pledged deposits amounting to RMB1,000,000 and guaranteed by Sheng Dao Xiang Cheng and Zerui Education, which has been settled in 2021.

13. SHARE CAPITAL

Shares

	30 June 2021 RMB’000 (Unaudited)	31 December 2020 RMB’000 (Audited)
Authorised:		
3,000,000,000 (31 December 2020: 3,000,000,000) ordinary shares of HK\$0.01 each	<u>25,293</u>	<u>25,293</u>
Issued and fully paid:		
1,167,216,000 (31 December 2020: 1,167,216,000) shares	<u>9,801</u>	<u>9,801</u>

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. Since the establishment of the first school in 2003, the Company has made notable achievements over the past 20 years to become a comprehensive education group focusing on full-time vocational education and continuing education and supported by quality-oriented education and online education, covering Beijing-Tianjin-Hebei, the Yangtze River Delta, and the Chengdu and Chongqing regions, with diversified revenue streams and a broad customer base.

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.

1.2 Movements of business operations during the Reporting Period

On 17 April 2021, Zerui Education, the PRC Operating Entity of the Company, and the People’s Government of Gaoyi County of Shijiazhuang City of Hebei Province (the “Gaoyi County Government”) have agreed on the cooperation intention with respect to the industry-education integration and synergetic development in Gaoyi County. Accordingly, the Gaoyi County Government intends to provide a site with a planned area of not less than 1,000 acres for integrated higher education development, where a new campus of Shijiazhuang Institute of Technology will be established. The Goayi County Government also intends to provide a site with a planned area of approximately 200 acres as the industry-education integration campus, where local high-tech industries and scientific research institutes would be invited to participate and build a local campus that integrates high-tech industries and education for cultivating high calibre and skilled talents.

During the Reporting Period, Shijiazhuang Institute of Technology built a new student apartment, the completion of which has further optimized the living conditions of students while increasing the capacity of the college.

We have started the construction of history hall of Shijiazhuang Institute of Technology, which will be used for holding arts exhibitions for its teachers and students and organizing on-site training programs for students. Not only did the construction of school’s history hall provide teaching and training sites and conditions for the arts education institute, but also a wider space for the professional development of the arts education institute.

1.3 Our Schools

1.3.1 Overview

As of 30 June 2021, the Company owned 22 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, 5 Shinedao Tutorial Schools and 8 Saintach Kindergartens, and was entrusted with the operation of the west campus of Sifang College.

Schools of the Company	30 June 2021	30 June 2020
Vocational education – College	1	1
Quality-oriented education – Tutorial school	13	13
Quality-oriented education – Kindergarten	8	8
Total	22	22

1.3.2 Student enrollment

As of 30 June 2021, we had 31,316 students enrolled in our schools, including 17,051 full-time students and 14,265 part-time students. The specific data are as follows:

Breakdown of student enrollment	2020–2021 school year	2019–2020 school year	Changes	Percentage of changes
Full-time students				
Vocational education – Shijiazhuang Institute of Technology				
Including: Junior college	12,637	12,556	81	0.6%
Secondary college	2,659	2,537	122	4.8%
Subtotal (full-time college students)	15,296	15,093	203	1.3%
Quality-oriented education – Saintach Kindergartens	1,755	1,731	24	1.4%
Subtotal (full-time students)	17,051	16,824	227	1.3%

Breakdown of student enrollment	2020–2021 school year	2019–2020 school year	Changes	Percentage of changes
Part-time students				
Vocational education – Shijiazhuang Institute of Technology				
Continuing education programs ^①	<u>14,265</u>	<u>16,781</u>	<u>(2,516)</u>	<u>(15.0%)</u>
Subtotal (part-time students)	<u>14,265</u>	<u>16,781</u>	<u>(2,516)</u>	<u>(15.0%)</u>
Total	<u>31,316</u>	<u>33,605</u>	<u>(2,289)</u>	<u>(6.8%)</u>

Note:

- ① The decrease in the number of students in the continuing education programs under vocational education segment for the six months ended 30 June 2021 compared to that for the same period in 2020 was mainly due to the fact that graduates from continuing education in Shijiazhuang Institute of Technology outnumbered the students enrollment during the Reporting Period attributable to the influence from streamlining institutions under the policy of upgrading the qualifications of part-time students.

For the six months ended 30 June 2021, our tutorial centers for cultural education under quality-oriented education delivered approximately 257,271 Tutoring Hours to approximately 5,635 students, with a 62.1% student renewal rate for those who still chose to study after completing the first curriculum. Details are as follows:

	For the six months ended			
	30 June			Percentage
Operating information	2021	2020	Changes	of changes
Tutorial centers for cultural education under quality-oriented education ^①				
Number of Tutoring Hours delivered	257,271	177,196	80,075	45.2%
Number of students tutored ^②	5,635	4,917	718	14.6%
Renewal rate	62.1%	62.4%	(0.3%)	(0.5%)

Notes:

- ① Data of tutorial centers for cultural education under quality-oriented education include Saintach Tutorial Schools, Shinedao Tutorial Schools and Peijian Tutorial Schools.
- ② The growth of the number of students tutored was attributable to the increasing number of students tutored in Shinedao Tutorial Schools and Peijian Tutorial Schools.

As of 30 June 2021, New Gaokao business of Peijian Tutorial Schools provided more than 1,300 students with competition tutoring services and offered school-based services for 20 high schools.

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, boarding fees. Excluding the newly added relevant charges from Peijian Tutorial Schools and Shinedao Tutorial Schools, our fee range approximates to that for the year ended 31 December 2020, whereas the tutoring fees for the secondary college courses at Shijiazhuang Institute of Technology under vocational education segment have changed, as stated in the following table:

Type of course	2020–2021 school year	2019–2020 school year		
Vocational education				
Junior college courses	RMB7,000 to RMB13,000 per school year	RMB7,000 to RMB13,000 per school year		
Secondary college courses	RMB7,200	RMB6,600		
	For the six months ended			
	30 June			Percentage
Average Revenue ^①	2021	2020	Changes	of changes
Vocational education	4,316	3,872	444	11.5%
Including: Junior college	4,585	4,026	559	13.9%
Secondary college	3,102	3,107	(5)	(0.2%)
Kindergartens ^②	8,576	1,270	7,306	575.3%

Notes:

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

- ② The significant increase in the average revenue from kindergartens was mainly due to lower average revenue as a result of the fact that all kindergartens were closed during the same period in 2020 as affected by “COVID-19” epidemic.

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 the society. Benefiting from the outstanding professional knowledge, practical operational skills and professionalism of our graduates, Shijiazhuang Institute of Technology has maintained a relatively high level of employment. For the six months ended 30 June 2021, Shijiazhuang Institute of Technology, its teachers and students have won 65 provincial and municipal awards, including various awards such as International College Students Hand-painted Art and Design Competition (國際大學生手繪藝術與設計大賽), Hebei Vocational Students Skills Competition (河北省職業院校技能大賽), the 11th National University Student E-Commerce Challenge on “Innovation, Creativity and Entrepreneurship (第十一屆全國大學生電子商務「創新、創意及創業」挑戰賽).

As of 30 June 2021, the employment rate of our graduates was approximately 95.4%:

Employment rate^①	30 June 2021	30 June 2020	Changes	Percentage of changes
Vocational education	<u>95.4%</u>	<u>95.3%</u>	<u>0.1%</u>	<u>0.1%</u>

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 *Industry-Education Integration and School-Enterprise Cooperation*

To fully leverage on the functions of vocational education for serving the society, industries and enterprises, and to explore the vocational education system of diversified education operations, open-minded education, talent lifetime services and integrity monitoring, Shijiazhuang Institute of Technology conducted multi-aspect cooperation in various forms with enterprises to establish a stable relationship of school-enterprise cooperation. As of 30 June 2021, 19 professional programs in Shijiazhuang Institute of Technology have worked with 14 enterprises to jointly offer featured majors, representing 25.7% of professional training programs offered. 19 tailor-made classes were established and 4 on-site training programs were organized involving more than 500 students, with a total of 116 enterprises providing internship programs for the students, including more than 60 top 500 global enterprises such as Country Garden Holdings Company Limited, and inviting enterprises to invest RMB9 million in the construction of practical training rooms, which considerably enriched our teaching practice.

1.3.6 Our teachers

Teachers	30 June 2021	30 June 2020	Changes	Percentage of changes
Full-time teachers				
Vocational education ^①	455	379	76	20.1%
Quality-oriented education	<u>357</u>	<u>350</u>	<u>7</u>	<u>2.0%</u>
Subtotal (full-time teachers)	<u>812</u>	<u>729</u>	<u>83</u>	<u>11.4%</u>
Part-time teachers				
Vocational education	74	69	5	7.2%
Quality-oriented education ^②	<u>648</u>	<u>350</u>	<u>298</u>	<u>85.1%</u>
Subtotal (part-time teachers)	<u>722</u>	<u>419</u>	<u>303</u>	<u>72.3%</u>
Total	<u><u>1,534</u></u>	<u><u>1,148</u></u>	<u><u>386</u></u>	<u><u>33.6%</u></u>

Notes:

- ② The increase in full-time teachers resulted from the additional majors at Shijiazhuang Institute of Technology.
- ③ Peijian Tutorial Schools enlarged the pool for part-time teachers. Given the cyclical nature of the New Gaokao business of Peijian Tutorial Schools, we mainly hired 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. As of 30 June 2021, the percentage of our teachers with a bachelor's degree or above was 90.7%; and the percentage of teachers that had worked with us for more than two years was 74.2%.

1.4 Our Content and Output

For the six months ended 30 June 2021, our vocational education segment provided the west campus of Sifang College with entrusted operation service and provided services for 3,263 students.

For the six months ended 30 June 2021, the “Pea Sports” (豌豆體育) business under our quality-oriented education segment has served more than 5,000 children in total and we have nearly 20 male community sports coaches with physical education background, which makes us become the largest professional platform for quality-oriented physical education for children aged 3 to 6 in the region. “Captain Pea”, a new mini application launched in April

2021, has facilitated online matching and booking and scheduling of classes for the community gymnasium and sport venues, physical education teachers and children. With merely two months, the mini application has attracted 2,333 registered users since its launch, ranking 809th on the aldzs.com (阿拉丁指數). Through a series of community football leagues and basketball leagues, it has significantly raised parents' awareness of the importance on quality-oriented physical education for the children, and demonstrated the positive effects of professional sports training on children's physical fitness, skills and teamwork spirit.

1.5 Our Technological Empowerment

Adhering to the corporate mission of “promoting the development of the education industry with contents and technologies”, our educational technology is more focused on the layout of vocational education industry empowerment, and the creating of a digital college through the establishment of intelligent campus and the development of data management middle-end platform.

Build a “Smart Campus (智慧校園)” system. Through the provision of hardware facilities such as network infrastructure, standard examination venues, broadcast and security, as well as the improving and upgrading of software platforms such as student management system and teaching management system, we will open up a full-scene digital platform of students from admission to graduation and improve the management of schools and students.

Improve the “Sousou Smart School (嗖嗖智校)” system. Establishing a core platform for smart campus to provide full life-cycle management of students such as enrollment management, student registration, financial management, online payment, teaching and related administrative affairs, internship and practical training, and targeted employment. At the same time, it combines with the smart campus network to build knowledge spectrums and behavior models of students to enable schools to serve as the cockpit for big data and personalized vocational education.

“Tianze Talent (天擇人才)” is an integrated platform for employment, entrepreneurship and management services. Catering for students from higher educational institutions and enterprises, it targets positions in industries where there is a shortage of high-skilled talents (such as production, manufacturing and the internet), and facilitates the transformation and upgrade of the talent training model. With an aim of improving the quality of nurturing talent, it is an integrated platform currently with over 1,000 registered enterprises, providing coordinated planning and establishing comprehensive management and services of employment and entrepreneurship education, as well as over 20,000 employment opportunities for graduates.

At the same time, in order to improve the overall operational efficiency of the Group, it has built “Data for Middle Office (數據中台)” and “Digital Signage (數字看板)” to establish a standardized data chain operation system through business process reengineering, digital indicator system and visualization platform construction, and realize real-time target tracking, forecasting and data penetration.

1.6 Our Licenses and Honors

As of 30 June 2021, the Company completed the 2020 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.

On 6 January 2021, the Company was invited to participate in the “Capital Market Forum and the 5th Golden Hong Kong Stock Awards Ceremony (資本市場論壇暨第五屆金港股頒獎盛典)” jointly organized by Zhitongcaijing.com and www.10JQKA.com.cn., and won the “Best Education Company (最佳教育公司)” award with its steady growth, increasing comprehensive strength and strong potential for future development in recent years.

On 11 January 2021, the Company was selected as the third batch of members of the Zhongguancun Science City Internet Education Industry Development Alliance (中關村科學城互聯網教育產業發展聯盟). Under the joint advocacy of the Alliance, the Company will continue to provide customers with high-quality education services, promote the self-regulation of the education industry, facilitate the aggregation and sharing of resources, and contribute to the benign development of the industry.

On 15 March 2021, the Company was selected into the online education list of the “Good Life 2021 Chinese Consumer Brand List” (美好生活2021中國消費者品牌榜) initiated by National Business Daily (每日經濟新聞). As a comprehensive education service provider, the Company began to establish a presence in online education services in 2018. It has the capability of independent research and development of educational technology products and regards online education as one of its core strategies. The Company always adheres to the concept of “promoting the development of education industry with content and technology”, and its systematic education service model will continue to boost the organic growth of the industry.

On 12 May 2021, Shijiazhuang Institute of Technology won the provincial-level third prize of “the 10th Vocational Education Teaching Award Prizes in Hebei Province (河北省第十屆職業教育教學成果獎)” organized by Hebei Education Department.

2. MARKET REVIEW

2.1 Favorable Factors for Vocational Education and Strengthened Cooperation Between Government, School, Industry and Enterprise

In May 2021, the Implementation Rules for the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法實施條例》) was officially promulgated, providing encouragement measures for the vocational education institution, modes of school operation, and the curriculum design. In July 2021, the Vocational Education Law (《職業教育法》) was amended to emphasize on the necessity of participation by various parties including the government and enterprises, which highlighted the importance of vocational training and provided directional guidance for the establishment of a vocational education system.

In order to better serve the regional economic development and scale up the skilled talent pool, the schools under the Company completed their basic teaching and research tasks, besides actively working hand in hand with the local governments, industry associations and key enterprises. In the first half of 2021, we took in charge of the compiling of “Shijiazhuang Luquan District Science and Technology Innovation ‘14th Five-Year Plan’” and was approved as a government research project by Shijiazhuang Science and Technology Bureau.

The schools under the Company continued to improve the quality of training, strived for offering comprehensive major courses, encouraged their teachers to acquire higher academic qualifications, and strengthened their teaching and research capabilities. At the same time, it actively undertook the task for improving the training quality of provincial vocational education in which they are located, and was approved as a “Double-High” construction college of the plan for improving the training quality of Hebei province vocational education (2020-2023) during the first half of 2021.

At the same time, the schools under the Company adhered to the principle of giving equal emphasise to academic education and vocational training in vocational colleges, actively participated in the vocational skills improvement initiatives raised by the local governments and, as part of the community vocational training system, served as designated local vocational training institutions, and conducted government vocational education and social training for 2,750 people. Insisting on improving the conventional school-enterprise cooperation mode and participating in the new apprenticeship training pilot program, we have provided new modern apprenticeship trainings for 8 enterprises with 600 participants. Leveraging on their own strengths, the schools under the Company actively expanded their vocational training-related businesses by strengthening their cooperation with the government, school, industry and enterprise, injecting new growth momentum to the Company.

2.2 Tighter Regulation in Compulsory Education Means Room for the Growth of Quality-oriented Education

In the first half of 2021, a number of policies targeting compulsory education and after-school tutoring were issued. In May 2021, the Implementation Rules for the Law for Promoting Private Education of the PRC was promulgated to impose restriction on the provision, participation, control and connected transactions of compulsory education. Establishment of private-operated schools for compulsory education was even forced to stop in some provinces. In June 2021, the Ministry of Education established the Department for the Supervision of Off-campus Education, followed by the issue of “Notice on Relevant Innovative Measures and Typical Experience for the Promotion of Some After-School Services for Local Compulsory Education” (《關於推廣部分地方義務教育課後服務有關創新舉措和典型經驗的通知》). All these demonstrated its determination to enforce strict regulation on after-school tutorial institutions. In July 2021, the General Office of the CPC Central Committee and the General Office of the State Council issued the Opinions on Further Reducing the Burden of Compulsory Education Students’ Homework and Off-campus Tutoring (《關於進一步減輕義務教育階段學生作業負擔和校外培訓負擔的意見》) (the “Double Reduction Opinions”), which aims to regulate the institutions providing tutoring service on school curriculum. It explicitly sets out the objective of conscientiously improving the education standard of schools, regulating off-campus tutoring (both online and offline) on an ongoing basis, and reducing the excessive burden of homework and off-campus tutoring on students during the stage of compulsory education.

The focus of the policies as mentioned above involves the compulsory education period and subjects training. The businesses of some schools under the Company will be affected, but only to a small extent. Starting from 2020, the Company commenced to expand its New Gaokao business under the “Foundation Enhancement Program” and designed courses on such subjects as physical education, programming and reading with a view to enhancing students’ comprehensive quality. The early shift of the Company’s investment focus and the expansion of new business segment can mitigate the adverse impact from current policies and lay a strong foundation for its subsequent growth.

3. FUTURE PROSPECTS

3.1 Setting new focus on vocational education

Since 2016, the PRC has been pursuing for higher quality in respect of the development of vocational education and started the amendment to the Vocational Education Law of the PRC (《中華人民共和國職業教育法》). In April 2021, the National Vocational Education Conference was convened and important instructions for vocational education were given to emphasize and accelerate the establishment of a modern vocational education structure, so as to nurture more outstanding talents in technology and skills. It was stated that vocational education was a vital base for nurturing talents in technology and skills, facilitating employment, entrepreneurship and innovation, as well as lifting the standard of manufacturing

and services in China. At the same time, the implementation of policies proposed by Ministry of Education to improve the quality of vocational education and nurture talents in various regions and the reform of educational comprehensive evaluation have motivated the development of vocational education, which is different from ordinary school education, in all facets. Unlike ordinary school education that emphasizes on teaching basic theoretical knowledge, vocational education cultivates students with decent ethics and morality, while putting much emphasis on the own characteristics of learners to help them develop professional skills in particular fields, thereby giving each of them an opportunity to light up their life in different fields or positions. This is also a necessary channel to encourage sharing wealth of the community and build a new kind of harmonious society that will benefit everyone's whole life.

The Group will set its new focus on vocational education in the future based on Shijiazhuang Institute of Technology and diversify its continuing education products. In the future, it will operate vocational high schools, conduct vocational trainings and extend to lifelong education, with the ultimate goal of becoming a comprehensive service provider of new vocational education. The Group will also make adjustments to its existing after-school internship business by rationalizing its product lines strictly in accordance with the requirements under the Double Reduction Opinions and placing the New Gaokao business, which includes the current New Gaokao trainings and the operation/custody of full-time high schools in the future, as the second focus of the Group's development strategy. It will combine the existing Foundation Enhancement Programs to establish an innovative system of nurturing talents and talents selection, and will provide management and consultation service for high schools in county areas to enhance their integrated competitiveness. In this regard, we have started co-operation with Shandong Commercial Group Co., Ltd ("Lushang Group") in Shandong and accelerate the expansion of cooperative business across the PRC based on such model. The Group will perform its social responsibilities through revitalizing the development in rural areas and ensuring the balanced development of education levels.

3.2 Business Optimization and Risk Prevention and Control

The Group will optimize its existing business to focus on the subjects training business at the high school level, extend its service scope, build a learning and development center and strengthen comprehensive quality training. It will expand the business scale and accelerate the collection of prepayment for the existing business. The Group will retain core staff member and deploy key staff to develop business focus. It will maintain close communications with the government, education, marketing and other authorities of areas in which our schools are located to carry out teaching activities in accordance with laws and regulations, in an attempt to avoid penalties due to incompliance and prepare contingency plans for risks prevention.

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 36.8% from approximately RMB115.5 million for the six months ended 30 June 2020 to approximately RMB158.0 million for the six months ended 30 June 2021, mainly due to the increase in revenue resulted from the increase in student enrollment of Shijiazhuang Institute of Technology and the full class resumption of quality-oriented education.

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 41.0% from approximately RMB54.6 million for the six months ended 30 June 2020 to approximately RMB77.0 million for the six months ended 30 June 2021, mainly due to the increase in costs of quality-oriented education owing to the full class resumption of quality-oriented education.

4.3 Gross Profit and Gross Profit Margin

The amount of gross profit increased by approximately 33.0% from RMB60.9 million for the six months ended 30 June 2020 to RMB81.0 million for the six months ended 30 June 2021; and the gross profit margin decreased from approximately 52.7% for the six months ended 30 June 2020 to approximately 51.2% for the six months ended 30 June 2021, which was mainly due to the increase in the gross profit attributable to the significant increase in revenue from Shijiazhuang Institute of Technology and the full class resumption of quality-oriented education, while the decrease of the gross profit margin was due to the increase in costs of sales arising from full class resumption.

4.4 Other Income and Gains

Other income and gains consisted of (1) gains on investments; and (2) assets and equipment contributed by enterprises jointly offering featured majors at nil consideration.

Other income and gains increased by approximately 38.6% from approximately RMB12.7 million for the six months ended 30 June 2020 to approximately RMB17.6 million for the six months ended 30 June 2021, mainly due to (1) the increasing changes in fair value of the

external investments; and (2) the increase in the assets and equipment contributed by enterprises jointly offering featured majors from Shijiazhuang Institute of Technology at nil consideration.

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 students enrollment expenses.

Selling and distribution expenses increased by approximately 46.1% from approximately RMB6.3 million for the six months ended 30 June 2020 to approximately RMB9.2 million for the six months ended 30 June 2021, mainly due to the increasing costs of promotion for students enrollment.

4.6 Administrative Expenses

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

Administrative expenses increased by approximately 46.1% from approximately RMB23.8 million for the six months ended 30 June 2020 to approximately RMB34.7 million for the six months ended 30 June 2021, mainly due to (1) the increase in salaries owing to the increasing number of management and research and development personnel; (2) the increase in charges of the recognition of equity incentives; and (3) the increase in intermediary service fees for due diligence conducted for the contemplated investments projects, etc.

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 decreased from approximately RMB0.5 million for the six months ended 30 June 2020 to approximately RMB0.1 million for the six months ended 30 June 2021, mainly due to the decrease in exchange loss.

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 78.4% from approximately RMB5.3 million for the six months ended 30 June 2020 to approximately RMB9.5 million for the six months ended 30 June 2021, mainly due to the increase of finance costs arising from the increase of borrowings from financial institutions.

4.9 Taxation

- (1) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax;
- (2) The Company's directly held subsidiary was incorporated in the British Virgin Islands as an exempted company with limited liability under the British Virgin Islands Companies Act 2004 and accordingly is not subject to income tax;
- (3) Pursuant to the Law of the People's Republic of China on Enterprise Income Tax and the respective regulations, except for the preferential tax rate of 15% or 20% available to certain subsidiaries and schools as disclosed in note 7 to the unaudited interim condensed consolidated financial statements, all of the Company's non-school subsidiaries established in the PRC are subject to the PRC Corporate Income Tax at the rate of 25%; and
- (4) Income tax expenses remained stable due to the relatively stable operation of non-school subsidiaries established in the PRC.

4.10 Profit for the Period

Due to the above factors, the Company's profit for the period increased by approximately 20.4% from approximately RMB36.7 million for the six months ended 30 June 2020 to approximately RMB44.2 million for the six months ended 30 June 2021.

4.11 Net Liquidity and Capital and Funds and Borrowing Sources

As of 30 June 2021, net current assets of the Company were approximately RMB295.9 million, which mainly consisted of prepayments, other receivables and other assets, term deposits, pledged deposits and cash and bank balances.

As of 30 June 2021, current assets increased from approximately RMB627.2 million as of 31 December 2020 to approximately RMB740.8 million. The increase in current assets was mainly due to (1) the increase in cash and bank deposits balances; and (2) the increase in amounts due from related parties, etc.

As of 30 June 2021, current liabilities increased from approximately RMB362.8 million as of 31 December 2020 to approximately RMB444.9 million. The increase in current liabilities was mainly due to the increase in interest-bearing bank and other borrowings, etc.

As of 30 June 2021, the current ratio (current assets divided by current liabilities) decreased to 166.5% from 172.9% as of 31 December 2020. The decrease in current ratio was mainly due to the increase in interest-bearing bank and other borrowings.

In order to manage the liquidity risk, the Company monitored and maintained a sufficient level of cash and cash equivalents, which is deemed adequate by the management, as the working capital of the Company, and to eliminate the impact of cash flow fluctuations. The Company expects that it can meet the cash flow requirement in the future with internal cash flow generated by operations and bank borrowings. The Company did not adopt other financial instruments for the six months ended 30 June 2021.

The Company has not adopted financial instruments for hedging purposes.

4.12 Gearing Ratio

As of 30 June 2021, the gearing ratio (calculated by total interest-bearing bank and other borrowings divided by total equity) was approximately 57.8%, representing an increase of approximately 80.9% from approximately 31.9% as of 31 December 2020, due to the significant increase in the total amount of interest-bearing bank loans and other borrowings.

4.13 Major Investment

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

4.14 Significant Investments held, Major Acquisitions and Disposals

For the six months ended 30 June 2021, the Company did not hold any significant investments, nor conduct any major acquisition or disposal of any subsidiary or associated company.

4.15 Contingent Liabilities

As of 30 June 2021, 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 2020: nil).

4.16 Foreign Exchange Risk

Most gains and expenses of the Company were denominated in Renminbi. As of 30 June 2021, 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 six months ended 30 June 2021, the Group pledged bank deposits of RMB187.0 million for obtaining two bank facilities.

4.18 Events after the Reporting Period

Subsequent to the Reporting Period, on 2 July 2021, the Company and CICC Capital Management Co., Ltd.* (“CICC Capital”) entered into a strategic cooperation agreement in relation to equity investment fund for industry-education integration, pursuant to which an investment fund would be jointly established with a total investment of RMB1.5 billion. The Company will establish a long-term, stable and win-win strategic partnership with CICC Capital. Leveraging CICC Capital’s financial strength and multi-channel resources, the Group will be able to reach the full extent of its operational capabilities in the education industry so as to extend and integrate its industrial chain, further promote the integration of industry and education and cooperation between the schools and enterprises, and cultivate more high calibre and skilled talents.

On 27 July 2021, the Company entered into an agreement with Lushang Group in relation to the establishment of a joint venture company. The Company will collaborate with Lushang Group to continuously optimize the rendering of quality education service and jointly set up related business in Shandong. Both parties will make good use of their respective strengths in market channels, content technology, and operation management. The joint venture company, established in Shandong, will serve as an in-depth practice of the reform on mixed ownership of state-owned capital and private capital, and actively participate in the domestic economy and the conversion of old and new growth momentum.

4.19 Human Resources

As of 30 June 2021, the Group had approximately 1,369 employees. The remuneration policy and treatment of the Group’s employees are regularly reviewed in accordance with industry practice and the performance of the Group. The Group provided external and internal training programs to its employees. As required by relevant PRC laws and regulations, the Group participated in various employee social security plans that are administered by local governments, including but not limited to, housing, pension, medical insurance and unemployment insurance.

OTHER INFORMATION

1. CORPORATE GOVERNANCE PRACTICES

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

For the six months ended 30 June 2021, the Company has complied with all the code provisions under the CG Code and adopted most of the recommended best practices set out therein. The Company will continue to review and monitor its corporate governance practices to ensure the compliance with the CG Code.

2. MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Specific enquiries have been made to all the Directors and each of the Directors has confirmed that he/she has complied with the code provisions of the Model Code for the six months ended 30 June 2021.

3. INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2021.

4. AUDIT COMMITTEE

As at 30 June 2021, the audit committee of the Company (the "Audit Committee") comprised three independent non-executive Directors, namely Mr. Yao Zhijun (chairman), Mr. Guo Litian and Mr. Wan Joseph Jason.

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 reviewing the relationship with the external auditor of the Company. The unaudited condensed interim results of the Group for the six months ended 30 June 2021 have been reviewed by the Audit Committee.

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

The Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company for the six months ended 30 June 2021.

6. USE OF NET 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, with the total proceeds of approximately HK\$393 million and the Shares 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 the listing, with the total proceeds of approximately HK\$40.7 million. The net proceeds from the listing (net of underwriting fees and relevant expenses) amounted to approximately HK\$433 million. The amounts will be applied in the manners 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 in relation to the change in use of proceeds (the "Announcement").

Set out below is the use of net proceeds from the initial public offering for the six months ended 30 June 2021:

	Intended use of net proceeds (HK\$ million)	Revised use of proceeds as at the date of the Announcement (HK\$ million)	Actual use of net proceeds up to 30 June 2021 (HK\$ million)	Remaining balance up to 30 June 2021 (HK\$ million)	Expected timeline of full utilization of the 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	133.7	39.5	31 December 2021
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	86.6	86.6	62.2	24.4	31 December 2021
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	36.7	49.9	31 December 2021
Establish our presence overseas and obtain experience in operating schools abroad	43.3	43.3	—	43.3	31 December 2021
Fund our working capital and general corporate purposes	<u>43.3</u>	<u>43.3</u>	<u>37.2</u>	<u>6.1</u>	31 December 2021
Total	<u><u>433.0</u></u>	<u><u>433.0</u></u>	<u><u>269.8</u></u>	<u><u>163.2</u></u>	

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.21centuryedu.com, respectively. The interim report of the Group for the six months ended 30 June 2021 containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the above websites in due course.

DEFINITIONS

“Board”	the board of directors of the Company
“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 subdivisions (such as provincial, municipal and other regional or local government entities)
“Group” or “we”	the Company, its subsidiaries and the PRC Operating Entities from time to time
“Hangzhou Yimai”	Hangzhou Yimai Enterprise Management Consulting Co., Ltd.* (杭州一脈企業管理諮詢有限責任公司), a limited liability company established under the laws of the PRC on 16 May 2018, as to 70% was controlled by Shijiazhuang Saintach as of the date of this interim results announcement, and one of our PRC Operating Entities
“Hebei Education Department”	an integral department of the provincial government, which is responsible for the education cause in Hebei Province
“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”	the Beijing-Tianjin-Hebei integrated area. Its concept was raised according to a national strategic initiative to promote the region’s economic development
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time

“Peijian Tutorial School(s)”	Chongqing Peijian Tutorial School, Ltd.* (重慶培尖課外培訓學校有限公司) and Hangzhou Huashi Peijian Tutorial School, Ltd.* (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 and Saintach Kindergartens
“private school(s)”	school(s) established by social organizations or individuals outside national institutions, using non-state financial capital
“Prospectus”	the prospectus issued by the Company for the initial public offering and listing dated 15 May 2018
“Reporting Period”	for the six months ended 30 June 2021
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC for the time being
“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 being set up in multiple operating locations which are organized by 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 sponsor(s)”	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 commences 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)
“Sheng Dao Xiang Cheng”	Sheng Dao Xiang Cheng Education and Technology Co., Ltd.* (河北晟道象成教育科技有限公司), a wholly-foreign owned enterprise established under the laws of the PRC on 14 December 2016 and a wholly-owned subsidiary of the Company
“Shijiazhuang Institute of Technology”	Shijiazhuang Institute of Technology* (石家莊理工職業學院), a junior college established under the laws of the PRC on 1 July 2003 of which school sponsors' interest are wholly-owned by Zerui Education as of the date of this interim results announcement, and one of our PRC Operating Entities
“Shijiazhuang Saintach”	Shijiazhuang Saintach Education and Technology Co., Ltd.* (石家莊新天際教育科技有限公司), a limited liability company established under the laws of the PRC on 13 July 2011, wholly-owned by Zerui Education as of the date of this interim results announcement, and one of our PRC Operating Entities

“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), Yuyao Xuedao Education Tutorial School Limited* (余姚學道教育培訓學校有限公司) 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 of the date of this interim results announcement, and one of our PRC Operating Entities
“Zhejiang Peijian”	Zhejiang Peijian Technology Co., Ltd.* (浙江培尖科技有限公司), a limited liability company established under the laws of the PRC on 29 December 2017 and controlled by Zerui Education as to 51% as of the date of this interim results announcement, and one of our PRC Operating Entities
“%”	per cent.

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

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

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

Hong Kong, 31 August 2021

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

* for identification purpose only