



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



INTERIM  
REPORT  
2022

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## I. CORPORATE PROFILE

China 21st Century Education Group Limited (the “**Company**”, together with its subsidiaries collectively referred to as the “**Group**”) (Stock Code: 1598) is the first private education group listed in Hong Kong based in the area of Beijing, Tianjin and Hebei Province. Adhering to the corporate mission of “creating equality by education”, we strive unremittingly to provide clients with customized services of quality education and solutions based on individual demand.

The business of the Group covers vocational education and continuing education, which entail a sound and diversified source of revenue and a broad customer base. Since the founding of its first school in 2003, the Group has established 13 physical schools, including 1 private college under vocational education segment (Shijiazhuang Institute of Technology) and entrusted with the operation of the west campus of Sifang College; 1 Peijian Tutorial School, 3 Shinedao Tutorial Schools and 8 Saintach Kindergartens under quality-oriented education segment.

As a leading education group based in the area of Beijing, Tianjin and Hebei Province, the Group leverages on its physical schools to gradually realize the vertical extension of upstream and downstream operations. The Group takes new vocational education as the main line of development and Shijiazhuang Institute of Technology as the foundation, and deepens the development of industry education integration through internal construction and planning of school enterprise cooperation, mergers and acquisitions and government enterprise cooperation. As at 30 June 2022, the Group had a total of 30,464 students, including 18,704 full-time students and 11,760 continuing education students. We have recruited a total of 598 full-time teachers with a view to actively achieve national education strategies such as the integration of industry and education, and endeavor to foster all-rounded talents with high skills for the economic and social transformation so as to continuously enhance the well-being of human society.

## II. CORPORATE INFORMATION

### 1. BOARD OF DIRECTORS

#### 1.1 Executive Directors

Mr. Li Yunong (李雨濃)  
Ms. Liu Hongwei (劉宏煒)  
Mr. Ren Caiyin (任彩銀)  
Ms. Yang Li (楊莉)  
Mr. Li Yasheng (李亞晟)

#### 1.2 Independent Non-executive Directors

Mr. Guo Litian (郭立田)  
Mr. Yao Zhijun (姚志軍)  
Mr. Wan Joseph Jason (尹宸賢)

### 2. AUDIT COMMITTEE

Mr. Yao Zhijun (姚志軍) (chairman)  
Mr. Guo Litian (郭立田)  
Mr. Wan Joseph Jason (尹宸賢)

### 3. REMUNERATION COMMITTEE

Mr. Wan Joseph Jason (尹宸賢)  
(chairman)  
Mr. Guo Litian (郭立田)  
Mr. Li Yasheng (李亞晟)

### 4. NOMINATION COMMITTEE

Mr. Li Yunong (李雨濃) (chairman)  
Mr. Yao Zhijun (姚志軍)  
Mr. Wan Joseph Jason (尹宸賢)

### 5. AUTHORISED REPRESENTATIVES

Ms. Liu Hongwei (劉宏煒)  
Mr. Yang Yang (楊洋)

### 6. JOINT COMPANY SECRETARIES

Mr. Yang Yang (楊洋)  
Ms. Wong Sau Ping (黃秀萍)<sup>1</sup>  
Mr. Leung Chi Kit (梁志傑)<sup>2</sup>

### 7. LEGAL ADVISOR

Jingtian & Gongcheng LLP

### 8. AUDITOR

Ernst & Young  
Certified Public Accountants  
Registered Public Interest  
Entity Auditor

### 9. REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### 10. HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

15/F, South Tower  
Zhonghai Plaza  
8 Guanghua Dongli  
Chaoyang District  
Beijing, the PRC

### 11. PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two  
Times Square  
1 Matheson Street  
Causeway Bay, Hong Kong

### 12. CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman)  
Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### 13. HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

### 14. PRINCIPAL BANKERS

China Merchants Bank,  
Shijiazhuang Branch  
Bank of Zhangjiakou,  
Shijiazhuang Branch

### 15. COMPANY WEBSITE

[www.21centuryedu.com](http://www.21centuryedu.com)

### 16. STOCK CODE

1598

Notes:

<sup>1</sup> Resigned on 26 May 2022

<sup>2</sup> Appointed on 26 May 2022

### III. FINANCIAL AND OPERATING HIGHLIGHTS

#### 1. COMPARISON OF KEY FINANCIAL DATA

	For the six months ended			
	30 June			
	2022 (RMB'000)	2021 (RMB'000)	Changes	Percentage of changes
Revenue	<b>144,822</b>	157,999	(13,177)	(8.3%)
Cost of sales	<b>(72,975)</b>	(77,041)	(4,066)	(5.3%)
Gross profit	<b>71,847</b>	80,958	(9,111)	(11.3%)
Gross profit margin	<b>49.6%</b>	51.2%	(1.6%)	(3.1%)
Profit before tax	<b>27,122</b>	43,998	(16,876)	(38.4%)
EBITDA	<b>66,650</b>	72,690	(6,040)	(8.3%)
Profit for the period	<b>27,103</b>	44,156	(17,053)	(38.6%)
Basic earnings per Share (RMB cents)	<b>2.37</b>	3.90	(1.53)	(39.2%)

#### 2. SUMMARY OPERATING DATA

	2021 to 2022	2020 to 2021	Changes	Percentage of changes
Total number of students	<b>30,464</b>	31,316	(852)	(2.7%)
Including: Full-time <sup>①</sup>	<b>18,704</b>	17,051	1,653	9.7%
Continuing education <sup>①</sup>	<b>11,760</b>	14,265	(2,505)	(17.6%)
Student capacity <sup>②</sup>	<b>110.5%</b>	115.1%	(4.0%)	(4.0%)
Student retention rate <sup>③</sup>	<b>93.3%</b>	90.5%	3.1%	3.1%
Total number of teachers <sup>④</sup>	<b>598</b>	812	(214)	(26.4%)

Notes:

<sup>①</sup> Full-time includes junior college students and secondary school students in Shijiazhuang Institute of Technology for vocational education, and students in kindergartens for quality-oriented education. Continuing education refers to part-time students in Shijiazhuang Institute of Technology for vocational education.

<sup>②</sup> It refers to the capacity of full-time students. The student capacity of Shijiazhuang Institute of Technology as at 30 June 2022 exceeded 100%, mainly due to the fact that its rented beds were not taken into account in the calculation of student capacity. As Shijiazhuang Institute of Technology implemented a "2+1" school system, where students at the third grade worked at enterprises as interns, there is no shortage of student apartments.

<sup>③</sup> Retention rate of full-time students.

<sup>④</sup> The number represents full-time teachers.

## IV. 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 development vision of “promoting the progress of civilization 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 its first school in 2003, the Company has made notable achievements over the past 20 years to become a comprehensive education group focusing on vocational education and actively put the development direction of industry-education integration into practice, with diversified revenue streams and a broad customer base.

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

#### 1.2 Movements of business operations during the reporting period

##### *1.2.1 Focus on the construction work of the new campus of Shijiazhuang Institute of Technology*

In the first half of 2022, the Company focused on the new campus project of Shijiazhuang Institute of Technology, which was included in the List of Key Construction Projects in Hebei Province in 2022 (《河北省2022年省重點建設項目名單》). During the period from March to August 2022, the Group successfully bid the land use rights in Gaoyi County through public tender process, and acquired a total of 279,577.48 sq.m. (approximately 419.37 acres) of educational land and 46,269.12 sq.m. (approximately 69.40 acres) of commercial land, and has commenced construction of comprehensive teaching buildings, canteens, dormitory, campus environment and related ancillary facilities. The new campus will increase the enrollment quota of Shijiazhuang Institute of Technology, which is expected to complete its first enrollment in September 2023 and enroll approximately 8,000 students, with total enrollment of over 12,000 students in Shijiazhuang Institute of Technology, thus boosting further revenue growth of the Group.

The new campus of Shijiazhuang Institute of Technology is strategically located in Gaoyi County, Shijiazhuang City, Hebei Province, which can take advantage of resources such as industries and employment in the Beijing-Tianjin region with promising development prospects. Meanwhile, the new campus is close to Gaoyi County High-speed Railway Station with convenient transportation. With widely recognized teaching quality of Shijiazhuang Institute of Technology in the market, the new campus has great enrollment prospects.

The new campus will be developed into a new vocational and technical college with landmark attributes and industry-education integration features in the future, which is expected to have a total student capacity of approximately 30,000. It will be developed in accordance with the goal of cultivating technical application talents, with coordinated development of multiple disciplines, highlighting applied technologies, and forming a multi-disciplinary cross-penetration professional group. We strive to cultivate competitive application-oriented talents for the sustainable development of the region by providing quality education resources. This project will help Shijiazhuang Institute of Technology obtain more enrollment quota in short term. Thereby, the Group may further expand its scale of vocational education and improve the level and quality of education, so as to lay the foundation for Shijiazhuang Institute of Technology to upgrade to an undergraduate vocational university. It has played a positive role in promoting the Group's layout of the pan-vocational education industry ecology.

## IV. MANAGEMENT DISCUSSION AND ANALYSIS

### **1.2.2 Strengthen cooperation between government, school, industry and enterprise to form a development pattern of industry-education integration**

While completing their basic teaching and research tasks, the schools under the Company further expanded their cooperation with the local governments, industry associations and key enterprises to form a development pattern of industry-education integration.

In terms of school-enterprise cooperation, under the model of jointly establishing an industrial college, the college and the enterprise jointly carry out trainings for students, with the college be responsible for public courses and the enterprise be responsible for professional courses, and both parties jointly undertake the investment of teachers and curriculum construction, which can solve the problem of college students' employment and the shortage of industry talents from the source. We can develop a talent service business covering from "Education" to "Employment" of college students based on such resource advantages of industrial colleges, cooperation enterprises, cooperation colleges and skills-training students. As at 30 June 2022, Shijiazhuang Institute of Technology has established eight industrial colleges, involving disciplines such as automobile manufacturing and testing technology, computer network technology, modern mobile communication technology, industrial robot technology, railway locomotive operation and maintenance, civil aviation transportation services and flight attendant.

In the first half of 2022, Shijiazhuang Institute of Technology and Shijiazhuang Luquan District Human Resources and Social Security Bureau (石家莊市鹿泉區人力資源和社會保障局) deepened the business of industry-education integration, and jointly established the "Information Technology Application Innovation Industrial College (信創產業學院)", being the first industrial college established with government in Hebei Province, to connect with the construction of a hundred billion-level electronic information industry cluster and talent training in Luquan District, Shijiazhuang City. It established "Geely Automobile Industrial College (吉利汽車產業學院)" with Geely Automobile Group Company Limited (吉利汽車集團有限公司), which adopted modern apprenticeship courses, and mutually built talent training bases and production-oriented experimental training bases to achieve precise employment of students in the automobile industrial chain, serve the automobile industry and support "Made in China 2025 (中國製造2025)". It jointly established the Institute of Industry-Education Integration (產教融合研究院) with Shijiazhuang Kelin Electric Co., Ltd. (石家莊科林電氣股份有限公司) to cooperate in the fields of intelligent manufacturing, industrial robots and high-end equipment manufacturing. It entered into a formal agreement with Hebei Jiantou Power Technology Service Co., Ltd. (河北建投電力科技服務有限公司) to reach a strategic partnership in respect of the construction and operation of incremental power distribution business, smart micro-grid construction and power trading. Both parties will carry out comprehensive cooperation in the field of "Integrated Energy Services for New Campuses of Colleges and Universities (高校新建校園綜合能源服務)".

As at 30 June 2022, 19 professional programs in Shijiazhuang Institute of Technology have worked with 14 enterprises to jointly offer featured majors, representing 25.7% of total professional training programs offered. 20 tailor-made classes were established with 1,838 students. There are 15 apprenticeship pilot programs, 13 key professional group training bases, 55 on-campus experimental training centers and 208 off-campus training bases. It has also established long-term cooperation relationship with more than 700 domestic and foreign renowned enterprises in total, including 32 top 500 global enterprises such as Haier Group Corporation, Panasonic Corporation and Huawei Technologies Co., Ltd., and invited enterprises to invest tens of millions RMB in total in the construction of practical training rooms on an accumulative basis, which considerably enriched our teaching practice. Benefitting from the in-depth industry-education integration and school-enterprise cooperation, graduates not only have solid professional knowledge, but also excellent practical operation skills and good professionalism. It provides targeted practical courses to the students and trainees through the industrial college and skills training, cultivate standardized industrial talents, increase the employment rate of students, and help further enhance the institute's brand influence and enrollment scale.

In terms of government-school cooperation, we work closely with the Government of Hebei Province. In the proposed cooperation with the Gaoyi County Government, Shijiazhuang City, we will obtain 200 acres of industrial park commercial land in Gaoyi County for the construction of industrial parks or industrial technology parks. The internship and training for the students from Shijiazhuang Institute of Technology will be conducted in the industrial parks. In the future, we will further cooperate with the Gaoyi County Government for mutual benefits. On the one hand, Gaoyi County has abundant land resources, and on the other, it can share the urban functional facilities of Shijiazhuang City, bringing continuous convenience for talent attraction and high-quality public services required for industrial transformation and upgrading. Leveraging the Beijing-Tianjin-Hebei synergetic development strategy, it will promote the transformation and upgrading of existing industries and attract a number of new industrial clusters. With the support of government subsidies, we will open a new campus in Gaoyi County providing school infrastructure and vacancies for student in-take based on the local government's industrial planning, labor needs, output value goals, and outstanding enterprises that need to be introduced. We will have in-depth cooperations with enterprises in the technology parks by co-developing new industrial majors or equity investments. We will make use of the education industry of Shijiazhuang Institute of Technology to promote the development of surrounding industrial parks with diversified cooperation, so as to truly realize the industry-education integration as the main direction of vocational education development.

### **1.2.3 Continue to improve the quality of training**

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. Our schools actively undertook the task for improving the training quality of provincial vocational education in which they are located, and Shijiazhuang Institute of Technology was approved as a "Double-High" construction college\* (「雙高」建設院校) of the plan for improving the training quality of Hebei Province vocational education (2020–2023) (河北省職業教育提質培優行動計劃 (2020–2023)) during the first half of 2021.

At the same time, the schools under the Company adhered to the principle of giving equal emphasis to academic education and vocational training in vocational colleges, actively participated in the initiatives in improving vocational skills raised by the local governments. Shijiazhuang Institute of Technology won the bid for the project of designated training institution, which was jointly launched by various local human resources and social security bureaus of Hebei Province, to serve as a local vocational training institution designated by the government. As part of the community vocational training system, the institute conducted governmental vocational education and social training for 2,339 people. In addition, Shijiazhuang Institute of Technology has also provided new modern apprenticeship trainings to 366 persons from several enterprises, while insisting on improving the conventional school-enterprise cooperation mode and participating in the new apprenticeship training pilot program. As at 30 June 2022, Shijiazhuang Institute of Technology has granted more than 10,000 skill certificates for students, undertaken 13 provincial-level industry, education and research projects, 10 technical and technological transformation cooperation projects, and obtained more than 80 patents.

Leveraging 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 momentum to the Company.



## IV. MANAGEMENT DISCUSSION AND ANALYSIS

### 1.3 Our Schools

#### 1.3.1 Overview

As at 30 June 2022, the Company owned 13 schools, including 1 private college under vocational education segment (Shijiazhuang Institute of Technology) and was entrusted with the operation of the west campus of Sifang College. 1 Peijian Tutorial School, 3 Shinedao Tutorial Schools and 8 Saintach Kindergartens under quality-oriented education segment.

Schools of the Company	30 June 2022	30 June 2021
<b>Vocational education</b> – College	<b>1</b>	1
<b>Quality-oriented education</b> – Tutorial school	<b>4</b>	13
<b>Quality-oriented education</b> – Kindergarten	<b>8</b>	8
<b>Total</b>	<b>13</b>	22

#### 1.3.2 Student enrollment

As at 30 June 2022, we had 30,464 students enrolled in our schools, including 18,704 full-time students and 11,760 part-time students. The specific data are as follows:

Breakdown of student enrollment	2021–2022	2020–2021	Changes	Percentage of changes
<b>Full-time students</b>				
Vocational education – Shijiazhuang Institute of Technology				
Including: Junior college	<b>13,753</b>	12,637	1,116	8.8%
Secondary college	<b>3,117</b>	2,659	458	17.2%
<b>Subtotal (full-time college students)</b>	<b>16,870</b>	15,296	1,574	10.3%
Quality-oriented education – Saintach Kindergartens	<b>1,834</b>	1,755	79	4.5%
<b>Subtotal (full-time students)</b>	<b>18,704</b>	17,051	1,653	9.7%
<b>Part-time students</b>				
Vocational education – Continuing education programs of Shijiazhuang Institute of Technology <sup>①</sup>	<b>11,760</b>	14,265	(2,505)	(17.6%)
<b>Subtotal (part-time students)</b>	<b>11,760</b>	14,265	(2,505)	(17.6%)
<b>Total</b>	<b>30,464</b>	31,316	(852)	(2.7%)

Note:

<sup>①</sup> The decrease in the number of students in the continuing education programs under vocational education segment for the six months ended 30 June 2022 compared to that for the corresponding period in 2021 was mainly due to the decrease in the enrollment quota of the continuing education online programs in cooperation colleges as affected by the policy on continuing higher education reform, but the number of continuing education students in The Open University of China increased during the same period.

For the six months ended 30 June 2022, our vocational education segment provided entrusted management and operation services to the west campus of Sifang College, covering 3,649 students.

Peijian Tutorial School has shifted its principal business to new gaokao\* (新高考) (the “**New Gaokao**”) tutoring, with a focus on school cooperation and admission training. The New Gaokao business has been launched in Hangzhou firstly and then other cities all over the country. For the six months ended 30 June 2022, it has served 38 high schools and has established cooperation relationships with more than 100 schools in nearly 20 provinces nationwide, providing tutoring and training services to nearly 1,400 students all over the country. Based on the regional in-depth cultivation plan, the cooperation business will be expanded to Henan, Hubei, Hunan and other national regions.

### 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 relevant charges from Peijian Tutorial School and Shinedao Tutorial Schools, our fee range approximates to that for the year ended 31 December 2021, whereas the tutoring fees for the junior college courses at Shijiazhuang Institute of Technology under vocational education segment have changed, as stated in the following table:

Type of course	2021–2022 school year	2020–2021 school year
<b>Vocational education</b>		
Junior college courses	<b>RMB8,800 to RMB13,000 per school year</b>	RMB7,000 to RMB13,000 per school year
Secondary college courses	<b>RMB7,200</b>	RMB7,200

  

Average revenue <sup>①</sup>	For the six months ended 30 June			Percentage of changes
	2022	2021	Changes	
<b>Vocational education</b>	<b>4,520</b>	4,316	204	4.7%
Including: Junior college	<b>4,766</b>	4,585	181	3.9%
Secondary college	<b>3,451</b>	3,102	349	11.3%
<b>Kindergartens<sup>②</sup></b>	<b>10,070</b>	8,576	1,494	17.4%

Notes:

- <sup>①</sup> 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 at the beginning and middle of the same year.
- <sup>②</sup> The 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 corresponding period in 2021 as affected by COVID-19 epidemic.

### 1.3.4 Employment rate

Shijiazhuang Institute of Technology has 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 2022, Shijiazhuang Institute of Technology, its teachers and students have won 91 provincial and municipal awards, including various awards such as the 7th “Bauhaus Award International Design Competition”, the 12th Langqiao Cup National Software and Information Technology Experts Competition (Hebei Division) — Java Development, and the Hebei Vocational College Skills Competition-Big Data Technology and Application.

## IV. MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2022, the employment rate of our graduates was approximately 96.6%:

Employment rate <sup>①</sup>	30 June 2022	30 June 2021	Changes	Percentage of changes
Vocational education	<b>96.6%</b>	95.4%	1.2%	1.3%

Note:

<sup>①</sup> The employment rate refers to the number of employed students among the total number of junior college graduates for the year.

### 1.3.5 Our teachers

Teachers	30 June 2022	30 June 2021	Changes	Percentage of changes
<b>Full-time teachers</b>				
Vocational education <sup>①</sup>	<b>379</b>	455	(76)	(16.7%)
Quality-oriented education <sup>②</sup>	<b>219</b>	357	(138)	(38.7%)
<b>Subtotal (full-time teachers)</b>	<b>598</b>	812	(214)	(26.4%)
<b>Part-time teachers</b>				
Vocational education <sup>③</sup>	<b>263</b>	74	189	255.4%
Quality-oriented education <sup>②</sup>	<b>496</b>	648	(152)	(23.5%)
<b>Subtotal (part-time teachers)</b>	<b>759</b>	722	37	5.1%
<b>Total</b>	<b>1,357</b>	1,534	(177)	(11.5%)

Notes:

<sup>①</sup> As Shijiazhuang Institute of Technology replaced some teachers to improve the quality of teaching and teachers. Hence the number of full-time teachers was temporarily decreased.

<sup>②</sup> Under the requirements of “double reduction” opinion and in response to the national education policy, the Group adjusted its business structure and closed down some K12 businesses, resulting in a decrease in the number of both full-time teachers and part-time teachers in the quality-oriented education business segment.

<sup>③</sup> Increase the number of outstanding part-time teachers, who may become full-time teachers after passing the qualification assessment.

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 at 30 June 2022, the percentage of our teachers with a bachelor’s degree or above was 83.5%.

## 1.4 Our Technological Empowerment

We empowered campus management through technology, and provided students with a digital platform that covers all scenarios of student life from admission to graduation, so as to improve the overall management level of the campus and the overall operational efficiency of the Group.

Developing an independent “Smart Campus (智慧校園)” system. Through providing hardware facilities such as network infrastructure, standard examination venues, broadcast and security, as well as improving and upgrading software platforms such as student management system and teaching management system, we built a digital platform that covers all scenarios of student life from admission to graduation.

Providing an integrated platform, “Tianze Talent (天擇人才)”, 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 providing coordinated planning and establishing comprehensive management and services of employment and entrepreneurship education, with over 1,000 registered enterprises as well as over 20,000 employment opportunities for graduates.

In addition, software platforms, such as “Sousou Smart School (嗖嗖智校)”, “Data Center (數據中台)” and “Digital Billboard (數字看板)”, have been established to assist our operations in student management, teaching and learning and business processes.

### 1.5 Our Licenses and Honors

As at 30 June 2022, the Company has completed the 2021 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 13 January 2022, the Company was invited to participate in the “Capital Market Forum and the 6th Golden Hong Kong Stock Awards Ceremony (資本市場論壇暨第六屆金港股頒獎盛典)” jointly organized by Zhitongcaijing.com and www.10JQKA.com.cn., and won the “Most Valuable Education Company (最具價值教育公司)” award with its healthy corporate governance structure and satisfactory main businesses in recent years, which can provide sustainable and stable value returns for investors.

On 24 March 2022, the Industry-Education Integration to Cultivate Craftsman & Teaching Reform to Promote Development — Talent Cultivation Model Based on “Four-Dimension, Three-Joint, Two-Integration and One-Whole” (《產教融合育工匠教學改革促發展—基於“四維三同二融一體”的人才培養模式》) declared by Shijiazhuang Institute of Technology was successfully included in the “List of Typical Cases of Industry-Education Integration and School-Enterprise Cooperation of Ministry of Education in 2021 (教育部2021年產教融合校企合作典型案例名單)”. In order to further improve the standards of talent training and build a long-term industry-education integration mechanism, the institute integrates the four dimensions of government, industry, enterprise and school to establish the first industrial college with government in Hebei Province. It adheres to students as the center and serving students as the purpose, aiming to promote the close integration of industries, positions, majors, courses and teaching materials, smooth the communication channels between enterprises and schools, solve the problems of teachers’ teaching skills training, realize the integration of resources, and ultimately achieve substantial improvement in teaching quality and enhance the ability to serve the society.

On 24 April 2022, Shijiazhuang Institute of Technology hosted the New Generation of Information Technology Industry Youth Innovation and Entrepreneurship Development Forum of Hebei Province in 2022. With the theme of “Digital Intelligence Era & Multi-Dimensional Dual Carbon (數智時代•多維雙碳)”, the forum gathered well-known experts and scholars from colleges and universities, young entrepreneurs and venture capitalists in China to discuss the new development direction of the new generation of information technology industry in the future, which helped students to reach the frontier of the industry and understand the policies of innovation and entrepreneurship. The institute will further help the in-depth development of innovation and entrepreneurship, and promote the close integration of innovation and entrepreneurship talent training with industrial requirements.

On 27 April 2022, the application in respect of the “National Model Worker & Technical Skills Master Wuming’s Studio (全國勞模吳明技術技能大師工作室)” made by Shijiazhuang Institute of Technology was approved and included in the list of Higher Vocational Education Innovation and Development Action Plan (2022–2025) Project in Hebei Province (《河北省高等職業教育創新發展行動計劃(2022–2025年)項目》) as a “XM-12 Provincial Technical Skills Master Studio (XM-12省級技術技能大師工作室)” in full recognition of the school-running capacity and reform and development of Shijiazhuang Institute of Technology.

## IV. MANAGEMENT DISCUSSION AND ANALYSIS

### 2. MARKET REVIEW

On 20 April 2022, the 34th meeting of the Standing Committee of the 13th National People's Congress passed the revised Vocational Education Law of the People's Republic of China (《中華人民共和國職業教育法》), which further benefits the development of vocational education from four aspects. Firstly, it clarifies for the first time that vocational education is of equal importance as general education; secondly, it focuses on improving the recognition of vocational education, including enhancing the social status and treatment of talents in technology and skills, and organizing vocational skills competitions and other activities; thirdly, it deepens industry-education integration and school-enterprise cooperation, including that the State promotes enterprises' vital role in running vocational education, advances the in-depth participation of enterprises in vocational education, encourages enterprises to run high-quality vocational education, enterprises can set up full-time or part-time positions to implement vocational education, and the implementation of enterprises' vocational education shall be included in the corporate social responsibility report, and the State encourages industry organizations and enterprises to participate in the development of professional teaching materials for vocational education; and fourthly, it improves the vocational education guarantee system and measures, including that the State takes measures according to the industrial layout and the requirements of industry development, vigorously develops emerging majors required by industries such as advanced manufacturing, supports the construction of high-level vocational schools and majors, optimizes the structure of educational expenditures, adapts the vocational education expenditures to the requirements of vocational education development, and encourages fund-raising through various channels for the development of vocational education in accordance with the law.

### 3. FUTURE PROSPECTS

As a comprehensive private education service provider, we have kept leveraging on "content + technology" to promote the development of the education industry. While focusing on the overall goals of national education modernization and "dual circulation" of economic development, we will make great effort to develop vocational education, and propel the rapid development of related professions through adding popular and frontline majors and attracting high-quality teachers with introducing academic leader. Meanwhile, we expand the scale of education by building a new campus of Shijiazhuang Institute of Technology, and strive to improve the level and quality of education, so as to cultivate more talents that possess technical skills with higher quality for future development.

The Group sets its focus on new vocational education, deepens the development of industry-education integration through internal construction layout of school-enterprise cooperation, external mergers and acquisitions and government-enterprise cooperation, and carries out vocational training with extension to life-long education. At the same time, it relies on the experience and achievements of collectivized school operation to extend its service scope and develop the business of the integration of vocational education and regular education. In the future, it will expand from vocational education services to industry-education integration services through business models such as industrial college, internship training and industry to school (產業入校), so to become a professional talent service provider covering from "Education" to "Employment" ultimately.

### 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 decreased by approximately 8.3% from approximately RMB158.0 million for the six months ended 30 June 2021 to approximately RMB144.8 million for the six months ended 30 June 2022. The decrease in revenue was mainly due to the business restructuring and the closure of some K12 businesses.

### 4.2 Cost of Sales

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

Cost of sales decreased by approximately 5.3% from approximately RMB77.0 million for the six months ended 30 June 2021 to approximately RMB73.0 million for the six months ended 30 June 2022, mainly due to the business restructuring and the closure of some K12 businesses.

### 4.3 Gross Profit and Gross Profit Margin

The amount of gross profit decreased by approximately 11.3% from RMB81.0 million for the six months ended 30 June 2021 to RMB71.8 million for the six months ended 30 June 2022; and the gross profit margin decreased from approximately 51.2% for the six months ended 30 June 2021 to approximately 49.6% for the six months ended 30 June 2022, which was mainly due to closure of some K12 businesses.

### 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 10.2% from approximately RMB17.6 million for the six months ended 30 June 2021 to approximately RMB19.4 million for the six months ended 30 June 2022, mainly due to the increase in interest received from bank deposits and loans to third parties.

### 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 decreased by approximately 52.4% from approximately RMB9.2 million for the six months ended 30 June 2021 to approximately RMB4.4 million for the six months ended 30 June 2022. The decrease was mainly due to the closure of some K12 businesses.

### 4.6 Administrative Expenses

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

Administrative expenses decreased by approximately 13.3% from approximately RMB34.7 million for the six months ended 30 June 2021 to approximately RMB30.1 million for the six months ended 30 June 2022, mainly due to the decrease in the recognition of share option expenses.

### 4.7 Other Expenses

Other expenses mainly consisted of (1) exchange loss; and (2) fair value loss.

Other expenses increased from approximately RMB0.1 million for the six months ended 30 June 2021 to approximately RMB12.5 million for the six months ended 30 June 2022, mainly due to the increase in loss of fair value changes of a listed equity investment and the increase in exchange loss.

## IV. MANAGEMENT DISCUSSION AND ANALYSIS

### 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 73.9% from approximately RMB9.5 million for the six months ended 30 June 2021 to approximately RMB16.5 million for the six months ended 30 June 2022, mainly due to the increase of finance costs arising from the increase of borrowings from financial institutions to support the Group's business expansion plan.

### 4.9 Taxation

- (1) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act 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 decreased by approximately 38.6% from approximately RMB44.2 million for the six months ended 30 June 2021 to approximately RMB27.1 million for the six months ended 30 June 2022.

### 4.11 Net Liquidity and Capital and Funds and Borrowing Sources

As at 30 June 2022, net current assets of the Group were approximately RMB285.1 million, which mainly consisted of prepayments, other receivables and other current assets, term deposits, pledged deposits and cash and bank balances.

As at 30 June 2022, current assets increased from approximately RMB699.4 million as at 31 December 2021 to approximately RMB699.8 million. The Group's cash and cash equivalents are mainly denominated in Renminbi. As at 30 June 2022, the Group's cash and cash equivalents were approximately RMB427.4 million as compared to approximately RMB334.3 million as at 31 December 2021. Approximately 96.9% of the Group's cash and cash equivalents as at 30 June 2022 were denominated in Renminbi, approximately 1.6% were denominated in Hong Kong dollars and approximately 1.5% were denominated in US dollars.

As at 30 June 2022, current liabilities decreased from approximately RMB553.3 million as at 31 December 2021 to approximately RMB414.8 million. The decrease in current liabilities was mainly due to (1) the decrease in contract liabilities on the recognition of revenue from tuition and boarding fees; and (2) the decrease in short-term interest-bearing bank and other borrowings.

As at 30 June 2022, the current ratio (current assets divided by current liabilities) increased to 168.7% from 126.4% as at 31 December 2021. The increase in current ratio was mainly due to the decrease in current liabilities as a result of the decrease in short-term interest-bearing bank and other borrowings.

As at 30 June 2022, the Group had total borrowings of RMB642.1 million (as at 31 December 2021: RMB446.5 million), including bank and other borrowings. All bank and other borrowings are denominated in RMB, USD and HKD and bear interest at fixed rates.

In order to manage the liquidity risk, the Company monitored and maintained a sufficient level of cash and cash equivalents, which was 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 2022.

The Company has not adopted financial instruments for hedging purposes.

### 4.12 Gearing Ratio

As at 30 June 2022, the gearing ratio (calculated by total liabilities divided by total assets) was approximately 53.8%, representing an increase of approximately 3.7 percentage points from approximately 50.1% as at 31 December 2021, 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 report, 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 2022, 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 at 30 June 2022, 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 (as at 31 December 2021: nil).

### 4.16 Foreign Exchange Risk

Most gains and expenses of the Company were denominated in Renminbi. As at 30 June 2022, 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 2022, the Group pledged bank deposits of RMB66.0 million for obtaining two bank facilities.

### 4.18 Human Resources

As at 30 June 2022, the Group had approximately 1,273 employees (as at 30 June 2021: 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.



## IV. MANAGEMENT DISCUSSION AND ANALYSIS

### 5. DIRECTORS AND SENIOR MANAGEMENT

#### 5.1 The Board is responsible for, and has the general power to, the management and operations of our business

As at 30 June 2022, the Board consisted of 8 Directors, including 5 executive Directors and 3 independent non-executive Directors. The following table sets out the information of the members of the Board:

Name	Positions	Responsibilities	Relationship with other Directors or senior management
Mr. Li Yunong	Chairman of the Board and executive Director	Overall formulation, guidance of business strategy and development of the Group	Mr. Li Yunong is the father of Mr. Li Yasheng
Ms. Liu Hongwei	Chief executive officer and executive Director	Overall operation and daily management of the Group	nil
Mr. Ren Caiyin	Executive vice president, executive Director and president of the college and supply chain segment	Overall operation and daily management of the vocational education of the Group	nil
Ms. Yang Li	Executive Director	Research on marketing strategies of the Group	nil
Mr. Li Yasheng	Executive Director	Promoting the implementation of major events of the Group in line with its business strategies	Mr. Li Yasheng is the son of Mr. Li Yunong
Mr. Guo Litian	Independent non-executive Director	Providing independent opinion and judgment to the Board	nil
Mr. Yao Zhijun	Independent non-executive Director	Providing independent opinion and judgment to the Board	nil
Mr. Wan Joseph Jason	Independent non-executive Director	Providing independent opinion and judgment to the Board	nil

#### 5.2 The following table sets out the information of the senior management members of the Company

Name	Positions	Responsibilities
Ms. Liu Tianhang	Executive vice president	The investment, merger and acquisition and capital operations of the Group
Ms. Wang Lijing	Executive vice president	Overall operation and daily management of New Gaokao education of the Group
Mr. Wang Yongsheng	Executive vice president and chief financial officer	Financial management and fund planning of the Group
Mr. Wei Lei	Vice president	Overall operation, human resources and administrative affairs management of the Group
Mr. Sun Peng	Vice president	Finance management and capital innovation of the Group
Mr. Yang Yang	Joint company secretary	Corporate governance, compliance disclosure, investor relations and public relations management of the Group
Mr. Mao Lei	Principal of Shijiazhuang Institute of Technology	Teaching management of Shijiazhuang Institute of Technology

Save as disclosed above, there is no other information concerning the relationship between any of the Directors or senior management members and other Directors or senior management members or substantial shareholders or controlling shareholders.

## V. CORPORATE GOVERNANCE REPORT AND 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 CG Code contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

For the six months ended 30 June 2022, 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 2022.

### 3. INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: nil).

### 4. AUDIT COMMITTEE

As at 30 June 2022, 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 2022 have been reviewed by the Audit Committee.

## V. CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

### 5. CHANGES IN DIRECTOR'S INFORMATION

Since the issue of the 2021 annual report of the Company, the Directors confirmed that no information shall be disclosed in accordance with Rule 13.51B(1) of the Listing Rules.

### 6. PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2022, the Company repurchased an aggregate of 6,012,000 Shares on the Stock Exchange at a total repurchase price (before expenses) of HK\$2,769,120. The reason for such share repurchases was that the Board believed the trading level of the Shares had significantly underestimated the performance and related value of the Company, and the Board is committed to managing the capital of the Company actively, therefore, such share repurchases would create capital management benefits for the Shareholders. All the repurchased shares above were cancelled by the Company on 30 March and 22 June 2022. Details of such share repurchases are set out below:

Month of repurchase	Number of Shares repurchased	Maximum price per Share paid (HK\$)	Minimum price per Share paid (HK\$)	Total repurchase price (HK\$)
January 2022	2,334,000	0.51	0.48	1,173,195
June 2022	3,678,000	0.45	0.40	1,595,925
<b>Total</b>	<b>6,012,000</b>			<b>2,769,120</b>

### 7. 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 of Shares, with the total proceeds of approximately HK\$40.7 million. The net proceeds from the listing of Shares (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 (i) the section headed "Future Plans and Use of Proceeds" in the Prospectus; (ii) the announcement of the Company dated 12 June 2019 in relation to the change in use of proceeds; and (iii) the announcement of the Company dated 9 March 2022 in relation to the change in use of proceeds (the "Announcement").

## V. CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

Set out below is the use of net proceeds from the initial public offering for the six months ended 30 June 2022:

	Original use of net proceeds <sup>(1)</sup> (HK\$ million)	Revised use of net proceeds as at the date of the Announcement <sup>(2)</sup> (HK\$ million)	Remaining balance as at the date of the Announcement (HK\$ million)	Actual use of net proceeds from the date of the Announcement up to 30 June 2022 (HK\$ million)	Remaining balance as at 30 June 2022 (HK\$ million)	Expected timeline of full utilization of the remaining balance <sup>(3)</sup>
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	—	—	—	Fully utilized
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	62.2	—	—	—	Fully utilized
Investment in new campus of Shijiazhuang Institute of Technology, including the construction of teaching buildings, dormitories, campus environment and related supporting facilities	Not applicable	163.2	163.2	91.5	71.7	31 December 2023
Maintain, renovate and upgrade the facilities, equipment and infrastructure of the schools and tutorial centers of the Group and improve student accommodation, campus environment and teaching conditions at Shijiazhuang Institute of Technology	86.6	36.7	—	—	—	Fully utilized
Establish the Group's presence overseas and obtain experience in operating schools abroad	43.3	—	—	—	—	Not applicable
Fund our working capital and general corporate purposes	43.3	37.2	—	—	—	Fully utilized
<b>Total</b>	<b>433.0</b>	<b>433.0</b>	<b>163.2</b>	<b>91.5</b>	<b>71.7</b>	

Notes:

- (1) The original use of net proceeds shows the allocation of the net proceeds after the re-allocation as disclosed in the announcement of the Company dated 12 June 2019 in relation to the change in use of proceeds.
- (2) The revised use of net proceeds shows the allocation of the net proceeds after the re-allocation as disclosed in the Announcement in relation to the change in use of net proceeds.
- (3) The expected timeline for utilizing the remaining net proceeds is based on the best estimation made by the Group. It will be subject to change based on the current and future development of the market condition.

## V. CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

### 8. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2022, the Directors and chief executive of the Company had the following interests and short positions in the Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or which were required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code:

Director	Nature of interest	Number of Shares <sup>(6)</sup>	Approximate percentage of shareholding <sup>(7)</sup>
Mr. Li Yunong <sup>(1)</sup>	Founder of a discretionary trust who can influence how the trustee exercises on his discretion	754,590,000(L)	64.98%
	Beneficial owner	1,902,000(L)	0.16%
	Beneficial owner	666,000(L)	0.06%
	Beneficiary of a trust (other than a discretionary interest)	1,554,000(L)	0.13%
Ms. Liu Hongwei <sup>(2)</sup>	Beneficial owner	2,061,000(L)	0.18%
	Beneficial owner	666,000(L)	0.06%
	Beneficiary of a trust (other than a discretionary interest)	1,554,000(L)	0.13%
Mr. Ren Caiyin <sup>(3)</sup>	Beneficial owner	951,000(L)	0.08%
	Beneficial owner	443,700(L)	0.04%
	Beneficiary of a trust (other than a discretionary interest)	1,035,300(L)	0.09%
Ms. Yang Li <sup>(4)</sup>	Beneficial owner	951,000(L)	0.08%
	Beneficial owner	443,700(L)	0.04%
	Beneficiary of a trust (other than a discretionary interest)	1,035,300(L)	0.09%
Mr. Li Yasheng <sup>(5)</sup>	Beneficial owner	633,000(L)	0.05%
	Beneficial owner	296,100(L)	0.03%
	Beneficiary of a trust (other than a discretionary interest)	690,900(L)	0.06%

Notes:

- (1) On 16 January 2020, the Company was informed by Mr. Li Yunong that he had transferred his 100% shareholding in Sainange Holdings Company Limited ("Sainange Holdings") to Leonus Holdings Limited ("Leonus") for family wealth and succession planning purposes. After the shareholding transfer, the family trust established by Mr. Li Yunong indirectly, through Leonus, holds 754,590,000 Shares held by Sainange Holdings. Mr. Li Yunong was therefore deemed to be interested in the Shares held by Sainange Holdings by virtue of the SFO, being 754,590,000 Shares. For details, please refer to the announcement of the Company dated 21 January 2020. On 5 November 2020, 1,902,000 share options, representing 1,902,000 underlying Shares, were granted to Mr. Li Yunong pursuant to the Share Option Scheme (as defined below). For details, please refer to the announcement of the Company dated 5 November 2020. On 29 December 2020, 2,220,000 award shares were granted to Mr. Li Yunong pursuant to the Share Award Plan (as defined below), subject to the vesting conditions under the grant, of which 666,000 award shares had vested on 29 December 2021. For details, please refer to the announcement of the Company dated 29 December 2020.
- (2) On 5 November 2020, 2,061,000 share options, representing 2,061,000 underlying Shares were granted to Ms. Liu Hongwei under the Share Option Scheme. On 29 December 2020, 2,220,000 award shares were granted to Ms. Liu Hongwei pursuant to the Share Award Plan, of which 666,000 award shares had vested on 29 December 2021.
- (3) On 5 November 2020, 951,000 share options, representing 951,000 underlying Shares were granted to Mr. Ren Caiyin under the Share Option Scheme. On 29 December 2020, 1,479,000 award shares were granted to Mr. Ren Caiyin pursuant to the Share Award Plan, of which 443,700 award shares had vested on 29 December 2021.
- (4) On 5 November 2020, 951,000 share options, representing 951,000 underlying Shares were granted to Ms. Yang Li under the Share Option Scheme. On 29 December 2020, 1,479,000 award shares were granted to Ms. Yang Li pursuant to the Share Award Plan, of which 443,700 award shares had vested on 29 December 2021.

## V. CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

- (5) On 5 November 2020, 633,000 share options, representing 633,000 underlying Shares were granted to Mr. Li Yasheng under the Share Option Scheme. On 29 December 2020, 987,000 award shares were granted to Mr. Li Yasheng pursuant to the Share Award Plan, of which 296,100 award shares had vested on 29 December 2021.
- (6) The letter (L) denotes a long position in such securities.
- (7) As at 30 June 2022, the number of the issued shares of the Company was 1,161,204,000 Shares.

Save as disclosed above, as at 30 June 2022, none of the Directors or chief executive of the Company had or deemed to have the interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or which were required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, during the six months ended 30 June 2022, none of the Directors (including their spouses and children under the age of 18) had any interests in or was granted any right to subscribe for the securities of the Company or its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

## 9. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as the Directors are aware, as at 30 June 2022, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or to be recorded in the register required to be kept pursuant to Section 336 of the SFO:

Name	Nature of interest	Number of Shares <sup>(5)</sup>	Approximate percentage of shareholding <sup>(6)</sup>
Ms. Cao Yang <sup>(3)</sup>	Spouse interest	758,712,000(L)	65.34%
Sainange Holdings	Beneficial owner	754,590,000(L)	64.98%
Leonus <sup>(1)</sup>	Interest in a controlled corporation	754,590,000(L)	64.98%
HSBC International Trustee Limited <sup>(1)</sup>	Trustee	754,590,000(L)	64.98%
Ms. Luo Xinlan <sup>(2)(4)</sup>	Interest in a controlled corporation	92,736,000(L)	7.99%
Mr. Cao Jide <sup>(4)</sup>	Spouse interest	92,736,000(L)	7.99%
Sainray Limited	Beneficial owner	92,736,000(L)	7.99%

Notes:

- (1) Mr. Li Yunong is the founder of a trust of which HSBC International Trustee Limited is the trustee having control over the entire issued shares of Leonus, which in turn holds the entire issued shares of Sainange Holdings. Each of Mr. Li Yunong, HSBC International Trustee Limited and Leonus is deemed to be interested in the 754,590,000 Shares held by Sainange Holdings by virtue of the SFO.
- (2) Ms. Luo Xinlan is the sole shareholder of Sainray Limited and she is therefore deemed to be interested in the Shares held by Sainray Limited by virtue of the SFO, being 92,736,000 Shares.
- (3) Ms. Cao Yang is the spouse of Mr. Li Yunong and she is therefore deemed to be interested in the Shares in which Mr. Li Yunong is interested by virtue of the SFO, being 758,712,000 Shares.
- (4) Mr. Cao Jide is the spouse of Ms. Luo Xinlan and he is therefore deemed to be interested in the Shares in which Ms. Luo Xinlan is interested by virtue of the SFO, being 92,736,000 Shares.

## V. CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

- (5) The letter (L) denotes a long position in such securities.
- (6) As at 30 June 2022, the number of the issued shares of the Company was 1,161,204,000 Shares.

Save as disclosed above, as at 30 June 2022, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had any interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO; or to be recorded in the register required to be kept pursuant to Section 336 of the SFO.

### 10. SHARE OPTION SCHEME

The Company was approved to adopt a share option scheme (the “**Share Option Scheme**”) on 4 May 2018. For details of the terms of the Share Option Scheme, please refer to the Appendix V in the Prospectus.

#### (1) Purpose

The purpose of the Share Option Scheme is to give the Eligible Persons (as defined in the following paragraph) an opportunity to have a personal stake in the Company and help motivate them to boost their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going cooperation relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of Executives (as defined below), to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

#### (2) Who may Join

The Board may, at its absolute discretion, offer share options (“**Options**”) to the following persons to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme:

- a. Any executive director, manager or other employee holding administrative, managerial, regulatory or similar positions in any member of the Group (“**Executives**”), any employee candidate, any fulltime or part-time employee, or any person who is temporarily transferred to any member of the Group for full-time or parttime job (the “**Employees**”);
- b. Directors or nominated directors (including independent non-executive directors) of any member of the Group;
- c. Direct or indirect shareholders of any member of the Group;
- d. Suppliers who supply goods or render services to any member of the Group;
- e. Customers, consultants, business or joint venture partners, franchisees, contractors, agents or representatives of any member of the Group;
- f. Individuals or entities who provide any member of the Group with the design, research, development or other support or any advice, consultancy, professional or other services; and
- g. The associates of any person mentioned in paragraphs a to f above (the above persons are collectively referred to as the “**Eligible Persons**”).

### (3) Maximum Number of Shares

The maximum number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date (such 10% limit represented 120,000,000 Shares, representing approximately 10.33% of the issued shares of the Company as at the date of this interim report, excluding Shares which may fall to be issued upon exercise of the over-allotment option granted by the Company) (the “**Scheme Mandate Limit**”) provided that:

- a. The Company may at any time as the Board thinks fit seek approval from the Shareholders to refresh the Scheme Mandate Limit, provided that the maximum number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other schemes of the Company shall not exceed 10% of the Shares in issue as at the date of approval by the Shareholders of the refreshment of the Scheme Mandate Limit at the general meeting. Options previously granted under the Share Option Scheme and any other schemes of the Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of the Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. The Company shall dispatch a circular to the Shareholders, which will contain the details and data as required under the Listing Rules;
- b. The Company may seek separate approval from the Shareholders at the general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specified by the Company before such approval is obtained. The Company shall send a circular to the Shareholders containing the details and data required under the Listing Rules; and
- c. The maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Group shall not exceed 30% of the Company’s issued share capital from time to time. No Options may be granted under the Share Option Scheme and any other share option scheme of the Company if this will result in such limit being exceeded.

### (4) Maximum Entitlement of Each Participant

Subject to Shareholders’ approval, no Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12-month period exceeds 1% of the Company’s issued share capital from time to time.

### (5) Minimum Holding Period, Vesting and Performance Target

Subject to the provisions of the Listing Rules, the Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by the Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the Option in respect of any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an Option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the Option can be exercised.



### (6) Term for Acceptance and Exercise of Options

An offer of the grant of Options shall remain open for acceptance by the Eligible Persons for a period of 28 days from the offer date, provided that no such grant of Options may be accepted after the expiry of the effective period of the Share Option Scheme. Options shall be deemed to have been granted and accepted by the Eligible Persons and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Options duly signed by the grantee together with a remittance in favor of the Company of HK\$1.00 being the consideration for the grant thereof is received by the Company on or before the date upon which an offer of Options must be accepted by the relevant Eligible Persons, being a date no later than 28 days after the offer date (the “**Acceptance Date**”). Such remittance shall under no circumstances be refundable.

Any offer of the grant of Options may be accepted in respect of less than the number of Shares in respect of which it is offered, provided that it is accepted in respect of board lots for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number shall be clearly stated in the duplicate offer letter comprising acceptance of the offer of Options. To the extent that the offer of the grant of Options is not accepted by the Acceptance Date, it will be deemed to have been irrevocably declined.

The period within which the Shares must be taken up under an Option shall be the period of time to be notified by the Board to each grantee at the time of making an offer, which shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant Option.

Subject to the terms of the Share Option Scheme, such scheme shall be valid and effective for a period of ten years from the date on which it becomes unconditional.

### (7) Subscription Price

The subscription price in respect of any particular Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

- (a) the nominal value of a Share;
- (b) the closing price of a Share as stated in the Stock Exchange’s daily quotations sheet on the offer date; and
- (c) the average closing price of a Share as stated in the Stock Exchange’s daily quotations sheets for the 5 business days (as defined in the Listing Rules) immediately preceding the offer date.

### (8) Movements in Share Option Scheme

The Share Option Scheme will lapse automatically and not be exercisable under the circumstances set out in “Appendix V — Statutory and General Information — 13. Lapse of Share Option Scheme” of the Prospectus. No compensation shall be payable upon the lapse of any Option, provided that the Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

## V. CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

Below sets out the details of the changes in the Options under the Share Option Scheme for the six months ended 30 June 2022 and the Options outstanding during the period:

Name of grantee	Date of grant	Number of Options					As at 30 June 2022	Exercise price per Share (HK\$)	Share price immediately prior to the date of grant (HK\$ per Share)	Fair value of Options (HK\$ per Share)	Exercise period
		As at 1 January 2022	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled/ forfeited during the period					
Mr. Li Yunong (Chairman of the Board and executive Director)	5 November 2020	1,902,000 (Note 1)	—	—	—	—	1,902,000 (Note 1)	0.630	0.620	(Note 1)	5 November 2020 to 4 November 2030
Ms. Liu Hongwei (chief executive officer and executive Director)	5 November 2020	2,061,000 (Note 1)	—	—	—	—	2,061,000 (Note 1)	0.630	0.620	(Note 1)	5 November 2020 to 4 November 2030
Mr. Ren Caiyin (executive vice president and executive Director)	5 November 2020	951,000 (Note 1)	—	—	—	—	951,000 (Note 1)	0.630	0.620	(Note 1)	5 November 2020 to 4 November 2030
Ms. Yang Li (executive Director)	5 November 2020	951,000 (Note 1)	—	—	—	—	951,000 (Note 1)	0.630	0.620	(Note 1)	5 November 2020 to 4 November 2030
Mr. Li Yasheng (executive Director)	5 November 2020	633,000 (Note 1)	—	—	—	—	633,000 (Note 1)	0.630	0.620	(Note 1)	5 November 2020 to 4 November 2030
		6,498,000	—	—	—	—	6,498,000				
Total for employees	5 November 2020	3,168,000 (Note 1)	—	—	—	—	3,168,000 (Note 1)	0.630	0.620	(Note 1)	5 November 2020 to 4 November 2030
Total for consultants (Note 3)	5 November 2020	3,321,000 (Note 1)	—	—	—	—	3,321,000 (Note 1)	0.630	0.620	(Note 1)	5 November 2020 to 4 November 2030
Total for connected person (Note 2)	5 November 2020	792,000 (Note 1)	—	—	—	—	792,000 (Note 1)	0.630	0.620	(Note 1)	5 November 2020 to 4 November 2030
<b>Total</b>		13,779,000	—	—	—	—	13,779,000				

Notes:

- (1) 30% of the Options shall vest after the first anniversary of the grant date of the Options, with the fair value of HK\$0.23 per Option; 30% of the Options shall vest after the second anniversary of the grant date of the Options, with the fair value of HK\$0.23 per Option; and 40% of the Options shall vest after the third anniversary of the grant date of the Options, with the fair value of HK\$0.22 per Option.
- (2) Mr. Liu Zhanjie (“**Mr. Liu**”) was an executive Director and vice chairman of the Board from 29 May 2018 (Listing Date) to 31 March 2021. Mr. Liu is currently a director of the Company’s subsidiaries.
- (3) On 5 November 2020, the Company granted a total of 4,272,000 Options to seven non-employees who acted as consultants to the Company (the “**Consultants**”). These Consultants had provided various services to the Company, including (i) consultation on the Group’s business development and potential acquisitions; (ii) offering advices on the operation, strategies, financial and taxation aspects of the new businesses of the Group; and (iii) introduction of prospective investors. The grant of Options to the Consultants will help motivate these non-employees to optimize their future contributions to the Group and to reward them for their past contributions. The grant of Options by the Company is to incentivize the Consultants to help the Group expand its business network, acquire and explore new business projects and opportunities, and to provide continuous services to the Group and maintain a long-term relationship with the Group.

The values of Options calculated using the binomial model (the “**Model**”) are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the Model, and certain inherent limitations of the Model itself. The value of an Option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an Option.

## V. CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

The following table lists the inputs to the Model used:

Measurement date	05/11/2020
Dividend yield (%)	3.31%
Expected volatility (%)	50.45%
Risk-free interest rate (%)	0.11%

### 11. SHARE AWARD PLAN

A share award scheme (the “**Share Award Plan**”) was adopted by the Board on 14 October 2020 (the “**Adoption Date**”), the details of which are set out as follows:

#### (1) Purpose of the Share Award Plan

The purposes of the Share Award Plan are to recognize and reward the contribution of Eligible Participants (as defined in the following paragraph) to the growth and development of the Group, to give incentives to Eligible Participants (as defined hereunder) in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

#### (2) Administration

The Share Award Plan shall be subject to the administration of the Board and the trustee under the Share Award Plan (the “**Trustee**”) in accordance with the terms of the Share Award Plan and the terms of the trust deed (entered into between the Company and the Trustee in respect of the Shares and other trust fund (if any) held or to be held by the Trustee subject to the terms thereof) (the “**Trust Deed**”). The Trustee shall hold the trust fund in accordance with the terms of the Trust Deed.

#### (3) Eligibility

Under the rules constituting the Share Award Plan, the following classes of participants (excluding the excluded participants) (the “**Eligible Participants**”) are eligible for participation in the Share Award Plan:

- (a) any employee (whether full time or part time, including any executive director but excluding any non-executive director) of the Company, any subsidiary of the Company or any invested entity (being any entity in which any member of the Group holds any equity interest) (an “**Employee**”);
- (b) any non-executive director (including independent non-executive directors) of the Company, any subsidiary or any invested entity;
- (c) any adviser (professional or otherwise), consultant to or expert in any area of business or business development of any member of the Group or any invested entity; and
- (d) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group,

and, for the purposes of the Share Award Plan, the award of Shares (“**Award**”) may be made to any company wholly owned by one or more of the above participants.

### (4) Shares Pool

In order to satisfy any award of Shares to be granted under the Share Award Plan from time to time, the Trustee shall maintain a shares pool which shall comprise the following: (a) such Shares as may be purchased by the Trustee on the Stock Exchange or off the market by utilising the funds allocated by the Board out of the Company's resources; (b) such Shares as may be subscribed by the Trustee by utilising the funds allocated by the Board out of the Company's resources, subject to the Company having obtained the requisite Shareholders' approval in general meeting under general mandate or specific mandate for the allotment and issue of new Shares, the grant of listing of and permission to deal in such Shares by the Stock Exchange, and compliance with the applicable requirements under the Listing Rules; (c) such Shares as may be allotted or issued to the Trustee as a holder of Shares, whether by way of scrip dividend or otherwise; and (d) such Shares which remain unvested and revert to the Trustee due to the lapse of the Award.

The Trustee may purchase the Shares on the Stock Exchange at the prevailing market price (subject to such maximum price as may be from time to time prescribed by the Board), or off the market. In the event that the Trustee effects any purchases by off-market transactions, the purchase price for such purchases shall not be higher than the lower of the following: (i) the closing market price on the date of such purchase; and (ii) the average closing market price for the five preceding trading days on which the Shares were traded on the Stock Exchange.

Where any Award is proposed to be made to a connected person and the relevant Award of the Award Shares (as defined in the following paragraph) is to be satisfied by an allotment and issue of new Shares, the Award shall be separately approved by the Shareholders in general meeting with such connected person and his associates abstaining from voting and shall comply with all other requirements of Chapter 14A of the Listing Rules applicable to such Award.

### (5) Award of Shares

The Board shall, subject to and in accordance with the rules of the Share Award Plan, be entitled to, at any time during the continuation of the Share Award Plan, make an Award out of the shares pool to any of the Eligible Participants such number of Shares as it shall determine pursuant to the Share Award Plan.

The Board shall notify the Trustee in writing upon the making of an Award under the Share Award Plan by giving the Trustee an award notice.

### (6) Vesting of the Award Shares

The Board may from time to time, at its discretion, determine the earliest vesting date and other subsequent date(s), if any, subject to and upon which the Award Shares held by the Trustee upon trust and which are referable to a selected participant shall vest in that selected participant.

### (7) Lapse of Award

In the event that the selected participant who is an Employee ceases to be an Employee by virtue of a corporate reorganisation of the Group or the invested entity, then any Award made to such selected participant, to the extent not already vested, shall forthwith lapse and be cancelled.

### (8) Voting Rights of the Shares in the Shares Pool

The Trustee shall not exercise the voting rights in respect of the Shares held under trust constituted by the Trust Deed. The selected participants shall not have any right to receive any Shares provisionally awarded to them pursuant to an Award ("**Award Shares**") set aside for them unless and until the Trustee has transferred and vested the legal and beneficial ownership of such Award Shares to and in the selected participants.

## V. CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

### (9) Duration of the Share Award Plan and Termination of the Share Award Plan

The Share Award Plan shall be valid and effective for a period of 10 years commencing from the Adoption Date but may be terminated earlier as determined by the Board.

### (10) Share Award Plan Limit

The maximum number of Shares to be subscribed for and/or purchased by the Trustee by applying the contribution made by the Company or any of its subsidiaries for the purpose of the Share Award Plan shall not exceed 10% of the total number of issued Shares as at the Adoption Date. The Board shall not instruct the Trustee to subscribe for and/or purchase any Shares for the purpose of the Share Award Plan when such subscription and/or purchase will result in such threshold being exceeded.

The maximum number of Shares which may be subject to an Award or Awards to a selected participant shall not in aggregate exceed 1% of the issued share capital of the Company as at the Adoption Date.

For the six months ended 30 June 2022, there were no Awarded Shares granted, vested or lapsed pursuant to the Share Award Plan.

Movements of the Award Shares granted to the Eligible Participants under the Share Award Plan during the six months ended 30 June 2022 are as follows:

Name of awardee	Date of grant	Vesting period <sup>(1)</sup>	Number of Award Shares				Outstanding as at 30 June 2022
			Outstanding as at 1 January 2022	Granted during the period	Vested during the period	Lapsed during the period	
<b>Director</b>							
Mr. Li Yunong	29 December 2020	29 December 2021 to 29 December 2023	1,554,000	—	—	—	1,554,000
Ms. Liu Hongwei	29 December 2020	29 December 2021 to 29 December 2023	1,554,000	—	—	—	1,554,000
Mr. Ren Caiyin	29 December 2020	29 December 2021 to 29 December 2023	1,035,300	—	—	—	1,035,300
Ms. Yang Li	29 December 2020	29 December 2021 to 29 December 2023	1,035,300	—	—	—	1,035,300
Mr. Li Yasheng <sup>(2)</sup>	29 December 2020	29 December 2021 to 29 December 2023	690,900	—	—	—	690,900
<b>Employees</b>	29 December 2020	29 December 2021 to 29 December 2023	10,170,300	—	—	—	10,170,300
<b>Connected person<sup>(3)</sup></b>	29 December 2020	29 December 2021 to 29 December 2023	863,100	—	—	—	863,100
<b>Total</b>			16,902,900	—	—	—	16,902,900

Notes:

- (1) 30% of the Award Shares shall vest on the expiry date of the 12th month after the relevant date of grant of the Award Shares; 30% of the Award Shares shall vest on the expiry date of the 24th month after the relevant date of grant of the Award Shares; and 40% of the Award Shares shall vest on the expiry date of the 36th month after the relevant date of grant of the Award Shares.
- (2) Mr. Li Yasheng is the son of Mr. Li Yunong.
- (3) Mr. Liu was an executive Director and vice chairman of the Board from 29 May 2018 (Listing Date) to 31 March 2021. Mr. Liu is currently a director of the Company's subsidiaries.

## 12. DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this interim report, during the reporting period, the Company or any of its subsidiaries did not enter into any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their respective spouses or children under the age of 18 were granted any right to subscribe for the share capital or debt securities of the Company or any other body corporate, or had exercised any such right.

## 13. STRUCTURED CONTRACTS

Please refer to the section headed "Structured Contracts" in the Prospectus for details. For the six months ended 30 June 2022, the Board reviewed the overall performance of the Structured Contracts and believed that the Group had complied with the Structured Contracts in all material respects.

### (1) Qualification Requirement

Pursuant to the Special Administrative Measures for Access of Foreign Investment (Negative List) (2021 Edition) (《外商投資准入特別管理措施(負面清單)(2021年版)》), the Regulation on Sino-foreign Cooperation in Operating Schools of the PRC (《中華人民共和國中外合作辦學條例》), the Implementation Measures for the Regulation on Sino-foreign Cooperation in Operating Schools of the PRC (《中華人民共和國中外合作辦學條例實施辦法》) and the Implementation Opinions on Encouraging and Guiding Private Fund's Entry into the Education Sector and Promoting Healthy Development of Private Education by the Ministry of Education of the People's Republic of China (《中華人民共和國教育部關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》) and as confirmed by the Education Department of Hebei Province, the foreign investors of Sino-foreign joint venture schools offering preschool, tertiary education, academic non-credential and secondary vocational education shall be a foreign educational institution with relevant qualification and experience (the "**Qualification Requirements**"), and hold less than 50% of the capital in a Sino-foreign educational institute and the domestic party shall play a dominant role. After consulting with the Education Department of Hebei Province, the foreign investor should be an officially recognized educational institution which is entitled to award diplomas and generally has certain advantages over the PRC-invested educational institutions. We have taken specific plans and started to implement concrete measures, while the Company believes that such plans and measures had considerable significance in striving to demonstrate their compliance with the Qualification Requirements.

As advised by Jingtian & Gongcheng, the PRC legal advisor of the Company (the "**PRC Legal Advisor**"), none of the implementation regulations related to the Qualification Requirements was updated for the six months ended 30 June 2022.

Please also refer to the section headed "Structured Contracts" in the Prospectus for details of the efforts and actions made by the Group in accordance with the Qualification Requirements.

## V. CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

### (2) Foreign Investment Law

On 15 March 2019, the Foreign Investment Law was formally passed at the 13th National People's Congress, which became effective from 1 January 2020. The Foreign Investment Law does not explicitly stipulate that a contractual arrangement constitutes a form of foreign investment. As advised by our PRC Legal Advisor, as contractual arrangement is not classified as an investment under the Foreign Investment Law, and if a contractual arrangement is not included as a form of foreign investment into the laws, administrative regulations or provisions of the State Council in the future, the Structured Contracts of the Company as a whole and each agreement constituting the Structured Contracts will not be affected. Notwithstanding the above, the Foreign Investment Law stipulates that foreign investments shall include "the investments made by foreign investors in the manners prescribed by laws, administrative regulations or otherwise by the State Council". Therefore, a contractual arrangement may be treated as a form of foreign investment by the laws, administrative regulations or provisions of the State Council in the future. It is uncertain as to whether the Company's Structured Contracts will be recognized as foreign investment, whether they will be considered as violating foreign investment access requirements, and how the above Structured Contracts will be handled. As such, there is no assurance that the Company's Structured Contracts and the business of the PRC's Operating Entities would not be materially and adversely affected in the future.

Save as disclosed above, the Company and the Board, after consulting the PRC Legal Advisor, are satisfied that there is no other up-to-date information on the Foreign Investment Law.

## 14. DIRECTORS' INTERESTS IN COMPETITIVE BUSINESS

On 27 May 2020, the Company renewed the Entrustment Agreement entered into between Shijiazhuang Institute of Technology and Hebei Lionful Education Investment Co., Ltd.\* (河北廿一世紀教育投資有限公司) ("Lionful Education") on 21 June 2010. For details, please refer to the announcement of the Company dated 27 May 2020. In addition, the Company, was notified by Mr. Li Yunong in May 2020 that Lionful Education, which is effectively controlled by him and Ms. Luo Xinlan, has acquired Shijiazhuang Peisen Education Technology Co., Ltd.\* (石家莊培森教育科技有限公司). Shijiazhuang Peisen Education Technology Co., Ltd. owns Shijiazhuang High-tech Zone Zhangjiu Center Kindergarten Co., Ltd.\* (石家莊高新區長九中心幼兒園有限責任公司), Shijiazhuang Shiguang Kindergarten Co., Ltd.\* (石家莊時光幼兒園有限公司), Shijiazhuang Yuhua Saintach Zhongmei Kindergarten\* (石家莊市裕華區新天際眾美幼兒園), Shijiazhuang Qiaoxi Yingjia Kindergarten Co., Ltd.\* (石家莊橋西區盈嘉幼兒園有限公司) and Qinhuangdao Haigang District Shiji Chengbao Angli Kindergarten\* (秦皇島市海港區世極城堡昂立幼兒園). However, owing to the fact that the coverage of the kindergarten business of Shijiazhuang Peisen Education Technology Co., Ltd.\* is relatively smaller, the resulting business competition with the Group is limited. Moreover, according to the 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》) authorized to release by Xinhua News Agency in November 2018, the Company will no longer expand the physical premises of kindergartens. Owing to this, Sheng Dao Xiang Cheng has issued a confirmation letter, stating that it agreed to the acquisition of Shijiazhuang Peisen Education Technology Co., Ltd.\* by Lionful Education to commence the kindergarten business. Save as disclosed and for the six months ended 30 June 2022, the Board was not aware of that any business or interests of the Directors and their respective associates constitute or may constitute competition to the Group's business or cause or may cause any other conflict of interest to the Group which would fall to be discloseable under the Listing Rules.

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

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>REVENUE</b>	4	<b>144,822</b>	157,999
Cost of sales		<b>(72,975)</b>	(77,041)
Gross profit		<b>71,847</b>	80,958
Other income and gains	4	<b>19,425</b>	17,624
Selling expenses		<b>(4,370)</b>	(9,173)
Administrative expenses		<b>(30,082)</b>	(34,715)
Impairment losses on financial and contract assets		<b>(663)</b>	(1,121)
Other expenses		<b>(12,522)</b>	(77)
Finance costs	5	<b>(16,513)</b>	(9,498)
<b>PROFIT BEFORE TAX</b>	6	<b>27,122</b>	43,998
Income tax expense	7	<b>(19)</b>	158
<b>PROFIT FOR THE PERIOD</b>		<b>27,103</b>	44,156
Attributable to:			
Owners of the Company		<b>26,891</b>	44,424
Non-controlling interests		<b>212</b>	(268)
		<b>27,103</b>	44,156
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	9		
Basic and diluted — For profit for the period		<b>RMB2.37 cents</b>	RMB3.90 cents
<b>PROFIT FOR THE PERIOD</b>		<b>27,103</b>	44,156
<b>OTHER COMPREHENSIVE INCOME/(EXPENSE)</b>			
Exchange differences on translation of foreign operations		<b>9,821</b>	(2,857)
<b>OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD</b>		<b>9,821</b>	(2,857)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>36,924</b>	41,299
Attributable to:			
Owners of the Company		<b>36,712</b>	41,567
Non-controlling interests		<b>212</b>	(268)
		<b>36,924</b>	41,299



## VII. UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	510,498	251,954
Right-of-use assets		201,727	125,168
Goodwill		54,370	54,370
Other intangible assets		18,074	18,462
Prepayment to a related party	19(b)	47,400	155,000
Financial asset at fair value through profit or loss	11	969	927
Other non-current assets	12	30,865	68,776
Total non-current assets		863,903	674,657
<b>CURRENT ASSETS</b>			
Trade receivables	13	16,021	10,997
Contract costs		3,103	4,125
Prepayments, deposits and other receivables	14	73,631	54,371
Amounts due from related parties	19(b)	25,079	11,034
Financial assets at fair value through profit or loss	11	12,729	22,552
Term deposits		40,000	40,000
Pledged deposits		66,000	187,000
Cash and bank balances		427,366	334,332
Other current assets	12	35,909	35,015
Total current assets		699,838	699,426
<b>CURRENT LIABILITIES</b>			
Other payables and accruals		94,448	96,605
Interest-bearing bank and other borrowings	15	278,220	335,802
Contract liabilities	16	23,537	101,301
Lease liabilities		12,359	16,292
Amounts due to related parties	19(b)	253	253
Tax payable		2,101	2,138
Other current payables		3,841	863
Total current liabilities		414,759	553,254
<b>NET CURRENT ASSETS</b>		285,079	146,172
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,148,982	820,829
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	15	363,888	110,666
Lease liabilities		17,747	20,657
Deferred tax liabilities		650	741
Other non-current liabilities		—	2,978
Deferred income		44,775	—
Total non-current liabilities		427,060	135,042
Net assets		721,922	685,787

## VII. UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Share capital	17	9,750	9,801
Treasury shares		(176)	(176)
Reserves		704,191	668,217
		<b>713,765</b>	677,842
Non-controlling interests		<b>8,157</b>	7,945
Total equity		<b>721,922</b>	685,787

## VIII. UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the Company														Non-controlling interests	Total
	Share capital	Treasury Shares	Share premium*	Capital reserve*	Capital redemption reserve*	Statutory surplus reserve*	Share option reserve*	Fair value reserve of financial assets at fair value through other comprehensive income*	Exchange fluctuation reserve*	Other reserve*	Retained profits*	Total	Non-controlling interests	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2022 (audited)	9,801	(176)	237,145	54,796	620	142,897	5,844	(2,000)	10,217	1,631	217,067	677,842	7,945	685,787		
Profit for the period	—	—	—	—	—	—	—	—	—	—	26,891	26,891	212	27,103		
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	9,821	—	—	9,821	—	9,821		
Total comprehensive income for the period	—	—	—	—	—	—	—	—	9,821	—	26,891	36,712	212	36,924		
Shares repurchased	(51)	—	(2,293)	—	—	—	—	—	—	—	—	(2,344)	—	(2,344)		
Equity-settled share option arrangements	—	—	—	—	—	—	1,555	—	—	—	—	1,555	—	1,555		
Profit appropriation to reserves	—	—	—	—	—	12,103	—	—	—	—	(12,103)	—	—	—		
At 30 June 2022 (unaudited)	9,750	(176)	234,852	54,796	620	155,000	7,399	(2,000)	20,038	1,631	231,855	713,765	8,157	721,922		

\* These reserve accounts comprise the reserves of RMB704,191,000 in the unaudited interim condensed consolidated statement of financial position as at 30 June 2022 (31 December 2021: RMB668,217,000).

	Attributable to owners of the Company														Non-controlling interests	Total
	Share capital	Treasury Shares	Share premium*	Capital reserve*	Capital redemption reserve*	Statutory surplus reserve*	Share option reserve*	Fair value reserve of financial assets at fair value through other comprehensive income*	Exchange fluctuation reserve*	Other reserve*	Retained profits*	Total	Non-controlling interests	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
At 1 January 2021 (audited)	9,801	(237)	247,221	54,796	620	125,388	2,082	(2,000)	17,356	1,631	205,396	662,054	7,893	669,947		
Profit for the period	—	—	—	—	—	—	—	—	—	—	44,424	44,424	(268)	44,156		
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	(2,857)	—	—	(2,857)	—	(2,857)		
Total comprehensive income for the period	—	—	—	—	—	—	—	—	(2,857)	—	44,424	41,567	(268)	41,299		
Equity-settled share option arrangements	—	—	—	—	—	—	4,182	—	—	—	—	4,182	—	4,182		
Profit appropriation to reserves	—	—	—	—	—	14,856	—	—	—	—	(14,856)	—	—	—		
At 30 June 2021 (unaudited)	9,801	(237)	247,221	54,796	620	140,244	6,264	(2,000)	14,499	1,631	234,964	707,803	7,625	715,428		

## IX. UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		27,122	43,998
Adjustments for:			
Interest income	4	(8,248)	(4,196)
Equity-settled share option expense		1,555	4,182
Finance costs	5	16,513	9,498
Depreciation of property, plant and equipment	6	11,784	10,226
Depreciation of right-of-use assets	6	9,754	8,069
Impairment losses on financial assets		663	1,121
Amortisation of intangible assets	6	1,542	1,301
Loss on disposal of items of property, plant and equipment	6	3	8
Investment income		(2,374)	(1,632)
Changes in fair value of financial assets		2,237	(3,535)
Recognition of certain donated property, plant and equipment		(2,024)	(4,560)
Covid-19-related rent concessions from lessors		—	(599)
Covid-19-related VAT exemptions		(104)	(458)
Change in the non-cancellable period of a lease		1,235	—
		<b>59,658</b>	63,423
Increase in prepayments, deposits and other receivables		(5,513)	(14,043)
Increase in trade receivables		(5,687)	(1,666)
Decrease in contract costs		1,022	848
Increase in amounts due from related parties		(14,127)	(11,723)
Increase in amounts due to related parties		—	242
Decrease in other payables and accruals		(10,196)	(4,654)
Decrease in contract liabilities		(77,764)	(76,723)
Increase in deferred income		44,775	—
Cash used in operations		(7,832)	(44,296)
Interest received		2,990	436
Corporate income tax paid		(147)	(925)
Net cash flows used in operating activities		(4,989)	(44,785)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		10,255	1,201
Investment income received		8,459	264
Purchases and prepayment for items of property, plant and equipment		(152,952)	(31,115)
Additions to intangible assets		(1,154)	(396)
Addition to land lease payments		(48,887)	—
Settlement of remaining consideration in respect of acquisition of a subsidiary		—	(6,015)
Proceeds from disposal of items of property, plant and equipment		387	6
Advances to third parties, net		(18,240)	(27,000)
Decrease in pledged deposits		121,000	—
Net cash flows used in investing activities		(81,132)	(63,055)

## IX. UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New bank borrowing and other borrowings		347,652	220,540
Repayment of bank and other borrowings		(152,033)	(21,254)
Principal portion of lease payments		(8,110)	(20,643)
Interest paid		(15,246)	(7,625)
Share repurchase		(2,343)	—
Net cash flows from financing activities		169,920	171,018
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of period		334,332	357,700
Effect of foreign exchange rate changes, net		9,235	(2,510)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>427,366</b>	<b>418,368</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position and statement of cash flows		427,366	418,368

# X. 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 2022, 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 2022 (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 2021.

## 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 2021, except for the adoption of the following revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period’s financial information.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to IFRSs 2018–2020</i>	Amendments to IFRS 1, IFRS9, Illustrative Examples accompanying IFRS 16, and IAS 41

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

- (a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the Period, the amendments did not have any impact on the financial position and performance of the Group.

## X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

- (b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) Annual Improvements to IFRSs 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:
- IFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the Period, the amendment did not have any impact on the financial position or performance of the Group.
  - IFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

### 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.

## 3. OPERATING SEGMENT INFORMATION (Continued)

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 2022

	Vocational education RMB'000 (Unaudited)	Quality- oriented education RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue	109,957	34,865	144,822
Other segment revenue	7,501	3,128	10,629
Total	117,458	37,993	155,451
<b>Segment results</b>	<b>56,219</b>	<b>2,288</b>	<b>58,507</b>
<i>Reconciliation:</i>			
Finance costs (other than interest on lease liabilities)			(15,880)
Interest income			8,248
Unallocated expenses			(23,753)
Profit before tax			27,122
<b>Segment assets</b>	<b>547,942</b>	<b>79,469</b>	<b>627,411</b>
<i>Reconciliation:</i>			
Cash and bank balances			427,366
Term deposits			40,000
Pledged deposits			66,000
Financial assets at fair value through profit or loss			13,698
Unallocated head office and corporate assets			389,266
Total assets			1,563,741
<b>Segment liabilities</b>	<b>(75,152)</b>	<b>(43,265)</b>	<b>(118,417)</b>
<i>Reconciliation:</i>			
Interest-bearing bank borrowings			(642,108)
Tax payable			(2,101)
Unallocated head office and corporate liabilities			(79,193)
Total liabilities			(841,819)



## X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 3. OPERATING SEGMENT INFORMATION (Continued)

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	8,408	4,843	13,251
Total	99,195	72,055	171,250
<b>Segment results</b>	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			(13,538)
Profit before tax			43,998

Year ended 31 December 2021

	Vocational education RMB'000 (Audited)	Quality- oriented education RMB'000 (Audited)	Total RMB'000 (Audited)
<b>Segment assets</b>	576,270	95,440	671,710
<i>Reconciliation:</i>			
Term deposits			40,000
Pledged deposits			187,000
Cash and bank balances			334,332
Financial assets at fair value through profit or loss			23,479
Unallocated head office and corporate assets			117,562
Total assets			1,374,083
<b>Segment liabilities</b>	(174,170)	(46,106)	(220,276)
<i>Reconciliation:</i>			
Interest-bearing bank and other borrowings			(446,468)
Tax payable			(2,138)
Unallocated head office and corporate liabilities			(19,414)
Total liabilities			(688,296)

## X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 3. OPERATING SEGMENT INFORMATION (Continued)

#### Geographical information

During both periods, the Group operated business 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

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b><u>Revenue from contracts with customers</u></b>			
<b>Vocational education</b>			
Tuition fees		76,722	62,901
Boarding fees		10,091	8,636
School operation service income	(i)	15,527	12,900
Others	(ii)	7,617	6,350
		<b>109,957</b>	90,787
<b>Quality-oriented education</b>			
Tutoring fees		14,477	51,321
Tuition fees		19,624	13,790
Consultation fees		764	2,101
		<b>34,865</b>	67,212
		<b>144,822</b>	157,999
<b><u>Other income and gains</u></b>			
Interest income		8,248	4,196
Donation of property, plant and equipment received		2,024	4,560
Investment income		2,374	1,632
Site use fees	(iii)	2,178	1,017
Sale of education materials and living goods		3,198	1,009
Government grants		548	178
Covid-19-related VAT exemptions		104	458
Covid-19-related rent concessions		—	599
Fair value gain on financial assets at fair value through profit or loss		—	3,535
Others		751	440
		<b>19,425</b>	17,624

## X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 4. REVENUE, OTHER INCOME AND GAINS (Continued)

Notes:

- (i) The school operation service income comprises the service income derived from the provision of school 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	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Interest on bank and other borrowings	18,115	8,333
Interest on lease liabilities	633	763
Financing consultancy service charges	65	402
Less: interest capitalised	(2,300)	—
	16,513	9,498

## X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cost of sales	72,975	77,041
Depreciation of property, plant and equipment	11,784	10,226
Depreciation of right-of-use assets	9,754	8,069
Amortisation of intangible assets	1,542	1,301
Minimum lease payments under operating leases:		
— Buildings	434	415
— Others	30	139
	464	554
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	34,821	54,881
Equity-settled share option expense	1,023	2,804
Pension scheme contributions (defined contribution scheme)	4,512	6,448
	40,356	64,133
Impairment of trade receivables	663	1,121
Fair value loss/(gains) from financial investment at fair value through profit or loss	2,237	(3,535)
Loss on disposal of items of property, plant and equipment	3	8

### 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 BVI as an exempted company with limited liability under the BVI Companies Act 2004 and accordingly is not subject to income tax.

#### Hong Kong Profits Tax

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

#### PRC Corporate Income Tax ("CIT")

A certain subsidiary was accredited as a High-tech Enterprise and was entitled to a preferential tax rate of 15% (2021: 15%).

Certain subsidiaries were certified as small and micro-sized enterprises in 2022. Their accumulated taxable income after further reductions would enjoy the preferential tax rate of 20% (2021: 20%).

Pursuant to the CIT Law and the respective regulations, the other non-school PRC subsidiaries were subject to income tax at a statutory rate of 25% for the year (2021: 25%).

## X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 7. INCOME TAX (Continued)

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current — Mainland China		
Charge for the Period	147	169
Overprovision in prior years	(37)	(230)
Deferred	(91)	(97)
	19	(158)

### 8. DIVIDENDS

The Board does not recommend the payment of dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: 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 2022 and 2021.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2022 and 2021.

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	26,891	44,424

	Number of shares ('000) Six months ended 30 June	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue	1,164,755	1,167,216
Weighted average number of shares held for the restricted share unit scheme	(27,959)	(27,999)
Adjusted weighted average number of ordinary shares in issue used in the basic and diluted earnings per share calculation	1,136,796	1,139,217

## X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired property, plant and equipment at a cost of RMB223,048,000 (six months ended 30 June 2021: RMB91,200,000).

Assets with a net book value of RMB14,000 were disposed of by the Group during the six months ended 30 June 2022 (six months ended 30 June 2021: RMB14,000), resulting in a net loss on disposal of RMB3,000 (six months ended 30 June 2021: a loss of RMB8,000).

### 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
A listed equity investment, at fair value	(i)	5,781	7,734
Other unlisted investments, at fair value			
Wealth capital management product	(ii)	6,948	14,818
Life insurance policy	(iii)	969	927
		<b>13,698</b>	23,479
Analysed into:			
Current portion		12,729	22,552
Non-current portion		969	927

Notes:

- (i) The above equity investment was classified as a financial asset at fair value through profit or loss as it was held for trading.
- (ii) The unlisted investment was wealth management products, which were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.
- (iii) The Group's financial assets at fair value through profit or loss represented a life insurance policy to insure an executive director as at 30 June 2022. Under the policy, the Group is the beneficiary and the policy holder. The Group paid upfront premiums for the policy and may surrender the insurance policies any time by making a written request and receive cash based on the surrender value of the policies at the date of withdrawal, which is calculated by the insurer. In the opinion of the directors, the surrender value of the policies provided by the insurance company is the best approximation of its fair value, which is categorised within Level 3 of the fair value hierarchy. The life insurance policy was mandatorily classified as a financial asset at fair value through profit or loss as its contractual cash flows are not solely payments of principal and interest.

As at 30 June 2022, the Group's life insurance policies were pledged as security for bank facilities granted to the Group.

In the opinion of the directors, the Group's life insurance policy would not be surrendered within the next 12 months and was therefore classified as non-current assets.

## X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 12. OTHER CURRENT ASSETS AND OTHER NON-CURRENT ASSETS

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Other unlisted investments, at amortised cost			
Trust funds	(i)	66,774	65,130
Deposit for land purchase	(ii)	—	38,661
		<b>66,774</b>	103,791
Analysed into:			
Current portion		35,909	35,015
Non-current portion		30,865	68,776

Notes:

- (i) Other non-current assets are stand-alone trust funds classified as financial assets at amortised cost as their contractual cash flows are solely payments of principal and interest and they were held for collecting the contractual cash flows. The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 30 June 2022, the loss allowance was assessed to be minimal.
- (ii) The balance as at 31 December 2021 represents a deposit for a parcel of land reserved for educational use with the term of 50 years. During the Period, the Group announced it has successfully bid the land which would be used for the construction of new campus of Shijiazhuang Institute of Technology.

### 13. TRADE RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Tuition receivables	17,535	12,406
Impairment	(1,514)	(1,409)
	<b>16,021</b>	10,997

## X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 13. TRADE RECEIVABLES (Continued)

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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within one year	10,788	7,622
One to two years	2,920	2,511
Two to three years	2,313	864
	16,021	10,997

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.

### 14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Prepayments	4,076	5,524
Deposits	10,727	10,509
Other receivables	58,828	38,338
	73,631	54,371

The above balances are unsecured and non-interest bearing.

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



## X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
<b>Current</b>			
Short term bank loan — unsecured	(i)	171,552	177,717
Current portion of long term bank loan — secured	(ii)	13,847	82,832
Current portion of long term bank loan — unsecured	(iii)	10,000	—
Current portion of other borrowing — secured	(iv)	67,064	59,488
Current portion of other borrowings — unsecured	(v)	15,757	15,765
		<b>278,220</b>	335,802
<b>Non-current</b>			
Long term bank loan — secured	(ii)	80,082	27,184
Long term bank loan — unsecured	(iii)	190,000	—
Other borrowings — secured	(iv)	76,392	65,880
Other borrowings — unsecured	(v)	17,414	17,602
		<b>363,888</b>	110,666
		<b>642,108</b>	446,468

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Analysed into:		
Bank loans repayable:		
Within one year or on demand	195,399	260,549
In the second year	83,060	13,444
In the third to fifth years, inclusive	187,022	13,740
	<b>465,481</b>	287,733
Other borrowing repayable:		
Within one year or on demand	82,821	75,253
In the second year	89,431	83,482
In the third to fifth years, inclusive	4,375	—
	<b>176,627</b>	158,735
	<b>642,108</b>	446,468

### 15. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

Notes:

Other borrowings of the Group represented borrowings obtained from independent financial institutions.

Details of the guarantees and/or securities provided by the Group and its related parties or third parties in connection with certain bank and other borrowings obtained by the Group are as follows:

- (i) As at 30 June 2022, a bank borrowing of RMB50,000,000 was pledged by the right of charge of Shijiazhuang Institute of Technology and was guaranteed by Mr. Li Yunong and Ms. Cao Yang.

As at 30 June 2022, bank borrowings of RMB100,000,000 (31 December 2021: RMB150,000,000) were guaranteed by Mr. Li Yunong and Ms. Cao Yang.

As at 30 June 2022 and 31 December 2021, a bank borrowing of RMB13,000,000 was guaranteed by an independent financing guarantee company.

As at 30 June 2022, a bank borrowing of HK\$10,000,000 (equivalent to RMB8,552,000) (31 December 2021: HK\$18,000,000 (equivalent to RMB14,717,000)) was unsecured.

- (ii) As at 30 June 2022, a bank borrowing of US\$88,000 (equivalent to RMB589,000) (31 December 2021: US\$97,000 (equivalent to RMB616,000)) was secured by a director's life insurance policy (note 11(iii)).

As at 30 June 2022, a bank borrowing of RMB33,340,000 (31 December 2021: RMB40,000,000), was guaranteed by Mr. Li Yunong, Ms. Cao Yang and Zerui Education, with the pledge of a certain building and the land use right of Shijiazhuang Institute of Technology.

As at 30 June 2022, a bank borrowing of RMB60,000,000 (31 December 2021: RMB69,400,000) was secured by the Group's deposits amounting to RMB66,000,000 (31 December 2021: RMB187,000,000).

- (iii) As at 30 June 2022, a bank borrowing of RMB200,000,000, was guaranteed by Mr. Li Yunong and Ms. Cao Yang.

- (iv) As at 30 June 2022, other borrowings of RMB59,160,000 (31 December 2021: RMB31,633,000) were secured by the Group's deposits amounting to RMB1,500,000 (31 December 2021: RMB900,000) and guaranteed by Mr. Li Yunong, Sheng Dao Xiang Cheng and Zerui Education.

As at 30 June 2022, other borrowing of RMB39,431,000 (31 December 2021: RMB43,604,000) was secured by the Group's deposits amounting to RMB788,000 (31 December 2021: RMB788,000) and guaranteed by Mr. Li Yunong and Zerui Education.

As at 30 June 2022, other borrowing of RMB34,184,000 (31 December 2021: RMB35,786,000) was secured by the Group's deposits amounting to RMB1,000,000 (31 December 2021: RMB1,000,000), and charging right of Shijiazhuang Institute of Technology, and was guaranteed by Mr. Li Yunong, Sheng Dao Xiang Cheng and Zerui Education.

As at 30 June 2022, other borrowing of RMB10,681,000 (31 December 2021: RMB14,345,000) was secured by the Group's deposits amounting to RMB1,500,000 (31 December 2021: RMB1,500,000), and was guaranteed by Mr. Li Yunong, Sheng Dao Xiang Cheng and Zerui Education.

- (v) As at 30 June 2022, other borrowing of RMB33,171,000 (31 December 2021: RMB33,367,000) was guaranteed by Mr. Li Yunong, Sheng Dao Xiang Cheng and Zerui Education.

## X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 16. CONTRACT LIABILITIES

Details of contract liabilities as at 30 June 2022 and 31 December 2021 are as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Tuition fees	14,298	99,952
Boarding fees	9,010	1,199
Others	229	150
Total contract liabilities	23,537	101,301

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

### 17. SHARE CAPITAL

#### Shares

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Authorised: 3,000,000,000 (31 December 2021: 3,000,000,000) ordinary shares of HK\$0.01 each	25,293	25,293
Issued and fully paid: 1,161,204,000 (31 December 2021: 1,167,216,000)	9,750	9,801

### 18. COMMITMENTS

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Contracted, but not provided for: Land use right and buildings	161,389	162,717

## 19. RELATED PARTY TRANSACTIONS AND BALANCES

The Directors are of the view that the following individuals/companies are related parties that had material transactions or balances with the Group during both periods.

### (a) Name and relationship of related parties

Name	Relationship
Mr. Li Yunong	Chairman, one of the controlling shareholders of the Group, and son-in-law of Ms. Luo Xinlan
Ms. Luo Xinlan	One of the controlling shareholders of the Group, and mother-in-law of Mr. Li Yunong
Ms. Cao Yang	Wife of Mr. Li Yunong
Lionful Investment Holding Co., Ltd.* ("Lionful Investment Holding")	A company controlled by the controlling shareholders
Lionful Education	A company controlled by the controlling shareholders
河北安信聯行物業服務有限公司石家莊分公司 Hebei Ansince Property Management Co., Ltd. Shijiazhuang Branch*	A company controlled by Mr. Li Yunong
寧波天作工程項目管理有限公司 Ningbo Tianzuo Project Management Co., Ltd.* ("Ningbo Tianzuo")	A company controlled by Mr. Li Yunong
河北友聯恒美智能工程有限公司 Hebei Youlian Hengmei Intelligent Engineering Co., Ltd* ("Youlian Hengmei")	A company controlled by HebeiAnsince Shijiazhuang Branch
邯鄲市美家優寶教育諮詢有限公司 Handan Meijia Youbao Education Consulting Co., Ltd.* ("Meijia Youbao")	A company significantly influenced by Mr. Li Yunong

\* The English names of the companies stated above in this note represent the best effort made by the directors to translate the Chinese names as those companies have not been registered with any official English names.

### (b) Outstanding balances with a related party

#### *Prepayment to a related party*

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Lionful Education	47,400	155,000

As at 30 June 2022 and 31 December 2021, the prepayment to Lionful Education was for the acquisition of certain land use right and properties for educational purposes. Details of the acquisition are set out in the Group's circular dated 29 November 2021.

## X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 19. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

#### (b) Outstanding balances with a related party (Continued)

##### *Amounts due from related parties*

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Lionful Education	24,579	10,534
Meijia Youbao	500	500
	<b>25,079</b>	<b>11,034</b>

As at 30 June 2022 and 31 December 2021, the amount due from Lionful Education represented a service fee receivable arising from the provision of college operation services.

As at 30 June 2022 and 31 December 2021, the amount due from Meijia Youbao represented a service fee receivable arising from the provision of kindergarten consulting and management services. In the opinion of the directors, the amounts due are trade in nature and would be settled according to the term agreed mutually in the normal course of business.

The Group evaluated the expected loss rate for related parties by considering the default rates and adjusting for forward-looking macroeconomic data. The expected credit losses were considered as insignificant as at the end of the reporting period.

##### *Amounts due to related parties*

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Ningbo Tianzuo	198	198
Youlian Hengmei	55	55
	<b>253</b>	<b>253</b>

As at 30 June 2022 and 31 December 2021, the amount due to related parties represented a service fee payable for the construction and repair of certain properties of Shijiazhuang Institute of Technology. In the opinion of the directors, the amounts due are trade in nature and would be settled according to the term agreed in the contract.

## 19. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

## (c) Transactions with related parties

*Purchases of services from related parties*

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Hebei Ansince Shijiazhuang Branch	79	79

Properties leased from Hebei Ansince Shijiazhuang Branch were used as premises of the Group's kindergartens. Rentals charges and service charges were based on prices mutually agreed between the Group and Hebei Ansince Shijiazhuang Branch.

*Purchases of land and buildings from a related party*

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Lionful Education	210,000	—

The Group acquired certain properties from Lionful Education based on an asset restructuring agreement which was entered into between the Group and Lionful Education.

## (d) Others

- (1) During both periods, the Group has provided college operation services to Lionful Education in connection with the operation of the West Campus of 石家莊鐵道大學四方學院 (Shijiazhuang Tiedao University Sifang College) ("Sifang College"). Lionful Education has been jointly operating the West Campus of Sifang College with 石家莊鐵道大學 (Shijiazhuang Tiedao University).

Details of the college operation service income received from Lionful Education for each of the period are as follows:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
College operation service income	12,176	11,308

## X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 19. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

#### (d) Others (Continued)

- (2) Other than the college operation service stated above, under the relevant agreements, Shijiazhuang Institute of Technology is responsible for providing the accommodation services to the students enrolled by the West Campus of Sifang College. Accommodation service fees are collected directly from the students and are recognised as income for both periods as follows:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Student accommodation service income <sup>^</sup>	1,811	1,591

<sup>^</sup> included as part of the college operation service income of the Group as disclosed in note 4 to the financial statements.

- (3) During both periods, certain trademarks owned by Lionful Investment Holding were used by the Group free of charge.
- (4) During both periods, certain bank borrowings of the PRC Operating Entities are guaranteed and secured by certain related parties of the Group, Lionful Education, Mr. Li Yunong and Ms. Cao Yang. Details of those transactions are disclosed in note 15 to the financial statements.

#### (e) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Salaries, allowances and benefits in kind	528	671
Pension scheme contributions	232	168
Equity-settled share option expense	1,248	1,380
	2,008	2,219

## 20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	13,698	23,479	13,698	23,479
Other current assets	35,909	35,015	35,909	35,015
Other non-current assets	30,865	68,776	30,865	68,776
	<b>80,472</b>	127,270	<b>80,472</b>	127,270
<b>Financial liabilities</b>				
Other current liabilities	3,841	863	3,841	863
Other non-current liabilities	—	2,978	—	2,978
Interest-bearing bank and other borrowings — non-current	363,888	110,666	363,888	110,666
	<b>367,729</b>	114,507	<b>367,729</b>	114,507

Management has assessed that the fair values of cash and bank balances, term deposits, pledged deposits, trade receivables, financial assets included in prepayments, other receivables, an amount due from/to a related party, other assets, financial liabilities included in other payables and accruals, the interest-bearing borrowing and the current portion of other borrowing approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2022 were assessed to be insignificant.

For the fair value of the unlisted equity investment at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

The Group invests in an unlisted investment, which is a convertible bond through a capital management fund. The Group has estimated the fair value of that unlisted investment by using two valuation models: a) the binomial tree valuation model, in which the bond portion is discounted with the risk discount rate, which is the sum of the risk-free rate and the credit spread of the issuer, and the equity portion is discounted with the risk-free rate; and b) the discounted cash flow valuation model, which is based on the market interest rates of instruments with similar terms and risks.



## X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The Group has estimated the fair value of contingent consideration payable for business combination included in other current liabilities and other non-current liabilities by using the discounted cash flow valuation model, which is based on the market interest rates of instruments with similar terms and risks.

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2022 and 31 December 2021:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Financial assets at fair value through profit or loss	Discounted cash flow method	Discount rate	11.82%–11.91%	1% increase/decrease in discount rate would result in decrease/increase in fair value by RMB36,000/RMB36,000
Financial liabilities at fair value through profit or loss	Discounted cash flow method	Discount rate	6.30%	1% increase/decrease in discount rate would result in decrease/increase in fair value by RMB37,000/RMB37,000

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

#### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

##### As at 30 June 2022

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	5,781	—	7,917	13,698
Consideration payable for business combination included in other current liabilities	—	—	3,841	3,841
Interest-bearing bank and other borrowings	—	642,108	—	642,108
	5,781	642,108	11,758	659,647

## 20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

## Fair value hierarchy (Continued)

As at 31 December 2021

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
	Financial assets at fair value through profit or loss	7,734	—	
Consideration payable for business combination included in other non-current liabilities	—	—	3,841	3,841
Interest-bearing bank and other borrowings	—	446,468	—	446,468
	7,734	446,468	19,586	473,788

The movements in fair value measurements within Level 3 during the Period are as follows:

	2022 RMB'000	2021 RMB'000
Financial assets at fair value through profit or loss:		
At 1 January	23,479	40,893
Disposals	(8,234)	—
Total (loss)/gains recognised in the consolidated statement of profit or loss and other comprehensive income included in other income	(2,237)	3,535
Exchange reserve	690	(472)
At 30 June	13,698	43,956

	2022 RMB'000	2021 RMB'000
Consideration payable for business combination included in other non-current liabilities:		
At 1 January	3,841	17,964
Satisfied by cash	—	(6,015)
At 30 June	3,841	11,949

During the Period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2021: Nil).

## XI. DEFINITIONS

In this report, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Audit Committee”	the audit committee of the Board
“Board”	the board of directors of the Company
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“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
“Education Department of Hebei Province”	an integral department of the provincial government, which is responsible for the education cause in Hebei Province
“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
“HK\$”	the lawful currency of Hong Kong
“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”	Hangzhou Huashi Peijian Tutorial School Limited* (杭州華石培尖培訓學校有限公司), which is the PRC Operating Entity
“PRC” or “China”	the People’s Republic of China
“PRC Operating Entity(ies)”	Shijiazhuang Saintach, Hebei Saintach, Shijiazhuang Institute of Technology, Saintach Tutorial Schools, Peijian Tutorial School, Shinedao Tutorial Schools and Saintach Kindergartens
“Prospectus”	the prospectus issued by the Company for the initial public offering and listing dated 15 May 2018
“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 Center(s)”	tutorial center(s) 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 of 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 nominal value 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 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 was wholly-owned by Zerui Education as at the date of this interim report, 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, which was wholly-owned by Zerui Education as at the date of this interim report, 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) and Yuyao Shinedao Education Tutorial School* (余姚市學鼎教育培訓學校), 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)

## XI. DEFINITIONS

"sq.m."	square meter
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"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 at the date of this interim report, 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 marked with "\*\*", the Chinese names shall prevail.