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**21世紀教育**  
21ST CENTURY EDUCATION

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

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 1598)

**ANNOUNCEMENT OF INTERIM RESULTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2023**

**FINANCIAL HIGHLIGHTS**

	For the six months ended		Changes	Percentage of changes
	30 June			
	2023	2022		
	(RMB'000)	(RMB'000)	(RMB'000)	
	(Unaudited)	(Unaudited)		
Revenue	<b>192,102</b>	144,822	<b>47,280</b>	32.6%
Gross profit	<b>76,194</b>	71,847	<b>4,347</b>	6.1%
EBITDA	<b>91,414</b>	66,650	<b>24,764</b>	37.2%
Profit for the period	<b>33,367</b>	27,103	<b>6,264</b>	23.1%
Earnings per Share (RMB cents)	<b>2.94</b>	2.37	<b>0.57</b>	24.1%
	<b>2022/2023</b>	2021/2022		Percentage of
	<b>school year</b>	school year	<b>Changes</b>	changes
Total number of full-time students (Note)	<b>23,423</b>	18,704	<b>4,719</b>	25.2%

Note: Please refer to the paragraph headed "Student enrollment" in this results announcement for details.

The Board is pleased to announce the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2023 (the “**Reporting Period**”), together with the comparative figures for the corresponding period of 2022, as follows:

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

*For the six months ended 30 June 2023*

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2023</b>	<b>2022</b>
		<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>REVENUE</b>	4	<b>192,102</b>	144,822
Cost of sales		<u><b>(115,908)</b></u>	<u>(72,975)</u>
Gross profit		<b>76,194</b>	71,847
Other income and gains	4	<b>22,153</b>	19,425
Selling expenses		<b>(8,176)</b>	(4,370)
Administrative expenses		<b>(34,886)</b>	(30,082)
Impairment losses on financial and contract assets		<b>341</b>	(663)
Other expenses		<b>(6,783)</b>	(12,522)
Finance costs	5	<u><b>(15,840)</b></u>	<u>(16,513)</u>
<b>PROFIT BEFORE TAX</b>	6	<b>33,003</b>	27,122
Income tax expense	7	<u><b>364</b></u>	<u>(19)</u>
<b>PROFIT FOR THE PERIOD</b>		<u><b>33,367</b></u>	<u>27,103</u>
Attributable to:			
Owners of the Company		<b>33,600</b>	26,891
Non-controlling interests		<u><b>(233)</b></u>	<u>212</u>
		<u><b>33,367</b></u>	<u>27,103</u>

	<b>Six months ended 30 June</b>	
<i>Notes</i>	<b>2023</b>	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>		
	9	
Basic and diluted		
– For profit for the period	<b>RMB2.94 cents</b>	RMB2.37 cents
<b>PROFIT FOR THE PERIOD</b>	<b>33,367</b>	27,103
<b>OTHER COMPREHENSIVE INCOME</b>		
Exchange differences on translation of financial statement of group entities	<u>6,241</u>	<u>9,821</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u>6,241</u>	<u>9,821</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u><b>39,608</b></u>	<u>36,924</u>
Attributable to:		
Owners of the Company	<b>39,841</b>	36,712
Non-controlling interests	<u>(233)</u>	<u>212</u>
	<u><b>39,608</b></u>	<u>36,924</u>

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	<i>Notes</i>	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	<i>10</i>	<b>807,227</b>	641,915
Right-of-use assets		<b>569,350</b>	533,517
Goodwill		<b>89,507</b>	89,507
Other intangible assets		<b>42,817</b>	45,770
Advance made to a related party		<b>1,220</b>	–
Financial asset at fair value through profit or loss		<b>1,075</b>	1,041
Pledged deposits		–	66,000
Deferred tax assets		<b>8,067</b>	8,475
Other non-current assets		<b>40,514</b>	65,953
		<hr/>	<hr/>
Total non-current assets		<b>1,559,777</b>	1,452,178
<b>CURRENT ASSETS</b>			
Trade receivables	<i>11</i>	<b>12,611</b>	11,590
Contract costs		<b>5,799</b>	4,059
Prepayments, deposits and other receivables		<b>109,830</b>	45,428
Amounts due from related parties		<b>2,644</b>	12,787
Financial assets at fair value through profit or loss		<b>6,712</b>	5,449
Term deposits		<b>90,000</b>	90,000
Pledged deposits		<b>176,000</b>	110,000
Cash and bank balances		<b>160,070</b>	212,583
Other current assets		<b>49,089</b>	11,388
		<hr/>	<hr/>
Total current assets		<b>612,755</b>	503,284

	<i>Notes</i>	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
<b>CURRENT LIABILITIES</b>			
Other payables and accruals		<b>137,898</b>	146,523
Interest-bearing bank and other borrowings	<i>12</i>	<b>391,452</b>	233,702
Contract liabilities		<b>70,668</b>	143,025
Lease liabilities		<b>25,899</b>	31,634
Amounts due to related parties		<b>26,042</b>	882
Tax payable		<b>2,334</b>	2,142
Other current liabilities		<b>–</b>	1,671
		<u>654,293</u>	<u>559,579</u>
<b>Total current liabilities</b>		<b>654,293</b>	559,579
<b>NET CURRENT LIABILITIES</b>		<b>(41,538)</b>	(56,295)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,518,239</b>	1,395,883
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	<i>12</i>	<b>501,424</b>	459,681
Lease liabilities		<b>86,109</b>	36,976
Deferred tax liabilities		<b>6,439</b>	7,365
Deferred income		<b>166,000</b>	166,000
		<u>759,972</u>	<u>670,022</u>
<b>Total non-current liabilities</b>		<b>759,972</b>	670,022
<b>Net assets</b>		<b>758,267</b>	725,861
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Share capital	<i>13</i>	<b>9,750</b>	9,750
Treasury shares		<b>(169)</b>	(169)
Reserves		<b>741,556</b>	708,917
		<u>751,137</u>	<u>718,498</u>
<b>Non-controlling interests</b>		<b>7,130</b>	7,363
<b>Total equity</b>		<b>758,267</b>	725,861

# 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 2023, 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 2023 (the “Period”) have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* issued by the International Accounting Standards Board.

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 2022.

The Group had net current liabilities of approximately RMB41,538,000 as at 30 June 2023, which was primarily attributable to the capital expenditure incurred for the construction work of the new campus during the period ended 30 June 2023. In view of the net current liabilities position, the Directors have given careful consideration of the Group’s operating performance, the availability of sources of financing and the future cash flows in assessing the Group’s capability to continue its business as a going concern. Taking into consideration the increase in the number of students intake, the cash flows from operation and bank facilities, and the positive operating results, the Directors are of the opinion that it is appropriate to prepare the financial statements on a going concern basis.

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period’s financial information.

IFRS 17	<i>Insurance Contracts</i>
Amendments to IFRS 17	<i>Insurance Contracts</i>
Amendment to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 – Comparative Information</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The adoption of the above new and revised standards has had no significant financial effect on the interim condensed consolidated financial information.

### 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 income and expenses are excluded from such measurement.

Segment assets exclude cash and bank balances, term deposits, pledged deposits, financial assets at fair value through profit or loss and other unallocated head office and corporate assets as these assets are managed on a group basis.

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

#### Six months ended 30 June 2023

	<b>Vocational education RMB'000 (Unaudited)</b>	<b>Non- vocational education RMB'000 (Unaudited)</b>	<b>Total RMB'000 (Unaudited)</b>
Revenue	124,476	67,626	192,102
Other segment revenue	<u>14,571</u>	<u>3,654</u>	<u>18,225</u>
Total	<u><u>139,047</u></u>	<u><u>71,280</u></u>	<u><u>210,327</u></u>
<b>Segment results</b>	<b>56,662</b>	<b>6,194</b>	<b>62,856</b>
<i>Reconciliation:</i>			
Finance costs (other than interest on lease liabilities)			(14,245)
Interest income			4,692
Unallocated expenses			<u>(20,300)</u>
Profit before tax			<u><u>33,003</u></u>
<b>Segment assets</b>	<b>1,392,769</b>	<b>198,486</b>	<b>1,591,255</b>
<i>Reconciliation:</i>			
Term deposits			90,000
Pledged deposits			176,000
Cash and bank balances			160,070
Financial assets at fair value through profit or loss			7,787
Unallocated head office and corporate assets			<u>147,420</u>
Total assets			<u><u>2,172,532</u></u>

	<b>Vocational education RMB'000 (Unaudited)</b>	<b>Non- vocational education RMB'000 (Unaudited)</b>	<b>Total RMB'000 (Unaudited)</b>
<b>Segment liabilities</b>	<b>(308,080)</b>	<b>(165,419)</b>	<b>(473,499)</b>
<i>Reconciliation:</i>			
Interest-bearing bank borrowings			<b>(892,876)</b>
Tax payable			<b>(2,334)</b>
Unallocated head office and corporate liabilities			<u><b>(45,556)</b></u>
<b>Total liabilities</b>			<u><b>(1,414,265)</b></u>

**Six months ended 30 June 2022**

	<b>Vocational education RMB'000 (Unaudited)</b>	<b>Non- vocational education RMB'000 (Unaudited)</b>	<b>Total RMB'000 (Unaudited)</b>
Revenue	109,957	34,865	144,822
Other segment revenue	<u>7,501</u>	<u>3,128</u>	<u>10,629</u>
<b>Total</b>	<u><b>117,458</b></u>	<u><b>37,993</b></u>	<u><b>155,451</b></u>
<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)			<b>(15,880)</b>
Interest income			<b>8,248</b>
Unallocated expenses			<u><b>(23,753)</b></u>
<b>Profit before tax</b>			<u><b>27,122</b></u>

## Year ended 31 December 2022

	Vocational education <i>RMB'000</i> (Audited)	Non- vocational education <i>RMB'000</i> (Audited)	Total <i>RMB'000</i> (Audited)
<b>Segment assets</b>	735,609	151,097	886,706
<i>Reconciliation:</i>			
Term deposits			90,000
Pledged deposits			176,000
Cash and bank balances			212,583
Financial assets at fair value through profit or loss			6,490
Unallocated head office and corporate assets			<u>583,683</u>
Total assets			<u><u>1,955,462</u></u>
<b>Segment liabilities</b>	(198,576)	(120,971)	(319,547)
<i>Reconciliation:</i>			
Interest-bearing bank and other borrowings			(693,383)
Tax payable			(2,142)
Unallocated head office and corporate liabilities			<u>(214,529)</u>
Total liabilities			<u><u>(1,229,601)</u></u>

### 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 segment 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

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2023</b>	2022
		<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	(Unaudited)
<b>Revenue from contracts with customers</b>			
<b>Vocational education</b>			
Tuition fees		<b>91,288</b>	76,722
Boarding fees		<b>11,043</b>	10,091
College operation service income	<i>(i)</i>	<b>14,691</b>	15,527
Others	<i>(ii)</i>	<b>7,454</b>	7,617
		<b>124,476</b>	109,957
<b>Non-vocational education</b>			
Tutoring fees		<b>17,507</b>	14,477
Tuition fees		<b>48,028</b>	19,624
Boarding Fee		<b>2,047</b>	–
Consultation fees		<b>44</b>	764
		<b>67,626</b>	34,865
		<b>192,102</b>	144,822
<b>Other income and gains</b>			
Interest income		<b>4,692</b>	8,248
Donation of property, plant and equipment received		<b>6,702</b>	2,024
Investment income		<b>1,576</b>	2,374
Site use fees	<i>(iii)</i>	<b>2,261</b>	2,178
Sale of education materials and living goods		<b>2,465</b>	3,198
Government grants		<b>238</b>	548
Fair value gain on financial assets at fair value through profit or loss		<b>1,043</b>	–
Others		<b>3,176</b>	855
		<b>22,153</b>	19,425

*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 and right-of-use asset of the Group to organise teaching and training activities, etc.

## 5. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interest on bank and other borrowings	24,048	18,115
Interest on lease liabilities	1,595	633
Financing consultancy service charges	121	65
Less: interest capitalised	<u>(9,924)</u>	<u>(2,300)</u>
	<b><u>15,840</u></b>	<b><u>16,513</u></b>

## 6. PROFIT BEFORE TAX

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Cost of sales	115,908	72,975
Depreciation of property, plant and equipment	16,417	11,784
Depreciation of right-of-use assets	22,233	9,754
Amortisation of intangible assets	4,042	1,542
Minimum lease payments under operating leases:		
– Buildings	599	434
– Others	<u>923</u>	<u>30</u>
	<b><u>1,522</u></b>	<b><u>464</u></b>
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	48,069	34,821
Equity-settled share option expense	754	1,023
Pension scheme contributions (defined contribution scheme)	<u>6,665</u>	<u>4,512</u>
	<b><u>55,488</u></b>	<b><u>40,356</u></b>
(Reversal of impairment)/impairment of trade receivables	(341)	663
Fair value (gains)/loss from financial investment at fair value through profit or loss	(1,043)	2,237
Loss on disposal of items of property, plant and equipment	<u>36</u>	<u>3</u>

## 7. INCOME TAX

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

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

### Hong Kong Profits Tax

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

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

A certain subsidiary was accredited as a High-tech Enterprise and was entitled to a preferential tax rate of 15% (2022: 15%).

Certain subsidiaries were certified as small and micro-sized enterprises in 2023. Their accumulated taxable income after further reductions would enjoy the preferential tax rate of 20% (2022: 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 (2022: 25%).

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current – Mainland China		
Charge for the Period	200	147
Overprovision in prior years	(46)	(37)
Deferred	(518)	(91)
	<u>(364)</u>	<u>19</u>

## 8. DIVIDENDS

The Board does not recommend the payment of dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: 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 2023 and 2022.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2023 and 2022.

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	<b><u>33,600</u></b>	<u>26,891</u>
	<b>Number of shares ('000)</b>	
	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
Shares		
Weighted average number of ordinary shares in issue	<b>1,161,204</b>	1,164,755
Weighted average number of shares held for the restricted share unit scheme	<u>(19,832)</u>	<u>(27,959)</u>
Adjusted weighted average number of ordinary shares in issue used in the basic and diluted earnings per share calculation	<b><u>1,141,372</u></b>	<u>1,136,796</u>

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired property, plant and equipment at a cost of RMB182,424,000 (six months ended 30 June 2022: RMB223,048,000).

Assets with a net book value of RMB126,000 were disposed of by the Group during the six months ended 30 June 2023 (six months ended 30 June 2022: RMB14,000), resulting in a net loss on disposal of RMB36,000 (six months ended 30 June 2022: a net loss of RMB3,000).

## 11. TRADE RECEIVABLES

	<b>30 June 2023</b>	31 December 2022
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Audited)
Tuition receivables	<b>13,677</b>	12,997
Impairment	<b>(1,066)</b>	(1,407)
	<b><u>12,611</u></b>	<u>11,590</u>

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

	<b>30 June 2023</b>	31 December 2022
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Audited)
Within one year	<b>6,109</b>	9,148
One to two years	<b>5,161</b>	2,242
Two to three years	<b>1,341</b>	200
	<b><u>12,611</u></b>	<u>11,590</u>

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

## 12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	<b>30 June 2023</b>	31 December 2022
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Current</b>		
Short term bank loan – secured	–	50,000
Short term bank loan – unsecured	<b>191,919</b>	51,933
Current portion of long term bank loan – secured	<b>89,055</b>	29,850
Current portion of long term bank loan – unsecured	<b>12,373</b>	10,977
Current portion of other borrowing – secured	<b>80,756</b>	74,475
Current portion of other borrowings – unsecured	<b>17,349</b>	16,467
	<u><b>391,452</b></u>	<u>233,702</u>
<b>Non-current</b>		
Long term bank loan – secured	<b>281,438</b>	205,516
Long term bank loan – unsecured	<b>204,423</b>	214,308
Other borrowings – secured	<b>14,784</b>	37,579
Other borrowings – unsecured	<b>779</b>	2,278
	<u><b>501,424</b></u>	<u>459,681</u>
	<u><b>892,876</b></u>	<u>693,383</u>
	<b>30 June 2023</b>	31 December 2022
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Analysed into:		
Bank loans repayable:		
Within one year or on demand	<b>293,347</b>	142,760
In the second year	<b>221,451</b>	112,631
In the third to fifth years, inclusive	<b>264,410</b>	307,193
	<u><b>779,208</b></u>	<u>562,584</u>
Other borrowing repayable:		
Within one year or on demand	<b>98,105</b>	90,942
In the second year	<b>11,214</b>	32,798
In the third to fifth years, inclusive	<b>4,349</b>	7,059
	<u><b>113,668</b></u>	<u>130,799</u>
	<u><b>892,876</b></u>	<u>693,383</u>

### 13. SHARE CAPITAL

#### Shares

	<b>30 June 2023</b>	31 December 2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Audited)
Authorised: 3,000,000,000 (31 December 2022: 3,000,000,000) ordinary shares of HK\$0.01 each	<u><b>25,293</b></u>	<u>25,293</u>
Issued and fully paid: 1,161,204,000 (31 December 2022: 1,161,204,000)	<u><b>9,750</b></u>	<u>9,750</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. BUSINESS REVIEW

#### 1.1 Business Profiles

The Company focuses on the operation and content incubation of the education industry. 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 new 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 on our self-innovated education system and standardized management, we dedicate to offering more friendly and convenient education services to students.

#### 1.2 Our Schools

##### 1.2.1 Overview

As at 30 June 2023, the Company owned 12 schools, including 1 private college (Shijiazhuang Institute of Technology) under vocational education segment; 1 ordinary high school, 2 New Gaokao\* (新高考) Business institutions and 8 Saintach Kindergartens under non-vocational education segment. The Group was also entrusted with the operation of the west campus of Sifang College (vocational education segment).

<b>Schools of the Company</b>	<b>30 June 2023</b>	30 June 2022
Vocational education – College	<b>1</b>	1
Non-vocational education – Ordinary high school	<b>1</b>	0
– New Gaokao* (新高考)		
Business institutions	<b>2</b>	4
– Kindergartens	<b>8</b>	8
<b>Total</b>	<b><u>12</u></b>	<u>13</u>

### 1.2.2 Student enrollment

As at 30 June 2023, we had 23,423 full-time students enrolled in our schools. The specific details are as follows:

<b>Breakdown of student enrollment</b>	<b>2022-2023 school year</b>	2021-2022 school year	Changes	Percentage of changes
<b>Full-time students</b>				
Vocational education –				
Shijiazhuang Institute of Technology				
Including: Junior college	<b>16,516</b>	13,753	2,763	20.1%
Secondary college	<b>2,651</b>	3,117	(466)	(15.0%)
<b>Subtotal (full-time college students)</b>	<b><u>19,167</u></b>	<u>16,870</u>	<u>2,297</u>	<u>13.6%</u>
<b>Non-vocational education</b>				
Including: Shijiazhuang Yuying Experimental High School* (石家莊育英實驗中學)				
Saintach Kindergartens	<b>2,361</b>	–	2,361	100.0%
	<b>1,895</b>	1,834	61	3.3%
<b>Total (full-time students)</b>	<b><u>23,423</u></b>	<u>18,704</u>	<u>4,719</u>	<u>25.2%</u>

As at 30 June 2023, our vocational education segment provided entrusted operation services to the west campus of Sifang College, covering 3,883 students.

### 1.2.3 Charge and average tuition revenue

We charge our students fees comprising tuition (including tutoring fees) and boarding fees at Shijiazhuang Institute of Technology. Among them, the fee range under non-vocational education segment approximates to that for the year ended 31 December 2022, whereas the tutoring fee ranges for the junior college courses and secondary college courses at Shijiazhuang Institute of Technology under vocational education segment have changed, as stated in the following table:

Type of course	2022-2023 school year		2021-2022 school year	
<b>Vocational education</b>				
Junior college courses	<b>RMB8,800 to RMB17,000 per school year</b>		RMB8,800 to RMB13,000 per school year	
Secondary college courses	<b>RMB9,360 per school year</b>		RMB7,200 per school year	
<b>For the six months ended 30 June</b>				
Average revenue <sup>①</sup>	2023 RMB	2022 RMB	Changes RMB	Percentage of changes
<b>Vocational education</b>	<b>4,763</b>	4,520	243	5.4%
Including: Junior college	<b>4,880</b>	4,766	114	2.4%
Secondary college	<b>4,035</b>	3,451	584	16.9%
<b>Non-vocational education</b>				
Including: Ordinary high school <sup>②</sup>	<b>9,137</b>	–	9,137	100.0%
Kindergartens	<b>10,625</b>	10,070	555	5.5%

Notes:

- ① The average revenue earned from each full-time student is calculated based on the revenue generated from tuition fees for half a fiscal year and the average number of students enrolled as at the beginning and middle of the same year.
- ② Shijiazhuang Yuying Experimental High School\* (石家莊育英實驗中學) was consolidated into the Group in September 2022. Its average revenue is calculated based on the revenue generated from tuition fees for a total of 6 months from January to June 2023 and the number of students enrolled as at 30 June 2023.

### 1.2.4 Employment rate

Shijiazhuang Institute of Technology works to build a modern vocational education system, which adopts the “TOP” talent training model (TOP means “Technique-Occupation-Personality”), to continuously cultivate and deliver application-oriented talents for the society. Benefiting from the outstanding professional knowledge, practical operational skills and professionalism of our graduates, Shijiazhuang Institute of Technology has maintained a relatively high level of employment. For the six months ended 30 June 2023, Shijiazhuang Institute of Technology, its teachers and students have won 100 provincial and municipal awards, including various awards such as the 2023 BRICS Vocational Skills Competition Hebei Provincial Competition (2023金磚國家職業技能大賽河北省省賽), the 14th Lanqiao Cup National Software and Information Technology Experts Competition (第十四屆藍橋杯全國軟件和信息技術專業人才大賽), the 6th National Vocational Institutes Cross Border E-commerce Skills Competition (第六屆全國職業院校跨境電商技能大賽) and Hebei Provincial Vocational College Student Skills Competition (河北省職業院校學生技能大賽).

As at 30 June 2023, the employment rate of our graduates was approximately 96.7%:

<b>Employment rate<sup>①</sup></b>	<b>30 June 2023</b>	30 June 2022	Changes	Percentage of changes
Vocational education	<u><b>96.7%</b></u>	<u>96.6%</u>	<u>0.1%</u>	<u>0.1%</u>

*Note:*

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

### 1.2.5 Our teachers

Teachers	30 June 2023	30 June 2022	Changes	Percentage of changes
<b>Full-time teachers</b>				
Vocational education <sup>①</sup>	414	379	35	9.2%
Non-vocational education <sup>②</sup>	<u>378</u>	<u>219</u>	<u>159</u>	<u>72.6%</u>
<b>Subtotal (full-time teachers)</b>	<u>792</u>	<u>598</u>	<u>194</u>	<u>32.4%</u>
<b>Part-time teachers</b>				
Vocational education <sup>①</sup>	154	263	(109)	(41.4%)
Non-vocational education <sup>③</sup>	<u>590</u>	<u>496</u>	<u>94</u>	<u>19.0%</u>
<b>Subtotal (part-time teachers)</b>	<u>744</u>	<u>759</u>	<u>(15)</u>	<u>(2.0%)</u>
<b>Total</b>	<u><u>1,536</u></u>	<u><u>1,357</u></u>	<u><u>179</u></u>	<u><u>13.2%</u></u>

Notes:

- ① Shijiazhuang Institute of Technology converted outstanding part-time teachers into full-time teachers through the qualification assessment of part-time teachers, resulting in a rise in the number of full-time teachers and a decline in the number of part-time teachers in vocational education.
- ② The acquisition of Shijiazhuang Yuying Experimental High School\* (石家莊育英實驗中學) led to a substantial increase in the number of full-time teachers.
- ③ The increase in the number of outstanding part-time teachers from our New Gaokao\* (新高考) Business institutions led to the increase in the number of part-time teachers.

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 2023, the percentage of our teachers with a bachelor's degree or above was 88.5%.

## 1.3 Movements of Business Operations during the Reporting Period

### 1.3.1 Vocational education segment

#### 1.3.1.1 *The new campus of Shijiazhuang Institute of Technology will be put into operation in the new school year*

During the first half of 2023, the Company continued to promote the construction work of the new campus of Shijiazhuang Institute of Technology, and has commenced the construction of Phase I and Phase II. At the end of March 2023, the Group obtained the project planning permit for Phase III. At the end of June 2023, the construction of teaching building, dormitory building and canteen in Phase I was completed, and the main construction of two dormitory buildings in Phase II was completed. The landscape paving and outdoor electric laying engineering are under normal construction, and the delivery is expected to be completed in early September 2023. The first batch of students to be admitted to the new campus will be approximately 8,000. The total number of new students to be served at the dual campuses of Shijiazhuang Institute of Technology is expected to exceed 12,000, which will bring further revenue growth to the Group.

#### 1.3.1.2 *Industry-education integration towards a new model of industry-education symbiosis*

On the basis that the Group's vocational education segment has formed a development pattern of industry-education integration, Shijiazhuang Institute of Technology has started to explore the version 5.0 of industry-education integration, namely "industry-education symbiosis". With serving the development of local regional economy and industry as the fundamental, the industry and education jointly cultivate talents, and participate in industry-end business together, so as to realize the industry-education symbiosis. Under the background of shortage of skilled talents and transformation of industrial structure in the PRC, we should draw on international experience, do a good job in the classification and management of vocational education, strengthen the connection between vocational education qualifications and courses, innovate the training and evaluation mode for vocational education talents, and strive to build a vocational education system with Chinese characteristics in the new era.

- School-enterprise Cooperation

As at 30 June 2023, 22 professional programs in Shijiazhuang Institute of Technology have worked with 14 enterprises to jointly offer featured majors. 20 tailor-made classes were established. There are 15 apprenticeship pilot programs, established a total of 13 key professional group training bases, 58 on-campus experimental training centers and 225 off-campus training bases.

On 10 May 2023, Shijiazhuang Institute of Technology and Tencent Cloud Computing (Beijing) Company Limited (騰訊雲計算(北京)有限公司) jointly established Tencent Cloud Artificial Intelligence Industry College (騰訊雲人工智能產業學院). Both parties integrated high-quality resources to bring talent support resources for the rapid development of cloud computing, big data and other cutting-edge information industries. As at 30 June 2023, Shijiazhuang Institute of Technology has set up a total of 13 industrial colleges related to emerging industries such as intelligent manufacturing, Internet + and digital economy. Based on the new engineering discipline, we are committed to the industry-education integration, the integration of theory and practice, the integration of technology and culture, and the integration of modern information technology and teaching. We have maintained various forms of industry-university-research cooperation with more than 700 famous enterprises such as Huawei Technologies Co., Ltd. (華為技術有限公司), Haier Group Corporation (海爾集團公司), Great Wall Motor Company Limited (長城汽車股份有限公司), Sany Heavy Industry Co., Ltd. (三一重工股份有限公司), CSPC Holdings Company Limited (石藥控股集團有限公司) and S.F. Holding Co., Ltd. (順豐控股股份有限公司), among which more than 60 well-known enterprises are among the world's top 500 enterprises. We collaborate with these enterprises to cultivate nearly 1,000 graduates each year through tailor-made classes and other forms, helping them achieve high-quality employment.

- Government-school Cooperation

Relying on high-quality resources, Shijiazhuang Institute of Technology served the regional construction, conducted a total of 9,333 social trainings on government vocational education, and delivered nearly 1,000 talents to various enterprises in Luquan District, Shijiazhuang City. Through the operation of the industrial college, a total of 7 enterprises have been introduced to Luquan District, Shijiazhuang City in the past two years. Innovate the talent training model to meet the talent needs for enterprises, and establish an expert think tank to provide intellectual support for enterprise talent training and skills and technology transformation, which have enhanced the social influence of the Institute.

- Cooperation between industry and school

Since Shijiazhuang Institute of Technology has been successfully approved as a “Double-High” construction college\* (「雙高」建設院校) of the “Implementation 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))”, it has been actively promoting the implementation plan for improving the training quality, and assumed 14 tasks in the plan. With the construction of “Double-High (雙高)” as its guide, and the “Five-One (五個一)” and the “Three-One (三個一)” construction projects as its starting point, it has carried out the establishment of 16 apprenticeship pilot programs.

In the first half of 2023, Shijiazhuang Institute of Technology joined Chinese Chemical and Pharmaceutical Education Association (全國化工醫藥職業教育集團), the Smart Medical Specialized Committee of Hebei E-government Society (河北省電子政務學會智慧醫療專委會) and other enterprises or industry associations to meet the needs of the industry and provide more internship and employment opportunities for students. We worked with enterprises and industry associations to design and offer professional courses that are closely related to industry needs, aiming to ensure that the teaching content is in line with industry practice, and cultivate professionals who meet industry needs. In May 2023, Shijiazhuang Institute of Technology became a Governing Unit of the Community of Science-education Integration in Modern Vocational Education (現代職業教育科教融匯共同體理事單位), and successfully held the Summit Seminar on “Industry-education

Integration, Science-education Integration, and Building a Community of Destiny between Schools and Enterprises (「產教融合、科教融匯，共建校企命運共同體」高峰研討會)”. The Think Tank Base of Hebei Association for Science and Technology (河北省科協智庫基地) was stationed in Shijiazhuang Institute of Technology. The two parties jointly carried out scientific research and technological development, facilitated the transfer of knowledge and technology, promoted innovation and industrial development, and provided more than 10 technological services for enterprises in various industries.

### ***1.3.2 Non-vocational education segment***

#### *1.3.2.1 High school education segment business focuses on building prestigious school brands*

The Group is committed to providing education services at multiple academic levels and building prestigious school brands in the province. Since the completion of the acquisition of Shijiazhuang Yuying Experimental High School\* (石家莊育英實驗中學) on 31 August 2022, the business of full-time high school education segment has been commenced. As at 30 June 2023, a total of 2,361 students were provided with high school education services. Shijiazhuang Yuying Experimental High School\* (石家莊育英實驗中學) mainly focuses on improving students’ learning efficiency, promoting the reform of teaching system, implementing the four major teaching philosophies, and introducing the “New Heng System (新衡系)” teaching mode, so as to further increase the advantages of its core services in teaching. In 2023, the enrollment rate of university (including undergraduate and junior college) was approximately 98%. The admission rate of art joint entrance examination reached 94.7%, and the admission rate of provincial art, sports and dance joint entrance examination reached 86.1%, both of which were higher than the average admission rate in Hebei Province.

Shijiazhuang Yuying Experimental High School\* (石家莊育英實驗中學) will complete its relocation to a new site in August 2023, which will improve the conditions for running the school and further enhance the quality of teaching. The area where the new campus is located has convenient transportation, superior surrounding humanistic environment, more sound teaching facilities and a more comfortable learning and living environment, which is helpful to attract more students to enroll and expand the scale for running Shijiazhuang Yuying Experimental High School\* (石家莊育英實驗中學).

From the introduction of external high-quality cooperation resources and the promotion of internal enrollment rate, we have made efforts to promote the brand building of high school education. We have jointly cooperated with external cooperation resources to implement the operation mechanisms such as joint teaching and research and student management performed by the Academy of Master Teachers, aiming to gradually optimize and improve the efficiency in teaching and learning. At the same time, we will focus on optimizing the source of students, and setting up incentive policies for attracting the enrollment of excellent students to stimulate students' learning motivation, so as to realize the education mode of low entry and high output, and promote the implementation of high school brand building.

#### *1.3.2.2 New Gaokao\* (新高考) Business creates a new educational technology ecosystem*

Adhering to the principle of “comprehensively enhancing secondary school students' interest in subjects and verifying their value in competitions”, the Group has created a new online and offline educational technology ecosystem. Peijian New Gaokao\* (新高考) Business focuses its services on the Gaokao entrance examination channel, and is committed to the targeted and stratified cultivation of gifted students. It has formed business systems such as comprehensive evaluation services for strong foundation of prestigious schools, and academic planning for New Gaokao\* (新高考). We have accumulatively served tens of thousands of gifted students from nearly 1,000 high schools across the PRC and many of them enter “double first-class” universities such as Tsinghua University and Peking University.

As at 30 June 2023, Peijian New Gaokao\* (新高考) Business has served 31 high schools/projects, and has reached cooperation with more than 100 schools in more than 20 provinces across the PRC, providing planning and tutoring to nearly 2,500 students across the PRC. The regional markets in Hebei Province and Shandong Province have been expanded.

#### *1.3.2.3 Kindergarten business improved steadily*

Leveraging on a good local reputation and brand image, Saintach Kindergartens improved its business steadily and continued to contribute to the Group's income and profit. The overall student enrollment in the first half of 2023 was good, and the number of students enrolled in the kindergartens further increased, with the student enrollment for 2022-2023 school year reaching 1,895 (2021-2022 school year: 1,834), which has been increasing for four consecutive years, and reached a record high. Following the renovation of some kindergartens and the introduction of specialized equipment and courses to enhance the characteristics of running kindergartens, the tuition and boarding fees (保教費) have been increased simultaneously.

## 1.4 Our Technological Empowerment

We persist in promoting digital construction, and building software platforms such as Digital Management Billboards (數字化經營看板), C-end Charging Center (C端收費中台) and “Sousou Smart School (「嗖嗖智校」)”. We developed digital platforms in multiple perspectives and scenarios, including internal operation and management as well as external cooperation, to enhance the overall management levels of the school campus and the Group’s overall operational efficiency through technological empowerment. As an integrated platform for employment, entrepreneurship, management and services, Tianze Talent (天擇人才) Platform is able to make overall plans and carry out employment and entrepreneurship education focusing on positions in industries where there is a shortage of high skilled talents (such as production, manufacturing and the internet), aiming to promote the transformation and upgrading of the talent training models. At present, there are over 1,000 registered enterprises on our platform, offering over 20,000 employment opportunities for graduates, opening up the talent supply and demand channels for students’ employment with enterprises.

## 1.5 Our Licenses and Honors

As at 30 June 2023, the Company has completed the 2022 annual examination and verification of the licenses, permits, approvals and certificates necessary to conduct our business in all material aspects from the relevant government authorities in the PRC as scheduled, which have remained in full effect.

On 4 January 2023, the Company was awarded the “2022 Royal Flush Enterprise Annual Award – Investment Pioneer Award (「同花順企業號2022年度榜單 – 投關先鋒獎」)”. The award is based on the comprehensive evaluation of the listed company’s multi-dimensional data such as account attention, article data, individual stocks and topic popularity, daily operation, and research and investment activities on the Royal Flush platform, which is a full affirmation from the general investors and all parties involved in the capital market for the Company’s serious fulfillment of its duties, standardized operation and emphasis on investor relations management.

On 27 May 2023, the Company won the “2023 (Industry) Most Valuable Brand for Investment (2023年度(行業)最具投資價值品牌)” award at the 2023 (Seventh) China Brand Boao Summit jointly organized by China Enterprise Network and The Enterprise Observer. The Company was recognized for its leading industry influence in the field of vocational education as well as its high-quality brand development.

## 1.6 Stakeholder Communication

Since our listing, we have always attached great importance to investor relations management, adhered to the core values of “Honesty (誠實), Responsibility (擔當), Cooperation (合作) and Innovation (創新)”, listened attentively to the opinions from various parties, disclosed the latest development of the Company in a timely and accurate manner, and demonstrated a transparent and efficient corporate governance. We proactively communicate and meet with stakeholders, analysts and fund managers online and offline through multiple channels, platforms and methods to strengthen our connection with the capital market and investors.

Through channels such as the Company’s official website, new media platforms, telephone, facsimile and e-mail, we make use of “HKEXnews” website of the Stock Exchange and other network infrastructure platforms to share contents such as the Company’s dynamics, policy foresight, industry insights on a regular basis by adopting the methods of Shareholders’ general meetings, investor presentations, online and offline roadshows, analysts’ meetings, reception of visitors and seminars, etc., with the aim at maintaining good interaction with the capital market to create conditions for continuously enhancing stakeholders’ understanding, recognition and trust of the Company’s investment value.

## 2. MARKET REVIEW AND NEW REGULATIONS

On 5 March 2023, the government work report at the First Session of the 14th National People’s Congress highlighted and enhanced the expected development goals related to the promotion of fairness and quality enhancement in education, including: (1) to reduce the burden on students in the stage of compulsory education; (2) to insist that compulsory education shall be implemented by the State, and to guide and regulate the development of private education; (3) to enhance the adaptability of vocational education, and to continue to improve the conditions for running vocational institutions; (4) to continue increase their efforts to prioritize admissions for the central and western regions as well as rural areas in terms of colleges enrollment; and (5) to promote quality and balanced development of compulsory education and urban-rural integration, vigorously develop vocational education, promote innovation in higher education.

On 13 March 2023, Hebei Education Department, Hebei Provincial Department of Human Resources and Social Security and Hebei Provincial Development and Reform Commission jointly issued the Notice on Further Improving the Work of Vocational Schools' Through-Training Mode (《關於進一步完善職業學校貫通培養模式工作的通知》). The notice proposes to deepen the supply-side reform of vocational education in Hebei Province, and promote the healthy development of through-training modes such as “3+2”, “3+4”, “5-year consistent system (5年一貫制)” and “2+2+2”. It is required that the specialties involved in through-training between secondary vocational schools and joint-run colleges must be highly compatible with the needs of economic, social and industrial development, and must be closely aligned with the needs of strategic emerging industries and key development industries in Hebei Province, or must be the specialties in the fields of urgent need for industrial development and shortage of people's livelihood. The specialties of arts are limited to those in the direction of production of cultural or handicraft products, and performance of traditional ethnic arts.

On 12 April 2023, the Ministry of Education and the Ministry of Finance issued the “Notice on Issuing the Budget for Funding the Quality Improvement Plan of Modern Vocational Education in 2023 (《關於下達2023年現代職業教育質量提升計劃資金預算的通知》)”. The notice requires local finance departments to attach great importance to the work of financial investment in vocational education, optimize the structure of education expenditure, implement the requirement of tilting new education funds to vocational education, improve the system of raising funds for vocational education through multiple channels, and raise more funds for the development of vocational education. The funds for the improvement plan focus on supporting localities to implement the per-student appropriation system for vocational schools, exploring the establishment of a differentiated per-student appropriation system based on major categories of specialties, gradually raising the level of per-student funding, and improving the conditions for running vocational schools. The notice also requires to promote vocational schools' quality enhancement and excellence, industry-education integration, and school-enterprise cooperation.

On 18 April 2023, the General Office of the Ministry of Education issued the “Notice on Carrying Out the Establishment of Municipal Industry-Education Consortium (《關於開展市域產教聯合體建設的通知》)”, which requires that the resources for industry and education shall be relatively clustered, and that the total output value of the industrial parks that the consortium relies on shall be at the forefront of the province. Leading enterprises have been deeply involved in all aspects of vocational schools' professional planning, talent cultivation standards, development of teaching curriculum, and construction of teaching staff teams, and have achieved practical results. The consortium provides consulting and service to enterprises in the park, solves actual production problems of enterprises, formulates training plans, and coordinates training resources and needs. About 50 consortiums will be established by the end of 2023, about 50 more consortiums will be established by the end of 2024, and a total of about 150 consortiums will be established by 2025.

On 13 June 2023, the National Development and Reform Commission and other departments issued the “Implementation Plan for the Enhancement of Empowerment Initiatives for Industry-education Integration in Vocational Education (2023-2025) (《職業教育產教融合賦能提升行動實施方案(2023-2025年)》)”, with the aim of integrating and promoting the coordinated development of education and industry, innovating and building platforms and carriers for industry-education integration, successively advancing the pilot projects for the construction of industry-education integration, and perfecting and implementing the combined incentives and empowerment policy system, so as to further lead industry-education integration to make deepen reforms. The plan points out that by 2025, there will be about 50 pilot cities for industry-education integration in the PRC. With giving full play to the breakthrough and leading role of pilot cities, more than 10,000 enterprises for industry-education integration will be established and cultivated nationwide. A development pattern of integrated integration and benign interaction between education and industry will be gradually formed after improving and perfecting the system of enterprises for industry-education integration and the combined incentive policy system, a steady increase in investment in vocational education from various funding channels, and better integrating industrial needs into the entire cultivation process of talent development. The plan also proposes five key tasks and 19 policy measures, including: lay a solid foundation for the development of vocational colleges; construct practical training bases for industry-education integration, and increase the support for practical training bases; deepen school-enterprise cooperation for industry-education integration, enrich the form of running schools, and optimize the cooperation model; and improve the combination of incentives and support measures.

### **3. FUTURE PROSPECTS**

As a comprehensive private education service provider, we have been adhering to the corporate mission of “creating equality by education”. With a focus on integrating quality education resources, we aim to lay out a diversified education industry pattern, expand from vocational education services to industry-education integration services, and become a full-cycle professional talent service provider covering from “Education” to “Employment” through the upgrading of the core growth model of vocational education, and at the same time, to provide our customers with more friendly and convenient education services to promote a balanced social development and to provide warm education service.

We have been actively responding to national policies to establish a diversified education industry pattern with the development of new vocational education as our main line, and adhere to the dual-wheel mode of “internal construction + external mergers and acquisitions” for driving the business development of the Group:

1. Continuously focus on internal construction. We will adhere to high-quality connotative development, expand the scale of running schools, improve the conditions and quality of running colleges and universities, and promote the construction of characteristic colleges and universities. We will also expand the new development pattern of industry-education integration through the internal construction layout of school-enterprise cooperation and government-enterprise cooperation. At the same time, centering on the development of local industries, we aim to realize the synergy and complementarity between vocational education and regional economy, and serve the regional economic and social development.
2. Actively expand external mergers and acquisitions. We will continue to focus on and expand investment and merger and acquisition opportunities in the fields of vocational education and industry-education integration in order to obtain better development space and quality in the field of vocational education. In addition, we will continue to extend our service boundaries, explore the schools-running model of integrating vocational education with general education, and build diversified channels and systems for further education based on the existing experience and achievements in running schools, so as to deeply integrate and develop synergistically with the existing businesses of the Group.

In the future, while consolidating our business development, we will intensify our brand building efforts to establish a unique and influential education brand with school-running characteristics, and continue to expand the scale of operating schools, enhance the ability of sustainable development, with aiming to creating higher value for our Shareholders and the society.

## **4. FINANCIAL REVIEW**

### **4.1 Revenue**

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

Revenue increased by approximately 32.6% from approximately RMB144.8 million for the six months ended 30 June 2022 to approximately RMB192.1 million for the six months ended 30 June 2023. The increase in revenue was mainly due to the increase in revenue of approximately RMB16.1 million as a result of the increase in student enrollment of Shijiazhuang Institute of Technology and an increase in revenue of approximately RMB29.9 million from new ordinary high school business, etc..

### **4.2 Cost of Sales**

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

Cost of sales increased by approximately 58.8% from approximately RMB73.0 million for the six months ended 30 June 2022 to approximately RMB115.9 million for the six months ended 30 June 2023, mainly due to the cost from new ordinary high school business of approximately RMB26.8 million and the increase in teaching costs of approximately RMB10.8 million as a result of the increase in the number of students of Shijiazhuang Institute of Technology.

### **4.3 Gross Profit and Gross Profit Margin**

The amount of gross profit increased by approximately 6.1% from RMB71.8 million for the six months ended 30 June 2022 to RMB76.2 million for the six months ended 30 June 2023; and the gross profit margin decreased from approximately 49.6% for the six months ended 30 June 2022 to approximately 39.7% for the six months ended 30 June 2023, which was mainly due to the increase in gross profit due to the increase in revenue of Shijiazhuang Institute of Technology and the new ordinary high school business, but the overall gross profit margin decreased due to the low gross profit margin of the ordinary high school business.

### **4.4 Other Income and Gains**

Other income and gains consisted of (1) gains on investments; (2) assets and equipment contributed by enterprises jointly offering featured majors at nil consideration; and (3) increase in fair value changes.

Other income and gains increased by approximately 14.0% from approximately RMB19.4 million for the six months ended 30 June 2022 to approximately RMB22.2 million for the six months ended 30 June 2023, mainly due to (1) increase in fair value gain on a listed equity investment; and (2) increase in assets and equipment contributed by enterprises jointly offering featured majors of Shijiazhuang Institute of Technology at nil consideration.

#### **4.5 Selling Expenses**

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

Selling expenses increased by approximately 87.1% from approximately RMB4.4 million for the six months ended 30 June 2022 to approximately RMB8.2 million for the six months ended 30 June 2023, mainly due to the increase in costs of promotion for students enrollment.

#### **4.6 Administrative Expenses**

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

Administrative expenses increased by approximately 16.0% from approximately RMB30.1 million for the six months ended 30 June 2022 to approximately RMB34.9 million for the six months ended 30 June 2023, mainly due to the addition of rental expenses for office premises and the increase in administrative expenses for the acquisition of ordinary high school business during the year.

#### **4.7 Other Expenses**

Other expenses mainly consisted of (1) exchange loss; and (2) expenses related to losses arising from the disposal of various fixed assets.

Other expenses decreased by approximately 45.8% from approximately RMB12.5 million for the six months ended 30 June 2022 to approximately RMB6.8 million for the six months ended 30 June 2023, mainly due to (1) a decrease in foreign exchange loss; and (2) a decrease in loss on change in fair value of a listed equity investment.

#### **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 decreased by approximately 4.1% from approximately RMB16.5 million for the six months ended 30 June 2022 to approximately RMB15.8 million for the six months ended 30 June 2023, mainly due to the increase in borrowings from financial institutions to support the Group's business expansion plan, and the increase in borrowings from financial institutions was specifically used for the construction of the new campus, which led to the capitalization of interest on the borrowings, resulting in a decrease in the expensed finance costs.

## **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 increased by approximately 23.1% from approximately RMB27.1 million for the six months ended 30 June 2022 to approximately RMB33.4 million for the six months ended 30 June 2023.

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

As at 30 June 2023, net current liabilities of the Group were approximately RMB41.5 million.

As at 30 June 2023, current assets increased from approximately RMB503.3 million as at 31 December 2022 to approximately RMB612.8 million. The increase in current assets was mainly due to the increase in prepayments, deposits and other receivables and the increase in pledged deposits.

As at 30 June 2023, current liabilities increased from approximately RMB559.6 million as at 31 December 2022 to approximately RMB654.3 million. The increase in current liabilities was mainly due to the increase in short-term interest-bearing bank and other borrowings, which was offset by the decrease in contract liabilities as a result of the recognition of revenue from tuition and boarding fees.

The net current liabilities generated were mainly due to the substantial capital expenditure incurred for the construction of the new campus of Shijiazhuang Institute of Technology during the year ended 31 December 2022 and the Reporting Period. In view of the net current liabilities position, the Group has carefully considered the future operating performance, the available financial resources and future cash flow position to improve the net current liabilities position through foreseeable measures such as (1) increase in student numbers; (2) net cash flow from operating activities and available credit of bank borrowings; and (3) favorable profitability.

As at 30 June 2023, the current ratio (current assets divided by current liabilities) rose to 93.7% from 89.9% as at 31 December 2022. The rise in current ratio was mainly due to the increase in current assets such as other receivables and pledged deposits being greater than the increase in current liabilities such as short-term interest-bearing bank and other borrowings.

In order to manage the liquidity risk, the Company monitored and maintained a sufficient level of cash and cash equivalents, which 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 hedging purposes for the six months ended 30 June 2023.

The Group's interest-bearing bank and other borrowings mainly comprise short-term working capital to supplement working capital and finance the Group's expenditure and long-term project loans for the Group's construction of school buildings and facilities. As at 30 June 2023, interest-bearing bank and other borrowings amounted to approximately RMB892.9 million, with repayment terms within five years. All are denominated in RMB, USD and HKD that bear interest at fixed rates. As at 30 June 2023, the Group's interest-bearing bank and other borrowings bore interest at an effective interest rate ranging from 4.3% to 10.44% per annum.

#### **4.12 Gearing Ratio**

As at 30 June 2023, the gearing ratio (calculated by total liabilities divided by total assets) was approximately 65.1%, representing an increase of approximately 2.2 percentage points from approximately 62.9% as at 31 December 2022, due to an increase in the total amount of interest-bearing bank loans and other borrowings.

#### **4.13 Future Plans for Material Investment or Capital Assets**

Save as disclosed in this announcement, the Company has no current plans to acquire any material investment or capital assets other than in the Group's ordinary business of provision of private education service.

#### **4.14 Significant Investments Held, Major Acquisitions and Disposals**

For the six months ended 30 June 2023, 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 2023, 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 2022: nil).

#### **4.16 Foreign Exchange Risk**

Most gains and expenses of the Company were denominated in Renminbi. As at 30 June 2023, certain bank balances were denominated in HKD 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**

As at 30 June 2023, the Group pledged bank deposits of RMB176.0 million (as at 31 December 2022: RMB176.0 million) for obtaining two bank facilities, of which RMB110.0 million (as at 31 December 2022: RMB110.0 million) was unutilised as at 30 June 2023.

#### **4.18 Human Resources**

As at 30 June 2023, the Group had approximately 1,374 employees (as at 30 June 2022: 1,273 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.

#### **4.19 Events after the Reporting Period**

On 21 August 2023, Shijiazhuang Zerui and Shijiazhuang Chunjin Construction Engineering Co.\* (石家莊春錦建設工程有限公司) entered into the Supplemental General Construction Contract for Outdoor Electric Laying Engineering of Shijiazhuang Institute of Technology. On the same day, Shijiazhuang Zerui and Hebei Yingtuo Construction Engineering Co.\* (河北盈拓建築工程有限公司) entered into Supplemental General Construction Contract for Landscape Paving Engineering of Shijiazhuang Institute of Technology. For further details, please refer to the announcement of the Company dated 21 August 2023.

As at the date of this announcement, the construction work of Phase I and Phase II of the new campus of Shijiazhuang Institute of Technology is in progress, and the delivery is expected to be in early September 2023.

Saved as disclosed in this announcement, there were no material events undertaken by the Group subsequent to 30 June 2023 and up to the date of this announcement.

### **OTHER INFORMATION**

#### **1. CORPORATE GOVERNANCE PRACTICES**

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

For the six months ended 30 June 2023, the Company has complied with all the applicable code provisions under part 2 of 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 2023.

### **3. INTERIM DIVIDEND**

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2023.

### **4. AUDIT COMMITTEE**

As at 30 June 2023, the Audit Committee of the Company (the “**Audit Committee**”) comprised three independent non-executive Directors, namely Mr. Yao Zhijun (chairman), Mr. Guo Litian and Mr. Wan Joseph Jason.

The Audit Committee has adopted the terms of reference which are in line with the CG Code. The primary duties of the Audit Committee include reviewing and monitoring the financial control, risk management and internal control systems and procedures of the Group, reviewing the financial information of the Group, and reviewing the relationship with the external auditor of the Company. The unaudited condensed interim results of the Group for the six months ended 30 June 2023 have been reviewed by the Audit Committee.

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

For the six months ended 30 June 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

### **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of the Company at [www.21centuryedu.com](http://www.21centuryedu.com), respectively. The interim report of the Group for the six months ended 30 June 2023 containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the above websites in due course.

## DEFINITIONS

In this announcement, 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
“Company”	China 21st Century Education Group Limited (中國21世紀教育集團有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on 20 September 2016, the Shares of which 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 subdivisions (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
“Hangzhou Yimai”	Hangzhou Yimai Enterprise Management Consulting Co., Ltd.* (杭州一脈企業管理諮詢有限責任公司), a limited liability company established under the laws of the PRC on 16 May 2018, as to 70% was controlled by Shijiazhuang Saintach as at the date of this announcement, and one of the Company’s PRC Operating Entities
“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
“HKD” or “HK\$”	Hong Kong dollars, 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, supplemented or otherwise modified from time to time
“Mr. Li”	Mr. Li Yunong (李雨濃), the controlling shareholder of the Company
“Zhejiang Peijian”	Zhejiang Peijian Technology Co., Ltd.* (浙江培尖科技有限公司), a limited liability company established under the laws of the PRC on 29 December 2017 and controlled by Zerui Education as to 51% as at the date of this announcement, and one of the Company’s PRC Operating Entities
“Peijian New Gaokao* (新高考) Business”	college entrance examination channel services business conducted through Zhejiang Peijian
“PRC” or “China”	the People’s Republic of China, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administration Region of the PRC and Taiwan
“PRC Operating Entity(ies)”	Zerui Education, Shijiazhuang Institute of Technology, Shijiazhuang Yuying Experimental High School* (石家莊育英實驗中學), Hebei Saintach, Shijiazhuang Saintach, Saintach Kindergarten(s), Hangzhou Yimai and Zhejiang Peijian
“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
“Saintach Kindergartens” or “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 Company’s 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 full-time regular higher school 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 announcement, and one of the Company’s 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 announcement, and one of the Company’s PRC Operating Entities
“Shijiazhuang Zerui”	Shijiazhuang Zerui Education and Technology Co., Ltd.* (石家莊澤瑞教育科技有限公司), a company established under the laws of the PRC with limited liability on 2 July 2021, which is wholly owned by Zerui Education as at the date of this announcement, and one of the Company’s PRC Operating Entities
“Sifang College”	Sifang College of Shijiazhuang Tiedao University* (石家莊鐵道大學四方學院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Zerui Education” Hebei Zerui Education Technology Co., Ltd.\* (河北澤瑞教育科技有限責任公司), a limited liability company established under the laws of the PRC on 12 July 2017, which was owned as to 80.625% by Mr. Li and 19.375% by Ms. Luo Xinlan as at the date of this announcement, and one of the Company’s PRC Operating Entities

“%” per cent

\* *For identification purposes only*

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

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

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

Hong Kong, 31 August 2023

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