



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



	2022	2021	2020	2019
Revenue	1,000,000,000	950,000,000	900,000,000	850,000,000
Operating Profit	150,000,000	140,000,000	130,000,000	120,000,000
Net Profit	100,000,000	95,000,000	90,000,000	85,000,000
Basic EPS	0.10	0.095	0.09	0.085
Diluted EPS	0.09	0.085	0.08	0.075
Dividend	0.05	0.05	0.05	0.05





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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 12 physical schools, including 1 private college under vocational education segment (Shijiazhuang Institute of Technology); 1 ordinary high school (Shijiazhuang Yuying Experimental High School* (石家莊育英實驗中學)), 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).

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 2023, the Group had a total of 23,423 full-time students, and has recruited a total of 792 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)¹
Ms. Liu Hongwei (劉宏煒)
Mr. Ren Caiyin (任彩銀)
Ms. Yang Li (楊莉)

1.2 Non-executive Director

Mr. Li Yasheng (李亞晟)(chairman)²

1.3 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 Yasheng (李亞晟)
(chairman)³
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)
Mr. Leung Chi Kit (梁志傑)

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

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

15. COMPANY WEBSITE

www.21centuryedu.com

16. STOCK CODE

1598

Notes:

¹ Retired on 30 June 2023

² Redesignated from Executive Director to Non-executive Director on 30 June 2023

³ Appointed on 30 June 2023

III. FINANCIAL AND OPERATING HIGHLIGHTS

1. COMPARISON OF KEY FINANCIAL DATA

	For the six months ended 30 June			
	2023 (RMB'000)	2022 (RMB'000)	Changes	Percentage of changes
Revenue	192,102	144,822	47,280	32.6%
Cost of sales	(115,908)	(72,975)	(42,933)	58.8%
Gross profit	76,194	71,847	4,347	6.1%
Gross profit margin	39.7%	49.6%	(9.9%)	(20.0%)
Profit before tax	33,003	27,122	5,881	21.7%
EBITDA	91,414	66,650	24,764	37.2%
Profit for the period	33,367	27,103	6,264	23.1%
Basic earnings per Share (RMB cents)	2.94	2.37	0.57	24.1%

2. SUMMARY OPERATING DATA

	2022 to 2023	2021 to 2022	Changes	Percentage of changes
Total number of full-time students ^①	23,423	18,704	4,719	25.2%
Student capacity ^②	131.5%	110.5%	21.0%	19.0%
Student retention rate ^③	98.7%	93.3%	5.4%	5.8%
Total number of teachers ^④	792	598	194	32.4%

Notes:

- ^① Full-time includes junior college students and secondary school students in Shijiazhuang Institute of Technology, full-time high school students in Shijiazhuang Yuying Experimental High School* (石家莊育英實驗中學) and students in kindergartens.
- ^② It refers to the capacity of full-time students. The student capacity of Shijiazhuang Institute of Technology as at 30 June 2023 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.
- ^③ Retention rate of full-time students.
- ^④ It refers to full-time teachers.

IV. 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).

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

IV. MANAGEMENT DISCUSSION AND ANALYSIS

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:

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

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
Vocational education		
Junior college courses	RMB8,800 to RMB17,000 per school year	RMB8,800 to RMB13,000 per school year
Secondary college courses	RMB9,360 per school year	RMB7,200 per school year

IV. MANAGEMENT DISCUSSION AND ANALYSIS

Average revenue ^①	For the six months ended 30 June			
	2023 RMB	2022 RMB	Changes RMB	Percentage of changes
Vocational education	4,763	4,520	243	5.4%
Including: Junior college	4,880	4,766	114	2.4%
Secondary college	4,035	3,451	584	16.9%
Non-vocational education				
Including: Ordinary high school ^②	9,137	–	9,137	100.0%
Kindergartens	10,625	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%:

Employment rate ^①	30 June 2023	30 June 2022	Changes	Percentage of changes
Vocational education	96.7%	96.6%	0.1%	0.1%

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.

IV. MANAGEMENT DISCUSSION AND ANALYSIS

1.2.5 Our teachers

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

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 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.

IV. MANAGEMENT DISCUSSION AND ANALYSIS

- **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.

IV. MANAGEMENT DISCUSSION AND ANALYSIS

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.

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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 create 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.

IV. MANAGEMENT DISCUSSION AND ANALYSIS

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.

IV. MANAGEMENT DISCUSSION AND ANALYSIS

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 denominated in RMB, HKD and USD, 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 report, 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.

As at 30 June 2023, the Group had contracted but not provided for capital commitments of RMB59.7 million (as at 31 December 2022: RMB116.5 million), while the Group did not have any authorised but not contracted for capital commitments (as at 31 December 2022: nil).

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 RMB. As at 30 June 2023, certain bank balances were denominated in HKD or USD. 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 (the "Announcement").

As at the date of the 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 the Announcement, there were no material events undertaken by the Group subsequent to 30 June 2023 and up to the date of this report.

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 2023, the Board consisted of 7 Directors, including 3 executive Directors, 1 non-executive Director 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 Yasheng	Chairman of the Board and non-executive Director	formulating the overall development strategy of the Group, and be responsible for resources integration and guiding the Group's development in the capital market	nil
Ms. Liu Hongwei	Chief executive officer and executive Director	Overall operation, development strategy and daily management of the Group	nil
Mr. Ren Caiyin	Executive Director	Research on marketing strategies of the Group	nil
Ms. Yang Li	Executive Director	Research on marketing strategies of the Group	nil
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

IV. MANAGEMENT DISCUSSION AND ANALYSIS

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 high school and New Gaokao* (新高考) 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
Ms. Li Xingli	Assistant to the president and president of the college and supply chain segment	Overall operation and daily management of the vocational education of the Group
Mr. Yang Yang	Joint company secretary and assistant to the president	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

5.3 Changes in directors and senior management

Mr. Li Yunong retired as an executive Director of the Company and ceased to be the chairman of the Board and the chairman of the nomination committee of the Board on 30 June 2023. Mr. Li Yasheng was re-designated from an executive Director to a non-executive Director of the Company, and was appointed as the chairman of the Board and the chairman of the nomination committee of the Board on 30 June 2023. For further details, please refer to the announcement of the Company dated 12 June 2023.

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 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 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 (for the six months ended 30 June 2022: nil).

4. AUDIT COMMITTEE

As at 30 June 2023, 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. CHANGES IN DIRECTOR’S INFORMATION

Since the issue of the 2022 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

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.

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

As at 30 June 2023, 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 ⁽⁶⁾	Approximate percentage of shareholding ⁽⁷⁾
Mr. Li Yunong ⁽¹⁾ (Retired on 30 June 2023)	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)	888,000(L)	0.08%
Ms. Liu Hongwei ⁽²⁾	Beneficial owner	2,061,000(L)	0.18%
	Beneficial owner	666,000(L)	0.06%
	Beneficiary of a trust (other than a discretionary interest)	888,000(L)	0.08%
Mr. Ren Caiyin ⁽³⁾	Beneficial owner	951,000(L)	0.08%
	Beneficial owner	887,400(L)	0.08%
	Beneficiary of a trust (other than a discretionary interest)	591,600(L)	0.05%
Ms. Yang Li ⁽⁴⁾	Beneficial owner	951,000(L)	0.08%
	Beneficial owner	443,700(L)	0.04%
	Beneficiary of a trust (other than a discretionary interest)	591,600(L)	0.05%
Mr. Li Yasheng ⁽⁵⁾	Beneficial owner	633,000(L)	0.05%
	Beneficial owner	296,100(L)	0.03%
	Beneficiary of a trust (other than a discretionary interest)	394,000(L)	0.03%
	Interest in a controlled corporation	92,736,000(L)	7.99%

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 to 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). On 29 December 2020, 2,220,000 award shares were granted to Mr. Li Yunong pursuant to the Share Award Plan, of which (i) 666,000 award shares had vested on 29 December 2021; (ii) 666,000 award shares had lapsed on 29 December 2022 as they were not exercised; and (iii) 888,000 award shares were unvested. For details, please refer to the announcement of the Company dated 29 December 2020.

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- (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 (i) 666,000 award shares had vested on 29 December 2021; (ii) 666,000 award shares had lapsed on 29 December 2022 as they were not exercised; and (iii) 888,000 award shares were unvested.
- (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 (i) 443,700 award shares had vested on 29 December 2021; (ii) 443,700 award shares had vested on 29 December 2022; and (iii) 591,600 award shares were unvested.
- (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 (i) 443,700 award shares had vested on 29 December 2021; (ii) 443,700 award shares had lapsed on 29 December 2022 as they were not exercised; and (iii) 591,600 award shares were unvested.
- (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 (i) 296,100 award shares had vested on 29 December 2021; (ii) 296,100 award shares had lapsed on 29 December 2022 as they were not exercised; (iii) 394,800 award shares were unvested; and (iv) Mr. Li Yasheng 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..
- (6) The letter (L) denotes a long position in such securities.
- (7) As at 30 June 2023, the number of the issued shares of the Company was 1,161,204,000 Shares.

Save as disclosed above, as at 30 June 2023, 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 2023, 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.

8. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as the Directors are aware, as at 30 June 2023, 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 ⁽³⁾	Approximate percentage of shareholding ⁽⁴⁾
Ms. Cao Yang ⁽²⁾	Spouse interest	758,046,000(L)	65.28%
Sainange Holdings	Beneficial owner	754,590,000(L)	64.98%
Leonus ⁽¹⁾	Interest in a controlled corporation	754,590,000(L)	64.98%
HSBC International Trustee Limited ⁽¹⁾	Trustee	754,590,000(L)	64.98%
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. 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 758,046,000 Shares.
- (3) The letter (L) denotes a long position in such securities.
- (4) As at 30 June 2023, the number of the issued shares of the Company was 1,161,204,000 Shares.

Save as disclosed above, as at 30 June 2023, 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.

9. 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. The purpose of the Share Option Scheme is to give the eligible persons 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, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

Maximum Number of Shares

The maximum number of Shares which may be issued upon exercise of all share options (“**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.

The number of options available for grant under the Share Option Scheme was 104,163,000 as at 1 January 2023 and 104,163,000 as at 30 June 2023. As at 30 June 2023, the total number of Shares which had been granted and remained outstanding under the Share Option Scheme was 13,779,000 Shares, representing approximately 1.19% of the Shares in issue as at the date of this interim report. As at 30 June 2023, the total number of Shares available for issue under the Share Option Scheme was 112,752,000 Shares, representing approximately 9.71% of the Shares in issue as at the date of this interim report.

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 2023 and the Options outstanding during the period:

Name of grantee	Date of grant	Number of Options					Share price immediately prior to the date of grant (HK\$ per Share)	Exercise price per Share (HK\$)	Fair value of Options (HK\$ per Share)	Exercise period	
		Outstanding as at 1 January 2023	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled/ forfeited during the period					Outstanding as at 30 June 2023
Directors											
Mr. Li Yunong (Chairman of the Board and executive Director) (Note 2)	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 Caijin (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) (Note 3)	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	2,217,000 (Note 1)	-	-	-	-	2,217,000 (Note 1)	0.630	0.620	(Note 1)	5 November 2020 to 4 November 2030
Total for consultants (Note 5)	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 4)	5 November 2020	1,743,000 (Note 1)	-	-	-	-	1,743,000 (Note 1)	0.630	0.620	(Note 1)	5 November 2020 to 4 November 2030
Total		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. From 10 April 2023 to present, Ms. Liu Tianhang is currently a general manager of the Company's subsidiaries.
- (2) Mr. Li Yunong retired as an executive Director and the chairman of the Board with effect from 30 June 2023.

- (3) Mr. Li Yasheng was re-designated as a non-executive Director and appointed as the chairman of the Board with effect from 30 June 2023.
- (4) Mr. Liu Zhanjie was an executive Director and vice chairman of the Board from 29 May 2018 (Listing Date) to 31 March 2021. Mr. Liu Zhanjie is currently a director of the Company's subsidiaries. From 10 April 2023 to present, Ms. Liu Tianhang is currently a general manager of the Company's subsidiaries.
- (5) 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.

10. SHARE AWARD PLAN

A share award scheme (the "**Share Award Plan**") was adopted by the Board on 14 October 2020 (the "**Adoption Date**"). The purposes of the Share Award Plan are to recognize and reward the contribution of eligible participants to the growth and development of the Group, to give incentives to eligible participants 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.

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.

As at the date of this report, the remaining number of Shares which may be purchased by the Trustee pursuant to the Share Award Plan was 88,722,600 Shares, representing approximately 7.64% of the issued shares of the Company as at the date of this report. As at 1 January 2023 and 30 June 2023, the total number of Shares available for being further awarded under the Share Award Plan was 89,001,600 Shares and 89,001,600 Shares, respectively, accounting for approximately 7.66% of the issued Shares as at the date of this interim report. For the six months ended 30 June 2023, there were no Awarded Shares granted, vested or lapsed pursuant to the Share Award Plan. As at 30 June 2023, the total number of Shares that may be issued in respect of awards granted under the Share Award Plan was 9,511,200 Shares, representing approximately 0.82% of the weighted average number of Shares in issue for the six months ended 30 June 2023.

V. CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

Movements of the Award Shares granted to the Eligible Participants under the Share Award Plan during the six months ended 30 June 2023 are as follows:

Name of awardee	Date of grant	Grant price payable per Award Share		Number of Award Share	Vesting period ⁽²⁾	Number of Award Shares				
		(HK\$) ⁽¹⁾				Granted but unvested as at 1 January 2023	Granted but unvested during the period	Vested during the period	Lapsed during the period	Cancelled during the period
Directors										
Mr. Li Yunong (Retired on 30 June 2023) ⁽³⁾	29 December 2020	0.243	2,220,000	29 December 2021 to 29 December 2023	888,000	-	-	-	-	888,000
Ms. Liu Hongwei	29 December 2020	0.243	2,220,000	29 December 2021 to 29 December 2023	888,000	-	-	-	-	888,000
Mr. Ren Caiyin	29 December 2020	0.243	1,479,000	29 December 2021 to 29 December 2023	591,600	-	-	-	-	591,600
Ms. Yang Li	29 December 2020	0.243	1,479,000	29 December 2021 to 29 December 2023	591,600	-	-	-	-	591,600
Mr. Li Yasheng ⁽⁴⁾	29 December 2020	0.243	987,000	29 December 2021 to 29 December 2023	394,800	-	-	-	-	394,800
Employees	29 December 2020	0.243	16,131,000	29 December 2021 to 29 December 2023	4,875,600	-	-	-	-	4,875,600
Connected person⁽⁵⁾	29 December 2020	0.243	2,712,000	29 December 2021 to 29 December 2023	1,084,800	-	-	-	-	1,084,800
One highest paid employee (excluding Directors)⁽⁶⁾	29 December 2020	0.243	492,000	29 December 2021 to 29 December 2023	196,800	-	-	-	-	196,800
Total			27,720,000		9,511,200	-	-	-	-	9,511,200

Notes:

- (1) The grant price shall be payable upon the vesting of the relevant Award Shares.
- (2) 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.
- (3) Mr. Li Yunong retired as an executive Director and the chairman of the Board with effect from 30 June 2023.
- (4) Mr. Li Yasheng is the son of Mr. Li Yunong.
- (5) Mr. Liu Zhanjie was an executive Director and vice chairman of the Board from 29 May 2018 (Listing Date) to 31 March 2021. Mr. Liu Zhanjie is currently a director of the Company's subsidiaries. From 10 April 2023 to present, Ms. Liu Tianhang is currently a general manager of the Company's subsidiaries.
- (6) The Award Shares were granted to two (out of five) of the highest paid employees. One of the five highest paid employees was the Directors, whose interest in the Award Shares is disclosed under the "Directors" section of the above table.

11. 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.

12. STRUCTURED CONTRACTS

Please refer to the section headed "Structured Contracts" in the Prospectus for details. For the six months ended 30 June 2023, 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 2023.

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.

13. DIRECTORS' INTERESTS IN COMPETITIVE BUSINESS

For the six months ended 30 June 2023, 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 2023

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
REVENUE	4	192,102	144,822
Cost of sales		(115,908)	(72,975)
Gross profit		76,194	71,847
Other income and gains	4	22,153	19,425
Selling expenses		(8,176)	(4,370)
Administrative expenses		(34,886)	(30,082)
Impairment losses on financial and contract assets		341	(663)
Other expenses		(6,783)	(12,522)
Finance costs	5	(15,840)	(16,513)
PROFIT BEFORE TAX	6	33,003	27,122
Income tax expense	7	364	(19)
PROFIT FOR THE PERIOD		33,367	27,103
Attributable to:			
Owners of the Company		33,600	26,891
Non-controlling interests		(233)	212
		33,367	27,103
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic and diluted – For profit for the period		RMB2.94cents	RMB2.37cents
PROFIT FOR THE PERIOD		33,367	27,103
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of financial statements of group entities		6,241	9,821
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		6,241	9,821
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		39,608	36,924
Attributable to:			
Owners of the Company		39,841	36,712
Non-controlling interests		(233)	212
		39,608	36,924

VII. UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	807,227	641,915
Right-of-use assets		569,350	533,517
Goodwill		89,507	89,507
Other intangible assets		42,817	45,770
Advances made to a related party	19(b)	1,220	–
Financial asset at fair value through profit or loss	11	1,075	1,041
Pledged deposits		–	66,000
Deferred tax assets		8,067	8,475
Other non-current assets	12	40,514	65,953
Total non-current assets		1,559,777	1,452,178
CURRENT ASSETS			
Trade receivables	13	12,611	11,590
Contract costs		5,799	4,059
Prepayments, deposits and other receivables	14	109,830	45,428
Amounts due from related parties	19(b)	2,644	12,787
Financial assets at fair value through profit or loss	11	6,712	5,449
Term deposits		90,000	90,000
Pledged deposits		176,000	110,000
Cash and bank balances		160,070	212,583
Other current assets	12	49,089	11,388
Total current assets		612,755	503,284
CURRENT LIABILITIES			
Other payables and accruals		163,940	147,405
Interest-bearing bank and other borrowings	15	391,452	233,702
Contract liabilities	16	70,668	143,025
Lease liabilities		25,899	31,634
Tax payable		2,334	2,142
Other current liabilities		–	1,671
Total current liabilities		654,293	559,579
NET CURRENT LIABILITIES		(41,538)	(56,295)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,518,239	1,395,883
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	15	501,424	459,681
Lease liabilities		86,109	36,976
Deferred tax liabilities		6,439	7,365
Deferred income		166,000	166,000
Total non-current liabilities		759,972	670,022
Net assets		758,267	725,861

VII. UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	9,750	9,750
Treasury shares		(169)	(169)
Reserves		741,556	708,917
		751,137	718,498
Non-controlling interests		7,130	7,363
Total equity		758,267	725,861

VIII. UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	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		
	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 2023 (audited)	9,750	(169)	230,949	54,796	671	162,825	5,971	(2,000)	29,686	1,631	224,388	718,498	7,363	725,861
Profit for the period	-	-	-	-	-	-	-	-	-	-	33,600	33,600	(233)	33,367
Exchange differences on translation of financial statements of group entities	-	-	-	-	-	-	-	-	6,241	-	-	6,241	-	6,241
Total comprehensive income for the period	-	-	-	-	-	-	-	-	6,241	-	33,600	39,841	(233)	39,608
Final 2022 dividend declared	-	-	(8,418)	-	-	-	-	-	-	-	-	(8,418)	-	(8,418)
Equity-settled share option arrangements	-	-	-	-	-	-	1,216	-	-	-	-	1,216	-	1,216
Profit appropriation to reserves	-	-	-	-	-	13,807	-	-	-	-	(13,807)	-	-	-
At 30 June 2023 (unaudited)	9,750	(169)	222,531	54,796	671	176,632	7,187	(2,000)	35,927	1,631	244,181	751,137	7,130	758,267

* These reserve accounts comprise the reserves of RMB741,556,000 in the unaudited interim condensed consolidated statement of financial position as at 30 June 2023 (as at 31 December 2022: RMB708,917,000).

VIII. UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	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		
	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 financial statements of group entities	-	-	-	-	-	-	-	-	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

IX. UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		33,003	27,122
Adjustments for:			
Interest income	4	(4,692)	(8,248)
Equity-settled share option expense		1,216	1,555
Finance costs	5	15,840	16,513
Depreciation of property, plant and equipment	6	16,417	11,784
Depreciation of right-of-use assets	6	22,233	9,754
(Reversal of provision)/provision for expected credit losses on trade receivables and other receivables		(341)	663
Amortisation of intangible assets	6	4,042	1,542
Loss on disposal of items of property, plant and equipment	6	36	3
Investment income		(1,576)	(2,374)
Changes in fair value of financial assets		(1,043)	2,237
Recognition of certain donated property, plant and equipment		(6,702)	(2,024)
Covid-19-related VAT exemptions		–	(104)
Change in the non-cancellable period of a lease		(1,641)	1,235
		76,792	59,658
Decrease/(increase) in prepayments, deposits and other receivables		(2,028)	(5,513)
Increase in trade receivables		(680)	(5,687)
(Increase)/decrease in contract costs		(2,444)	1,022
Decrease/(increase) in amounts due from related parties		7,516	(14,127)
Increase in amounts due to related parties		20	–
Decrease in other payables and accruals		(9,639)	(10,196)
Decrease in contract liabilities		(72,357)	(77,764)
Increase in deferred income		–	44,775
Cash generated from/(used in) operations		(2,820)	(7,832)
Interest received		1,067	2,990
Corporate income tax paid		38	(147)
Net cash flows used in operating activities		(1,715)	(4,989)

IX. UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	241	10,255
Investment income received	1,058	8,459
Purchases and prepayment for items of property, plant and equipment	(165,827)	(152,952)
Additions to intangible assets	(189)	(1,154)
Addition to land lease payments	–	(48,887)
Settlement of remaining consideration in respect of acquisition of a subsidiary	(5,111)	–
Proceeds from disposal of items of property, plant and equipment	25	387
Proceeds from disposal of a subsidiary	50	–
Advances to third parties, net	(56,610)	(18,240)
Addition in pledged deposits	–	121,000
Net cash flows used in investing activities	(226,363)	(81,132)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank borrowing and other borrowings	290,960	347,652
Repayment of bank and other borrowings	(91,543)	(152,033)
Principal portion of lease payments	(13,903)	(8,110)
Interest paid	(15,840)	(15,246)
Share repurchase	–	(2,343)
Net cash flows from financing activities	169,674	169,920
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(58,404)	83,799
Cash and cash equivalents at beginning of period	212,583	334,332
Effect of foreign exchange rate changes, net	5,891	9,235
CASH AND CASH EQUIVALENTS AT END OF PERIOD	160,070	427,366
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position and statement of cash flows	160,070	427,366

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 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 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

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. OPERATING SEGMENT INFORMATION

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

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

	Vocational education RMB'000 (Unaudited)	Non-vocational education RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue	124,476	67,626	192,102
Other segment revenue	14,571	3,654	18,225
Total	139,047	71,280	210,327
Segment results	56,662	6,194	62,856
<i>Reconciliation:</i>			
Finance costs (other than interest on lease liabilities)			(14,245)
Interest income			4,692
Unallocated expenses			(20,300)
Profit before tax			33,003
Segment assets	1,392,769	198,486	1,591,255
<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			147,420
Total assets			2,172,532
Segment liabilities	(308,080)	(165,419)	(473,499)
<i>Reconciliation:</i>			
Interest-bearing bank and other borrowings			(892,876)
Tax payable			(2,334)
Unallocated head office and corporate liabilities			(45,556)
Total liabilities			(1,414,265)

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 June 2022

	Vocational education RMB'000 (Unaudited)	Non-vocational 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
Segment results	56,219	2,288	58,507
<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

Year ended 31 December 2022

	Vocational education RMB'000 (Audited)	Non-vocational education RMB'000 (Audited)	Total RMB'000 (Audited)
Segment assets	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			583,683
Total assets			1,955,462
Segment liabilities	(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			(214,529)
Total liabilities			(1,229,601)

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.

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. OPERATING SEGMENT INFORMATION (Continued)

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

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. FINANCE COSTS

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
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	(9,924)	(2,300)
	15,840	16,513

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
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	923	30
	1,522	464
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)	6,665	4,512
	55,488	40,356
(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	36	3

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.

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. INCOME TAX (Continued)

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 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current – Mainland China		
Charge for the Period	200	147
Overprovision in prior years	(46)	(37)
Deferred	(518)	(91)
	(364)	19

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:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	33,600	26,891

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	Number of shares ('000)	
	Six months ended 30 June	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue	1,161,204	1,164,755
Weighted average number of shares held for the restricted share unit scheme	(19,832)	(27,959)
Adjusted weighted average number of ordinary shares in issue used in the basic and diluted earnings per share calculation	1,141,372	1,136,796

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. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
A listed equity investment, at fair value	(i)	6,712	5,449
Other unlisted investments, at fair value			
Life insurance policy	(ii)	1,075	1,041
		7,787	6,490
Analysed into:			
Current portion		6,712	5,449
Non-current portion		1,075	1,041

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 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 2023. 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 2023, 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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Other unlisted investments, at amortised cost			
Trust funds	(i)	66,887	65,628
Deposit and other assets	(ii)	9,584	5,656
Input VAT to be claimed	(iii)	13,132	6,057
		89,603	77,341
Analysed into:			
Current portion		49,089	11,388
Non-current portion		40,514	65,953

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 2023, the loss allowance was assessed to be minimal.
- (ii) The balance as at 30 June 2023 represented deposit made for procurement of certain teaching equipment and deferred expenses as the costs to obtain contracts.
- (iii) The balance mainly represents deductible input VAT generated from the Group's procurement of construction related services during the period.

13. TRADE RECEIVABLES

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

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

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. TRADE RECEIVABLES (Continued)

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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Prepayments	6,015	5,843
Deposits	12,189	10,301
Other receivables	93,566	31,224
	111,770	47,368
Impairment allowance	(1,940)	(1,940)
	109,830	45,428

As at 30 June 2023, the loss allowance was RMB1,940,000 (31 December 2022: RMB1,940,000).

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Current		
Short term bank loan – secured	–	50,000
Short term bank loan – unsecured	191,919	51,933
Current portion of long term bank loan – secured	89,055	29,850
Current portion of long term bank loan – unsecured	12,373	10,977
Current portion of other borrowing – secured	80,756	74,475
Current portion of other borrowings – unsecured	17,349	16,467
	391,452	233,702
Non-current		
Long term bank loan – secured	281,438	205,516
Long term bank loan – unsecured	204,423	214,308
Other borrowings – secured	14,784	37,579
Other borrowings – unsecured	779	2,278
	501,424	459,681
	892,876	693,383

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Analysed into:		
Bank loans repayable:		
Within one year or on demand	293,347	142,760
In the second year	221,451	112,631
In the third to fifth years, inclusive	264,410	307,193
	779,208	562,584
Other borrowing repayable:		
Within one year or on demand	98,105	90,942
In the second year	11,214	32,798
In the third to fifth years, inclusive	4,349	7,059
	113,668	130,799
	892,876	693,383

16. CONTRACT LIABILITIES

Details of contract liabilities as at 30 June 2023 and 31 December 2022 are as follows:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Tuition fees	46,898	115,745
Boarding fees	7,085	19,286
Others	16,685	7,994
Total contract liabilities	70,668	143,025

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.

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. SHARE CAPITAL

Shares

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Authorised: 3,000,000,000 (31 December 2022: 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 2022: 1,161,204,000)	9,750	9,750

18. COMMITMENTS

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Contracted, but not provided for: Land use right and buildings	59,742	116,484

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 Yasheng**	Chairman, one of the controlling shareholders of the Group (after 21 June 2023), and son of Mr. Li Yunong
Mr. Li Yunong**	One of the controlling shareholders of the Group, and father of Mr. Li Yasheng
Ms. Luo Xinlan***	One of the controlling shareholders of the Group (before 21 June 2023), and mother-in-law of Mr. Li Yunong
Ms. Cao Yang	Wife of Mr. Li Yunong
河北廿一世紀教育投資有限公司 Hebei Lionful Education Investment Co., Ltd.* ("Lionful Education")	A company controlled by Mr. Li Yunong and Mr. Luo Xinlan
邯鄲市美家優寶教育諮詢公司 Handan Meijia Youbao Education Consulting Co., Ltd.* ("Meijia Youbao")	A company significantly influenced by Mr. Li Yunong
河北學有方教育科技有限公司 Hebei Xueyoufang Education Technology Co., Ltd.* ("Xueyoufang Education")	A company significantly influenced by Mr. Li Yunong
新聯合投資控股有限公司 Lionful Investment Holding Co., Ltd.* ("Lionful Investment Holding")	A company controlled by Mr. Li Yunong
石家莊益瑞房地產開發有限公司 Shijiazhuang Yirui Real Estate Development Co., Ltd.* ("Shijiazhuang Yirui")	A company controlled 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.

** Mr. Li Yunong retired as the chairman of the Board with effect from 30 June 2023. Mr. Li Yasheng was appointed as the chairman of the Board with effect from 30 June 2023.

*** On 21 June 2023, the entire interests previously held by Ms. Luo Xinlan in Sainray Limited were transferred to Mr. Li Yasheng for a cash consideration of USD50,000.

19. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(b) Outstanding balances with a related party

Prepayment to a related party

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Xueyoufang Education	1,220	–

As at 30 June 2023, the prepayment to Xueyoufang Education was for the purchases of equipment for educational purposes. (31 December 2022: Nil)

In addition, as at 30 June 2023, the balance of advance to Meijia Youbao through an independent trust fund was RMB30,000,000 (31 December 2022: RMB30,000,000). Interest income during the current period derived from such an arrangement was RMB675,000 (six months period ended 30 June 2022: RMB675,000).

Amounts due from related parties

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Lionful Education	2,644	10,160
Lionful Investment Holding	–	2,627
	2,644	12,787

As at 30 June 2023 and 31 December 2022, the amount due from Lionful Education represented a service fee receivable arising from the provision of college operation services.

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.

19. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(c) Transactions with related parties

Service income from a related party

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Shijiazhuang Yirui	792	–

The amounts represent usage fees received from Shijiazhuang Yirui in connection with their uses of the certain right-of-use asset of the Group.

Purchases of land and buildings from a related party

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Lionful Education	–	210,000

19. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
College operation service income	12,747	12,176

- (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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Student accommodation service income [^]	1,944	1,811

[^] 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 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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Salaries, allowances and benefits in kind	548	528
Pension scheme contributions	184	232
Equity-settled share option expense	201	356
	933	1,116

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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Financial assets				
Financial assets at fair value through profit or loss	7,787	6,490	7,787	6,490
Other non-current assets	30,930	60,297	30,930	60,297
	38,717	66,787	38,717	66,787
Financial liabilities				
Other current liabilities	–	1,671	–	1,671
Interest-bearing bank and other borrowings – non current	501,424	459,681	501,424	459,681
	501,424	461,352	501,424	461,352

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, amounts due from/to related parties, other assets, financial liabilities included in other payables and accruals, and the current portion of the interest-bearing borrowing and 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 2023 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.

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.

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

Fair value hierarchy

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

As at 30 June 2023

	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using		Total 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	6,712	–	1,075	7,787
Interest-bearing bank and other borrowings	–	892,876	–	892,876
	6,712	892,876	1,075	900,663

As at 31 December 2022

	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using		Total 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	5,449	–	1,041	6,490
Consideration payable for business combination included in other non- current liabilities	–	–	1,671	1,671
Interest-bearing bank and other borrowings	–	693,383	–	693,383
	5,449	693,383	2,712	701,544

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)**Fair value hierarchy (Continued)**

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

	2023 RMB'000	2022 RMB'000
Financial assets at fair value through profit or loss:		
At 1 January	1,041	15,745
Disposals	–	(8,234)
Exchange reserve	34	406
At 30 June	1,075	7,917

	2023 RMB'000	2022 RMB'000
Consideration payable for business combination included in other non-current liabilities:		
At 1 January	1,671	3,841
Satisfied by cash	(1,671)	–
At 30 June	–	3,841

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 2022: 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, and one of the Company’s PRC Operating Entities
“HK\$” or “HKD”	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
“Zhejiang Peijian”	Zhejiang Peijian Technology Co., Ltd.* (浙江培尖科技有限公司), a limited liability company established under the laws of the PRC on 29 December 2017 and controlled by Zerui Education as to 51% as of the date of this interim report, 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 report, 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”	Renminbi, the lawful currency of the PRC for the time being
“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 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)
“Shijiazhuang Institute of Technology”	Shijiazhuang Institute of Technology* (石家莊理工職業學院), a regular high 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 interim report, and one of the Company’s PRC Operating Entities

XI. DEFINITIONS

“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 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)
“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責任公司), a limited liability company established under the laws of the PRC on 12 July 2017, which was owned as to 80.625% by Mr. Li Yunong and 19.375% by Ms. Luo Xinlan as at the date of this interim report, and one of the Company’s 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.