CHINA 21ST CENTURY EDUCATION GROUP LIMITED
中國21世紀教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1598

Interim Report 2018

CONTENTS

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 a large established private education service provider based in the area of Beijing, Tianjin and Hebei Province. Following the core philosophy of "Assisting you in your whole life", we unremittingly provide clients with customized services and solutions based on individual demand, including preschool students in our kindergartens, primary school, middle school and high school students in our tutorial centers and junior college, secondary school and continuing education students in our college. As at 30 June 2018, we had a total of 21,682 students, including 12,930 full-time students and 8,752 part-time students, and we have recruited a total of 650 full-time teachers.

By the end of the 2017/2018 school year, we had a total of 15 schools located in Shijiazhuang, Hebei Province, including one private college (Shijiazhuang Institute of Technology), six Saintach Tutorial Schools (consisting of 11 Saintach Tutorial Centers) and eight Saintach Kindergartens. In the 2017/2018 school year, in terms of student enrollment, our Shijiazhuang Institute of Technology ranked the second among private junior colleges in each of Shijiazhuang, Hebei Province and the Integrated Area of Beijing, Tianjin and Hebei Province; and our Saintach Kindergartens ranked the second and the eleventh respectively among private preschools in Shijiazhuang and Hebei Province.

We have been operating private schools in Hebei region for 15 years with a good brand image, enabling us to attract more students and teachers. Leveraging our years of experience in school operation and management, well-established course system and abundant talent pool, we believed that we have possessed the capability of replicating our school-running model and experience to more areas.

II. CORPORATE INFORMATION

1. BOARD OF DIRECTORS

1.1 Executive directors

Mr. Li Yunong (李雨濃)
Mr. Liu Zhanjie (劉占杰)
Ms. Liu Hongwei (劉宏煒)
Mr. Ren Caiyin (任彩銀)
Ms. Yang Li (楊莉)

1.2 Independent non-executive directors

Mr. Guo Litian (郭立田)
Mr. Ma Guoqing (馬國慶)
Mr. Yao Zhijun (姚志軍)

2. AUDIT COMMITTEE

Mr. Yao Zhijun (姚志軍) (chairman)
Mr. Guo Litian (郭立田)
Mr. Ma Guoqing (馬國慶)

3. REMUNERATION COMMITTEE

Mr. Ma Guoqing (馬國慶) (chairman)
Mr. Guo Litian (郭立田)
Mr. Liu Zhanjie (劉占杰)

4. NOMINATION COMMITTEE

Mr. Li Yunong (李雨濃) (chairman)
Mr. Ma Guoqing (馬國慶)
Mr. Yao Zhijun (姚志軍)

5. AUTHORISED REPRESENTATIVES

Mr. Liu Zhanjie (劉占杰)
Ms. Liu Qingli (劉青莉)

6. JOINT COMPANY SECRETARIES

Ms. Liu Qingli (劉青莉)
Ms. Wong Sau Ping (黃秀萍)

7. LEGAL ADVISOR

Luk & Partners In Association with Morgan, Lewis & Bockius

8. AUDITOR

Ernst & Young
Certified Public Accountant

9. COMPLIANCE ADVISOR

Messis Capital Limited

10. REGISTERED OFFICE

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

11. HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

8th Floor
Zhongdian Information Building
No. 356 Zhongshan West Road
Qiaoxi District
Shijiazhuang City
Hebei Province, the PRC

12. PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

13. 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

14. HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

15. PRINCIPAL BANKERS

Bank of Zhangjiakou, Shijiazhuang Branch
Industrial and Commercial Bank of China, Shijiazhuang Branch, Qiaoxi Sub-branch

16. COMPANY WEBSITE

www.21centuryedu.com

17. STOCK CODE

1598

III. FINANCIAL AND OPERATING HIGHLIGHTS

1. COMPARISON OF KEY FINANCIAL FIGURES

	For the six months ended 30 June			
	2018 (unaudited)	2017 (audited)	Changes	Percentage of changes
RMB'000 (except otherwise stated)				
Revenue from contracts with customers	**101,610**	89,453	12,157	13.6%
Gross profit	**49,499**	43,518	5,981	13.7%
Net profit	**29,299**	28,512	787	2.8%
Adjusted net profit①	**39,784**	33,044	6,740	20.4%
Earnings per share: basic and diluted (RMB cents)	**3.23**	3.39	(0.16)	(4.7%)

Note: ①Adjusted net profit eliminates the impact of listing-related expenses, which are non-operating items.

	For the six months ended 30 June	
	2018	2017
Gross margin	**48.7%**	48.6%
Adjusted net profit margin	**39.2%**	36.9%

2. SUMMARY OPERATING DATA

Operating information	**2017 to 2018**	2016 to 2017	Changes	Percentage of changes
Total number of students	**21,682**	14,820	6,862	46.3%
Among which: Full-time①	**12,930**	11,678	1,252	10.7%
Continuing education①	**8,752**	3,142	5,610	178.5%
Student capacity②	**98.2%**	90.4%	7.8%	–
Student retention rate③	**98.9%**	96.9%	2.0%	–
Total number of teachers④	**650**	636	14	2.2%

Notes: ①Full-time includes junior college students and secondary school students in the Shijiazhuang Institute of Technology and students in kindergartens; continuing education refers to part-time students in the Shijiazhuang Institute of Technology.
②Capacity of full-time students.
③Retention rate of full-time students.
④The number is full time teacher.

IV. MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

1.1 Overview

Being located in the core integrated area of Beijing, Tianjin and Hebei Province, the Company has strategic layout in place targeting at the most dynamic cultural and economic circles in Northern China. We focus on the operation of the education industry, derive revenue from diverse sources including tertiary education and open education, K12 tutorial programs and preschool education, and have expanded our customer coverage.

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

1.2 Our Schools

1.2.1 Overview

As of 30 June 2018, the Company owned 15 schools, including one private college (Shijiazhuang Institute of Technology), six Saintach Tutorial Schools (consisting of 11 Saintach Tutorial Centers) and eight Saintach Kindergartens, among which one Saintach Tutorial Center began operation in January 2018.

Schools of the Company	30 June 2018	30 June 2017
College	1	1
Tutorial school	6	6
Among which: tutorial center	11	10
Kindergarten	8	8
Total	15	15

IV. MANAGEMENT DISCUSSION AND ANALYSIS

1.2.2 Student enrollment

As at 30 June 2018, we had 21,682 students enrolled in our schools, including 12,930 full-time students and 8,752 part-time students. The specific details are as follows:

Breakdown of Student Enrollment	2017-2018 school year	2016-2017 school year	Changes	Percentage of changes
Full-time Students				
Shijiazhuang Institute of Technology				
Including: Junior college	9,186	8,647	539	6.2%
Secondary school	2,028	1,275	753	59.1%
Subtotal (full-time college students)	11,214	9,922	1,292	13.0%
Saintach Kindergartens①	1,716	1,756	(40)	(2.3%)
Subtotal (full-time students)	12,930	11,678	1,252	10.7%
Part-time Students				
Shijiazhuang Institute of Technology				
Continuing education programs②	8,752	3,142	5,610	178.5%
Subtotal (part-time students)	8,752	3,142	5,610	178.5%
Total	21,682	14,820	6,862	46.3%

Notes:

① As Saintach Kindergartens arrange their students to be graduated in batches from June to August each year to ensure the enrollment of students batch by batch in the fall semester, those graduated students are not included in the number of the students.

② The increase in the number of students in the continuing education programs for the six months ended 30 June 2018 compared to the same period in 2017 was mainly due to the fact that the new partner universities in 2017 have not started enrolling students in the first half of 2017.

For the six months ended 30 June 2018, our tutorial centers delivered approximately 185,231 tutoring hours to approximately 2,897 students, with the student renewal rate after the first curriculum of 63.2%. Details are as follows:

	For the six months ended 30 June			
	2018	2017	Changes	Percentage of changes
Saintach Tutorial Centers				
Number of tutoring hours delivered	185,231	185,180	51	0.0%
Number of students tutored	2,897	2,250	647	28.8%
Renewal rate	63.2%	55.2%	8.0%	

For the six months ended 30 June 2018, we provided college operation services and accommodation service for 2,960 students in west campus of Sifang College.

IV. MANAGEMENT DISCUSSION AND ANALYSIS

1.2.3 Charge and average tuition revenue

As disclosed in the Prospectus, we typically charge our students fees comprising tuition (including tutoring fees) and, at our Shijiazhuang Institute of Technology, boarding fees. Our fee range approximates to the charge for the year ended 31 December 2017.

	For the six months ended 30 June			
Average Revenue①	**2018**	2017	Changes	Percentage of changes
Shijiazhuang Institute of Technology	3,130	2,901	229	7.9%
Including: Junior college	3,339	3,056	283	9.3%
Secondary school	2,149	2,035	114	5.6%
Saintach Kindergartens	8,603	7,972	631	7.9%

Note:

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

1.2.4 Employment rate

Shijiazhuang Institute of Technology builds 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. For the six months ended 30 June 2018, the employment rate of graduates for the year was approximately 94.5%:

Employment Rate①	**30 June 2018**	30 June 2017	Changes	Percentage of changes
Shijiazhuang Institute of Technology	94.5%	91.6%	2.9%	3.2%

Note:

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

IV. MANAGEMENT DISCUSSION AND ANALYSIS

1.2.5 Our teachers

Teachers	30 June 2018	30 June 2017	Changes	Percentage of changes
Full-time Teachers				
Shijiazhuang Institute of Technology	310	306	4	1.3%
Saintach Tutorial Centers	172	152	20	13.2%
Saintach Kindergartens	168	178	(10)	(5.6%)
Subtotal (full-time teachers)	650	636	14	2.2%
Part-time Teachers				
Shijiazhuang Institute of Technology	109	135	(26)	(19.3%)
Saintach Tutorial Centers	346	432	(86)	(19.9%)
Saintach Kindergartens	–	–	–	–
Subtotal (part-time teachers)	455	567	(112)	(19.8%)
Total	1,105	1,203	(98)	(8.1%)

Notes:

① The promotion of the teachers at the end of semester 2018 (assistant teachers being promoted to match-teachers) has not yet completed as compared to that of the end of semester 2017.

② The number of part-time teachers is reduced as a result of the optimized structure of part-time teachers and the increased lesson frequency of excellent part-time teachers.

③ The reduction in part-time teachers at our Saintach Tutorial Centers was due to an increase in full-time teachers.

The quality of education we provide is strongly tied to the quality of our teachers. We are committed to recruiting outstanding teachers and strive to maintain the stability of our teachers. Our teachers with more than two years' experience increased from 66.0% as at 30 June 2017 to 72.3% as at 30 June 2018; and our teachers with a bachelor's degree or above increased from 76.7% as at 30 June 2017 to 79.4% as at 30 June 2018.

1.2.6 Our research support

As an important player in the early childhood education sector, Hebei Saintach planned to develop tools of risk screening and competency assessment for kindergarten teachers with an aim of systematically monitoring and warning of possible teacher risks* (教師風險) existed in early childhood education as well as guiding the early childhood teachers' growth at the same time, it will help to reserve qualified teachers for the Company's key developing segment of early childhood education. On 23 July 2018, we signed the project cooperation agreement of "Development of an Assessment Tool for Risk Screening and Competency of Child Education Practitioners" with the Institute of Psychology, Chinese Academy of Sciences, commissioning the Institute of Psychology, Chinese Academy of Sciences to provide special technical services for the development of the project.

1.3 Use of Proceeds

As of 30 June 2018, the net proceeds from the listing, after deducting the underwriting fees and related expenses, amounted to approximately HK$433 million, which will be utilized based on the section headed "Future Plan and Use of Proceeds" set out in the Prospectus. As at the date of this interim report, the net proceeds of the Company have not been used. The unutilized net proceeds are generally deposited with licensed financial institutions in Hong Kong as short-term interest-bearing deposits.

1.4 Our Licenses

As of 30 June 2018, the Company had obtained all licenses, permits, approvals and certificates necessary to conduct our operations in all material respects from the relevant government authorities in the PRC, and such licenses, permits, approvals and certificates have been examined and verified in the 2017 annual verification as scheduled and remained in full effect. Shijiazhuang Institute of Technology, 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) and Shijiazhuang City Chang'an District Saintach Tutorial School* (石家莊市長安區新天際培訓學校) were awarded 2017 Annual Inspection Excellent School (Kindergarten) by Education Department of Hebei Province* (河北省教育廳), Examination and Approval Bureau of Shijiazhuang Hi-tech Industrial Developmental Zone* (石家莊高新區行政審批局) and Shijiazhuang Chang'an District Education Bureau* (石家莊市長安區教育局).

2. MARKET REVIEW

2.1 Status of Private Higher Vocational School and Preschool Education in the Beijing-Tianjin-Hebei Market

With the deepening enforcement of the "Outline of the Plan for Coordinated Development of the Beijing-Tianjin-Hebei Region" (京津冀協同發展規劃綱要), the capital's functional shift has accelerated, and the demand for industrial workers has escalated. According to the Frost & Sullivan Report, the compound growth rate of students enrolled to the private higher vocational colleges in Beijing-Tianjin-Hebei Integrated Area of 4.1% is higher than that of undergraduate and postgraduate of 3.4%. After the two-child policy liberalized and the birth population gradually reached the school age, the compound growth rate of students enrolled to the private kindergarten reached 11.6%, much higher than that of the public kindergarten that had increased the speed of opening kindergartens for inclusive kindergartens of 2.0%.

2.2 New Regulations

On 20 April 2018, the Ministry of Education issued the Implementation Rules for the Law for Promoting Private Education (Revised Draft) (draft for comments) (《中華人民共和國民辦教育促進法實施條例(修訂草案)》(徵求意見稿)), with some tightened mandatory policies (foreign enterprises may not set up compulsory education schools) having no significant impact on the Company; some measures encouraging and regulating the running of private schools have a positive effect on private education, including emphasizing the encouragement and support of social forces to run schools as the basic goal; expanding the scope of government's awards to recognized private school sponsors and making no distinction between for-profit and non-profit; preferential tax, balance of running non-profit private schools being exempted from income tax, for-profit private schools are expected to enjoy 15% income tax rate; there is no price distinction between for-profit and non-profit schools in respect of water, electricity, gas, heat which are necessary to maintain the school's daily operation, enjoying the same preferential price policy like public schools.

IV. MANAGEMENT DISCUSSION AND ANALYSIS

As at 10 August 2018, the Ministry of Justice issued "The Regulations on the Implementation of the Private Education Promotion Law of the People's Republic of China (Revised Draft) (Draft for Review)" (《中華人民共和國民辦教育促進法實施條例(修訂草案)(送審稿)》) (the "Draft for Review") to seek public opinion, which shall be submitted before 10 September 2018, but the timetable for "The Regulations on the Implementation of the Private Education Promotion Law of the People's Republic of China" (《中華人民共和國民辦教育促進法實施條例》) (the "Implementation Regulations") has not been specifically promulgated. Due to the facts that (i) none of our schools has practised compulsory education; (ii) pursuant to "The Implementation Opinion of the People's Government of Hebei Province on Encouraging Social Forces to Set Up Education to Promote the Healthy Development of Private Education" (《河北省人民政府關於鼓勵社會力量興辦教育促進民辦教育健康發展的實施意見》) issued by the People's Government of Hebei Province in January 2018, our schools are in the transition period, which shall be managed based on the existing management approaches, and have not yet chosen to be registered as for-profit or non-profit schools. Upon expiry of the transition period on 1 September 2022, and the regulations and rules made by relevant competent authorities of Hebei Province for the current schools to register as profit-making or non-profit-making schools coming into effect, all of our schools are expected to be registered as profit-making. We believe that, if the Implementation Regulations is promulgated and implemented under the current provisions of the Draft for Review, it is expected that the normal business development of the Company will not be affected.

3. FUTURE PROSPECTS

We significantly grow our successful business as a large private education service provider in Hebei Province and the larger Integrated Area.

Tertiary education: application-oriented tertiary education provider with healthy expansion, being committed to becoming a professional education brand with international influence.

K12 after-school tutoring: with data and service as the two cores, extending the industry chain around K12 upstream and downstream to deepen and perfect the main battlefield, and achieving win-win cooperation through investments, mergers and acquisitions, links and learning.

Pre-school education: medium and high-end kindergarten investor and operator, high-quality pre-school education content provider; leading brand in the Beijing-Tianjin-Hebei region.

Thanks to the policy of integration of the Beijing-Tianjin-Hebei region, adjustment of economic structure, transformation and upgrade of industries and introduction of business, it is expected that there will be a leapfrog development in Hebei Province, and the income of residents in Hebei Province will increase with the development of economy. The market demands for preschool education and K12 after-school tutoring as well as the skilled talents are increasing, which provide opportunities for the development of higher education. By virtue of our innovative education system and standardized management, we will become a leading provider of private education service in China in 2020.

3.1 Development Strategy: Increase the Number of Schools, Expand the Volume of Students and Diversity Customer Base by Centering on the "Endogenous Growth + Extension through Merger and Acquisition":

3.1.1 Number of schools:

In terms of tertiary education, we choose to merge and acquire the universities or the junior colleges with the potential to upgrade as universities in order to diversify levels of our education, and at the same time, we also offer high-end and customized vocational training courses. In terms of K12 education, we choose to merge and acquire the training institutions that provide high-quality contents/channels, focus on the small-class courses business and contain K12 exam-oriented/quality-oriented education featured with educational technology elements. In terms of preschool education, we choose to merge and acquire the educational institution chains, with the aim of rapidly becoming an oligopoly in cities where we operate to achieve the regional scale effect and synergistic effect through deeply rooting in the Beijing-Tianjin-Hebei region and the key layout areas (namely Central Plain City Cluster* (中原城市群), Yangtze River Delta City Cluster* (長三角城市群) and Pearl River Delta City Cluster* (珠三角城市群)).

3.1.2 Diversification of customer base, in terms of volume of students (including those from the schools merged and acquired):

By building an educational ecosystem and enriching the product lines, we aim to optimize and diversify our education services and widen our revenue base.

Resources sharing and output through the integration of enterprises with vocational schools and universities: By collaborating various industries (associations and multi-business corporation), enterprises (Top 500 or listed) with education, making use of the financial leverage, and coordinating with relevant government departments, we set to build an industrial and financial base. We integrate the top quality enterprise with college in order to jointly cultivate professional and technical talents that meet the needs of enterprises and social development. We will shorten or eliminate the internship period (transition period) of student employment, and solve the disconnected problem relating to the school theoretical knowledge from the actual needs of society and enterprises.

Saintach Kindergartens offer early childhood education for children below 3 years old. Through realization of the model of "Garden Inside Garden + community early education* (園中園+社區早教) and implementation of a hierarchical "Parental University"* (家庭大學) course, we will be able to achieve good parenting results on one hand, and convert parents who are interested in early childhood education into clients on the other hand.

The "Beijing-Tianjin-Hebei Region Preschool Alliance"* (京津冀學前教育聯盟), as formulated by the Saintach Child Education* (新天際幼兒教育), aims to establish an industry platform for the private child education industry in the Beijing-Tianjin-Hebei region, allowing exchanges, sharing and innovation. Through absorbing an array of premium child education programs, operations, and management of resources, we offer an integrated platform for program development, operations support, central procurement, and management and output to the industry. Through which, we assist the kindergartens, schools, suppliers, and customers to establish connection, and to realize sharing among them.

IV. MANAGEMENT DISCUSSION AND ANALYSIS

3.1.3 Operation support:

Through the establishment of cloud platform for education (intelligence) and cloud platform for various business segments and combination with the research and application of artificial intelligence technology such as data mining, the Company will gradually create a cloud ecosystem in its true sense and realize the transformation to a digital enterprise, which enable data to generate value and technology to drive education.

"Tianjiyun"* (天際雲) is an educational cloud platform that is used by the Group. It includes an online management cloud platform from early childhood education, after-school tutoring to tertiary education. The cloud platform can also be used as a configurable SaaS product for output, realizing online standardization and management output.

3.1.4 Optimization of our pricing ability

We aim at expanding our network and enhancing our market penetration in the Integrated Area, as well as strengthening our brand and reputation. We strive to consistently offer students-centered service products which are customizable, and improve the highly scalable business model which is built upon a completed and standardized management. We also maintain the freshness of our products and stickiness of our services.

3.1.5 Support for professional development of teachers to improve teaching quality and teaching skills

As described in the Prospectus, we have two Saintach research centers in place that carry out analysis on teaching progress on the centralized management of teachers, layered training and teaching researches. We also organize learning and study trips for outstanding teachers, and provide internal training, which facilitates digestion and absorption from what they learn.

Through the project collaboration development of "Development of an Assessment Tool for Risk Screening and Competency of Child Education Practitioners"* (《幼師從業人員風險篩查及勝任能力評估工具開發》) with the Institute of Psychology, Chinese Academy of Sciences, the Hebei Saintach will assist us to establish a "competency of child teachers database"* (幼師勝任力) and a "child teachers credit database"* (幼師信用庫), which promotes the growth in teachers while ensuring we have a reserve on teaching resources of consistent high-quality.

3.2 Expansion of Geographic Area

In order to grow a significant presence in Hebei Province and the Beijing-Tianjin-Hebei Integrated Area, approximately 60% of the funds raised by the listing will be used for the acquisition and construction of schools. It is estimated that 13 kindergartens and 8 to 10 after-school tutoring centers will be increased through acquisitions by the end of 2019, with an aim of building a leading brand in the Beijing-Tianjin-Hebei region. Recently, we tend to acquire over 7 kindergartens in Beijing or other regions of Beijing-Tianjin-Hebei area to expand our service area.

While strengthening and deepening the development of business within the integrated region, the Company is also looking abroad to enhance its cooperation with overseas education institutions and establish overseas business.

4. FINANCIAL REVIEW

4.1 Revenue from contracts with customers

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 and provision of accommodation service to the students enrolled by the west campus of Sifang College.

The revenue increased by approximately 13.5% from RMB89.5 million for the six months ended 30 June 2017 to RMB101.6 million for the six months ended 30 June 2018, mainly due to the increased number of student recruitment and average tuition.

4.2 Cost of Sales

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

The cost of sales increased by approximately 13.5% from approximately RMB45.9 million for the six months ended 30 June 2017 to approximately RMB52.1 million for the six months ended 30 June 2018, mainly due to (1) the rental expenses of the Shijiazhuang Institute of Technology by approximately RMB2.8 million; and (2) the increase of the staff costs by approximately RMB0.8 million.

4.3 Gross Profit and Gross Profit Margin

The amount of gross profit increased by approximately 13.8% from approximately RMB43.5 million for the six months ended 30 June 2017 to approximately RMB49.5 million for the six months ended 30 June 2018, and the gross profit margin increased from approximately 48.6% for the six months ended 30 June 2017 to approximately 48.7% for the six months ended 30 June 2018, which was mainly due to the increase in the number of student recruitment.

4.4 Other Income and Gains

Other income and gains consisted of (1) interest income from banks; (2) site use fees charged to certain secondary vocational schools and companies in connection with usage of the premises and facilities of the Shijiazhuang Institute of Technology to organize teaching activities and training sessions for external use; and (3) gains incurred from early childhood education management output.

Other income and gains increased by approximately 32.5% from approximately RMB4.0 million for the six months ended 30 June 2017 to approximately RMB5.3 million for the six months ended 30 June 2018, mainly due to (1) the increase bank interest income from time deposits by approximately RMB0.7 million; and (2) the increase of gains from product management training output for early childhood education.

4.5 Selling Expenses

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

Selling expenses remained stable as the student recruitment expenses were mainly concentrated in the second half of the year.

IV. MANAGEMENT DISCUSSION AND ANALYSIS

4.6 Administrative Expenses

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

Administrative expenses increased by approximately 61.5% from approximately RMB11.7 million for the six months ended 30 June 2017 to approximately RMB18.9 million for the six months ended 30 June 2018. Such increase was due to the increase in listing expenses by approximately 133.3% from approximately RMB4.5 million for the six months ended 30 June 2017 to approximately RMB10.5 million for the six months ended 30 June 2018.

4.7 Other Expenses

Other expenses mainly consisted of (1) the cost of early childhood education management output; and (2) expenses relating to loss on disposal of various fixed assets.

Other expenses increased from approximately RMB0.2 million for the six months ended 30 June 2017 to approximately RMB0.4 million for the six months ended 30 June 2018, which mainly due to an increase in management output expenses attribute to early childhood education.

4.8 Finance Costs

Finance costs mainly represented interest on loans borrowed from financial institutions and fee paid to two independent financing guarantee companies for the loans borrowed by the Group.

Finance costs decreased by approximately 31.8% from approximately RMB2.2 million for the six months ended 30 June 2017 to approximately RMB1.5 million for the six months ended 30 June 2018, mainly due to repayment of partial loans.

4.9 Taxation

Pursuant to the PRC Income Tax Law and the respective regulations, all of our Group's non-school subsidiaries established in the PRC are subject to the PRC Corporate Income Tax of 25%.

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, profit for the period of the Company increased from approximately RMB28.5 million for the six months ended 30 June 2017 to approximately RMB29.3 million for the six months ended 30 June 2018.

4.11 Adjusted Net Profit

The Company defined its adjusted net profit as its profit for the period after adjusting for those items which were not indicative of the Company's operating performances (as presented in the table below). This was not an IFRS measure. The Company had presented this item because the Company considered it as an important supplemental measure of the Company's operational performance used by the Company's management as well as analysts or investors. The following table shows profit and adjusted net profit of the Company for the periods presented below:

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Audited)
Profit for the period	**29,299**	28,512
Plus:		
Listing expenses	**10,485**	4,532
Adjusted net profit	**39,784**	33,044

Adjusted net profit for the six months ended 30 June 2018 increased by approximately RMB6.8 million compared with the same period in 2017, representing an increase of 20.6%. Adjusted net profit margin increased from approximately 36.9% for the six months ended 30 June 2017 to approximately 39.2% for the six months ended 30 June 2018.

4.12 Net liquidity and capital and funds and borrowing sources

As of 30 June 2018, net current assets of the Company were approximately RMB365.3 million, which mainly consisted of prepayments, deposits and other receivables and cash and bank balances less other payables and accruals, contract liabilities and current bank and other borrowings.

As of 30 June 2018, current assets increased from approximately RMB133.7 million as of 31 December 2017 to approximately RMB508.9 million. The increase in the current assets primarily reflected that cash and bank balances and time deposits increased from approximately RMB109.9 million as of 31 December 2017 to approximately RMB490.9 million as of 30 June 30 2018, which mainly due to proceeds from the issue of Shares in the initial public offering and the partial exercise of the over-allotment option.

As of 30 June 2018, current liabilities decreased from approximately RMB158.3 million as at 31 December 2017 to approximately RMB143.6 million. The decrease in current liabilities mainly reflects (1) the contract liabilities (previously deferred revenue) decreased from approximately RMB57.5 million as of 31 December 2017 to approximately RMB38.2 million as of 30 June 2018, which was mainly due to the recognition of tuition income in 2018; and (2) interest-bearing bank and other borrowings decreased from approximately RMB34.4 million as of 31 December 2017 to approximately RMB28.0 million as of 30 June 2018, which was mainly due to the repayment of loans from financial institutions.

As at 30 June 2018, cash and cash equivalents of the Company were approximately RMB420.9 million.

As at 30 June 2018, current ratio of the Company (current assets divided by current liabilities) was 354.5%, compared with 84.5% as at 31 December 2017.

IV. MANAGEMENT DISCUSSION AND ANALYSIS

In order to manage the liquidity risk, the Company monitored and maintained a sufficient level of cash and cash equivalents, which is deemed adequate by the management, as the working capital of the Company, and to eliminate the impact of cash flow fluctuations. The Company expects that it can meet the cash flow requirement in the future with internal cash flow generated by operations and bank borrowings. The Company did not use other financial instruments during the six months ended 30 June 2018.

All bank borrowings of the Company were denominated in Renminbi, approximately 46% of which used fixed interest rates and the remaining 54% used floating rate. The Company has not adopted financial instruments for hedging purposes.

4.13 Gearing Ratio

As at 30 June 2018, the gearing ratio (calculated by total bank interest-bearing loans divided by total equity) was approximately 5.2%, representing a decrease of 17.1 percentage points from approximately 22.3% as at 31 December 2017, mainly due to the borrowings of RMB7.1 million returned by the Company to financial institutions in March 2018.

4.14 Future Plans for Major Investment and Capital Assets

Except as disclosed in the Prospectus and this interim report, the Company has no other plans for major investment and capital assets.

4.15 Major Acquisitions and Disposals

For the six months ended 30 June 2018 and up to the date of this interim report, the Company has not conducted any major acquisition or disposal of any subsidiary or associated company.

4.16 Contingent liabilities

As at 30 June 2018, the Company did not have any material contingent liabilities, guarantees or any material litigation or claims that were not pending or faced by any member of the Company (31 December 2017: Nil).

4.17 Foreign exchange risk

Most gains and expenses of the Company were denominated in Renminbi. As at 30 June 2018, certain bank balances were denominated in Hong Kong dollars. The Company currently does not have any foreign exchange hedging policy. The management will continue to monitor the foreign currency exchange risk of the Company and consider taking due diligence measures in due course.

4.18 Pledge of Asset

As at 30 June 2018, the Group did not pledge any asset (31 December 2017: Nil).

4.19 Human Resources

As at 30 June 2018, the Group had approximately 1,177 employees (as at 30 June 2017: 1,138). 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.

4.20 Events after the Reporting Period

As at the date of this interim report, there is no major event required to be disclosed by the Company after 30 June 2018.

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.

The Board currently consists of 8 Directors, including 5 executive Directors and 3 independent non-executive Directors. The following table sets out the information of the members of the Board:

Name	Positions	Responsibilities
Li Yunong	the Chairman of the Board and an executive Director	overall formulation, guidance of business strategy and development of the Group
Liu Zhanjie	the chief executive officer and an executive Director	overall operation and management of the Group
Liu Hongwei	the executive president and an executive Director	overall operation and daily management of tutorial schools of the Group
Ren Caiyin	the executive president and an executive Director	overall operation and daily management of the tertiary education section of the Group
Yang Li	an executive Director	research on marketing strategies of the Group
Guo Litian	an independent non-executive Director	providing independent opinion and judgment to the Board
Ma Guoqing	an independent non-executive Director	providing independent opinion and judgment to the Board
Yao Zhijun	an independent non-executive Director	providing independent opinion and judgment to the Board

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

Name	Positions	Responsibilities
Liu Qingli	the executive president and chief operating officer	human resources, legal compliance, operations and daily management of the Group
Wang Yongsheng	the vice president and chief financial officer	financial management and corporate governance of the Group
Liu Cai	the principal of Shijiazhuang Institute of Technology	teaching management of Shijiazhuang Institute of Technology
Wang Lijing	the executive president and general manager of Hebei Saintach	overall operation and daily management of early childhood education of the Group

V. CORPORATE GOVERNANCE 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 (the "CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

During the period from the Listing Date up to 30 June 2018, the Company has complied with all code provisions under the CG Code and adopted most of the recommended best practices set out therein.

2. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by directors. Having made specific enquiries to all Directors, the Directors has confirmed that they have complied with the standard requirements set out in the Model Code all the time during the period from the Listing Date to 30 June 2018.

3. INTERIM DIVIDEND

The Board did not recommend to pay any interim dividend for the six months ended 30 June 2018.

4. AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors, namely Mr. Yao Zhijun (chairman), Mr. Guo Litian and Mr. Ma Guoqing.

The Audit Committee has adopted the terms of reference which are in line with the CG Code. The primary duties of the Audit Committee include reviewing and monitoring the financial control, risk management and internal control systems and procedures of the Group, reviewing the financial information of the Group and the relationship with the external auditor of the Company. The unaudited condensed interim results of the Group for the six months ended 30 June 2018 have been reviewed by the Audit Committee.

5. CHANGE OF INFORMATION OF THE DIRECTORS

The Directors confirmed that no information is required to be disclosed in accordance with Rule 13.51B (1) of the Listing Rules.

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

During the period from the Listing Date to 30 June 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

7. USE OF NET PROCEEDS FROM THE INITIAL PUBLIC OFFERING

On 29 May 2018, the Company issued 360,000,000 Shares at a price of HK$1.13 per Share pursuant to the initial public offering of Shares of the Company, and the total proceeds of which amounted to approximately HK$393 million, and the Shares were listed on the Main Board of the Stock Exchange. On 17 June 2018, the Company issued 36,000,000 Shares at a price of HK$1.13 per Share pursuant to a partial exercise of over-allotment options relating to listing, and the total proceeds of which amounted to approximately HK$40.7 million. The net proceeds from the listing (net of underwriting fees and relevant expenses) amounted to approximately HK$433 million. The amount will be applied in the following manners as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus:

The use of net proceeds from the initial public offering during the period from the Listing Date up to 30 June 2018 is set out as follows:

	Intended use of net proceeds (HK$ million)	Actual use of net proceeds up to 30 June 2018 (HK$ million)	Remaining balance up to 30 June 2018 (HK$ million)	Expected time of full utilisation of remaining balance
Acquire and rebrand third-party kindergartens in order to expand our Saintach Kindergarten network in the Integrated Area by end of 2020	173.2	0	173.2	31 December 2020
Expand our Saintach Tutorial Center network in the Integrated Area through acquisition of third party tutorial schools primarily engaged in providing small-group tutoring services by the end of 2020	86.6	0	86.6	31 December 2020
Maintain, renovate and upgrade the facilities, equipment and infrastructure of our schools and tutorial centers and improve student accommodation, campus environment and teaching conditions at Shijiazhuang Institute of Technology	86.6	0	86.6	31 December 2019
Establish our presence overseas and obtain experience in operating schools abroad	43.3	0	43.3	30 June 2020
Fund our working capital and general corporate purposes	43.3	0	43.3	30 June 2020
Total	433.0	0	433.0	

No proceeds have been utilized as at 30 June 2018.

V. CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2018, the Directors and chief executive of the Company had the following interests and short positions in the Shares, underlying shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("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 or short positions which they were taken or deemed to have 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 interests	Number of Shares held[2]	Approximate percentage of shareholding[3]
Mr. Li Yunong [1]	Interest in a controlled corporation	747,264,000 (L)	60.46%

Notes:

(1) Mr. Li Yunong is the sole shareholder of Sainange Holdings Company Limited ("Sainange Holdings") and he is therefore deemed to be interested in the Shares held by the Sainange Holdings by the virtue of the SFO, being 747,264,000 Shares.

(2) The letter (L) denotes a long position in such securities.

(3) As at 30 June 2018, the number of the issued shares of the Company was 1,236,000,000 Shares.

Save as disclosed above, as at 30 June 2018, none of the Directors nor chief executive of the Company has or is deemed to have interests or short positions required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which were taken or deemed to have under such provisions of the SFO), or interests or short positions which were required to be entered in the register required to be kept pursuant to Section 352 of the SFO, or interests or short positions which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code in the Shares, underlying Shares or the debentures of the Company or its associated corporation (as defined in Part XV of the SFO).

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

So far as the Directors are aware, as at 30 June 2018, the following persons (other than the Directors or 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 the provisions of 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[4]	Approximate percentage of shareholding[5]
Ms. Cao Yang[1]	Spouse interest	747,264,000 (L)	60.46%
Sainange Holdings	Beneficial owner	747,264,000 (L)	60.46%
Ms. Luo Xinlan[2][3]	Interest in a controlled corporation	92,736,000 (L)	7.50%
Mr. Cao Jide[3]	Spouse interest	92,736,000 (L)	7.50%
Sainray Limited	Beneficial owner	92,736,000 (L)	7.50%

Notes:

(1) 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 the virtue of the SFO.

(2) Ms. Luo Xinlan is the sole shareholder of Sainray Limited and she is therefore deemed to be interested in the Shares held by Sainray Limited by the virtue of the SFO, being 92,736,000 Shares.

(3) Mr. Cao Jide is the spouse of Ms. Luo Xinlan and he is therefore deemed to be interested in the Shares in which Ms. Luo Xinlan is interested by the virtue of the SFO.

(4) The letter (L) denotes a long position in such securities.

(5) As at 30 June 2018, the number of the issued shares of the Company was 1,236,000,000 Shares.

Save as disclosed above, as at 30 June 2018, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) had any interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or to be recorded in the register required to be kept pursuant to Section 336 of the SFO.

10. SHARE OPTION SCHEME

The Company has adopted the share option scheme (the "Share Option Scheme") on 4 May 2018. For details of the terms of the Share Option Scheme, please refer to Appendix V to the Prospectus. During the period from the Listing Date to 30 June 2018, the Company has not granted any of its share options.

10.1 Purpose

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

10.2 Who may Join

The Board may, at its absolute discretion, offer share options ("Options") to the Eligible Persons for subscribing for such number of Shares in accordance with the terms set out in the Share Option Scheme:

10.2.1 Any executive director, manager or other employee holding administrative, managerial, regulatory positions or similar positions in any member of the Group ("Executives"), any employee candidate, full-time or part-time employee, or any person who is temporarily transferred to any member of the Group for full-time or part-time work ("Employees");

10.2.2 Directors or nominated directors (including independent non-executive directors) of any member of the Group;

10.2.3 Direct or indirect shareholders of any member of the Group;

10.2.4 Suppliers who supply goods or services to any member of the Group;

10.2.5 Customers, consultants, business or joint venture partners, franchisees, contractors, agents or representatives of any member of the Group;

10.2.6 Individuals or entities who provide any member of the Group with the design, research, development or other support or any advice, consultancy, professional or other services; and

10.2.7 The contact person of any person mentioned in paragraphs 10.2.1 to 10.2.6 above (the above persons are collectively referred to as "Eligible Persons").

10.3 Maximum Number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as of the Listing Date (such 10% limit representing 120,000,000 Shares 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:

10.3.1 The Company may at any time as the Board may think fit seek approval from the Shareholders to refresh the Scheme Mandate Limit, save 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 of the date of approval by the Shareholders of the refreshment of Scheme Mandate Limit in 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 send a circular to the Shareholders containing the details and data required under the Listing Rules;

10.3.2 The Company may seek separate approval from the Shareholders in 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 should send a circular to the Shareholders containing the details and data required under the Listing Rules; and

10.3.3 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.

10.4 Term for Acceptance and Exercise of Options

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

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

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

No Options have been granted under the Scheme since its adoption.

11. DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this interim report, at no time during the reporting period was the Company or any of its subsidiaries a party to 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. Since the Listing Date up to 30 June 2018, the Board had reviewed the overall performance of the Structured Contracts and believes that the Group had complied with the Structured Contracts in all material respects.

12.1 Qualification Requirement

Pursuant to the Foreign Investment Catalog and the Sino-Foreign Regulation and as confirmed by the Education Department of Hebei Province, the foreign investor in Sino-foreign joint venture schools offering preschool, tertiary education, academic non-credential and secondary vocational education must be a foreign educational institution with relevant qualification and experience (the "Qualification Requirement") and hold less than 50% of the capital in a Sino-foreign educational institute and the domestic party must play a dominant role. Based on our consultation with the Education Department of Hebei Province, the foreign investor should be an officially recognized educational institution which is entitled to issue diploma and generally has certain advantages over the PRC-invested educational institutions. We have taken particular plans and commenced to implement specific measures, while the Company believes that such plans and measures had considerable significance in striving to demonstrate their compliance with the Qualification Requirement.

As advised by the PRC legal advisor, being Jingtian & Gongcheng, none of the implementation regulations related to the Qualification Requirement was updated since the Listing Date up to 30 June 2018.

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 Requirement.

12.2 Draft Foreign Investment Law

On 19 January 2015, MOFCOM released the Draft Foreign Investment Law and the Explanatory Notes to the Draft Foreign Investment Law (the "Explanatory Notes") for public consultation. Although the MOFCOM had consulted about the draft earlier in 2015, there were still significant uncertainties in the timing, interpretation and implementation of the legislation. The Draft Foreign Investment Law (once issued as recommended) may have a significant impact on the entire legal framework for foreign investment in PRC. For details about the impact of the Draft Foreign Investment Law, please also refer to the section headed "Structured Contracts" in the Prospectus.

Since the Listing Date up to 30 June 2018, the Draft Foreign Investment Law has not been updated.

13. DIRECTORS' INTERESTS IN COMPETITIVE BUSINESS

Since the Listing Date up to 30 June 2018, the Board did not aware 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.

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

For the six months ended 30 June 2018

	NOTES	Six months ended 30 June 2018 RMB'000 (unaudited)	2017 RMB'000 (audited)
Revenue from contracts with customers	4	101,610	89,453
Cost of sales		(52,111)	(45,935)
Gross profit		49,499	43,518
Other income and gains	4	5,251	3,969
Selling expenses		(4,230)	(4,171)
Administrative expenses		(18,932)	(11,721)
Other expenses		(447)	(233)
Finance costs	5	(1,481)	(2,154)
PROFIT BEFORE TAX	6	29,660	29,208
Income tax expense	7	(361)	(696)
PROFIT FOR THE PERIOD		29,299	28,512
Other comprehensive income			
Exchange differences on translation of foreign operations		(9)	–
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		29,290	28,512
Earnings per share attributable to ordinary equity holders of the Company:	8		
Basic and diluted		RMB3.23 cents	RMB3.39 cents

VII. UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	NOTES	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	117,640	122,256
Prepaid land lease payments		59,463	60,341
Intangible assets		1,052	1,110
Total non-current assets		178,155	183,707
CURRENT ASSETS			
Prepayments, deposits and other receivables	11	17,412	21,347
Trade receivables	12	603	1,179
Amount due from a related party		–	1,314
Term deposits		70,000	70,000
Cash and bank balances		420,870	39,864
Total current assets		508,885	133,704
CURRENT LIABILITIES			
Other payables and accruals	13	74,729	64,554
Interest-bearing bank and other borrowings	14	28,000	34,385
Deferred revenue	15A	–	57,530
Contract liabilities	15B	38,232	–
Amount due to a related party		547	–
Tax payable		2,060	1,849
Total current liabilities		143,568	158,318
NET CURRENT ASSETS/(LIABILITIES)		365,317	(24,614)
TOTAL ASSETS LESS CURRENT LIABILITIES		543,472	159,093
NON-CURRENT LIABILITIES			
Interest-bearing other borrowings	14	–	721
Deferred rental obligations		750	781
Total non-current liabilities		750	1,502
Net assets		542,722	157,591
EQUITY			
Share capital	16	10,421	–
Reserves		532,301	157,591
Total equity		542,722	157,591

VIII. UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company						
	Share capital RMB'000 (note 16)	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Other reserve RMB'000	Total RMB'000
As at 1 January 2017 (audited)	–	54,196	52,410	–	3,690	1,631	111,927
Profit and total comprehensive income for the period	–	–	–	–	28,512	–	28,512
As at 30 June 2017 (audited)	–	54,196	52,410	–	32,202	1,631	140,439
As at 31 December 2017 and 1 January 2018 (audited)	–	54,796	63,700	26	37,438	1,631	157,591
Profit for the period	–	–	–	–	29,299	–	29,299
Other comprehensive income	–	–	–	(9)	–	–	(9)
Profit and total comprehensive income for the period	–	–	–	(9)	29,299	–	29,290
Issue of shares for the Initial Public Offering ("IPO")	10,421	354,894	–	–	–	–	365,315
Share issue expenses	–	(9,474)	–	–	–	–	(9,474)
As at 30 June 2018 (unaudited)	10,421	400,216*	63,700*	17*	66,737*	1,631*	542,722

* These reserve accounts comprise the reserves of RMB532,301,000 in the unaudited interim condensed consolidated statement of financial position as at 30 June 2018 (31 December 2017: RMB157,591,000).

IX. UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	NOTES	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		29,660	29,208
Adjustments for:			
Interest income	4	(944)	(25)
Finance costs	5	1,481	2,154
Depreciation	6	5,321	5,470
Amortisation of intangible assets	6	123	97
Recognition of prepaid land lease payments	6	878	878
Loss on disposal of items of property, plant and equipment	6	6	66
		36,525	37,848
Decrease/(increase) in prepayments, deposits and other receivables		3,935	(1,863)
Decrease in trade receivables		576	90
Decrease/(increase) in amount due from a related party		1,845	(10,022)
Increase in other payables and accruals		11,077	4,003
Decrease in deferred revenue		–	(22,153)
Decrease in contract liabilities		(19,298)	–
(Decrease)/increase in other non-current liabilities		(31)	43
Cash generated from operations		34,629	7,946
Interest received		211	25
Corporate income tax paid		(150)	(167)
Net cash flows from operating activities		34,690	7,804
CASH FLOWS FROM INVESTING ACTIVITIES			
Repayment of advances from related parties		–	13,244
Proceeds from disposal of items of property, plant and equipment		210	–
Purchases of items of property, plant and equipment		(921)	(2,806)
Additions to intangible assets		(65)	(160)
Net cash inflow in respect of disposal of operating assets of certain kindergartens		–	2,000
Net cash flows (used in)/from investing activities		(776)	12,278

IX. UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Audited)
CASH FLOWS FROM FINANCING ACTIVITIES		
A new bank borrowing	13,000	15,000
Repayment of bank and other borrowings	(20,106)	(8,898)
Proceeds from issues of shares on initial public offering and over-allotment option	363,758	–
Listing expenses paid	(9,474)	(667)
Interest paid	(1,650)	(2,204)
Net cash flows from financing activities	345,528	3,231
NET INCREASE IN CASH AND CASH EQUIVALENTS	379,442	23,313
Cash and cash equivalents at beginning of period	39,864	5,320
Effect of foreign exchange rate changes, net	1,564	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD	420,870	28,633
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	420,870	28,633

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 2018, 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"). The companies now comprising the Group, including the PRC Operating Entities, were under the common control of Mr. Li Yunong ("Mr. Li") and Ms. Luo Xinlan ("Ms. Luo") (collectively, the "Controlling Shareholders").

These financial statements were approved and authorised for issue by the Board on 21 August 2018.

2.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (the "IASB").

The unaudited interim condensed consolidated financial statements should be read in conjunction with the accountants' report included in the Company's prospectus dated 15 May 2018 (the "Prospectus"), which have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"). The accounting policies and methods of computation used in the preparation of these unaudited interim condensed financial statements are consistent with those adopted in the preparation of the accountants' report included in the Prospectus, except for the adoption of the following IFRS which are relevant to the Group's operation and are effective for the Group's financial year beginning on 1 January 2018:

IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
Amendments to IAS 40	*Transfers of Investment Property*
Annual Improvements to IFRSs 2014-2016 Cycle	Amendments to the following standards: IFRS 1 *First-time Adoption of International Financial Reporting Standards* IAS 28 *Investments in Associates and Joint Ventures*

All IFRSs effective for the accounting period commencing from 1 January 2018, together with the relevant transitional provisions, have been adopted by the Group in preparation of these unaudited interim condensed consolidated financial statements.

Other than as further explained below, the directors do not anticipate that the application of the new and revised IFRSs above will have a material effect on the Group's condensed consolidated financial statements and the disclosure.

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 supersedes IAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective method of adoption and it elected to apply that method to only those contracts that were not completed at the date of initial application. The comparative information for each of the primary financial statements would be presented based on the requirements of IAS 18 and related interpretations.

It is considered that the adoption of IFRS 15 did not have significant impact on financial position and performance of the Group during the reporting period.

IFRS 9 *Financial Instruments*

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together two aspects of the accounting for financial instruments: classification and measurement and impairment.

The Group has applied the transition provision set out in IFRS 9. There is no difference between carrying amounts as at 31 December 2017 and the carryings as at 1 January 2018 that should be recognised in the opening retained profits and other components of equity, without restating comparative information.

(1) Classification and measurement

Under IFRS 9, debt financial instruments are subsequently measured at amortised cost or fair value through other comprehensive income ("FVTOCI"). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

(2) Impairment

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS39. IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience.

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

It is considered that the adoption of IFRS 9 did not have significant impact on financial position and performance of the Group during the reporting period.

The unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention. The unaudited interim condensed consolidated financial statements are presented in Renminbi ("RMB") except when otherwise indicated.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[2]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to the following standards: IFRS 3 *Business Combinations*[1] IFRS 11 *Joint Arrangements*[1] IAS 12 *Income Taxes*[1] IAS 23 *Borrowing Costs*[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2021
3 No mandatory effective date yet determined but available for adoption

The Group has not early adopted any standard interpretation or amendment that was issued but not yet effective and is still evaluating the impact on adopting these new and revised IFRSs.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of education services and the college management services in the PRC. For management purposes, the Group is organised into business units based on their services and had three segments including tertiary education service provided by Shijiazhuang Institute of Technology, tutorial center education service provided by Saintach Tutorial Centers and preschool education service provided by Saintach Kindergartens.

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, interest income and other unallocated income and expenses are excluded from such measurement.

Segment assets exclude cash and bank balances, term deposits, amount due from a related party and other unallocated head office and corporate assets as these assets are managed on a group basis.

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. OPERATING SEGMENT INFORMATION (continued)

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

Six months ended 30 June 2018	Tertiary education RMB'000 (Unaudited)	Tutorial center education RMB'000 (Unaudited)	Preschool education RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue	58,062	28,317	15,231	101,610
Other segment revenue	2,785	46	1,476	4,307
Total	60,847	28,363	16,707	105,917
Segment results	37,418	12,287	3,508	53,213
Reconciliation:				
Finance costs				(1,481)
Interest income				944
Unallocated expenses				(23,016)
Profit before tax				29,660
Segment assets	183,601	5,178	5,277	194,056
Reconciliation:				
Cash and bank balances				420,870
Term deposits				70,000
Unallocated head office and corporate assets				2,114
Total assets				687,040
Segment liabilities	(61,991)	(26,007)	(16,006)	(104,004)
Reconciliation:				
Interest-bearing bank borrowings				(28,000)
Amount due to a related party				(547)
Tax payable				(2,060)
Unallocated head office and corporate liabilities				(9,707)
Total liabilities				(144,318)
Other segment information:				
Depreciation and amortisation	5,614	130	578	6,322
Capital expenditure^	284	612	90	986
Loss on disposal of items of property, plant, and equipment	6	–	–	6

^ Capital expenditure consists of additions of property, plant and equipment and intangible assets.

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. OPERATING SEGMENT INFORMATION (continued)

Six months ended 30 June 2017	Tertiary education RMB'000 (Audited)	Tutorial center education RMB'000 (Audited)	Preschool education RMB'000 (Audited)	Total RMB'000 (Audited)
Revenue	49,268	25,911	14,274	89,453
Other segment revenue	3,190	1	753	3,944
Total	52,458	25,912	15,027	93,397
Segment results	34,212	9,155	3,585	46,952
Reconciliation:				
Finance costs				(2,154)
Interest income				25
Unallocated expenses				(15,615)
Profit before tax				29,208
Other segment information:				
Depreciation and amortisation	5,765	115	565	6,445
Capital expenditure^	835	73	127	1,035
Loss on disposal of items of property, plant, and equipment	66	-	-	66

^ Capital expenditure consists of additions of property, plant and equipment and intangible assets.

Year ended 31 December 2017	Tertiary education RMB'000 (Audited)	Tutorial center education RMB'000 (Audited)	Preschool education RMB'000 (Audited)	Total RMB'000 (Audited)
Segment assets	192,095	4,099	5,421	201,615
Reconciliation:				
Amount due from a related party				1,314
Term deposits				70,000
Cash and bank balances				39,864
Unallocated head office and corporate assets				4,618
Total assets				317,411
Segment liabilities	(81,407)	(25,717)	(14,551)	(121,675)
Reconciliation:				
Interest-bearing bank and other borrowings				(35,106)
Tax payable				(1,849)
Unallocated head office and corporate liabilities				(1,190)
Total liabilities				(159,820)

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information

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

Information about major customers

During both periods, revenue from a major customer who contributed over 10% of the total revenue from contracts with customers of the Group is as follows:

	Six months ended 30 June	
	2018 **RMB'000** **(Unaudited)**	2017 RMB'000 (Audited)
河北廿一世紀教育投資有限公司 Hebei Lionful Education Investment Co., Ltd. ("Lionful Education")	10,031	10,022

Lionful Education is a related party of the Group. Details about the Group's services rendered to Lionful Education are set out in note 19(d)(1).

4. REVENUE FROM CONTRACTS WITH CUSTOMERS, OTHER INCOME AND GAINS

		Six months ended 30 June	
	NOTES	**2018** **RMB'000** **(Unaudited)**	2017 RMB'000 (Audited)
Revenue from contracts with customers			
Tertiary education			
Tuition fees		34,914	30,491
Boarding fees		3,084	3,058
College operation service income	(i)	11,018	10,980
Others	(ii)	9,046	4,739
		58,062	49,268
Tutorial center education			
Tutoring fees		28,317	25,911
Preschool education			
Tuition fees		15,231	14,274
		101,610	89,453
Other income and gains			
Interest income from banks	(iii)	944	25
Site use fees		1,699	2,487
Sale of education materials and living goods		984	940
Others		1,624	517
		5,251	3,969

4. REVENUE FROM CONTRACTS WITH CUSTOMERS, OTHER INCOME AND GAINS

(continued)

Notes:

(i) The college operation service income comprises the service income derived from the provision of college operation service and the provision of accommodation service to the students. Details of the arrangements are set out in note 19(d)(1).

(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) Amounts represent usage fees received from certain colleges and enterprises in connection with their uses of the school premises and facilities of the Group to organise teaching and training activities.

5. FINANCE COSTS

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Audited)
Interest on bank and other borrowings	1,091	1,731
Financing consultancy service charges^	390	423
	1,481	2,154

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

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Audited)
Employee benefit expense		
(excluding director's remuneration):		
Wages and salaries	35,392	33,158
Pension scheme contributions		
(defined contribution scheme)	6,914	4,360
	42,306	37,518
Depreciation	5,321	5,470
Recognition of prepaid land lease payments	878	878
Amortisation of intangible assets	123	97
Minimum lease payments under operating leases:		
– Buildings	5,946	3,056
– Others	279	278
	6,225	3,334
Listing expenses	10,485	4,532
Loss on disposal of items of property, plant and equipment	6	66

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

Hong Kong Profits Tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2017: nil).

PRC Corporate Income Tax

Pursuant to the PRC Income Tax Law and the respective regulations, all of the Group's non-school subsidiaries established in the PRC are subject to the PRC Corporate Income Tax ("corporate income tax") of 25% during the period (six months ended 30 June 2017: 25%).

There is no corporate income tax imposed on the income from the provision of educational services by Shijiazhuang Institute of Technology. As a result, no income tax expense was recognised by Shijiazhuang Institute of Technology during both periods.

Tutorial centers of the Group which provide non-academic educational services are subject to corporate income tax at a rate of 25% for the period (six months ended 30 June 2017: 25%).

Except for certain kindergartens which were subject to corporate income tax at a rate of 25%, there was no corporate income tax imposed to other kindergartens during both periods.

Corporate income tax of the Group has been provided at the applicable tax rates on the estimated taxable profits arising in Mainland China during both periods.

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Audited)
Current – the PRC Charge for the period	**361**	696

8. 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 2018 and 2017.

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share and diluted earnings per share for the six months ended 30 June 2018 and 2017 has been retrospectively adjusted for the effect of capitalisation issue as described more fully in note 16.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2018 and 2017.

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

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Audited)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	**29,299**	28,512

	Number of shares Six months ended 30 June	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	**908,220,994**	840,000,000

9. DIVIDENDS

The Directors do not recommend the payment of dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired property, plant and equipment of RMB921,000 (six months ended 30 June 2017: RMB875,000).

Assets with a net book value of RMB216,000 were disposed of by the Group during the six months ended 30 June 2018 (six months ended 30 June 2017: RMB66,000), resulting in a net loss on disposal of RMB6,000 (six months ended 30 June 2017: RMB66,000).

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Prepayments	6,833	6,909
Deposits	5,044	7,251
Other receivables	3,777	1,121
Listing expenses	-	4,308
Current portion of prepaid land lease payments	1,758	1,758
	17,412	21,347

The above balances are interest-free and are not secured with collateral.

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

12. TRADE RECEIVABLES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Trade receivables	603	1,179

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within 1 year	603	1,179

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

None of the above trade receivables is either past due or impaired. The receivables have no recent history of default.

13. OTHER PAYABLES AND ACCRUALS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Salary and welfare payables	29,877	31,196
Miscellaneous advances from students*	16,660	14,870
Other tax payables	3,944	3,804
Payables for purchases of property, plant and equipment	344	1,076
Deposits	3,708	3,001
Interest payables	–	169
Accrued listing expenses	12,184	637
Scholarships	972	241
Current portion of deferred rental obligations	323	289
Other payables	6,717	9,271
	74,729	64,554

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

The above balances are unsecured and non-interest bearing. The carrying amounts of other payables and accruals as at the end of the reporting period approximated to their fair values due to their short term maturities.

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	NOTES	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Current			
Bank loan – unsecured	(i)/(ii)	28,000	15,000
Current portion of long term bank loan – unsecured	(iii)	–	13,000
Current portion of long term other borrowings – secured	(iv)/(v)	–	3,800
Current portion of long term other borrowing – unsecured		–	2,585
		28,000	34,385
Non-current			
Other borrowing – unsecured		–	721
		28,000	35,106

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Analysed into:		
Bank loans repayable:		
Within one year or on demand	28,000	28,000
Other borrowings repayable:		
Within one year or on demand	–	6,385
In the second year	–	721
	–	7,106
	28,000	35,106

Notes:

As at 30 June 2018, the effective interest rates of the Group's interest-bearing bank loan and other borrowings ranged from 5.44% to 8.27% (as at 31 December 2017: 5.44% to 10.93%) per annum.

(i) As at 30 June 2018, a bank borrowing of RMB13,000,000 was guaranteed by an independent financing guarantee company as well as jointly and severally guaranteed by Hebei Saintach Education and Technology Co., Ltd..

(ii) As at 30 June 2018 and 31 December 2017, a bank borrowing of RMB15,000,000 was guaranteed by an independent financing guarantee company as well as jointly and severally guaranteed by Hebei Zerui Education Technology Co., Ltd..

(iii) As at 31 December 2017, a bank loan of RMB13,000,000 was guaranteed by an independent financing guarantee company. Pursuant to the relevant guarantee agreement with the independent financing guarantee company, a counter guarantee arrangement was required comprising the pledge of an equity investment owned by Shijiazhuang City Luquan District University Town Management Company. And in January 2018, the Group fully settled this bank loan.

(iv) As at 31 December 2017, an other borrowing of RMB2,400,000 was secured by certain properties owned by employees of the Group.

(v) As at 31 December 2017, an other borrowing of RMB1,400,000 was secured by a property owned by a director of the Group.

15A. DEFERRED REVENUE

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Tuition fees	–	47,239
Boarding fees	–	3,807
Others	–	6,484
	–	57,530

Note:

Upon the adoption of IFRS 15, the Group has reclassified deferred revenue to contract liabilities (note 15B).

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15B. CONTRACT LIABILITIES

The following table provides information about contract liabilities from contracts with customers:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Tuition fees	27,985	–
Boarding fees	1,418	–
Others	8,829	–
	38,232	–

The contract liabilities primarily relate to the advance consideration received from the students for contracts, for which revenue is recognized when the performance obligation is satisfied through service rendered.

During the period, revenue recognised that was included in the contract liabilities at the beginning of the period is RMB54,723,000.

The Group's remaining performance obligation in respect of the education services as at end of the reporting period is expected to be satisfied and the associating revenue accordingly are recognised during the remaining study term of each student.

16. SHARE CAPITAL

Shares

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Authorised:		
3,000,000,000 (31 December 2017: 39,000,000) ordinary shares of HK$0.01 each	25,293	326
Issued and fully paid:		
1,236,000,000 (31 December 2017: 10,000) ordinary shares of HK$0.01 each	10,421	–*

* Less than RMB1,000.

16. SHARE CAPITAL (continued)

Shares (continued)

A summary of movements in the Company's share capital is as follows:

	NOTES	Number of shares in issue	Share capital RMB'000
At 31 December 2017 (audited) and 1 January 2018		10,000	–*
Capitalisation issue	a	839,990,000	7,082
Issuance of ordinary shares upon listing	b	360,000,000	3,035
Exercise of over-allotment	c	36,000,000	304
At 30 June 2018 (unaudited)		1,236,000,000	10,421

* Less than RMB1,000.

Notes:

(a) 839,990,000 shares were allotted and issued to the two shareholders of the Company, Sainange Investment Limited and Sainray Limited, credited as fully paid at par value, immediately prior to the listing of the Company's shares on 29 May 2018 by way of capitalisation of the sum of HK$8,400,000 (approximately RMB7,082,000) standing to the credit of the share premium account of the Company.

(b) On 29 May 2018, in connection with the Company's initial public offering, 360,000,000 new ordinary shares of the Company of HK$0.01 each were issued at a price of HK$1.13 per share.

(c) On 17 June 2018, the Company issued additional 36,000,000 shares at the price of HK$1.13 per share as a result of the exercise of the over-allotment options by the underwriters.

17. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its buildings under operating lease arrangements. Leases for buildings were negotiated for terms of six months to 18 years. As at the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within one year	**8,480**	4,521
In the second to fifth years, inclusive	**16,750**	8,399
Beyond five years	**4,761**	5,196
	29,991	18,116

18. COMMITMENTS

Capital commitments

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Contracted, but not provided for:		
Equipment	**106**	–

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	Chairman, one of the Controlling Shareholders of the Group, and son-in-law of Ms. Luo
Ms. Luo	One of the Controlling Shareholders of the Group, and mother-in-law of Mr. Li
Lionful Investment Holding Co., Ltd. ("Lionful Investment Holding")	A company controlled by the Controlling Shareholders
Lionful Education	A company controlled by the Controlling Shareholders
河北安信聯行物業服務有限公司石家莊分公司 Hebei Ansince Property Management Co., Ltd. Shijiazhuang Branch ("Hebei Ansince Shijiazhuang Branch")	A company controlled by Mr. Li

(b) Outstanding balances with a related party

Amount due from a related party

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Lionful Education	**–**	1,314
	–	1,314

19. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

Amount due to a related party

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Lionful Education	547	–
	547	–

(c) Transactions with related parties

Purchases of services or leases of assets from related parties

		Six months ended 30 June	
	NOTES	2018 RMB'000 (Unaudited)	2017 RMB'000 (Audited)
Lionful Education	(i)	2,750	–
Hebei Ansince Shijiazhuang Branch	(ii)	257	244
		3,007	244

Notes:

(i) During the six months ended 30 June 2017, Lionful Education had provided Shijiazhuang Institute of Technology with the rights to use its properties as the Group's library, student dormitory, infirmary and a training center free of charge.

On 1 July 2017, a lease agreement was entered into between the Group and Lionful Education in respect of these properties, pursuant to which properties are leased at an annual rate of RMB5,500,000. The lease agreement was cancellable and, hence, there was no operating lease commitment under this lease agreement as at 30 June 2018 and 31 December 2017.

During the year ended 31 December 2017, the Group prepaid the rental of RMB5,500,000 for the initial year and amortised the prepaid rent on a straight line basis.

(ii) Details of the property rentals paid to and fee paid for property management services provided by Hebei Ansince Shijiazhuang Branch are set out as follows:

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Audited)
Property rentals	177	169
Property management services	80	75
	257	244

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

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) ("Tiedao University").

Pursuant to a cooperation agreement entered into between Lionful Education and Sifang College, Lionful Education is responsible for the substantive operation of the West Campus of Sifang College, which included but not limited to (i) the provision of teaching venues, meal services and accommodation for students of the West Campus of Sifang College; (ii) the implementation of the curriculum formulated by Sifang College and organisation of teaching activities and examinations for students of the West Campus of Sifang College; and (iii) the provision of assistance with the student administration of the West Campus of Sifang College. Pursuant to the joint schooling arrangements with Tiedao University, Lionful Education is entitled to 65% of the tuition revenue of the West Campus of Sifang College while Tiedao University is entitled to the remaining 35%.

Lionful Education subsequently outsourced such services to Shijiazhuang Institute of Technology taking into consideration the sufficient campus management capability of Shijiazhuang Institute of Technology. Pursuant to the agreement entered into between Lionful Education and Shijiazhuang Institute of Technology, the operation services covered in the agreement between Lionful Education and Sifang College are delivered by Shijiazhuang Institute of Technology which is entitled to receive a service fee from Lionful Education in return. In the opinion of the Directors, the West Campus of Sifang College's academic education services are in substance provided by Shijiazhuang Institute of Technology. In this regard, the total service fees charged by Shijiazhuang Institute of Technology equal to the 65% of the tuition generated by the West Campus of Sifang College Which Lionful Education is entitled to receive.

Details of the college operation service income from Lionful Education for both periods are as follows:

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Audited)
College operation service income	**10,031**	10,022

19. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(d) Others (continued)

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

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Audited)
Student accommodation service income^	**987**	958

^ included as part of the college operation service income of the Group as disclosed in note 4.

(3) During both periods, certain trademarks owned by Lionful Investment Holding were used by the Group free of charge.

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

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Audited)
Salaries, allowances and benefits in kind	**489**	234
Pension scheme contributions	**176**	79
	665	313

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, term deposits, trade receivables, amount due from a related party, financial assets included in prepayments, deposits and other receivables, amount due to a related party and short-term interest-bearing bank and other borrowings 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 fair values of the non-current 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 Group's own non-performance risk for interest-bearing other borrowings as at 31 December 2017 was assessed to be insignificant.

XI. DEFINITIONS

"Board"	the board of Directors of the Company
"Central Plain City Cluster"	Central eastern area of the PRC between Yangtze River Delta, Pearl River Delta and Beijing-Tianjin-Hebei area, which are agglomerations with the largest scale, highest level of integration and the most dense population. It acts as the hub and core area receiving industrial transfer of developed countries via central area and eastern area of the PRC as well as exporting resources to western area
"Company" or "21st Century Education"	China 21st Century Education Group Limited, an exempted company incorporated in the Cayman Islands with limited liability on 20 September 2016, of which 88.96% and 11.04% owned by Sainange Holdings Company Limited and Sainray Limited, respectively. Since their respective incorporation date and as of 30 June 2018, Sainange Holdings Company Limited was wholly-owned by Mr. Li Yunong and Sainray Limited was wholly-owned by Ms. Luo Xinlan
"Director(s)"	the director(s) of the Company
"Education Department of Hebei Province"	An integral department of the provincial government, which is responsible for education business in Hebei Province
"Frost & Sullivan Report"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party. "Frost & Sullivan Report" refers to an independent market research report commissioned by our Company on the PRC private education market and prepared by Frost & Sullivan, as referred to in "Industry Overview" in the Prospectus
"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 the PRC Operating Entities from time to time
"Hebei Saintach"	Hebei Saintach Education and Technology Co., Ltd.* (河北新天際教育科技有限公司), a limited liability company established under the laws of the PRC on 17 September 2002, one of the Company's PRC Operating Entities
"Institute of Psychology, Chinese Academy of Sciences"	A professional institute under Chinese Academy of Sciences. As an international research institution, which is influential to the psychological science development in the PRC, the institute serves for psychological science think tank for national science innovation and urban development, in order to explore human wisdom and analyze mentality and behavior
"Integrated Area"	also known as the Beijing, Tianjin and Hebei Province Integrated Area. The concept of this area was created pursuant 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

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"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Outline of the Plan for Coordinated Development for the Beijing-Tianjin-Hebei Region"	The outline document considered and approved by the Political Bureau of the Central Committee on 30 April 2015, which pointed out that driving coordinated development of Beijing-Tianjin-Hebei is a major national strategy by centering on the dispersion of Beijing's non-capital functions, and initiate breakthroughs in such key areas as traffic integration, environmental protection and industrial upgrading
"Pearl River Delta City Cluster"	Pearl River Delta City Cluster comprises of 14 cities, which is one of the energetic economic zones in Asia Pacific region. As an advanced manufacture industry base and modern service industry base, it acts as the external gateway for southern areas and is the principal area for the PRC to take part in economic globalization
"PRC"	the People's Republic of China
"PRC Operating Entities"	Shijiazhuang Saintach, Hebei Saintach, Shijiazhuang Institute of Technology, Saintach Tutotorial Schools and Saintach Kindergartens
"private school(s)"	schools organised by social organisations or individuals outside the national institutions using non-state financial funds
"Prospectus"	the prospectus issued by the Company on the initial public offering and listing dated 15 May 2018
"public schools"	schools administered by local, provincial or national education authorities
"RMB" or "Renminbi"	Renminbi, the lawful currency for the time being of the PRC
"Sainange Investment"	Sainange Investment Limited, a company incorporated under the laws of the British Virgin Islands on 19 October 2016 for investment holding purposes, which has been wholly-owned by the Company
"Saintach Kindergartens"	Blue Crystal Kindergarten, Fukang Kindergarten, Jianhua Kindergarten, Lidu Kindergarten, Tianshan Kindergarten, Qinghui Kindergarten, Zhengding Kindergarten and Fumenli Kindergarten
"Saintach Tutorial Centers"	Tutorial centers in multiple operating locations which are organized into different Saintach Tutorial Schools
"Saintach Tutorial Schools"	Qiaoxi Tutorial School, Chang'an Tutorial School, Donggang Tutorial School, Zhicheng Tutorial School, High-tech Zone Tutorial School and Huixuan Tutorial School
"school sponsor"	the individual(s) or entity(ies) that funds or holds interests in an educational institution

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"school year"	the school year for all of our schools, which generally starts on 1 September of each calendar year and ends on 30 June of the next calendar year
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shijiazhuang Institute of Technology"	Shijiazhuang Institute of Technology* (石家莊理工職業學院), a junior college established under the laws of the PRC on 1 July 2003 of which school sponsors' interest is wholly-owned by Zerui Education as of the date of this interim report and one of our PRC Operating Entities
"Shijiazhuang Saintach"	Shijiazhuang Saintach Education and Technology Co., Ltd.* (石家莊新天際教育科技有限公司), a limited liability company established under the laws of the PRC on 13 July 2011, wholly-owned by Zerui Education as of the date of this interim report and one of our PRC Operating Entities
"Sifang College"	Shijiazhuang Tiedao University Sifang College (石家莊鐵道大學四方學院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"tutoring hour(s)"	the unit for measuring tutoring time delivered to students, typically represents 60 minutes in lengths for secondary school students and 40 minutes in lengths for primary school students
"Yangtze River Delta City Cluster"	Yangtze River Delta City Cluster is located in alluvial plain away from the Yangtze River estuary and comprise of 26 cities according to Yangtze River Delta City Cluster Development Plan (長江三角洲城市群發展規劃) as approved by the State Council in May 2016. It is the intersection of "One-Belt-One-Road" and Yangtze River Economic Belt and is strategically important in the national modernization and all-round opening-up pattern.
"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, owned as to 80.625% by Mr. Li Yunong and 19.375% by Ms. Luo Xinlan as of the date of this interim report, and one of our PRC Operating Entities
"%"	per cent.

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

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