



21世紀教育

21ST CENTURY EDUCATION

CHINA 21ST CENTURY EDUCATION GROUP LIMITED

中國21世紀教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1598



2020

Interim Report

CONTENTS

2	I. Corporate Profile
3	II. Corporate Information
4	III. Financial and Operating Highlights
5	IV. Management Discussion and Analysis
21	V. Corporate Governance Report and Other Information
31	VI. Unaudited Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
32	VII. Unaudited Interim Condensed Consolidated Statement of Financial Position
34	VIII. Unaudited Interim Condensed Consolidated Statement of Changes in Equity
36	IX. Unaudited Interim Condensed Consolidated Statement of Cash Flows
38	X. Notes to the Unaudited Interim Condensed Consolidated Financial Statements
62	XI. Definitions



I. CORPORATE PROFILE

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

The business of the Group covers “full courses” of vocational education and quality-oriented education, “full cycle” of higher diploma education, continuing education, K12 education, preschool education as well as “full scenarios” of online education, extra-curricular tutoring and family education, which entails a sound and diversified source of revenue and a broad customer base. Since the founding of its first school in 2003, the Group has established 22 physical schools, including 1 private college (Shijiazhuang Institute of Technology), 6 Saintach Tutorial Schools (consisting of 11 Saintach tutorial centers), 2 Peijian Tutorial Schools, 5 Shinedao Tutorial Schools and 8 Saintach Kindergartens. At the same time, it is responsible for the management of the west campus of Sifang College.

As a leading education group based in the area of Beijing, Tianjin and Hebei Province, the Group leverages on its physical schools to gradually realize the vertical extension of upstream and downstream operations, and drives business development with the “Content + Technology” model to create a first-class platform of education services featuring the philosophy of “helping you throughout your life”. As at 30 June 2020, the Group had a total of 33,605 students, including 16,824 full-time students and 16,781 continuing education students. We have recruited a total of 729 full-time teachers with a view to actively achieve national education strategies such as the integration of industry and education, and endeavor to foster all-rounded talents with high skills for the economic and social transformation so as to continuously enhance the well-being of human society.

II. CORPORATE INFORMATION

1. BOARD OF DIRECTORS

1.1 Executive directors

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

1.2 Independent non-executive directors

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

2. AUDIT COMMITTEE

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

3. REMUNERATION COMMITTEE

Mr. Wan Joseph Jason (尹宸賢) (chairman)
Mr. Guo Litian (郭立田)
Mr. Liu Zhanjie (劉占杰)

4. NOMINATION COMMITTEE

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

5. AUTHORISED REPRESENTATIVES

Mr. Liu Zhanjie (劉占杰)
Mr. Zheng Tieqiu (鄭鐵球)

6. COMPANY SECRETARIES

Mr. Zheng Tieqiu (鄭鐵球)
Ms. Wong Sau Ping (黃秀萍)

7. LEGAL ADVISOR

Jingtian & Gongcheng LLP

8. AUDITOR

Ernst & Young
Certified Public Accountants

9. REGISTERED OFFICE

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

10. 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

11. PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

12. CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

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

13. HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

14. PRINCIPAL BANKERS

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

15. COMPANY WEBSITE

www.21centuryedu.com

16. STOCK CODE

1598

III. FINANCIAL AND OPERATING HIGHLIGHTS

1. COMPARISON OF KEY FINANCIAL DATA

	For the six months ended 30 June			Percentage of changes
	2020 (RMB'000)	2019 (RMB'000)	Changes	
Revenue	115,500	118,568	(3,068)	(2.6%)
Cost of sales	(54,649)	(53,519)	(1,130)	2.1%
Gross profit	60,851	65,049	(4,198)	(6.5%)
Gross profit margin	52.7%	54.9%	(2.2%)	(4.0%)
Profit before tax	36,356	50,728	(14,372)	(28.3%)
EBITDA	61,057	70,373	(9,316)	(13.2%)
Profit for the period	36,682	50,538	(13,856)	(27.4%)
Basic earnings per Share (RMB cents)	3.00	4.14	(1.14)	(27.5%)

2. SUMMARY OPERATING INFORMATION

Operating information	2019 to 2020	2018 to 2019	Changes	Percentage of changes
Total number of students	33,605	29,985	3,620	12.1%
Including: Full-time ^①	16,824	15,694	1,130	7.2%
Continuing education ^①	16,781	14,291	2,490	17.4%
Student capacity ^②	117.1%	109.7%	7.4%	6.7%
Student retention rate ^③	99.7%	98.0%	1.7%	1.7%
Total number of teachers ^④	729	675	54	8.0%

Notes:

- ① Full-time includes junior college students and secondary school students in the Shijiazhuang Institute of Technology for vocational education, and students in kindergartens for quality-oriented education. Continuing education refers to part-time students in the Shijiazhuang Institute of Technology for vocational education.
- ② It refers to the capacity of full-time students. The student capacity of the Shijiazhuang Institute of Technology as at 30 June 2020 exceeded 100%, one reason was that its rented beds were not taken into account in the calculation; and another reason was that Shijiazhuang Institute of Technology implemented a "2+1" school system, where students at the third grade would work at enterprises as interns, no shortage of student apartments would be resulted, and thus a student capacity of over 100% was recorded.
- ③ It refers to the retention rate of full-time students.
- ④ The number represents full-time teachers.

IV. MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

1.1 Overview

Focusing on the operation and content incubation of the education industry, and adhering to the corporate mission of “promoting the development of the education industry with contents and technologies”, the Company has addressed itself to improving the efficiency and customer experience of education operation by virtue of technologies empowerment, and currently has diversified sources of revenue covering full-time vocational education and continuing education, K12 tutorial programs, preschool education and online education.

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

Affected by the “COVID-19” epidemic and in response to the requirement of “class suspension with continuing education (停課不停教、停課不停學)” from the Ministry of Education, the Company has developed a number of information-based education products by leveraging on its strategic layout of “Content + Technology”. In view of the current epidemic situation, except for the Company’s kindergartens, the Company has commenced online teaching for all its physical schools. Benefiting from our standardized management and efficient operation, the Company’s business operations were largely unaffected.

1.2 Our Schools

1.2.1 Overview

As at 30 June 2020, the Company owned 22 schools, including 1 private college under vocational education segment (Shijiazhuang Institute of Technology), 6 Saintach Tutorial Schools for cultural education under quality-oriented education segment (consisting of 11 Saintach Tutorial Centers), 2 Peijian Tutorial Schools, 5 Shinedao Tutorial Schools and 8 Saintach Kindergartens, and was entrusted with the operation of the west campus of Sifang College.

Schools of the Company	30 June 2020	30 June 2019
Vocational education — College	1	1
Quality-oriented education — Tutorial school	13	6
Quality-oriented education — Kindergarten	8	8
Total	22	15

IV. MANAGEMENT DISCUSSION AND ANALYSIS

1.2.2 Student enrollment

As at 30 June 2020, we had 33,605 students enrolled in our schools, including 16,824 full-time students and 16,781 part-time students. The specific data are as follows:

Breakdown of student enrollment	2019-2020 school year	2018-2019 school year	Changes	Percentage of changes
Full-time students				
Vocational education — Shijiazhuang Institute of Technology				
Including: Junior college	12,556	11,438	1,118	9.8%
Secondary college	2,537	2,568	(31)	(1.2%)
Subtotal (full-time college students)	15,093	14,006	1,087	7.8%
Quality-oriented education — Saintach Kindergartens	1,731	1,688	43	2.5%
Subtotal (full-time students)	16,824	15,694	1,130	7.2%
Part-time students				
Vocational education — Shijiazhuang Institute of Technology				
Continuing education programs ^①	16,781	14,291	2,490	17.4%
Subtotal (part-time students)	16,781	14,291	2,490	17.4%
Total	33,605	29,985	3,620	12.1%

Note:

^① The increase in the number of students in the continuing education programs under vocational education segment for the six months ended 30 June 2020 compared to that for the same period in 2019 was mainly due to the increase of student enrollment in adult education exams at Shijiazhuang Institute of Technology under vocational education.

IV. MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2020, our tutorial centers for cultural education under quality-oriented education delivered approximately 177,196 Tutoring Hours to approximately 4,917 students, with the renewal rate of the students who continued to choose to study after the completion of the first curriculum amounting to 62.4%. Details are as follows:

Operating information	For the six months ended 30 June			Percentage of changes
	2020	2019	Changes	
Tutorial centers for cultural education under quality-oriented education^①				
Number of Tutoring Hours delivered ^②	177,196	176,570	626	0.4%
Number of students tutored ^③	4,917	3,035	1,882	62.0%
Renewal rate	62.4%	56.8%	5.6%	9.9%

Notes:

- ① Data of tutorial centers for cultural education under quality-oriented education include Saintach Tutorial Schools, Shinedao Tutorial Schools and Peijian Tutorial Schools.
- ② Affected by the "COVID-19" epidemic, the number of Tutoring Hours per student decreased compared to that for the same period of last year.
- ③ The growth of the number of students tutored was attributable to the increasing number of students tutored in Shinedao Tutorial Schools and Peijian Tutorial Schools.

For the six months ended 30 June 2020, there were 635 partner schools under the New Gaokao business of Peijian Tutorial Schools, providing more than 5,000 students with competition tutoring services on five subjects during the period, among which, 1,175 students won the provincial first prizes at the five-subject competition in school year 2019-2020; as at the date of this interim report, a total of 59 students from Peijian Tutorial Schools were recommended for admission to Tsinghua University and Peking University during the 2020 Gaokao season, with 210 students listed in the "Foundation Enhancement Program" of the two universities.

IV. MANAGEMENT DISCUSSION AND ANALYSIS

1.2.3 Charge and average tuition revenue

As disclosed in the Prospectus, we charge our students fees comprising tuition (including tutoring fees) and, at our Shijiazhuang Institute of Technology under vocational education, boarding fees. Without taking into consideration the newly added relevant charges from Peijian Tutorial Schools and Shinedao Tutorial Schools, our fee range approximates to that for the year ended 31 December 2019, whereas the tutoring fee ranges for the junior college courses and secondary college courses at Shijiazhuang Institute of Technology under vocational education segment have changed, as stated in the following table:

Type of course	2019-2020 school year	2018-2019 school year
Vocational education		
Junior college courses	RMB7,000 to RMB13,000 per school year	RMB6,000 to RMB10,000 per school year
Secondary college courses	RMB6,600	RMB5,600

Average Revenue ^①	For the six months ended 30 June			
	2020	2019	Changes	Percentage of changes
Vocational education	3,872	3,480	392	11.3%
Including: Junior college	4,026	3,627	399	11.0%
Secondary college	3,107	2,792	315	11.3%
Kindergartens^②	1,270	8,630	(7,360)	(85.3%)

Notes:

^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 beginning and middle of the same year.

^② Affected by the "COVID-19" epidemic, all of the Company's kindergartens were closed from late January 2020 to 30 June 2020.

IV. MANAGEMENT DISCUSSION AND ANALYSIS

1.2.4 Employment rate

Shijiazhuang Institute of Technology works to build a modern vocational education system, which adopts the “TOP” talent training model (TOP means “Technique-Occupation-Personality”), to continuously cultivate and deliver application-oriented talents for society. For the six months ended 30 June 2020, we partnered with over 40 of the top 500 enterprises, established 15 order-based classes and organized 6 on-site training programs, which significantly enriched our teaching practice. The employment rate of our graduates as at 30 June 2020 was approximately 95.3%:

Employment rate ^①	As at 30 June 2020	As at 30 June 2019	Changes	Percentage of changes
Vocational education	95.3%	95.3%	-	-

Note:

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

1.2.5 Our teachers

Teachers	As at 30 June 2020	As at 30 June 2019	Changes	Percentage of changes
Full-time teachers				
Vocational education ^①	379	343	36	10.5%
Quality-oriented education ^②	350	332	18	5.4%
Subtotal (full-time teachers)	729	675	54	8.0%
Part-time teachers				
Vocational education ^①	69	102	(33)	(32.4%)
Quality-oriented education ^②	350	281	69	24.6%
Subtotal (part-time teachers)	419	383	36	9.4%
Total	1,148	1,058	90	8.5%

Notes:

^{①③} The increase in full-time teachers resulted from the added majors at Shijiazhuang Institute of Technology; meanwhile, the decrease in the number of part-time teachers was mainly due to our efforts to gradually increase the number of full-time teachers, standardize, consolidate, and optimize the composition of part-time teachers, and increase the number of classes given by outstanding part-time teachers.

^{②④} The increase in the number of full-time and part-time teachers under quality-oriented education was due to the increase in the number of teachers at Shinedao Tutorial Schools and Peijian Tutorial Schools.

The quality of education we provide is strongly tied to the quality of our teachers. We prioritize the recruitment of outstanding teachers and strive to maintain the stability of our teachers. As at 30 June 2020, the percentage of teachers that had worked with us for more than two years was 68.5%; and the percentage of our teachers with a bachelor’s degree or above was 91.8%.

IV. MANAGEMENT DISCUSSION AND ANALYSIS

1.3 Our Content and Output

1.3.1 Management output

We have acquired the capability of management output for the two major segments of vocational education and quality-oriented education.

For the six months ended 30 June 2020, our vocational education provided entrusted operation service for the west campus of Sifang College and accommodation service for 3,005 students.

For the six months ended 30 June 2020, the “Beijing-Tianjin-Hebei Preschool Education Alliance (京津冀學前教育聯盟)” under our quality-oriented education segment had 1,046 members; affected by the “COVID-19” epidemic, kindergartens in Hebei Province were closed during the spring semester. The management output business provides continuous maintenance and management support to customers in the form of online consultation.

1.3.2 Content output

We continuously improve our research and development capabilities to meet the needs of different customers, and are committed to promoting the comprehensive and coordinated development of children in various aspects from parents to teachers and from society to school. For the six months ended 30 June 2020, our quality-oriented education segment led the development of aesthetic education, kindergarten teacher college and parent education programs; and we started the external promotion of the LEO aesthetic education program jointly developed with Hebei Youth Calligraphers Association (河北青少年書畫家協會) through the practices in internal kindergartens and engaged in bookselling to external parties. Our family education and training program targeting parents is engaged in product output by way of partnership, with our product system in continuous development and improvement. Our family education cloud platform targeting schools and education institutions is built on technologies such as big data, cloud computing and mobile internet. It provides parent training for schools, education institutions and authorities, offers guidance on family education, and addresses home-school conflicts to bolster the competitiveness of regional education, with the product system still in iteration. Our kindergarten teacher college provides kindergarten teachers with professional, multi-dimensional and practical methods for preschool education, teaching, children’s healthcare and home-school education from multiple perspectives to effectively solve the practical problems encountered by kindergarten teachers during work.

1.4 Our Technological Empowerment

Focusing on the strategic layout of “Content + Technology”, the Group further accelerated the expansion of its traditional offline education business into the digital field. Science and technology empower us to establish our content layout in two major segments of vocational education and quality-oriented education, and consolidate and incorporate technology into the content, including technical services and technical consultation.

With 2 million current users, “Parents Search (爸媽搜)” aims at K12 parent-children co-learning community in the PRC for families with children aged 3 to 18. Through “Technology + Content”, it provides online-offline family education-related products and services for middle and high-end families. Principal businesses under Parents Search include content e-commerce, knowledge payment and parent-school cloud platform. With the new media matrix as its flow base, Parents Search offers users a wealth of quality online contents via platforms such as mini applications, APP, SaaS and H5.

IV. MANAGEMENT DISCUSSION AND ANALYSIS

“Family Education Cloud Platform (家庭教育雲平台)” is a mobile platform of family education courses for schools to provide parent training and family education guidance, address home-school conflicts and bolster the competitiveness of regional education based on big data, cloud computing, mobile internet and other technologies. It connects the high-quality content from the Group’s years of teaching experience to serve the overall family education solutions of kindergartens, primary and secondary schools and education bureaus, with a view to building a “learning power (學習強國)” platform in the family education community.

“Enlightening Homeland (知蒙家園)” is a cloud platform dedicated to improving the information management of kindergartens, focuses on the affairs management, home-school education, employee management and financial management in kindergartens, and enables efficient and convenient communication among kindergartens, kindergarten teachers and parents. The platform, connected to the micro-application terminal on WeChat, allows users to keep abreast of the real-time situation in kindergartens. It provides professional management, standardized services, high-quality content and convenient operation for kindergartens.

“Kindergarten Teacher College (幼師大學)” is a social platform tailor-made for kindergarten teachers to share teaching resources in early childhood education, with a micro-application currently available on WeChat. According to different contents, the platform is divided into five segments, namely education and teaching, parents work, sanitation and healthcare, educational administration and research, as well as famous teachers’ lecture. At the same time, it is also equipped with professional assessment of kindergarten teachers’ competency.

“Enlightening Classroom (知蒙課堂)” is an educational live broadcast product, which provides schools and training institutions with teaching, interactive and lightweight live broadcast tools. Its “Application Scenario” supports one-to-one, small classes and large classes; “Teaching Form” supports interactive whiteboard, courseware teaching, video linking, screen sharing and raising hands to the stage; “Teaching Assistance” supports authorization reward, whiteboard graffiti, chatting and questioning, and linking and closing of microphone; “Support Terminal” includes computer webpage version, tablet and mobile phone.

“Sousou Smart School (嗖嗖智校)” is a SaaS-type cloud platform for college teachers and students, which is based on the complete business process of colleges. It aims to build a core platform for smart campus to provide a series of services such as enrollment management, student registration, financial management, online payment, teaching and related administrative affairs, internship and practical training, and precise employment. For schools, the platform can deliver full life-cycle management of students from enrollment to employment. For students, it can provide value-added services in close relation to school study, life and consumption. At the same time, through data accumulation in terms of teaching, student, finance and operation management at schools, combined with cloud computing, big data, artificial intelligence and other advanced technologies, the platform can build knowledge spectrums and behavior models of students to enable schools to serve as the cockpit for big data and deliver personalized study.

1.5 Our Licenses

As at 30 June 2020, the Company completed the 2019 annual examination and verification of the licenses, permits, approvals and certificates necessary to conduct our operations in all material aspects from the relevant government authorities in the PRC as scheduled, which have remained in full effect.

2. MARKET REVIEW

2.1 Enrollment Expansion in Vocational Education Continually Releases Favorable Factors

In March 2019, Premier Li Keqiang pointed out in the Report on the Work of the Government that “We will reform and improve the ways that vocational colleges conduct examinations and enrollment and achieve a large-scale expansion of one million in student enrollments”. In the Two Sessions in May 2020, Premier Li Keqiang pointed out in the Report on the Work of the Government that “This year and next, enrollment in vocational colleges will grow by two million. This will help more people improve their skills and secure jobs”. This is the second consecutive year that the “Enrollment Expansion Plan in Vocational Colleges” has been written into the Report on the Work of the Government. In July 2020, the General Office of the Ministry of Education and other five departments issued the Notice on the Special Work for the Expansion of Enrollment by Vocational Colleges in 2020 (《關於做好2020年高職擴招專項工作的通知》), which is expected that the enrollment expansion of vocational colleges will be normalized in the future and become a long-term policy.

To cope with the possible employment pressure in 2020, the Ministry of Education proposed on 28 February 2020 that we should expand enrollment of 322,000 junior college students in universities in 2020. It is expected that the enrollment expansion of vocational colleges and more admission of junior college students in universities will directly drive the growth of the number of school places under the Company and the steady organic growth of the Company’s performance.

Shijiazhuang Institute of Technology cooperated with Huawei Technologies Co., Ltd.* (華為技術有限公司) to set up “1+X Certification” training and examination site and continuously promote the establishment of smart campus.

2.2 New Gaokao Reform Accelerates the Development of Quality-oriented Education

On 7 January 2020, the National Education Examinations Authority issued the “Chinese College Entrance Exam Evaluation System (《中國高考評價體系》)”. Provinces implementing the new general high school curriculum no longer prepare examination outlines, with a new subject evaluation system in place and profound changes to the standards of college entrance exam questions; efforts are made to standardize academic exams as well as improve comprehensive quality evaluation and its importance in the college entrance exam admission system, with a comprehensive upgrade of the diversified admission system. The college entrance exam evaluation system is a theoretical framework for exam evaluation prepared by integrating college talent selection requirements and national course standards, which further highlights the importance of basic disciplines and the requirements for students’ overall quality and capabilities, and strengthens the leading role of college entrance exam.

On 14 January 2020, the Ministry of Education issued the Opinions on Implementing the Pilot Admission Reform for Basic Subjects in Some Universities (《關於在部分高校開展基礎學科招生改革試點工作的意見》) (the “Foundation Enhancement Program (強基計劃)”). Designed to actively explore the models for cultivating top-tier innovative talents in basic disciplines, the Foundation Enhancement Program selects and cultivates students with outstanding comprehensive qualities or performance in basic disciplines. It highlights the supporting and leading function of basic disciplines and further clarifies the key position of academic grades, enabling universities to refocus on the results of college entrance exam during admissions and further enhancing the justness and fairness of entrance exams.

IV. MANAGEMENT DISCUSSION AND ANALYSIS

The Company's cultural education business and New Gaokao business deployed in the field of quality-oriented education will benefit from favorable policies. Relying on Peijian Education's brand advantages and business resources, the Company has established the Beijing-Tianjin-Hebei New Gaokao section, introduced the most authoritative and accurate AI technology platform for college selection and application in the country, and formed a new team to carry out a number of businesses around the college entrance exam. In 2020, as the first year of the Foundation Enhancement Program, Peijian Education launched its pioneering courses such as the training camp for the Foundation Enhancement Program of high-level universities, serving more than 7,000 students with its new products.

2.3 "COVID-19" Epidemic Promotes the Rapid Development of Online Education

Affected by the "COVID-19" epidemic, online education has become a hot topic for the first time in the Two Sessions. During the epidemic, "class suspension with continuing education (停課不停教、停課不停學)" has offered revolutionary significance in promoting the reform of education and teaching methods and the normalized integration and development of offline and online education.

In the first half of 2020, schools and education training institutions for various school ages resumed class through online classroom, which promoted the fast development of online education in the PRC. According to iiMedia Research, the penetration rate of K12 online education users reached 23.2% in the PRC in 2020. Meanwhile, the "COVID-19" epidemic forced online platforms to upgrade technologies, expand the supply of high-quality online education resources, and activate the new demand of middle class for education consumption across localized markets in the post-epidemic era.

Leveraging on its strategic layout of "Content + Technology", the Company took a step further by developing a number of information-based education products, particularly the commercial output and promotion of online education tools. In addition, except for the Company's kindergartens, all physical schools of the Company have commenced online teaching, leaving the Company's business operations largely unaffected. The Company will increase the recording and research and development progress of its online courses to ensure the learning efficiency and effectiveness of its students.

IV. MANAGEMENT DISCUSSION AND ANALYSIS

3. FUTURE PROSPECTS

Centering on the overall national objective of education modernization, we, as a large private education service provider, will exert great effort to develop vocational education and quality-oriented education, and sustain a diversified industrial layout.

The structural upgrade of human resources brought by the transformation and upgrade of industrial structure will remain a focus of the national supply-side reform of vocational education for a long period of time. By combining 1+X certification and credit bank system, we will continue to work intensively on development of majors and production-education integration, to cultivate high calibre and skilled talents, increase the employment rate of higher education and boost brand awareness.

With the Foundation Enhancement Program launched and the New Gaokao reform executed on a comprehensive scale, universities and colleges are given greater rights of independent selection, with subject training and integrated testing to bring more development opportunities to the institutions. Leveraging on 20 years of experience in enrollment, standardized operation, faculty training and research and teaching management in the education industry market, we will intensively engage in the New Gaokao business in Beijing-Tianjin-Hebei and Yangtze River Delta regions, and pursue in-depth empowerment and coordinated development with Peijian Education and Shinedao Education.

Given "Education + Internet" as an irreversible trend, we will increase our input in education technology and digital upgrade, and work to transform ourselves towards the "online-merge-offline" (OMO) model. We will export our quality education content and technology products to Beijing-Tianjin-Hebei and Yangtze River Delta regions to cover a wider customer base.

We will promote group-based schooling and connected development, further deepen our content development and technological research and development and further enhance operational efficiency, to promote the digital transformation of the Group. Technology-empowered products, such as Gaojiaoyun (高教雲) and Youjiaoyun (幼教雲), have been applied internally, and will be used more widely in external schools, institutions and kindergartens to expand the number of our user groups, so that high-quality and convenient education is accessible to more people.

Furthermore, we will be more active in paying attention to the merger and acquisition opportunities of universities and colleges in developed regions and the opportunity of upgrading Shijiazhuang Institute of Technology to a university and establishing our presence in overseas education business as appropriate.

4. FINANCIAL REVIEW

4.1 Revenue

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

Revenue decreased by approximately 2.6% from approximately RMB118.6 million for the six months ended 30 June 2019 to approximately RMB115.5 million for the six months ended 30 June 2020, mainly due to the decrease in the tuition income from kindergartens under quality-oriented education affected by the "COVID-19" epidemic.

IV. MANAGEMENT DISCUSSION AND ANALYSIS

4.2 Cost of Sales

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

Cost of sales increased by approximately 2.1% from approximately RMB53.5 million for the six months ended 30 June 2019 to approximately RMB54.6 million for the six months ended 30 June 2020, mainly due to the acquisition of Zhejiang Peijian and Hangzhou Yimai which led to an increase in costs.

4.3 Gross Profit and Gross Profit Margin

The amount of gross profit decreased by approximately 6.5% from RMB65.0 million for the six months ended 30 June 2019 to RMB60.9 million for the six months ended 30 June 2020; and the gross profit margin decreased from approximately 54.9% for the six months ended 30 June 2019 to approximately 52.7% for the six months ended 30 June 2020, which was mainly due to the decline in the gross profit of quality-oriented education segment, leading to a decrease in overall gross profit under the impact of the "COVID-19" epidemic.

4.4 Other Income and Gains

Other income and gains consisted of (1) interest income from banks and third party companies; and (2) site use fees charged to certain secondary vocational schools and companies for their external use of the premises and facilities of the Shijiazhuang Institute of Technology for organizing teaching activities and training sessions.

Other income and gains increased by approximately 11.3% from approximately RMB11.4 million for the six months ended 30 June 2019 to approximately RMB12.7 million for the six months ended 30 June 2020, mainly due to the increase in interest income.

4.5 Selling and Distribution Expenses

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

Selling and distribution expenses increased by approximately 15.1% from approximately RMB5.5 million for the six months ended 30 June 2019 to approximately RMB6.3 million for the six months ended 30 June 2020, mainly due to the acquisition of Zhejiang Peijian and Hangzhou Yimai which led to an increase in selling and distribution expenses.

4.6 Administrative Expenses

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

Administrative expenses increased by approximately 56.4% from approximately RMB15.2 million for the six months ended 30 June 2019 to approximately RMB23.8 million for the six months ended 30 June 2020, mainly due to (1) the acquisition of Zhejiang Peijian and Hangzhou Yimai which led to an increase in administrative expenses; and (2) increase of salaries owing to increasing number of management and research and development personnel.

IV. MANAGEMENT DISCUSSION AND ANALYSIS

4.7 Other Expenses

Other expenses mainly consisted of (1) exchange loss; and (2) expenses relating to loss on disposal of various fixed assets.

Other expenses increased from approximately RMB0.3 million for the six months ended 30 June 2019 to approximately RMB0.5 million for the six months ended 30 June 2020, mainly due to the increase of exchange loss.

4.8 Finance Costs

Finance costs mainly represented interest on loans borrowed from financial institutions and guarantee fees paid to third parties for the loans borrowed.

Finance costs increased by approximately 9.8% from approximately RMB4.9 million for the six months ended 30 June 2019 to approximately RMB5.3 million for the six months ended 30 June 2020, mainly due to the increase of finance costs arising from the increase of bank borrowings.

4.9 Taxation

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

4.10 Profit for the Period

Due to the above factors, the Company's profit for the period decreased by approximately 27.4% from approximately RMB50.5 million for the six months ended 30 June 2019 to approximately RMB36.7 million for the six months ended 30 June 2020.

IV. MANAGEMENT DISCUSSION AND ANALYSIS

4.11 Net Liquidity and Capital and Funds and Borrowing Sources

As at 30 June 2020, net current assets of the Company were approximately RMB402.3 million, which mainly consisted of prepayments, other receivables and other assets, term deposits, pledged deposits and cash and bank balances.

As at 30 June 2020, current assets decreased from approximately RMB639.5 million as at 31 December 2019 to approximately RMB613.1 million. The decrease in current assets was mainly due to, among others, the decrease in the prepayments for renovation projects.

As at 30 June 2020, current liabilities decreased from approximately RMB327.5 million as at 31 December 2019 to approximately RMB210.8 million. The decrease in current liabilities was mainly due to (1) the decrease in short-term borrowings; and (2) the decrease in contract liabilities arising from recognition of tuition and boarding fee income.

As at 30 June 2020, the current ratio of the Company (current assets divided by current liabilities) was 290.8%, as compared with 195.3% as at 31 December 2019. The increase in current ratio was mainly due to the decrease in current liabilities resulting from the decrease in short-term borrowings and contract liabilities.

In order to manage the liquidity risk, the Company monitored and maintained a sufficient level of cash and cash equivalents, which is deemed adequate by the management, as the working capital of the Company, and to eliminate the impact of cash flow fluctuations. The Company expects that it can meet the cash flow requirement in the future with internal cash flow generated by operations and bank borrowings. The Company did not adopt other financial instruments for the six months ended 30 June 2020.

The Company has not adopted financial instruments for hedging purposes.

4.12 Gearing Ratio

As at 30 June 2020, the gearing ratio (calculated by total interest-bearing bank loans divided by total equity) was approximately 20.2%, representing a decrease of approximately 1.1% from approximately 21.3% as at 31 December 2019, mainly due to (1) the decrease in total interest-bearing bank loans; and (2) the increase in total equity of the Company.

4.13 Major Investment

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

IV. MANAGEMENT DISCUSSION AND ANALYSIS

4.14 Significant Investments held, Major Acquisitions and Disposals

For the six months ended 30 June 2020, the Company did not hold any significant investments, nor conduct any major acquisition or disposal of any subsidiary or associated company.

4.15 Contingent Liabilities

As at 30 June 2020, the Company did not have any material contingent liabilities, guarantees or any material litigation or claims, pending or threatened against any member of the Company (31 December 2019: Nil).

4.16 Foreign Exchange Risk

Most gains and expenses of the Company were denominated in Renminbi. As at 30 June 2020, certain bank balances were denominated in Hong Kong dollars or US dollars. The Company currently does not have any foreign exchange hedging policy. The management will continue to monitor the foreign currency exchange risk of the Company and consider taking prudent measures in due course.

4.17 Pledge of Asset

For the six months ended 30 June 2020, the Group pledged bank deposits of RMB187.0 million for obtaining a bank facility.

4.18 Events after the Reporting Period

Subsequent to the reporting period, there was not any significant event for the Group.

4.19 Human Resources

As at 30 June 2020, the Group had approximately 1,246 employees. The remuneration policy and treatment of the Group's employees are regularly reviewed in accordance with industry practice and the performance of the Group. The Group provided external and internal training programs to its employees. As required by relevant PRC laws and regulations, the Group participated in various employee social security plans that are administered by local governments, including but not limited to, housing, pension, medical insurance and unemployment insurance.

IV. MANAGEMENT DISCUSSION AND ANALYSIS

5. DIRECTORS AND SENIOR MANAGEMENT

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

As at 30 June 2020, 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	Chairman of the Board and executive Director	Overall formulation, guidance of business strategy and development of the Group
Liu Hongwei	Chief executive officer and executive Director	Overall operation and daily management of the Group
Ren Caiyin	Executive vice president, executive Director and president of the vocational education section	Overall operation and daily management of the vocational education segment of the Group
Liu Zhanjie	Vice chairman of the Board and executive Director	Business strategy and promoting the implementation of major events of the Group
Yang Li	Executive Director	Research on marketing strategies of the Group
Guo Litian	Independent non-executive Director	Providing independent opinion and judgment to the Board
Yao Zhijun	Independent non-executive Director	Providing independent opinion and judgment to the Board
Wan Joseph Jason	Independent non-executive Director	Providing independent opinion and judgment to the Board

IV. MANAGEMENT DISCUSSION AND ANALYSIS

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

Name	Position	Responsibilities
Wang Lijin	Executive vice president and president of the quality-oriented education segment	Overall operation and daily management of quality-oriented education of the Group
Wang Yongsheng	Vice president and chief financial officer	Financial management and fund planning of the Group
Liu Tianhang	Vice president	The investment merger and acquisition system of the Group
Xu Min	Vice president	Education technology layout, content development and brand management of the Group
Wei Lei	Vice president	Overall operation, human resources and administrative affairs management of the Group
Zheng Tieqiu	Assistant to president and joint company secretary	Capital operations, corporate governance and brand management of the Group
Li Yasheng	Assistant to president	Project investments and introduction of quality assets of the Group
Mao Lei	Principal of Shijiazhuang Institute of Technology	Teaching management of Shijiazhuang Institute of Technology

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

V. CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

1. CORPORATE GOVERNANCE PRACTICES

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

For the six months ended 30 June 2020, the Company has complied with all the code provisions under the CG Code and adopted most of the recommended best practices set out therein. The Company will continue to review and monitor its corporate governance practices to ensure the compliance with the CG Code.

2. MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as its own code of conduct regarding Directors' securities transactions. Specific enquiries have been made to all the Directors and each of the Directors has confirmed that he/she has complied with the code provisions of the Model Code for the six months ended 30 June 2020.

3. INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2020.

4. AUDIT COMMITTEE

As at 30 June 2020, the audit committee of the Company (the "Audit Committee") comprised three independent non-executive Directors, namely Mr. Yao Zhijun (chairman), Mr. Guo Litian and Mr. Wan Joseph Jason.

The Audit Committee has adopted the terms of reference which are in line with the CG Code. The primary duties of the Audit Committee include reviewing and monitoring the financial control, risk management and internal control systems and procedures of the Group, reviewing the financial data of the Group, and reviewing the relationship with the external auditor of the Company. The unaudited condensed interim results of the Group for the six months end 30 June 2020 have been reviewed by the Audit Committee.

V. CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

5. CHANGE IN DIRECTOR'S INFORMATION

Since the issue of the 2019 annual report of the Company, the Directors confirmed that no information shall be disclosed in accordance with Rule 13.51B(1) of the Listing Rules.

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

On 18 June 2020, 12,672,000 Shares in aggregate repurchased in October, November and December 2019 were cancelled. For details of the Share repurchases in October, November and December 2019, please refer to the 2019 annual report of the Company. For the six months ended 30 June 2020, the Company purchased a total of 34,656,000 Shares at a total purchase price (net of expenses) of approximately HK\$22.1 million on the Stock Exchange. The reason for such Share repurchases in May and June 2020 was that the Board believed that the Shares had been traded at a level which significantly undervalued the Company's performance and underlying value; and since the Board is committed to actively managing the Company's capital, such Share repurchases would create capital management benefits to the Shareholders. On 23 June 2020, these Shares repurchased were subsequently cancelled. The details of purchase of these Shares are set out as follows:

Month of purchase	Number of Shares purchased	Maximum price paid per Share (HK\$)	Minimum price paid per Share (HK\$)	Total purchase price (HK\$'000)
May 2020	17,997,000	0.68	0.61	11,571
June 2020	16,659,000	0.65	0.61	10,486
Total	34,656,000			22,057

Save for disclosed above, the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company for the six months ended 30 June 2020.

7. USE OF NET PROCEEDS FROM THE INITIAL PUBLIC OFFERING

On 29 May 2018, the Company issued 360,000,000 Shares at a price of HK\$1.13 per Share pursuant to the initial public offering of Shares, with the total proceeds of approximately HK\$393 million, which are listed on the Main Board of the Stock Exchange. On 17 June 2018, the Company issued 36,000,000 Shares at a price of HK\$1.13 per Share pursuant to a partial exercise of over-allotment options relating to the Listing, with the total proceeds of approximately HK\$40.7 million. The net proceeds from the Listing (net of underwriting fees and relevant expenses) amounted to approximately HK\$433 million. The amount will be applied in the manners as set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus, and the announcement of the Company dated 12 June 2019 in relation to the change in use of proceeds (the “Announcement”).

Set out below is the use of net proceeds from the initial public offering for the six months ended 30 June 2020:

	Intended use of net proceeds (HK\$ million)	Revised use of proceeds as at the date of the Announcement (HK\$ million)	Actual use of net proceeds up to 30 June 2020 (HK\$ million)	Remaining balance up to 30 June 2020 (HK\$ million)	Expected timeline of full utilization of the remaining balance
Acquire and rebrand third-party kindergartens to expand our Saintach Kindergartens network in the Integrated Area by the end of 2020	173.2	-	-	-	-
Invest in, acquire and rebrand the domestic and overseas vocational education and quality-oriented education training schools and junior and undergraduate colleges	-	173.2	20.4	152.8	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	86.6	-	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	86.6	23.1	63.5	31 December 2020
Establish our presence overseas and obtain experience in operating schools abroad	43.3	43.3	-	43.3	31 December 2021
Fund our working capital and general corporate purposes	43.3	43.3	20.0	23.3	31 December 2021
Total	433.0	433.0	63.5	369.5	

V. CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

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

As at 30 June 2020, the Directors and chief executive of the Company had the following interests and short positions in the Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or which were required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code:

Director	Nature of interest	Number of Shares ⁽²⁾	Long position/ short position	Approximate percentage of shareholding ⁽³⁾
Mr. Li Yunong ⁽¹⁾	Founder of a discretionary trust who can influence how the trustee exercises his discretion	754,590,000 (L)	Long position	64.32%
Mr. Liu Zhanjie ⁽⁴⁾	Beneficial owner	1,140,000 (L)	Long position	0.10%
Ms. Yang Li ⁽⁴⁾	Beneficial owner	570,000 (L)	Long position	0.05%
Ms. Liu Hongwei ⁽⁴⁾	Beneficial owner	555,000 (L)	Long position	0.05%
Mr. Ren Caiyin ⁽⁴⁾	Beneficial owner	555,000 (L)	Long position	0.05%

Notes:

- (1) On 16 January 2020, the Company was informed by Mr. Li Yunong that he had transferred his 100% shareholding in Sainange Holdings Company Limited ("Sainange Holdings") to Leonus Holdings Limited for family wealth and succession planning purposes. For details, please refer to the announcement of the Company dated 21 January 2020.
- (2) The letter (L) denotes a long position in such securities.
- (3) As at 30 June 2020, the number of the issued shares of the Company was 1,173,213,000 Shares.
- (4) The Director is interested in the underlying Shares by virtue of the Options (as defined below) granted to him/her under the Share Option Scheme (as defined below). For further details, please refer to the section headed "10. Share Option Scheme" in this interim report.

Save as disclosed above, as at 30 June 2020, none of the Directors or chief executive of the Company had or deemed to have the interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or which were required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

So far as the Directors are aware, as at 30 June 2020, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or to be recorded in the register required to be kept pursuant to Section 336 of the SFO:

Name	Nature of interest	Number of Shares ⁽⁴⁾	Approximate percentage of shareholding ⁽⁵⁾
Ms. Cao Yang ⁽¹⁾	Spouse interest	754,590,000 (L)	64.32%
Sainange Holdings	Beneficial owner	754,590,000 (L)	64.32%
Ms. Luo Xinlan ⁽²⁾⁽³⁾	Interest in a controlled corporation	92,736,000 (L)	7.90%
Mr. Cao Jide ⁽³⁾	Spouse interest	92,736,000 (L)	7.90%
Sainray Limited	Beneficial owner	92,736,000 (L)	7.90%
Leonus Holdings Limited	Interest in a controlled corporation	754,590,000 (L)	64.32%
HSBC International Trustee Limited	Trustee	754,590,000 (L)	64.32%

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 virtue of the SFO. And she is therefore deemed to be interested in the Shares held by Sainange Holdings by virtue of the SFO, being 754,590,000 Shares.
- (2) Ms. Luo Xinlan is the sole shareholder of Sainray Limited and she is therefore deemed to be interested in the Shares held by Sainray Limited by virtue of the SFO, being 92,736,000 Shares.
- (3) Mr. Cao Jide is the spouse of Ms. Luo Xinlan and he is therefore deemed to be interested in the Shares in which Ms. Luo Xinlan is interested by virtue of the SFO.
- (4) The letter (L) denotes a long position in such securities.
- (5) As at 30 June 2020, the number of the issued shares of the Company was 1,173,213,000 Shares.

Save as disclosed above, as at 30 June 2020, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had any interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO; or to be recorded in the register required to be kept pursuant to Section 336 of the SFO.

10. SHARE OPTION SCHEME

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

(1) Purpose

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

(2) Who may join

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

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

(3) Maximum Number of Shares

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

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

(4) Term for Acceptance and Exercise of Options

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

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

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

V. CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

(5) Lapse of Share Option Scheme

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

Below sets out the details of the changes in the Options under the Share Option Scheme for the six months ended 30 June 2020 and the Options outstanding during the period:

Name of grantee	Date of grant	Number of Options					As at 30 June 2020	Exercise price per Share (HK\$)	Share price immediately prior to the date of grant (HK\$ per Share)	Fair value of Options (HK\$ per Share)	Exercise period
		As at 1 January 2020	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled/ forfeited during the period					
Mr. Liu Zhanjie (vice chairman of the Board and executive Director)	11 October 2018	342,000	-	-	-	-	342,000	0.964	0.950	0.449	11 October 2019 to 10 October 2023
	11 October 2018	342,000	-	-	-	-	342,000	0.964	0.950	0.449	11 October 2020 to 10 October 2023
	11 October 2018	456,000	-	-	-	-	456,000	0.964	0.950	0.449	11 October 2021 to 10 October 2023
Ms. Liu Hongwei (chief executive officer and executive Director)	11 October 2018	166,500	-	-	-	-	166,500	0.964	0.950	0.449	11 October 2019 to 10 October 2023
	11 October 2018	166,500	-	-	-	-	166,500	0.964	0.950	0.449	11 October 2020 to 10 October 2023
	11 October 2018	222,000	-	-	-	-	222,000	0.964	0.950	0.449	11 October 2021 to 10 October 2023
Mr. Ren Caiyin (executive president and executive Director)	11 October 2018	166,500	-	-	-	-	166,500	0.964	0.950	0.449	11 October 2019 to 10 October 2023
	11 October 2018	166,500	-	-	-	-	166,500	0.964	0.950	0.449	11 October 2020 to 10 October 2023
	11 October 2018	222,000	-	-	-	-	222,000	0.964	0.950	0.449	11 October 2021 to 10 October 2023
Ms. Yang Li (executive Director)	11 October 2018	171,000	-	-	-	-	171,000	0.964	0.950	0.449	11 October 2019 to 10 October 2023
	11 October 2018	171,000	-	-	-	-	171,000	0.964	0.950	0.449	11 October 2020 to 10 October 2023
	11 October 2018	228,000	-	-	-	-	228,000	0.964	0.950	0.449	11 October 2021 to 10 October 2023
		2,820,000	-	-	-	-	2,820,000				
Total for employees	11 October 2018	711,000	-	-	-	-	711,000	0.964	0.950	0.449	11 October 2019 to 10 October 2023
	11 October 2018	711,000	-	-	-	-	711,000	0.964	0.950	0.449	11 October 2020 to 10 October 2023
	11 October 2018	948,000	-	-	-	-	948,000	0.964	0.950	0.449	11 October 2021 to 10 October 2023
Total		5,190,000	-	-	-	-	5,190,000				

V. CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

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

The following table lists the inputs to the Model used:

Measurement date	11/10/2018
Dividend yield (%)	0.00%
Expected volatility (%)	64.49%
Risk-free interest rate (%)	2.53%

11. DIRECTORS’ RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

12. STRUCTURED CONTRACTS

Please refer to the section headed “Structured Contracts” in the Prospectus for details. For the six months ended 30 June 2020, the Board reviewed the overall performance of the Structured Contracts and believed that the Group had complied with the Structured Contracts in all material respects.

(1) Qualification Requirement

Pursuant to the Foreign Investment Catalog (外商投資目錄) and the Sino-Foreign Cooperative School-Running Regulations (中外合作辦學條例) and as confirmed by the Bureau of Education of Hebei Province, the foreign investors of Sino-foreign joint venture schools offering preschool, tertiary education, academic non-credential and secondary vocational education shall be a foreign educational institution with relevant qualification and experience (the “Qualification Requirements”), and hold less than 50% of the capital in a Sino-foreign educational institute and the domestic party shall play a dominant role. After consulting with the Bureau of Education of Hebei Province, the foreign investor should be an officially recognized educational institution which is entitled to award diplomas and generally has certain advantages over the PRC-invested educational institutions. We have taken specific plans and started to implement concrete measures, while the Company believes that such plans and measures had considerable significance in striving to demonstrate their compliance with the Qualification Requirements.

As advised by Jingtian & Gongcheng, the PRC legal advisor of the Company, none of the implementation regulations related to the Qualification Requirements was updated for the six months ended 30 June 2020.

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

V. CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

(2) Draft of Foreign Investment Law

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

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

13. DIRECTORS' INTERESTS IN COMPETITIVE BUSINESS

The Company renewed the 2010 Entrustment Agreement entered into between Shijiazhuang Institute of Technology and Hebei Lionful Education Investment Co., Ltd.* (河北廿一世紀教育投資有限公司) ("Lionful Education") on 27 May 2020. For details, please refer to the announcement of the Company dated 27 May 2020. In addition, the Company, was notified by Mr. Li Yunong in May 2020 that Lionful Education, which is effectively controlled by him and Ms. Luo Xinlan, intended to acquire Shijiazhuang Peisen Education Technology Co., Ltd.* (石家莊培森教育科技有限公司). Shijiazhuang Peisen Education Technology Co., Ltd.* owns Jiayuan Kindergarten* (嘉苑幼兒園), Shijiazhuang High-tech Zone Zhangjiu Center Kindergarten Co., Ltd.* (石家莊高新區長九中心幼兒園有限責任公司), Jinboshi Kindergarten*, Fuxing District, Handan (邯鄲市復興區金博士幼兒園), Xingtai Sunshine International Kindergarten* (邢臺陽光國際幼兒園), Xingtai Oasis New Town Kindergarten* (邢臺綠洲新城幼兒園), Shiji Chengbao Angli Kindergarten*, Haigang District, Qinhuangdao (秦皇島市海港區世極城堡昂立幼兒園), and Shijiazhuang Shiguang Kindergarten Co., Ltd.* (石家莊時光幼兒園有限公司). Among which, Shijiazhuang High-tech Zone Zhangjiu Center Kindergarten Co., Ltd.*, Shijiazhuang Shiguang Kindergarten Co., Ltd.*, and the kindergartens under our Company are all located in Shijiazhuang. However, owing to the fact that the coverage of the kindergarten business of 石家莊培森教育科技有限公司 is relatively smaller, the resulting business competition with the Group is limited. Moreover, according to the *Certain Opinions of the CPC Central Committee and the State Council on Deepening the Reform and Regulating the Development of Preschool Education* (《中共中央、國務院關於學前教育深化改革規範發展的若干意見》) authorized to release by Xinhua News Agency in November 2018, the Company will no longer expand the physical premises of kindergartens. Owing to this, Sheng Dao Xiang Cheng Education and Technology Co., Ltd.* (河北晟道象成教育科技有限公司) has issued a confirmation letter, stating that it agreed to the acquisition of Shijiazhuang Peisen Education Technology Co., Ltd.* by Lionful Education to commence the kindergarten business. Save as disclosed and for the six months ended 30 June 2020, the Board was not aware of that any business or interests of the Directors and their respective associates constitute or may constitute competition to the Group's business or cause or may cause any other conflict of interest to the Group.

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

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
REVENUE	4	115,500	118,568
Cost of sales		(54,649)	(53,519)
Gross profit		60,851	65,049
Other income and gains	4	12,719	11,426
Selling and distribution expenses		(6,279)	(5,454)
Administrative expenses		(23,764)	(15,192)
Impairment losses on financial assets		(1,381)	–
Other expenses		(465)	(250)
Finance costs	5	(5,325)	(4,851)
PROFIT BEFORE TAX	6	36,356	50,728
Income tax expense	7	326	(190)
PROFIT FOR THE PERIOD		36,682	50,538
Attributable to:			
Owners of the Company		36,261	50,538
Non-controlling interests		421	–
		36,682	50,538
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic and diluted			
– For profit for the period		RMB3.00 cents	RMB4.14 cents
PROFIT FOR THE PERIOD		36,682	50,538
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		6,864	1,262
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		43,546	51,800
Attributable to:			
Owners of the Company		43,125	51,800
Non-controlling interests		421	–
		43,546	51,800

VII. UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	134,781	140,719
Right-of-use assets		117,165	127,368
Goodwill		47,391	47,171
Other intangible assets		18,706	19,817
Equity investments designated at fair value through other comprehensive income	11	180	180
Financial assets at fair value through profit or loss	12	54,645	37,888
Other non-current assets	13	60,187	60,187
Total non-current assets		433,055	433,330
CURRENT ASSETS			
Trade receivables	14	6,383	2,683
Contract costs		1,374	2,563
Prepayments, deposits and other receivables	15	42,619	124,535
Amount due from a related party		5,463	2,638
Term deposits		70,000	70,000
Pledged deposits		187,000	178,500
Cash and bank balances		300,274	258,613
Total current assets		613,113	639,532
CURRENT LIABILITIES			
Other payables and accruals	16	72,663	74,179
Interest-bearing bank and other borrowings	17	66,976	139,082
Contract liabilities	18	53,228	93,296
Amount due to a related party		456	1,142
Lease liabilities		15,675	16,266
Tax payable		1,833	3,562
Total current liabilities		210,831	327,527
NET CURRENT ASSETS		402,282	312,005
TOTAL ASSETS LESS CURRENT LIABILITIES		835,337	745,335
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	17	73,600	4,000
Lease liabilities		47,017	50,428
Other non-current liabilities		17,332	17,332
Deferred tax liabilities		918	981
Total non-current liabilities		138,867	72,741
Net assets		696,470	672,594

VII. UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Note	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital	19	9,854	10,286
Treasury shares		–	(114)
Reserves		680,093	655,479
		689,947	665,651
Non-controlling interests		6,523	6,943
Total equity		696,470	672,594

VIII. UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company											Total RMB'000		
	Share capital RMB'000 (Note 19)	Treasury Shares RMB'000	Share premium* RMB'000	Share RMB'000	Capital redemption reserve* RMB'000	Statutory surplus reserve* RMB'000	Share option reserve* RMB'000	Share through other comprehensive income* RMB'000	Exchange fluctuation reserve* RMB'000	Other reserve* RMB'000	Retained profits* RMB'000		Total RMB'000	Non- controlling interests RMB'000
At 1 January 2020 (audited)	10,286	(114)	311,557	54,796	135	101,437	1,325	(1,820)	33,770	1,631	152,648	665,651	6,943	672,594
Profit for the year	-	-	-	-	-	-	-	-	-	-	37,102	37,102	(420)	36,682
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	6,864	-	-	6,864	-	6,864
Total comprehensive income for the year	-	-	-	-	-	-	-	-	6,864	-	37,102	43,966	(420)	43,546
Shares repurchased	(432)	114	(19,880)	-	432	-	-	-	-	-	(432)	(20,198)	-	(20,198)
Equity-settled share option arrangements	-	-	-	-	-	-	528	-	-	-	-	528	-	528
Profit appropriation to reserves	-	-	-	-	-	11,998	-	-	-	-	(11,998)	-	-	-
At 30 June 2020 (unaudited)	9,854	-	291,677	54,796	567	113,435	1,853	(1,820)	40,634	1,631	177,320	689,947	6,523	696,470

* These reserve accounts comprise the reserves of RMB680,093,000 in the unaudited interim condensed consolidated statement of financial position as at 30 June 2020 (31 December 2019: RMB655,479,000).

VIII. UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company										
	Share capital RMB'000 (note 19)	Treasury shares RMB'000	Share option reserve* RMB'000	Share premium* RMB'000	Capital redemption reserve* RMB'000	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
At 1 January 2019 (audited)	10,323	(37)	266	320,319	98	54,796	80,496	25,972	91,041	1,631	584,905
Profit for the period	-	-	-	-	-	-	-	-	50,538	-	50,538
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	1,262	-	-	1,262
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	1,262	50,538	-	51,800
Shares repurchased	(37)	37	-	-	37	-	-	-	(37)	-	-
Equity-settled share option arrangements	-	-	587	-	-	-	-	-	-	-	587
Profit appropriation to reserves	-	-	-	-	-	-	11,015	-	(11,015)	-	-
At 30 June 2019 (unaudited)	10,286	-	853	320,319	135	54,796	91,511	27,234	130,527	1,631	637,292

IX. UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		36,356	50,728
Adjustments for:			
Interest income	4	(8,884)	(3,185)
Provision for equity-settled share option expense		528	587
Finance costs	5	5,325	4,851
Depreciation of property, plant and equipment	6	8,965	6,411
Depreciation of right-of-use assets	6	9,725	8,544
Impairment losses on financial and contract assets		1,381	-
Amortisation of intangible assets	6	1,136	246
Loss on disposal of items of property, plant and equipment	6	94	11
		54,626	68,193
Decrease/(increase) in prepayments, deposits and other receivables		72,861	(42,117)
Increase in trade receivables		(5,081)	(1,678)
Decrease in contract costs		1,189	628
Increase in amount due from a related party		(2,863)	(10,713)
Increase in amount due to a related party		(686)	-
Increase/(decrease) in other payables and accruals		1,082	(19,319)
Decrease in contract liabilities		(40,068)	(33,218)
Cash generated/(used in) from operations		81,060	(38,224)
Interest received		1,704	2,291
Corporate income tax paid		(1,466)	(421)
Net cash flows from/(used in) operating activities		81,298	(36,354)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		6,291	162
Acquisition of subsidiaries		(1,648)	-
Purchases of items of property, plant and equipment		(4,344)	(3,134)
Additions to intangible assets		(25)	(89)
Advance of purchasing of property, plant and equipment		(16,510)	-
Purchases of a financial asset at fair value through profit or loss		(16,757)	-
Increase in pledged deposits		(8,500)	-
Repayment of loans to third party		25,082	-
Decrease in time deposits with original maturity of three months or more when acquired		-	92,638
Purchase of equity investments at fair value through other comprehensive income		-	(38,971)
Net cash flows (used in)/from investing activities		(16,411)	50,606

IX. UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank borrowing and other borrowings	51,120	119,274
Repayment of bank and other borrowings	(53,626)	–
Share repurchase	(20,198)	–
Principal portion of lease payments	(6,192)	(2,669)
Listing expenses paid	–	(4,042)
Interest paid	(2,657)	(7,153)
Net cash flows (used in)/from financing activities	(31,553)	105,410
NET INCREASE IN CASH AND CASH EQUIVALENTS	33,334	119,662
Cash and cash equivalents at beginning of period	258,613	259,491
Effect of foreign exchange rate changes, net	6,902	1,270
CASH AND CASH EQUIVALENTS AT END OF PERIOD	298,849	380,423
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the statement of financial position and statement of cash flows	298,849	380,423

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 2020, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the provision of education services and related management services in the People's Republic of China (the "PRC").

2.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2020 (the "Period") have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (the "IASB").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 3
Amendments to IFRS 9, IAS 39 and IFRS 7
Amendment to IFRS 16
Amendments to IAS 1 and IAS 8

Definition of a Business
Interest Rate Benchmark Reform
COVID-19 – Related Rent Concessions (early adopted)
Definition of Material

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

- (a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.
- (c) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's office buildings have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the period ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB429,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2020.

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

- (d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit which is measured consistently with the Group's profit before tax except that finance costs (other than interest on lease liabilities), interest income and other unallocated expenses are excluded from such measurement.

Segment assets exclude cash and bank balances, term deposits, pledged deposits, an amount due from a related party, financial assets at fair value through profit or loss, an equity investment at fair value through other comprehensive income and other unallocated head office and corporate assets as these assets are managed on a group basis.

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

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. OPERATING SEGMENT INFORMATION (continued)

Six months ended 30 June 2020	Vocational education RMB'000 (Unaudited)	Quality-oriented education RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue	74,638	40,862	115,500
Other segment revenue	1,631	2,069	3,700
Total	76,269	42,931	119,200
Segment results	43,910	5,314	49,224
<i>Reconciliation:</i>			
Finance costs (other than interest on lease liabilities)			(3,991)
Interest income			8,884
Unallocated expenses			(17,761)
Profit before tax			36,356
Segment assets	293,875	69,990	363,865
<i>Reconciliation:</i>			
Cash and bank balances			300,274
Term deposits			70,000
Pledged deposits			187,000
Amount due from a related party			5,463
Financial assets at fair value through profit or loss			54,645
Equity investment at fair value through other comprehensive income			180
Unallocated head office and corporate assets			64,741
Total assets			1,046,168
Segment liabilities	(119,995)	(68,586)	(188,581)
<i>Reconciliation:</i>			
Interest-bearing bank borrowings			(140,576)
Amount due to a related party			(456)
Tax payable			(1,833)
Unallocated head office and corporate liabilities			(18,252)
Total liabilities			(349,698)
Other segment information:			
Depreciation and amortisation	10,863	8,963	19,826
Capital expenditure [^]	1,933	1,212	3,145
Loss on disposal of items of property, plant, and equipment	4	90	94

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. OPERATING SEGMENT INFORMATION (continued)

Six months ended 30 June 2019	Vocational education RMB'000 (Unaudited)	Quality- oriented education RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue	73,297	45,271	118,568
Other segment revenue	2,941	301	3,242
Total	76,238	45,572	121,810
Segment results	44,474	11,277	55,751
<i>Reconciliation:</i>			
Finance costs			(4,851)
Interest income			3,182
Unallocated gains			5,000
Unallocated expenses			(8,354)
Profit before tax			50,728
Other segment information:			
Depreciation and amortisation	9,002	6,199	15,201
Capital expenditure [^]	1,876	1,086	2,962
Loss on disposal of items of property, plant, and equipment	11	-	11

Year ended 31 December 2019	Vocational education RMB'000 (Audited)	Quality- oriented education RMB'000 (Audited)	Total RMB'000 (Audited)
Segment assets	338,408	59,314	397,722
<i>Reconciliation</i>			
Amount due from a related party			2,638
Term deposits			70,000
Pledged deposits			178,500
Cash and bank balances			258,613
Financial assets at fair value through profit or loss			37,888
Equity investment at fair value through other comprehensive income			180
Unallocated head office and corporate assets			127,321
Total assets			1,072,862
Segment liabilities	(154,755)	(71,044)	(225,799)
<i>Reconciliation</i>			
Interest-bearing bank and other borrowings			(143,082)
Amount due to a related party			(1,142)
Tax payable			(3,562)
Unallocated head office and corporate liabilities			(26,683)
Total liabilities			(400,268)

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

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 the PRC and all of its long-term assets were located in the PRC. Accordingly, no geographical information is presented.

Information about major customers

During the six months ended 30 June 2020, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

During the six months ended 30 June 2019, 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 2019 RMB'000 (Unaudited)
河北廿一世紀教育投資有限公司 Hebei Lionful Education Investment Co., Ltd. ("Lionful Education")	11,870

Lionful Education is a related party of the Group. Details about the Group's services rendered to Lionful Education are set out in note 22(d)(1).

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. REVENUE, OTHER INCOME AND GAINS

	Notes	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue from contracts with customers			
Vocational education			
Tuition fees		57,750	48,654
Boarding fees		842	5,398
College operation service income	(i)	10,700	11,870
Others	(ii)	5,346	7,375
		74,638	73,297
Quality-oriented education			
Tutoring fees		36,618	28,334
Tuition fees		1,711	14,732
Consultation fees		2,533	2,205
		40,862	45,271
Other income and gains			
Interest income		8,884	3,185
Site use fees	(iii)	1,631	1,081
Sale of education materials and living goods		70	1,676
Government grants		135	5,000
Fair value gain on a financial asset at fair value through profit or loss		1,345	–
Others		654	484
		12,719	11,426

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

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. FINANCE COSTS

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Interest on lease liabilities	1,334	2,386
Interest on bank and other borrowings	3,541	2,058
Financing consultancy service charges [^]	450	407
	5,325	4,851

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

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Depreciation of property, plant and equipment	8,965	6,411
Depreciation of right-of-use assets	9,725	8,544
Amortisation of intangible assets	1,136	246
Minimum lease payments under operating leases:		
– Buildings	606	815
– Others	70	13
	676	828
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	34,821	31,449
Equity-settled share option expense	137	266
Pension scheme contributions (defined contribution scheme)	5,892	6,916
	40,850	38,631
Impairment of trade receivables	1,381	–
Fair value gains from a financial investment		
at fair value through profit or loss	(1,345)	–
Loss on disposal of items of property, plant and equipment	94	11

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. INCOME TAX

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

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

Hong Kong Profits Tax

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

PRC Corporate Income Tax ("CIT")

Pursuant to the PRC Corporate Income Tax Law and the respective regulations, except for the preferential tax rate of 15% available to Beijing Xin Tian Di Xian Information and Technology Co., Ltd.* (北京新天地线信息技术有限公司) ("Xin Tian Di Xian") as a High-tech Enterprise, and the preferential rate of 20% under the Notice Regarding the Implementation on Tax Reduction/Exemption Policies for Small and Micro-sized Enterprises (SEMs) available to Saintach Kindergartens, Shijiazhuang Saintach, Saintach Tutorial Schools, and Sheng Dao Xiang Cheng, the companies of the Group which operate in Mainland China are subject to Corporate Income Tax ("CIT") at a rate of 25% on their respective taxable income.

According to Implementation Regulations, non-public schools, whether requiring reasonable returns or not, may enjoy preferential tax treatments. Non-public schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. It is stated in the Implementation Regulations that the relevant authorities under the State Council may introduce preferential tax treatments and related policies applicable to private schools requiring reasonable returns. During the year and up to the date approved of these financial statements, no separate policies, regulations or rules have been introduced by the authorities in this regard. In accordance with the historical tax returns filed to the relevant tax authorities, the Group's schools which require reasonable returns did not pay CIT and had enjoyed the preferential CIT exemption treatments in 2019. Except for the tutorial centers and certain kindergartens, there was no CIT imposed on Shijiazhuang Institute of Technology and the remaining kindergartens in respect of the education services provided in 2020.

As a result, no income tax expense was recognised for the income from the provision of formal education services for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

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

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Current – the PRC		
Charge for the period	85	439
Overprovision in prior years	(348)	–
Deferred	(63)	(249)
	(326)	190

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. DIVIDENDS

The Board does not recommend the payment of dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

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

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue, during the six months ended 30 June 2020 and 2019.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2020 and 2019.

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

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Earnings Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	36,261	50,538

	Number of shares Six months ended 30 June	
	2020	2019
Shares Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	1,207,869,000	1,220,541,000

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired property, plant and equipment of RMB4,181,000 (six months ended 30 June 2019: RMB2,748,000).

Assets with a net book value of RMB94,000 were disposed of by the Group during the six months ended 30 June 2020 (six months ended 30 June 2019: RMB11,000), resulting in a net loss on disposal of RMB94,000 (six months ended 30 June 2019: RMB11,000).

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. EQUITY INVESTMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Equity investment designated at fair value through other comprehensive income		
Unlisted equity investment, at fair value		
Beijing Ying Yu New Media Interaction Technology Co., Ltd.	180	180

The above equity investment is irrevocably designated at fair value through other comprehensive income as the Group considers the investment to be strategic in nature.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Other unlisted investments, at fair value			
Wealth capital management product	(i)	37,888	37,888
Alternative investment fund	(ii)	16,757	-
		54,645	37,888

Notes:

- (i) The unlisted investment was a wealth management product, which was mandatorily classified as a financial asset at fair value through profit or loss as its contractual cash flows are not solely payments of principal and interest.
- (ii) The unlisted investment was an alternative investment fund, which was designated as a financial asset at fair value through profit or loss as its contractual cash flows are solely payments of principal and interest, and it is held within a business model with the objective of both holding to collect contractual cash flows and selling.

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. OTHER NON-CURRENT ASSETS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Other unlisted investments, at amortised cost		
Trust funds	60,187	60,187

Other non-current assets are stand-alone trust funds classified as financial assets at amortised cost as their contractual cash flows are solely payments of principal and interest. The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 30 June 2020 and 31 December 2019, the loss allowance was assessed to be minimal.

14. TRADE RECEIVABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Tuition receivables	7,764	3,662
Impairment	(1,381)	(979)
	6,383	2,683

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within one year	5,792	2,331
One to two years	591	352
	6,383	2,683

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

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

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Prepayments	24,266	7,938
Deposits	5,799	7,227
Other receivables	12,554	109,370
	42,619	124,535

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.

16. OTHER PAYABLES AND ACCRUALS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Salary and welfare payables	21,329	25,646
Miscellaneous advances from students*	29,574	23,733
Other tax payables	3,062	4,325
Payables for purchases of property, plant and equipment	497	1,720
Deposits	1,816	2,515
Scholarships	3,103	1,632
Remaining consideration payable for acquisition of a subsidiary	18	1,818
Other payables	13,264	12,790
	72,663	74,179

* 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.

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Current			
Short term bank loan – unsecured	(i)	58,576	58,082
Short term bank loan – secured	(ii)	400	70,000
Current portion of other borrowings – secured	(iii)	8,000	11,000
		66,976	139,082
Non-current			
Long term bank loan – secured	(ii)	69,600	–
Other borrowings – secured	(iii)	4,000	4,000
		73,600	4,000
		140,576	143,082

		30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Analysed into:			
Bank loans repayable:			
Within one year or on demand		58,976	128,082
In the second year		69,600	–
		128,576	128,082
Other borrowing repayable:			
Within one year or on demand		8,000	11,000
In the second year		4,000	4,000
		12,000	15,000
		140,576	143,082

Notes:

As at 30 June 2020, the effective interest rates of the Group's interest-bearing bank loan and other borrowings ranged from 4.30% to 8.30% (31 December 2019: 4.35% to 8.27%) per annum.

- (i) As at 30 June 2020 and 31 December 2019, a bank borrowing of RMB20,000,000 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 a) a guarantee provided by Lionful Education; and b) a property owned by Lionful Education (note 22(d)(3)).

As at 30 June 2020, a bank borrowing of RMB13,000,000 was guaranteed by an independent financing guarantee company.

As at 30 June 2020 and 31 December 2019, bank borrowings of HK\$28,000,000 (equivalent to RMB25,576,000; 31 December 2019: equivalent to RMB25,082,000) were unsecured.

- (ii) As at 30 June 2020, bank borrowings of RMB70,000,000 (31 December 2019: RMB70,000,000) were secured by the Group's term deposits amounting to RMB77,000,000 (31 December 2019: RMB73,500,000).

- (iii) As at 30 June 2020, other borrowings of RMB12,000,000 (31 December 2019: RMB15,000,000) was secured by the Group's security deposits amounting to RMB1,000,000 and guaranteed by Zerui Education and Sheng Dao Xiang Cheng.

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. CONTRACT LIABILITIES

Details of contract liabilities as at 30 June 2020 and 31 December 2019 are as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Tuition fees	52,048	78,253
Boarding fees	1,126	9,786
Others	54	5,257
Total contract liabilities	53,228	93,296

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

19. SHARE CAPITAL

Shares

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Authorised: 3,000,000,000 (31 December 2019: 3,000,000,000) ordinary shares of HK\$0.01 each	25,293	25,293
Issued and fully paid: 1,207,869,000 (31 December 2019: 1,220,541,000)	9,854	10,286

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. BUSINESS COMBINATION

On 20 January 2020, Xin Tian Di Xian, a subsidiary of the Group, acquired a 100% interest in Shijiazhuang Zhehan Book Sales Co., Ltd ("Zhehan") from Hebei Zhiqirui Education Technology Co., Ltd ("Hebei Zhiqirui").

Zhehan is engaged in book sales. The acquisition was made as part of the Group's strategy to support Xin Tian Di Xian's online education business. The purchase consideration for the acquisition was in the form of cash, with RMB5,000 paid at the acquisition date.

The fair values of the identifiable assets and liabilities of Zhehan as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000 (Unaudited)
Cash and bank balances	202
Prepayments, other receivables and other assets	53
Other payables and accruals	(425)
Total identifiable net liabilities at fair value	(170)
Goodwill on acquisition	220
Total purchase consideration	
– Satisfied by cash	50

None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000 (Unaudited)
Cash consideration paid	(50)
Cash and bank balances acquired	202
Net inflow of cash and cash balances included in cash flows from investing activities	152

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21. COMMITMENTS

At the end of the reporting period, the Group did not have any significant commitments.

22. RELATED PARTY TRANSACTIONS AND BALANCES

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

(a) Name and relationship of related parties

Name	Relationship
Mr. Li Yunong	Chairman, one of the controlling shareholders of the Group, and son-in-law of Ms. Luo Xinlan
Ms. Luo Xinlan	One of the controlling shareholders of the Group, and mother-in-law of Mr. Li Yunong
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 Yunong
寧波天作工程項目管理有限公司 Ningbo Tianzuo Project Management Co., Ltd. ("Ningbo Tianzuo")	A company controlled by Mr. Li Yunong

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

(b) Outstanding balances with a related party

Amount due from a related party

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Lionful Education	5,463	2,638

As at 30 June 2020 and 31 December 2019, the amount due from Lionful Education represented a service fee receivable arising from the provision of college operation services. In the opinion of the directors, the amount due is trade in nature and would be settled according to the term agreed mutually in the normal course of business.

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

22. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

Amount due to a related party

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Ningbo Tianzuo	456	1,142

As at 30 June 2020 and 31 December 2019, the amount due to Ningbo Tianzuo represented a service fee payable for the repair of certain properties of Shijiazhuang Institute of Technology. In the opinion of the directors, the amount due is trade in nature and would be settled according to the term agreed in the contract.

(c) Transactions with related parties

Purchases of services or leases of assets from related parties

	Notes	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Lionful Education	(i)	2,750	2,750
Hebei Ansince Shijiazhuang Branch	(ii)	33	257
		2,783	3,007

Notes:

- (i) A lease agreement was entered into between the Group and Lionful Education on 4 May 2018, pursuant to which properties owned by Lionful Education that were used as the Group's library, student dormitory, infirmary and a training center were 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 2020 and 31 December 2019.
- (ii) Details of the property leases and property management services from Hebei Ansince Shijiazhuang Branch are set out as follows:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Property leases	-	177
Property management services	33	80
	33	257

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.

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

22. 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").

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

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
College operation service income	10,530	10,877

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	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Student accommodation service income [^]	170	993

[^] included as part of the college operation service income of the Group as disclosed in note 4 to the financial statements.

- (2) During both periods, certain trademarks owned by Lionful Investment Holding were used by the Group free of charge.
- (3) During the six months ended 30 June 2020, a certain bank borrowing of the PRC Operating Entities is guaranteed and secured by Lionful Education. Details of this transaction is disclosed in note 17(i) to the financial statements.

(e) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Salaries, allowances and benefits in kind	1,217	638
Pension scheme contributions	143	226
Equity-settled share option expense	390	435
	1,750	1,299

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Financial assets				
Equity investment designated at fair value through other comprehensive income	180	180	180	180
Financial assets at fair value through profit or loss	54,645	37,888	54,645	37,888
	54,825	38,068	54,825	38,068
Financial liabilities				
Consideration payable for business combination included in other non-current liabilities	17,332	17,332	17,332	17,332
Interest-bearing bank and other borrowings – non current	73,600	4,000	73,600	4,000
	90,932	21,332	90,932	21,332

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

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

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2020 were assessed to be insignificant.

The fair values of unlisted equity investment designated at fair value through other comprehensive income have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investment to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

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

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

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2020 and 31 December 2019:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investment	Valuation multiples	The median of EV/Sales multiple of peers	6x	1% increase/decrease in multiple would have no significant impact on fair value
		Discount for lack of marketability	21.0%	1% increase/decrease in discount for lack of marketability would result in increase/decrease in fair value by RMB2,000
Financial assets at fair value through profit or loss	Discounted cash flow method	Discount rate	1.8%-6.1%	1% increase/decrease in discount rate would result in decrease/increase in fair value by RMB775,890/RMB800,607
	Binomial tree model	Discount rate	6.7%	1% increase/decrease in discount rate would result in decrease/increase in fair value by RMB98,752/RMB99,711
Consideration payable for business combination included in other non-current liabilities	Discounted cash flow method	Discount rate	6.1%	1% increase/decrease in discount rate would result in decrease/increase in fair value by RMB358,790/RMB371,460

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

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

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

As at 30 June 2020

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Equity investment designated at fair value through other comprehensive income	-	-	180	180
Financial assets at fair value through profit or loss	-	-	54,645	54,645
Consideration payable for business combination included in other non-current liabilities	-	-	17,332	17,332
Interest-bearing bank and other borrowings	-	140,576	-	140,576
	-	140,576	72,157	212,733

As at 31 December 2019

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Equity investment designated at fair value through other comprehensive income	-	-	180	180
Financial assets at fair value through profit or loss	-	-	37,888	37,888
Consideration payable for business combination included in other non-current liabilities	-	-	17,332	17,332
Interest-bearing bank and other borrowings	-	143,082	-	143,082
	-	143,082	55,400	198,482

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

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

	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Equity investment at fair value through other comprehensive income:		
At 1 January	180	–
Purchases	–	2,000
Total losses recognised in other comprehensive income	–	(1,820)
At 30 June	180	180

	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Financial assets at fair value through profit or loss:		
At 1 January	37,888	–
Purchases	14,654	37,648
Total gains recognised in the consolidated statement of profit or loss and other comprehensive income included in other income	1,345	236
Exchange reserve	758	4
At 30 June	54,645	37,888

	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Consideration payable for business combination included in other non-current liabilities:		
At 1 January and 30 June	17,332	–

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2019: Nil).

24. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting period, there was not any significant event for the Group.

XI. DEFINITIONS

“Board”	the board of Directors of the Company
“Company”	China 21st Century Education Group Limited, an exempted company incorporated in the Cayman Islands with limited liability on 20 September 2016, with its Shares are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Education Department of Hebei Province”	an integral department of the provincial government, which is responsible for the education ministry in Hebei Province
“government” or “state”	the central government of the PRC, including all governmental sub-divisions (such as provincial, municipal and other regional or local government entities)
“Group” or “we” or “us”	the Company, its subsidiaries and the PRC Operating Entities owned from time to time
“Hangzhou Yimai”	Hangzhou Yimai Enterprise Management Consultancy Co., Ltd.* (杭州一脈企業管理諮詢有限責任公司), a limited liability company established under the laws of the PRC on 16 May 2018, and is controlled by Shijiazhuang Saintach as to 70% as of the date of this interim report, and is one of the PRC Operating Entities
“Hebei Saintach”	Hebei Saintach Education and Technology Co., Ltd.* (河北新天際教育科技有限公司), a limited liability company established under the laws of the PRC on 17 September 2002, and is one of the Company’s PRC Operating Entities
“Integrated Area”	also known as the Beijing, Tianjin and Hebei Province Integrated Area. The concept of this area was proposed pursuant to a national strategic initiative to promote the region’s economic development
“Listing Date”	29 May 2018, being the date of the listing of the Shares on the Main Board of the Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“PRC”	the People’s Republic of China
“PRC Operating Entities”	Shijiazhuang Saintach, Hebei Saintach, Shijiazhuang Institute of Technology, Saintach Tutorial Schools and Saintach Kindergartens
“private school(s)”	schools organised by social organisations or individuals outside the national institutions using non-state financial funds
“Prospectus”	the prospectus issued by the Company for the initial public offering and listing dated 15 May 2018

XI. DEFINITIONS

“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC for the time being
“Saintach Kindergartens”	Shijiazhuang Qiaoxi District Blue Crystal Saintach Kindergarten* (石家莊市橋西區新天際藍水晶幼兒園), Shijiazhuang Luquan District Fukang Saintach Kindergarten* (石家莊市鹿泉區新天際福康幼兒園), Shijiazhuang Chang’an District Jianhua Saintach Kindergarten* (石家莊市長安區新天際建華幼兒園), Shijiazhuang Qiaoxi District Lidu Saintach Kindergarten* (石家莊市橋西區新天際麗都幼兒園), Shijiazhuang High-tech Industrial Development Zone Tianshan Saintach Kindergarten* (石家莊高新技術產業開發區新天際天山幼兒園), Shijiazhuang Chang’an District Qinghui Saintach Kindergarten* (石家莊市長安區新天際清暉幼兒園), Zhengding County Saintach Kindergarten* (正定縣新天際幼兒園) and Zhengding County Fumenli Saintach Kindergarten* (正定縣新天際福門里幼兒園), which are the PRC Operating Entities
“Saintach Tutorial Centers”	Tutorial centers being set up in multiple operating locations which are organized by different Saintach Tutorial Schools
“Saintach Tutorial Schools”	Shijiazhuang City Qiaoxi District Bilingual Culture Tutorial School* (石家莊市橋西區雙語文化培訓學校), Shijiazhuang City Chang’an District Saintach Tutorial School* (石家莊市長安區新天際培訓學校), Shijiazhuang Yuhua District Donggang Road Saintach Tutorial School* (石家莊市裕華區東崗路新天際培訓學校), Shijiazhuang City Qiaoxi District Zhicheng Tutorial School* (石家莊市橋西區智城培訓學校), Shijiazhuang City High-tech Zone Saintach Tutorial School* (石家莊市高新區新天際培訓學校) and Shijiazhuang CitybXinhua District Huixuan Education Tutorial School* (石家莊市新華區慧軒教育培訓學校), which are the PRC Operating Entities
“school sponsor”	the individual(s) or entity(ies) that funds or holds interests in an educational institution
“school year”	the school year for all of our schools, which generally commences on 1 September of each calendar year and ends on 30 June of the next calendar year
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Sheng Dao Xiang Cheng”	Sheng Dao Xiang Cheng Education and Technology Co., Ltd.* (河北晟道象成教育科技有限公司), a wholly-foreign owned enterprise established under the laws of PRC on 14 December 2016 and a wholly-owned subsidiary of the Company
“Shijiazhuang Institute of Technology”	Shijiazhuang Institute of Technology (石家莊理工職業學院), a junior college established under the laws of the PRC on 1 July 2003 of which school sponsors’ interests are wholly-owned by Zerui Education as of the date of this interim report and one of the PRC Operating Entities

XI. DEFINITIONS

“Shijiazhuang Saintach”	Shijiazhuang Saintach Education and Technology Co., Ltd. (石家莊新天際教育科技有限公司), a limited liability company established under the laws of the PRC on 13 July 2011, wholly-owned by Zerui Education as of the date of this interim report and one of the PRC Operating Entities
“Shinedao Tutorial Schools”	Shaoxing Shangyu Shinedao Education Tutorial School* (紹興市上虞區學鼎教育培訓學校), Zhoushan Dinghai Shinedao Education Tutorial School* (舟山市定海區學鼎教育培訓學校), Yuyao Xueneng Tutorial School Limited* (余姚學能培訓學校有限公司), Yuyao Xuedao Education Tutorial School Limited* (余姚學道教育培訓學校有限公司) and Jiashan County Shinedao Education Tutorial School Limited* (嘉善縣學鼎培訓學校有限公司), which are the PRC Operating Entities
“Sifang College”	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 a session of 60 minutes for secondary school students and 40 minutes for primary school students
“Zerui Education”	Hebei Zerui Education Technology Co., Ltd. (河北澤瑞教育科技有限公司), a limited liability company established under the laws of the PRC on 12 July 2017, 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 is one of the PRC Operating Entities
“Zhejiang Peijian”	Zhejiang Peijian Technology Co., Ltd.* (浙江培尖科技有限公司), a limited liability company established under the laws of the PRC on 29 December 2017, and is controlled by Zerui Education as to 51% as of the date of this interim report, and is one of the 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.