



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



2024
Interim Report



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I. CORPORATE PROFILE

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

The business of the Group covers vocational education and continuing education, which entail a sound and diversified source of revenue and a broad customer base. Since the founding of its first school in 2003, the Group has established 11 physical schools, including 1 private college under vocational education segment (Shijiazhuang Institute of Technology); 1 ordinary high school (Shijiazhuang Yuying Experimental High School* (石家莊育英實驗中學)), 1 New Gaokao* (新高考) Business institution and 8 Saintach Kindergartens under non-vocational education segment. The Group was also entrusted with the operation of the west campus of Sifang College (vocational education segment).

As a leading education group based in the area of Beijing, Tianjin and Hebei Province, the Group leverages on its physical schools to gradually realise the vertical extension of upstream and downstream operations. The Group takes new vocational education as the main line of development and Shijiazhuang Institute of Technology as the foundation, and deepens the development of industry education integration through internal construction and planning of school enterprise cooperation, mergers and acquisitions and government enterprise cooperation. As at 30 June 2024, the Group had a total of 24,439 full-time students, and has recruited a total of 819 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 Non-executive Director

Mr. Li Yasheng (李亞晟)
(chairman)

1.2 Executive Directors

Ms. Liu Hongwei (劉宏煒)
Mr. Ren Caiyin (任彩銀)
Ms. Yang Li (楊莉)

1.3 Independent Non-executive Directors

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

2. AUDIT COMMITTEE

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

3. REMUNERATION COMMITTEE

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

4. NOMINATION COMMITTEE

Mr. Li Yasheng (李亞晟)
(chairman)
Mr. Yao Zhijun (姚志軍)
Mr. Wan Joseph Jason (尹宸賢)

5. AUTHORISED REPRESENTATIVES

Ms. Liu Hongwei (劉宏煒)
Mr. Yang Yang (楊洋)¹
Mr. Leung Chi Kit (梁志傑)²

6. JOINT COMPANY SECRETARIES

Mr. Yang Yang (楊洋)¹
Mr. Leung Chi Kit (梁志傑)

7. LEGAL ADVISOR

Jingtian & Gongcheng LLP

8. AUDITOR

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Registered Public Interest
Entity Auditor

9. REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

10. HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

9/F, Central Tower
Zhonghai Plaza
8 Guanghua Dongli
Chaoyang District
Beijing, the PRC

11. PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

12. CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

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

13. HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

14. PRINCIPAL BANKERS

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

15. COMPANY WEBSITE

www.21centuryedu.com

16. STOCK CODE

1598

Notes:

¹ Resigned on 10 September 2024

² Appointed on 10 September 2024

III. FINANCIAL AND OPERATING HIGHLIGHTS

1. COMPARISON OF KEY FINANCIAL DATA

	For the six months ended 30 June			
	2024 (RMB'000)	2023 (RMB'000)	Changes	Percentage of changes
Revenue	241,324	192,102	49,222	25.6%
Cost of sales	(137,987)	(115,908)	(22,079)	19.0%
Gross profit	103,337	76,194	27,143	35.6%
Gross profit margin	42.8%	39.7%	3.1%	7.9%
Profit before tax	30,274	33,003	(2,729)	(8.3%)
EBITDA	94,513	91,414	3,099	3.4%
Profit for the period	30,779	33,367	(2,588)	(7.8%)
Basic earnings per Share (RMB cents)	2.71	2.94	(0.23)	(7.8%)

2. SUMMARY OPERATING DATA

	2023 to 2024	2022 to 2023	Changes	Percentage of changes
Total number of full-time students ^①	24,439	23,423	1,016	4.3%
Student capacity ^②	104.3%	131.5%	(27.2%)	(20.7%)
Student retention rate ^③	98.3%	98.7%	(0.4%)	(0.4%)
Total number of teachers ^④	819	792	27	3.4%

Notes:

^① Full-time includes junior college students and secondary school students in Shijiazhuang Institute of Technology, full-time high school students in Shijiazhuang Yuying Experimental High School* (石家莊育英實驗中學) and students in kindergartens.

^② It refers to the capacity of full-time students. The student capacity of Shijiazhuang Institute of Technology as at 30 June 2024 exceeded 100%, mainly due to the fact that its rented beds were not taken into account in the calculation of student capacity. As Shijiazhuang Institute of Technology implemented a "2+1" school system, where students at the third grade worked at enterprises as interns, there is no shortage of student apartments.

^③ Retention rate of full-time students.

^④ It refers to full-time teachers.

IV. MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

1.1 Business Profiles

The Company focuses on the operation and content incubation of the education industry. Since the establishment of its first school in 2003, the Company has made notable achievements over the past more than 20 years to become a comprehensive education group focusing on new vocational education and actively put the development direction of industry-education integration into practice, with diversified revenue streams and a broad customer base.

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

1.2 Our Schools

1.2.1 Overview

As at 30 June 2024, the Company owned 11 schools, including 1 private college (Shijiazhuang Institute of Technology) under vocational education segment; 1 ordinary high school, 1 New Gaokao* (新高考) Business institution and 8 Saintach Kindergartens under non-vocational education segment. The Group was also entrusted with the operation of the west campus of Sifang College (vocational education segment).

Schools of the Company	30 June 2024	30 June 2023
Vocational education – College	1	1
Non-vocational education – Ordinary high school	1	1
– New Gaokao* (新高考)		
– Business institutions	1	2
– Kindergartens	8	8
Total	11	12

IV. MANAGEMENT DISCUSSION AND ANALYSIS

1.2.2 Student enrollment

As at 30 June 2024, we had 24,439 full-time students enrolled in our schools. The specific details are as follows:

Breakdown of student enrollment	2023-2024 school year	2022-2023 school year	Changes	Percentage of changes
Full-time students				
Vocational education – Shijiazhuang Institute of Technology				
Including: Junior college	18,070	16,516	1,554	9.4%
Secondary college	2,182	2,651	(469)	(17.7%)
Subtotal (full-time college students)	20,252	19,167	1,085	5.7%
Non-vocational education				
Including: Shijiazhuang Yuying Experimental High School* (石家莊育英實驗中學)	2,417	2,361	56	2.4%
Saintach Kindergartens	1,770	1,895	(125)	(6.6%)
Total (full-time students)	24,439	23,423	1,016	4.3%

For the six months ended 30 June 2024, our vocational education segment provided entrusted operation services to the west campus of Sifang College, covering 3,905 students.

1.2.3 Charge and average tuition revenue

We charge our students fees comprising tuition (including tutoring fees) and boarding fees at Shijiazhuang Institute of Technology. Among them, the fee range under non-vocational education segment approximates to that for the year ended 31 December 2023, whereas the tutoring fee ranges for the junior college courses at Shijiazhuang Institute of Technology under vocational education segment have increased slightly, and the tutoring fee of secondary college courses remains unchanged, as stated in the following table:

Type of course	2023-2024 school year	2022-2023 school year
Vocational education		
Junior college courses	RMB10,140 to RMB17,000 per school year	RMB8,800 to RMB17,000 per school year
Secondary college courses	RMB9,360 per school year	RMB9,360 per school year

IV. MANAGEMENT DISCUSSION AND ANALYSIS

Average revenue ^①	For the six months ended 30 June			
	2024 RMB	2023 RMB	Changes RMB	Percentage of changes
Vocational education	6,302	4,763	1,539	32.3%
Including: Junior college	6,543	4,880	1,663	34.1%
Secondary college	4,303	4,035	268	6.6%
Non-vocational education				
Including: Ordinary high school	9,830	9,137	693	7.6%
Kindergartens	10,168	10,625	(457)	(4.3%)

Note:

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

1.2.4 Employment rate

Shijiazhuang Institute of Technology works to build a modern vocational education system, which adopts the “TOP” talent training model (TOP means “Technique-Occupation-Personality”), to continuously cultivate and deliver application-oriented talents for the society. Benefiting from the outstanding professional knowledge, practical operational skills and professionalism of our graduates, Shijiazhuang Institute of Technology has maintained a relatively high level of employment. For the six months ended 30 June 2024, Shijiazhuang Institute of Technology, its teachers and students have won 80 provincial and municipal awards, including various awards such as the 15th Lanqiao Cup National Software and Information Technology Experts Competition (第十五屆藍橋盃全國軟件和信息技術專業人才大賽), the 14th National University Student E-Commerce Challenge on “Innovation, Creativity and Entrepreneurship” (第十四屆全國大學生電子商務「創新、創意及創業」挑戰賽), the 11th “Xuechuang Cup” National College Students Entrepreneurship Comprehensive Simulation Competition (第十一屆「學創盃」全國大學生創業綜合模擬大賽) and the 2024 Hebei Provincial Vocational College Skills Competition (2024年河北省職業院校技能大賽).

As at 30 June 2024, the employment rate of our graduates was approximately 96.8%:

Employment rate ^①	30 June 2024	30 June 2023	Changes	Percentage of changes
Vocational education	96.8%	96.7%	0.1%	0.1%

Note:

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

IV. MANAGEMENT DISCUSSION AND ANALYSIS

1.2.5 Our teachers

Teachers	30 June 2024	30 June 2023	Changes	Percentage of changes
Full-time teachers				
Vocational education	441	414	27	6.5%
Non-vocational education	378	378	–	–
Subtotal (full-time teachers)	819	792	27	3.4%
Part-time teachers				
Vocational education	572	154	418	271.4%
Non-vocational education ^①	374	590	(216)	(36.6%)
Subtotal (part-time teachers)	946	744	202	27.2%
Total	1,765	1,536	229	14.9%

Note:

① The contraction of New Gaokao* (新高考) Business led to a decrease in the number of part-time teachers.

The quality of education we provide is strongly tied to the quality of our teachers. We prioritize the recruitment of outstanding teachers and strive to maintain the stability of our teachers. As at 30 June 2024, the percentage of our teachers with a bachelor's degree or above was 91.4%.

1.3 Movements of Business Operations during the Reporting Period

1.3.1 Vocational education segment

Shijiazhuang Institute of Technology focuses on science and technology, insists on the parallel development of humanities, and implements an applied and highly skilled personnel training mode of “professional skills + post certificate + academic certificate”, and has now formed an applied university education system in which disciplines such as architecture, electromechanics, network information, automobile, economic management, art and nursing coexist.

1.3.1.1 The construction of the new campus is progressing as scheduled, and endogenous construction continues

During the first half of 2024, the Company carried out construction of the new campus in an orderly manner in accordance with the overall planning and design of the new campus of Shijiazhuang Institute of Technology. On 17 April 2024, the Company further acquired the land use rights of an area of 21,324.05 sq.m. located in Gaoyi County, Shijiazhuang City, Hebei Province; on 25 June 2024, the Company entered into a general construction contract, and the construction of Phase III of the project was formally commenced, with a further increase in the student capacity. In 2024, the total number of new students to be served at the dual campuses of Shijiazhuang Institute of Technology is expected to exceed 12,000.

1.3.1.2 A new type of vocational college characterized by industry-education integration

Shijiazhuang Institute of Technology continues to increase the number of majors offered and enrich its teaching system. As at 30 June 2024, Shijiazhuang Institute of Technology has set up a total of 13 industrial colleges relating to emerging industries such as intelligent manufacturing, Internet+ and digital economy. A total of 29 professional programs in Shijiazhuang Institute of Technology have collaborated with 18 enterprises to jointly offer featured majors. 68 tailor-made classes were established. There were 16 apprenticeship pilot programs. It has also constructed a total of 13 key professional group training bases, 61 on-campus experimental training centers and 225 off-campus training bases. Shijiazhuang Institute of Technology serves the development of local regional economy and industry as the basis, relies on the industry and education to jointly cultivate applied talents, and to participate in industry-end business together, so as to realise the industry-education symbiosis.

1.3.1.3 Serving regional construction and promoting regional development

Relying on high-quality resources, Shijiazhuang Institute of Technology served the regional construction, conducted social trainings on government vocational education with overall attendance of 13,739 students, and delivered nearly 1,000 talents to various enterprises in Luquan District, Shijiazhuang City. Shijiazhuang Institute of Technology adopted an innovative talent training model to meet the talent needs for enterprises, establish an expert think tank and set up two research institutes to provide intellectual support for enterprise talent training and skills and technology transformation. In July 2024, Shijiazhuang Institute of Technology hosted the 14th National University Student E-Commerce Challenge on "Innovation, Creativity and Entrepreneurship" Live E-commerce Practical Competition "Tieyu Cup" National Finals (第十四屆全國大學生電子商務「創新、創意及創業」挑戰賽直播電商實戰賽「鐵宇盃」全國總決賽). 87 participating teams from 30 provinces, cities (autonomous regions) across the country competed in the peak showdown. 79 colleges and universities including Xi'an Jiaotong University, Minzu University of China, Hebei University of Technology participated in the competition. More than 20 well-known e-commerce enterprises such as Douyin Group and Alibaba Group gathered in Shijiazhuang City, Hebei Province to participate in the conference and exchange. The social influence of Shijiazhuang Institute of Technology has been further enhanced.

1.3.1.4 High-quality employment prospects, and enhance the reputation of running schools

Shijiazhuang Institute of Technology has maintained various forms of industry-education-research cooperation with more than 700 famous enterprises, among which more than 60 well-known enterprises are among the world's top 500 enterprises. We collaborate with these enterprises to cultivate nearly 1,000 graduates each year through tailor-made classes and other forms of training, helping them achieve high-quality employment, and the Institute's reputation for running schools is further enhanced. As at 30 June 2024, the employment rate of our graduates is 96.8%.

IV. MANAGEMENT DISCUSSION AND ANALYSIS

1.3.2 Non-vocational education segment

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

We carry out our full-time ordinary high school segment business through Shijiazhuang Yuying Experimental High School* (石家莊育英實驗中學). Shijiazhuang Yuying Experimental High School* (石家莊育英實驗中學) takes the construction of professional teachers team and efficient classroom as its crux, continuously upgrades the management system and education and teaching mode, and creates a distinctive high school that focuses on further education, with a view to building a prestigious school brand. Shijiazhuang Yuying Experimental High School* (石家莊育英實驗中學) has formed a team of subject leaders consisting of experts, reputable teachers from renowned schools, a teaching and research team with excellent strength, and a team of high-quality professional teachers, aiming to create a high-quality management level and brilliant teaching achievements. In 2024, the enrollment rate of university (including undergraduate and junior college) was approximately 100%. The admission rate of provincial art joint entrance examination and provincial art, sports and dance joint entrance examination was higher than the average admission rate of Hebei Province by more than 20%.

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

Adhering to the principle of “comprehensively enhancing secondary school students’ interest in subjects and verifying their value in competitions”, we have created a new online and offline educational technology ecosystem. New Gaokao* (新高考) Business focuses its services on the Gaokao entrance examination channel, and is committed to the targeted and stratified cultivation of gifted students. It has formed business systems such as comprehensive evaluation services for strong foundation of prestigious schools, and academic planning for New Gaokao* (新高考). We have accumulatively served tens of thousands of gifted students from nearly 1,000 high schools across the PRC and many of them enter “double first-class” universities such as Tsinghua University and Peking University. As at 30 June 2024, New Gaokao* (新高考) Business has served more than 60 high schools/projects, and has reached cooperation with more than 100 schools in more than 20 provinces across the PRC, providing planning and tutoring to nearly 1,500 students across the PRC.

1.3.2.3 Kindergarten business operated steadily

Saintach Kindergartens maintained a steady operation. With comprehensive and systematic standardised management, scientific curriculum system, professional, dedicated and caring teaching staff and safe, comfortable and child-friendly environment, Saintach Kindergartens has maintained a good reputation and brand image in the local area, and continued to contribute to the Group’s revenue and profit.

1.4 Our Technological Empowerment

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

1.5 Our Licenses and Honors

On 13 January 2024, the Company was awarded the “2023 Word-of-Mouth Influential Education Service Enterprise (2023年度口碑影響力教育服務企業)” by the 7th Boao Enterprise Forum. The award is a comprehensive evaluation of the participating companies in terms of enterprise scale, years of running a school, number of students, faculty strength and student satisfaction, etc., and the Company’s brand value has been recognised in PRC’s education industry.

On 31 May 2024, the Company won the “2024 (Industry) Most Potential Enterprise for Development (2024年度(行業)最具發展潛力企業)” award and the “2024 Most Popular Listed Company in Vocational Education (2024年度最受歡迎職業教育上市公司)” award at the 2024 (Eighth) China Brand Boao Summit jointly organized by China Enterprise Network and The Enterprise Observer, demonstrating the strong confidence of authoritative institutions and the industry in the future development of the Company.

1.6 Stakeholder Communication

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

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

IV. MANAGEMENT DISCUSSION AND ANALYSIS

2. REVIEW ON INDUSTRY POLICIES

On 12 March 2024, the Government Work Report at the Second Session of the Fourteenth National People's Congress clearly stated: deeply implement the strategy of rejuvenating the country through science and education and strengthen the fundamental support for high-quality development; adhere to the coordinated promotion of building a strong educational system, greater scientific and technological strength, and a quality workforce; deploy and implement the innovation chain, the industry chain, the capital chain and the talent chain in integration; and deepen the comprehensive reform of education, science and technology and talents to provide a strong impetus for modernization construction. At the same time, it is proposed to strengthen the construction of a high-quality education system, run special education and continuing education well, guide and standardise the development of private education, and vigorously improve the quality of vocational education.

3. FUTURE PROSPECTS

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

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

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

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

4. FINANCIAL REVIEW

4.1 Revenue

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

Revenue increased by approximately 25.6% from approximately RMB192.1 million for the six months ended 30 June 2023 to approximately RMB241.3 million for the six months ended 30 June 2024. The increase in revenue was mainly due to the increase in revenue of approximately RMB48.3 million as a result of the increase in student enrollment and average tuition of Shijiazhuang Institute of Technology.

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 19.0% from approximately RMB115.9 million for the six months ended 30 June 2023 to approximately RMB138.0 million for the six months ended 30 June 2024, mainly due to the increase in teaching costs of approximately RMB22.1 million as a result of the increase in the number of students of Shijiazhuang Institute of Technology.

4.3 Gross Profit and Gross Profit Margin

The amount of gross profit increased by approximately 35.6% from RMB76.2 million for the six months ended 30 June 2023 to RMB103.3 million for the six months ended 30 June 2024; and the gross profit margin increased from approximately 39.7% for the six months ended 30 June 2023 to approximately 42.8% for the six months ended 30 June 2024, which was mainly due to the increase in gross profit and gross profit margin due to the increase in revenue of Shijiazhuang Institute of Technology.

4.4 Other Income and Gains

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

Other income and gains decreased by approximately 71.1% from approximately RMB22.2 million for the six months ended 30 June 2023 to approximately RMB6.4 million for the six months ended 30 June 2024, mainly due to (1) the decrease in fair value gain on a listed equity investment; and (2) the decrease in assets and equipment contributed by enterprises jointly offering featured majors of Shijiazhuang Institute of Technology at nil consideration.

4.5 Selling Expenses

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

Selling expenses increased by approximately 33.4% from approximately RMB8.2 million for the six months ended 30 June 2023 to approximately RMB10.9 million for the six months ended 30 June 2024, mainly due to the increase in costs of promotion for students enrollment.

IV. MANAGEMENT DISCUSSION AND ANALYSIS

4.6 Administrative Expenses

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

Administrative expenses decreased by approximately 0.8% from approximately RMB34.9 million for the six months ended 30 June 2023 to approximately RMB34.6 million for the six months ended 30 June 2024, mainly due to the decrease in rental expenses for office premises.

4.7 Other Expenses

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

Other expenses decreased by approximately 79.6% from approximately RMB6.8 million for the six months ended 30 June 2023 to approximately RMB1.4 million for the six months ended 30 June 2024, mainly due to the decrease in 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 105.8% from approximately RMB15.8 million for the six months ended 30 June 2023 to approximately RMB32.6 million for the six months ended 30 June 2024, mainly due to the newly constructed campus being put into operation, which has stopped capitalising the interest on borrowings from financial institutions specifically used for the construction of the new campus, resulting in an increase in expensed financing costs.

4.9 Taxation

- (1) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act of the Cayman Islands and accordingly is not subject to income tax;
- (2) The subsidiary directly held by the Company 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 Reporting Period

Due to the above factors, the Company's profit for the Reporting Period decreased by approximately 7.8% from approximately RMB33.4 million for the six months ended 30 June 2023 to approximately RMB30.8 million for the six months ended 30 June 2024.

4.11 Net Liquidity and Capital and Funds and Borrowing Sources

As at 30 June 2024, net current liabilities of the Group were approximately RMB240.2 million.

As at 30 June 2024, current assets decreased from approximately RMB674.3 million as at 31 December 2023 to approximately RMB623.6 million. The decrease in current assets was mainly due to the decrease in cash and bank balances offset by the increase in prepayments, other receivables and other assets.

As at 30 June 2024, current liabilities decreased from approximately RMB989.6 million as at 31 December 2023 to approximately RMB863.8 million. The decrease in current liabilities was mainly due to a decrease in contract liabilities as a result of the recognition of income from tuition and boarding fees.

The net current liabilities generated was primarily attributable to the capital outlay for acquiring certain education-related operating assets during the year ended 31 December 2023 and the reclassification of certain bank loans with specific drawdown requirements amounted to approximately RMB94.8 million as at 30 June 2024 to current liabilities. In view of the net current liabilities position, the Group has carefully considered the future operating performance, the available financial resources and future cash flow position to improve the net current liabilities position through foreseeable measures such as (1) the increase in the number of students intake; (2) the cash flows from operations; (3) the additional financial resources available to the Group including the available banking facilities and the successful refinancing of certain existing bank and other borrowings upon maturity; and (4) the positive operating results.

As at 30 June 2024, the current ratio (current assets divided by current liabilities) rose to 72.2% from 68.1% as at 31 December 2023. The rise in current ratio was mainly due to the increase in current assets such as other receivables being greater than the increase in current liabilities such as short-term interest-bearing bank and other borrowings.

In order to manage the liquidity risk, the Company monitored and maintained a sufficient level of cash and cash equivalents denominated in RMB, HKD and USD, which was deemed adequate by the management, as the working capital of the Company and to eliminate the impact of cash flow fluctuations. The Company expects that it can meet the cash flow requirement in the future with internal cash flow generated by operations and bank borrowings. The Company did not adopt other financial instruments for hedging purposes for the six months ended 30 June 2024.

The Group's interest-bearing bank and other borrowings mainly comprise short-term working capital to supplement working capital and finance the Group's expenditure and long-term project loans for the Group's construction of school buildings and facilities. As at 30 June 2024, interest-bearing bank and other borrowings amounted to approximately RMB894.4 million, with repayment terms within one to seven years or repayable on demand. All are denominated in RMB, USD and HKD that bear interest at fixed rates. As at 30 June 2024, the Group's interest-bearing bank and other borrowings bore interest at an effective interest rate ranging from 4.3% to 10.44% per annum.

4.12 Gearing Ratio

As at 30 June 2024, the gearing ratio (calculated by total liabilities divided by total assets) was approximately 63.7%, representing a decrease of approximately 2.7 percentage points from approximately 66.4% as at 31 December 2023, mainly due to the recognition of income from tuition and boarding fees resulted in a significant decrease in contract liabilities, causing the decrease in total liabilities to be greater than the decrease in total assets.

IV. MANAGEMENT DISCUSSION AND ANALYSIS

4.13 Future Plans for Material Investment or Capital Assets

As at 30 June 2024, the Group had contracted but not provided for capital commitments of RMB14.2 million (as at 31 December 2023: RMB13.6 million), while the Group did not have any authorised but not contracted for capital commitments (as at 31 December 2023: nil).

Saved as disclosed in this interim report, the Directors confirmed that as at the date of this interim report, there are no current plans to acquire any material investment or capital assets other than in the Group's ordinary business of provision of private education service.

4.14 Significant Investments Held

For the six months ended 30 June 2024, the Company did not hold any significant investments.

4.15 Major Acquisitions and Disposals

On 17 April 2024, Shijiazhuang Zerui Education Technology Co., Ltd.* (石家莊澤瑞教育科技有限公司) ("Shijiazhuang Zerui"), an indirect wholly-owned subsidiary of the Company, entered into a contract for the grant of the land use right of a state-owned construction land with the Natural Resources and Planning Bureau of Gaoyi County through an open bidding process, pursuant to which it acquired the land use right for educational purposes with a total area of 21,324.05 sq.m. (approximately 32.00 mu.) at RMB17.4 million.

Details of the contract for the grant of the land use right of a state-owned construction land entered into between Shijiazhuang Zerui and Natural Resources and Planning Bureau of Gaoyi County during the six months ended 30 June 2024 are as follows:

Address	Date of Contract	Site area (sq.m.)	Gross Floor Area (sq.m.)	Usage type	Status
a land parcel located at the south of Wancheng Village* (萬城村), Wancheng Town* (萬城鎮), Gaoyi County, Shijiazhuang, Hebei Province, the PRC	17 April 2024	21,324.05	34,118.48	Educational	No construction plan as at the date of this interim report

For further details, please refer to the announcement of the Company dated 17 April 2024.

Saved as disclosed above, for the six months ended 30 June 2024, the Company did not conduct any major acquisition or disposal of any subsidiary or associated company.

4.16 Contingent Liabilities

As at 30 June 2024, the Company did not have any material contingent liabilities, guarantees or any material litigation or claims, pending or threatened against any member of the Company (as at 31 December 2023: nil).

4.17 Foreign Exchange Risk

Most gains and expenses of the Company were denominated in RMB. As at 30 June 2024, certain bank balances were denominated in HKD or USD. The Company currently does not have any foreign exchange hedging policy. The management will continue to monitor the foreign currency exchange risk of the Company and consider taking prudent measures in due course.

4.18 Pledge of Asset

As at 30 June 2024, the Group pledged bank deposits of RMB110.0 million (as at 31 December 2023: RMB176.0 million) for obtaining two bank facilities, of which RMB110.0 million (as at 31 December 2023: RMB110.0 million) was unutilised as at 30 June 2024. Director's life insurance policy, certain buildings and land use rights of the Group have been pledged for the purpose of securing its interest-bearing bank and other borrowings.

4.19 Human Resources

As at 30 June 2024, the Group had approximately 1,333 employees (as at 30 June 2023: 1,374 employees). The remuneration policy and treatment of the Group's employees are regularly reviewed in accordance with industry practice and the performance of the Group. The Group provided external and internal training programs to its employees. As required by relevant PRC laws and regulations, the Group participated in various employee social security plans that are administered by local governments, including but not limited to, housing, pension, medical insurance and unemployment insurance.

4.20 Events after the Reporting Period

Disposal of 51% equity interest in Zhejiang Peijian

On 4 July 2024, Zerui Education entered into the share repurchase agreement to dispose its 51% equity interest in Zhejiang Peijian to five individuals at a consideration of RMB13.5 million. Upon completion, Zhejiang Peijian will cease to be a non-wholly owned subsidiary of the Company and the financial results of the Zhejiang Peijian will not be consolidated into the Company's financial statements. For further details, please refer to the announcement of the Company dated 4 July 2024.

Save as disclosed above, there were no other material events undertaken by the Group subsequent to 30 June 2024 and up to the date of this report.

5. DIRECTORS AND SENIOR MANAGEMENT

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

As at 30 June 2024, the Board consisted of 7 Directors, including 1 non-executive Director, 3 executive Directors and 3 independent non-executive Directors. The following table sets out the information of the members of the Board:

Name	Positions	Responsibilities	Relationship with other Directors or senior management
Mr. Li Yasheng	Chairman of the Board and non-executive Director	formulating the overall development strategy of the Group, and be responsible for resources integration and guiding the Group's development in the capital market	nil
Ms. Liu Hongwei	Chief executive officer and executive Director	Overall operation, development strategy and daily management of the Group	nil
Mr. Ren Caiyin	Executive Director	Research on marketing strategies of the Group	nil
Ms. Yang Li	Executive Director	Research on marketing strategies of the Group	nil
Mr. Guo Litian	Independent non-executive Director	Providing independent opinion and judgment to the Board	nil
Mr. Yao Zhijun	Independent non-executive Director	Providing independent opinion and judgment to the Board	nil
Mr. Wan Joseph Jason	Independent non-executive Director	Providing independent opinion and judgment to the Board	nil

IV. MANAGEMENT DISCUSSION AND ANALYSIS

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

Name	Positions	Responsibilities
Ms. Wang Lijing	Executive vice president	Overall operation and daily management of high school and New Gaokao* (新高考) education of the Group
Ms. Li Xingli	Executive vice president and president of the college and supply chain segment	Overall operation and daily management of the vocational education of the Group
Mr. Wang Yongsheng	Vice president and chief financial officer	Financial management and fund planning of the Group
Ms. Liu Tianhang	Vice president	The investment, merger and acquisition and capital operations of the Group
Mr. Wei Lei	Vice president	Human resources and administration management of the Group
Mr. Mao Lei	Principal of Shijiazhuang Institute of Technology	Teaching management of Shijiazhuang Institute of Technology

5.3 Changes in Directors and senior management

On 18 May 2024, the Company redesignated Mr. Wang Yongsheng as its vice president and chief financial officer.

On 26 July 2024, the Company redesignated Ms. Li Xingli as its executive vice president and president of the college and supply chain segment.

On 26 July 2024, the Company redesignated Ms. Liu Tianhang as its vice president.

On 10 September 2024, Mr. Yang Yang resigned as the joint company secretary and authorised representative of the Company and ceased to be the assistant to the president of the Company.

On 10 September 2024, Mr. Leung Chi Kit was appointed as an authorised representative of the Company under Rule 3.05 of the Listing Rules.

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

V. CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

1. CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (“**CG Code**”) contained in Appendix C1 to the Listing Rules as its own code of corporate governance.

For the six months ended 30 June 2024, the Company has complied with all applicable code provisions under part 2 of the CG Code and adopted most of the recommended best practices set out therein. The Company will continue to review and monitor its corporate governance practices to ensure the compliance with the CG Code.

2. MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 of the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Specific enquiries have been made to all the Directors and each of the Directors has confirmed that he/she has complied with the code provisions of the Model Code for the six months ended 30 June 2024.

3. INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: nil).

4. AUDIT COMMITTEE

As at 30 June 2024, the Audit Committee comprised three independent non-executive Directors, namely Mr. Yao Zhijun (chairman), Mr. Guo Litian and Mr. Wan Joseph Jason.

The Audit Committee has adopted the terms of reference which are in line with the CG Code. The primary duties of the Audit Committee include reviewing and monitoring the financial control, risk management and internal control systems and procedures of the Group, reviewing the financial information of the Group, and reviewing the relationship with the external auditor of the Company. The unaudited condensed interim results of the Group for the six months ended 30 June 2024 have been reviewed by the Audit Committee.

5. CHANGES IN DIRECTOR’S INFORMATION

Since the issue of the 2023 annual report of the Company, the Directors confirmed that no information shall be disclosed in accordance with Rule 13.51B(1) of the Listing Rules.

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

For the six months ended 30 June 2024, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities (including sale of treasury shares (as defined under the Listing Rules), if any). As at 30 June 2024, the Company does not have any treasury shares (as defined under the Listing Rules).

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

As at 30 June 2024, 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 ⁽⁵⁾	Approximate percentage of shareholding ⁽⁶⁾
Mr. Li Yasheng ⁽¹⁾	Beneficial owner	633,000(L)	0.05%
	Beneficial owner	287,100(L)	0.02%
	Interest in a controlled corporation	92,736,000(L)	7.99%
Ms. Liu Hongwei ⁽²⁾	Beneficial owner	2,061,000(L)	0.18%
	Beneficial owner	636,000(L)	0.05%
Mr. Ren Caiyin ⁽³⁾	Beneficial owner	951,000(L)	0.08%
	Beneficial owner	863,400(L)	0.07%
Ms. Yang Li ⁽⁴⁾	Beneficial owner	951,000(L)	0.08%
	Beneficial owner	425,700(L)	0.04%

Notes:

- (1) On 5 November 2020, 633,000 share options, representing 633,000 underlying Shares were granted to Mr. Li Yasheng under the Share Option Scheme (as defined in the below section). On 29 December 2020, 987,000 award shares were granted to Mr. Li Yasheng pursuant to the Share Award Plan (as defined in the below section), of which (i) 296,100 award shares had vested on 29 December 2021 and 9,000 Shares were sold on the market by the trustee to settle the tax obligation of Mr. Li Yasheng; (ii) 296,100 award shares had lapsed on 29 December 2022 as they were not exercised; and (iii) 394,800 award shares had lapsed on 29 December 2023 as they were not exercised. Further, Mr. Li Yasheng is the sole shareholder of Sainray Limited and he is therefore deemed to be interested in the Shares held by Sainray Limited by virtue of the SFO, being 92,736,000 Shares.
- (2) On 5 November 2020, 2,061,000 share options, representing 2,061,000 underlying Shares were granted to Ms. Liu Hongwei under the Share Option Scheme. On 29 December 2020, 2,220,000 award shares were granted to Ms. Liu Hongwei pursuant to the Share Award Plan, of which (i) 666,000 award shares had vested on 29 December 2021 and 30,000 Shares were sold on the market by the trustee to settle the tax obligation of Ms. Liu Hongwei; (ii) 666,000 award shares had lapsed on 29 December 2022 as they were not exercised; and (iii) 888,000 award shares had lapsed on 29 December 2023 as they were not exercised.
- (3) On 5 November 2020, 951,000 share options, representing 951,000 underlying Shares were granted to Mr. Ren Caiyin under the Share Option Scheme. On 29 December 2020, 1,479,000 award shares were granted to Mr. Ren Caiyin pursuant to the Share Award Plan, of which (i) 443,700 award shares had vested on 29 December 2021 and 18,000 Shares were sold on the market by the trustee to settle the tax obligation of Mr. Ren Caiyin; (ii) 443,700 award shares had vested on 29 December 2022 and 6,000 Shares were sold on the market by the trustee to settle the tax obligation of Mr. Ren Caiyin; and (iii) 591,600 award shares had lapsed on 29 December 2023 as they were not exercised.

V. CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

- (4) On 5 November 2020, 951,000 share options, representing 951,000 underlying Shares were granted to Ms. Yang Li under the Share Option Scheme. On 29 December 2020, 1,479,000 award shares were granted to Ms. Yang Li pursuant to the Share Award Plan, of which (i) 443,700 award shares had vested on 29 December 2021 and 18,000 Shares were sold on the market by the trustee to settle the tax obligation of Ms. Yang Li; (ii) 443,700 award shares had lapsed on 29 December 2022 as they were not exercised; and (iii) 591,600 award shares had lapsed on 29 December 2023 as they were not exercised.
- (5) The letter (L) denotes a long position in such securities.
- (6) As at 30 June 2024, the number of the issued shares of the Company was 1,161,204,000 Shares.

Save as disclosed above, as at 30 June 2024, none of the Directors or chief executive of the Company had or deemed to have the interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or which were required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, during the six months ended 30 June 2024, none of the Directors (including their spouses and children under the age of 18) had any interests in or was granted any right to subscribe for the securities of the Company or its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

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

So far as the Directors are aware, as at 30 June 2024, 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 of shareholder	Nature of interest	Number of Shares ⁽³⁾	Approximate percentage of shareholding ⁽⁴⁾
Mr. Li Yunong ⁽¹⁾	Founder of a discretionary trust who can influence how the trustee exercises on his discretion	754,590,000(L)	64.98%
	Beneficial owner	1,902,000(L)	0.16%
	Beneficial owner	636,000(L)	0.05%
Ms. Cao Yang ⁽²⁾	Spouse interest	757,128,000(L)	65.20%
Sainange Holdings	Beneficial owner	754,590,000(L)	64.98%
Leonus ⁽¹⁾	Interest in a controlled corporation	754,590,000(L)	64.98%
HSBC International Trustee Limited ⁽¹⁾	Trustee	754,590,000(L)	64.98%

V. CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

Notes:

- (1) Mr. Li Yunong is the founder of a trust of which HSBC International Trustee Limited is the trustee having control over the entire issued shares of Leonus Holdings Limited ("**Leonus**"), which in turn holds the entire issued shares of Sainange Holdings Company Limited ("**Sainange Holdings**"). Each of Mr. Li Yunong, HSBC International Trustee Limited and Leonus is deemed to be interested in the 754,590,000 Shares held by Sainange Holdings by virtue of the SFO.

On 16 January 2020, the Company was informed by Mr. Li Yunong that he had transferred his 100% shareholding in Sainange Holdings to Leonus for family wealth and succession planning purposes. After the shareholding transfer, the family trust established by Mr. Li Yunong indirectly, through Leonus, holds 754,590,000 Shares held by Sainange Holdings. Mr. Li Yunong was therefore deemed to be interested in the Shares held by Sainange Holdings by virtue of the SFO, being 754,590,000 Shares. For details, please refer to the announcement of the Company dated 21 January 2020. On 5 November 2020, 1,902,000 share options, representing 1,902,000 underlying Shares, were granted to Mr. Li Yunong pursuant to the Share Option Scheme.

- (2) Ms. Cao Yang is the spouse of Mr. Li Yunong and she is therefore deemed to be interested in the Shares in which Mr. Li Yunong is interested by virtue of the SFO, being 757,128,000 Shares.
- (3) The letter (L) denotes a long position in such securities.
- (4) As at 30 June 2024, the number of the issued shares of the Company was 1,161,204,000 Shares.

Save as disclosed above, as at 30 June 2024, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had any interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO; or to be recorded in the register required to be kept pursuant to Section 336 of the SFO.

9. SHARE OPTION SCHEME

The Company was approved to adopt a share option scheme (the "**Share Option Scheme**") on 4 May 2018. For details of the terms of the Share Option Scheme, please refer to the Appendix V in the Prospectus. The purpose of the Share Option Scheme is to give the eligible persons an opportunity to have a personal stake in the Company and help motivate them to boost their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going cooperation relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of executives, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

Maximum Number of Shares

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

V. CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

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

The number of Options available for grant under the Share Option Scheme was 101,031,000 as at 1 January 2024 and 101,031,000 as at 30 June 2024, respectively.

As at 30 June 2024, the total number of Shares available for issue under the Share Option Scheme was 114,810,000 Shares, representing approximately 9.89% of the Shares in issue as at the date of this interim report. For the six months ended 30 June 2024, the number of Shares that may be issued under the Share Option Scheme for the outstanding Option granted divided by the weighted average number of Shares was approximately 1.19%. The Company did not grant any Options under the Share Option Scheme during the Reporting Period.

V. CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

Below sets out the details of the changes in the Options under the Share Option Scheme for the six months ended 30 June 2024 and the Options outstanding during the Reporting Period:

Name of grantee	Date of grant	Number of Options					Outstanding as at 30 June 2024	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
		Outstanding as at 1 January 2024	Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled/ forfeited during the Reporting Period					
Directors											
Mr. Li Yasheng (chairman of the Board and non-executive Director)	5 November 2020	633,000 (Note 1)	–	–	–	–	633,000 (Note 1)	0.630	0.620	(Note 1)	5 November 2020 to 4 November 2030
Ms. Liu Hongwei (chief executive officer and executive Director)	5 November 2020	2,061,000 (Note 1)	–	–	–	–	2,061,000 (Note 1)	0.630	0.620	(Note 1)	5 November 2020 to 4 November 2030
Mr. Ren Caiyin (executive Director)	5 November 2020	951,000 (Note 1)	–	–	–	–	951,000 (Note 1)	0.630	0.620	(Note 1)	5 November 2020 to 4 November 2030
Ms. Yang Li (executive Director)	5 November 2020	951,000 (Note 1)	–	–	–	–	951,000 (Note 1)	0.630	0.620	(Note 1)	5 November 2020 to 4 November 2030
		4,596,000	–	–	–	–	4,596,000				
Former Executive Director											
Mr. Li Yunong (Note 2)	5 November 2020	1,902,000 (Note 1)	–	–	–	–	1,902,000 (Note 1)	0.630	0.620	(Note 1)	5 November 2020 to 4 November 2030
Total for employees	5 November 2020	2,217,000 (Note 1)	–	–	–	–	2,217,000 (Note 1)	0.630	0.620	(Note 1)	5 November 2020 to 4 November 2030
Total for consultants (Note 3)	5 November 2020	3,321,000 (Note 1)	–	–	–	–	3,321,000 (Note 1)	0.630	0.620	(Note 1)	5 November 2020 to 4 November 2030
Total for connected persons (Note 4)	5 November 2020	1,743,000 (Note 1)	–	–	–	–	1,743,000 (Note 1)	0.630	0.620	(Note 1)	5 November 2020 to 4 November 2030
Total		13,779,000	–	–	–	–	13,779,000				

Notes:

- (1) 30% of the Options shall vest after the first anniversary of the grant date of the Options, with the fair value of HK\$0.23 per Option; 30% of the Options shall vest after the second anniversary of the grant date of the Options, with the fair value of HK\$0.23 per Option; and 40% of the Options shall vest after the third anniversary of the grant date of the Options, with the fair value of HK\$0.22 per Option.
- (2) Mr. Li Yunong retired as an executive Director and the chairman of the Board with effect from 30 June 2023.
- (3) On 5 November 2020, the Company granted a total of 4,272,000 Options to seven non-employees who acted as consultants to the Company (the "Consultants"). These Consultants had provided various services to the Company, including (i) consultation on the Group's business development and potential acquisitions; (ii) offering advices on the operation, strategies, financial and taxation aspects of the new businesses of the Group; and (iii) introduction of prospective investors. The grant of Options to the Consultants will help motivate these non-employees to optimize their future contributions to the Group and to reward them for their past contributions. The grant of Options by the Company is to incentivize the Consultants to help the Group expand its business network, acquire and explore new business projects and opportunities, and to provide continuous services to the Group and maintain a long-term relationship with the Group.
- (4) The connected persons who have been granted share options comprise: (1) Mr. Liu Zhanjie who was an executive Director and vice chairman of the Board from 29 May 2018 (Listing Date) to 31 March 2021. Mr. Liu Zhanjie is currently a director of the Company's subsidiaries; and (2) Ms. Liu Tianhang, who is currently a general manager of the Company's subsidiaries from 10 April 2023.

10. SHARE AWARD PLAN

A share award scheme (the “**Share Award Plan**”) was adopted by the Board on 14 October 2020 (the “**Adoption Date**”). The purposes of the Share Award Plan are to recognise and reward the contribution of eligible participants to the growth and development of the Group, to give incentives to eligible participants in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

Share Award Plan Limit

The maximum number of Shares to be purchased by the Trustee by applying the contribution made by the Company or any of its subsidiaries for the purpose of the Share Award Plan shall not exceed 10% of the total number of issued Shares as at the Adoption Date (such 10% limit represented 116,721,600 Shares, representing approximately 10.05% of the issued shares as at the date of this report). The Board shall not instruct the Trustee to purchase any Shares for the purpose of the Share Award Plan when such purchase will result in such threshold being exceeded.

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

Since the Adoption Date of the Share Award Plan and up to the date of this report, a total of 27,720,000 Award Shares had been granted under the Share Award Plan, and the vesting period of these award Shares expired on 29 December 2023 in full. As at 30 June 2024, the total number of Shares that may be issued in respect of awards granted under the Share Award Plan was nil Shares. As at 1 January 2024 and 30 June 2024, the total number of shares available for grant under the Share Award Plan was 108,308,100 Shares and 108,308,100 Shares, respectively. The Company did not grant any award Shares under the Share Award Plan during the Reporting Period.

On 28 March 2024, the Board passed a resolution to amend the terms of the Share Award Plan to the effect that the Trustee is allowed only to purchase the existing Shares on the market or off the market to satisfy any award of Shares to be granted under the Share Award Plan, such that the Share Award Plan becomes a share scheme which is funded by existing Shares.

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 2024, the Board reviewed the overall performance of the Structured Contracts and believed that the Group had complied with the Structured Contracts in all material respects.

(1) Qualification Requirement

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

As advised by Jingtian & Gongcheng, the PRC legal advisor of the Company (the **"PRC Legal Advisor"**), none of the implementation regulations related to the Qualification Requirements was updated for the six months ended 30 June 2024.

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.

On 31 July 2024, as part of the plan to gradually reduce Mr. Li Yunong's involvement in the business operation of the Company due to his age and health reason, Zerui Education entered into the equity transfer agreement, the termination agreement and the new structured contracts with the relevant parties to change the registered shareholders of Zerui Education from Mr. Li Yunong and Ms. Luo Xinlan to Ms. Li Jianxiang and Ms. Luo Xinlan. For further details, please refer to the announcement of the Company dated 31 July 2024.

(2) Foreign Investment Law

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

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

13. DIRECTORS' INTERESTS IN COMPETITIVE BUSINESS

For the six months ended 30 June 2024, the Board was not aware of that any business or interests of the Directors and their respective associates constitute or may constitute competition to the Group's business or cause or may cause any other conflict of interest to the Group which would fall to be discloseable under the Listing Rules.

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

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	4	241,324	192,102
Cost of sales		(137,987)	(115,908)
Gross profit		103,337	76,194
Other income and gains, net	4	6,413	22,153
Selling and distribution expenses		(10,903)	(8,176)
General and administrative expenses		(34,592)	(34,886)
Reserve of impairment losses on financial and contract assets		–	341
Other expenses		(1,381)	(6,783)
Finance costs	5	(32,600)	(15,840)
Profit before tax	6	30,274	33,003
Income tax credit	7	505	364
Profit for the period		30,779	33,367
Attributable to:			
Owners of the Company		30,972	33,600
Non-controlling interests		(193)	(233)
		30,779	33,367
Earnings per share attributable to ordinary equity holders of the Company	9		
Basic and diluted			
– For profit for the period		RMB2.71 cents	RMB2.94 cents
Profit for the period		30,779	33,367
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange differences on translation of the Company		4,562	6,241
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		4	–
		4,566	6,241
Total comprehensive income for the period		35,345	39,608
Total comprehensive income/(expense) attributable to:			
Owners of the Company		35,538	39,841
Non-controlling interests		(193)	(233)
		35,345	39,608

VII. UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	927,669	941,962
Right-of-use assets		541,439	538,980
Goodwill		81,015	81,015
Other intangible assets		36,082	41,083
Financial assets at fair value through profit or loss	11	1,118	1,091
Deferred tax assets		8,440	8,440
Other non-current assets	12	30,531	35,855
Total non-current assets		1,626,294	1,648,426
Current assets			
Trade receivables	13	20,192	22,099
Contract costs		9,772	10,572
Prepayments, deposits and other receivables	14	291,695	62,926
Financial assets at fair value through profit or loss	11	10,085	7,906
Term deposits		–	40,000
Pledged deposits		110,000	176,000
Cash and bank balances		97,504	270,254
Other current assets	12	84,341	84,566
Total current assets		623,589	674,323
Current liabilities			
Other payables and accruals		235,696	218,559
Contract liabilities	16	48,234	189,574
Interest-bearing bank and other borrowings	15	565,858	571,100
Lease liabilities		11,494	7,667
Tax payable		2,547	2,656
Total current liabilities		863,829	989,556
Net current liabilities		(240,240)	(315,233)
Total assets less current liabilities		1,386,054	1,333,193
Non-current liabilities			
Interest-bearing bank and other borrowings	15	328,564	304,561
Lease liabilities		63,333	68,532
Deferred tax liabilities		5,197	5,924
Deferred income		164,535	165,097
Other payables and accruals		7,895	7,894
Total non-current liabilities		569,524	552,008
NET ASSETS		816,530	781,185
Capital and reserves			
Share capital	17	9,750	9,750
Treasury shares		(168)	(168)
Reserves		804,316	768,778
Equity attributable to owners of the Company		813,898	778,360
Non-controlling interests		2,632	2,825
TOTAL EQUITY		816,530	781,185

VIII. UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to owners of the Company													
	Share capital RMB'000 (note 17)	Treasury shares RMB'000	Share premium RMB'000	Capital reserve RMB'000	Capital redemption reserve RMB'000	Statutory surplus reserve RMB'000	Share-based payment reserve RMB'000	Fair value reserve of financial assets at fair value 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	Total equity RMB'000
At 1 January 2024 (audited)	9,750	(168)	227,627	77,259	671	185,182	2,623	(2,000)	33,843	1,631	241,942	778,360	2,825	781,185
Profit for the period (unaudited)	-	-	-	-	-	-	-	-	-	-	30,972	30,972	(193)	30,779
Exchange differences related to foreign operations (unaudited)	-	-	-	-	-	-	-	-	4,566	-	-	4,566	-	4,566
Total comprehensive income for the period (unaudited)	-	-	-	-	-	-	-	-	4,566	-	30,972	35,538	(193)	35,345
Profit appropriation to reserves (unaudited)	-	-	-	-	-	19,536	-	-	-	-	(19,536)	-	-	-
At 30 June 2024 (unaudited)	9,750	(168)	227,627	77,259	671	204,718	2,623	(2,000)	38,409	1,631	253,378	813,898	2,632	816,530
At 1 January 2023 (audited)	9,750	(169)	230,949	54,796	671	162,825	5,971	(2,000)	29,686	1,631	224,388	718,498	7,363	725,861
Profit for the period (unaudited)	-	-	-	-	-	-	-	-	-	-	33,600	33,600	(233)	33,367
Exchange differences related to foreign operations (unaudited)	-	-	-	-	-	-	-	-	6,241	-	-	6,241	-	6,241
Total comprehensive income for the period (unaudited)	-	-	-	-	-	-	-	-	6,241	-	33,600	39,841	(233)	39,608
Final 2022 dividend declared (unaudited)	-	-	(8,418)	-	-	-	-	-	-	-	-	(8,418)	-	(8,418)
Equity-settled share option arrangements (unaudited)	-	-	-	-	-	-	1,216	-	-	-	-	1,216	-	1,216
Profit appropriation to reserves (unaudited)	-	-	-	-	-	13,807	-	-	-	-	(13,807)	-	-	-
At 30 June 2023 (unaudited)	9,750	(169)	222,531	54,796	671	176,632	7,187	(2,000)	35,927	1,631	244,181	751,137	7,130	758,267

IX. UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Cash flows from operating activities			
Profit before tax		30,274	33,003
Adjustments for:			
Interest income	4	(3,006)	(4,692)
Equity-settled share option expense		–	1,216
Finance costs	5	32,600	15,840
Depreciation of property, plant and equipment	6	22,789	16,417
Depreciation of right-of-use assets	6	15,674	22,233
Impairment/(reversal of impairment) for trade receivables and other receivables	6	386	(341)
Amortisation of intangible assets	6	5,001	4,042
Loss on disposal of items of property, plant and equipment	6	12	36
Investment income	4	(222)	(1,576)
Changes in fair value of financial assets at fair value through profit or loss	4	3,263	(1,043)
Recognition of deferred income		(562)	–
Recognition of certain donated property, plant and equipment	4	(3,673)	(6,702)
Change in the non-cancellable period of a lease		–	(1,641)
Operating cash flows before movements in working capital		102,536	76,792
Decrease/(increase) in prepayments, deposits and other receivables		33,321	(2,028)
Decrease/(increase) in trade receivables		1,521	(680)
Decrease/(increase) in contract costs		800	(2,444)
Decrease in amounts due from related parties		–	7,516
Increase in amounts due to related parties		–	20
Increase/(decrease) in other payables and accruals		20,718	(9,639)
Decrease in contract liabilities		(141,340)	(72,357)
Cash generated from/(used in) operations		17,556	(2,820)
Interest received		953	1,067
Corporate income tax paid		(331)	38
Net cash from/(used in) operating activities		18,178	(1,715)

IX. UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Cash flows from investing activities		
Interest received	2,731	241
Investment income received	222	1,058
Purchase for items of property, plant and equipment	(2,764)	(165,827)
Purchase for intangible assets	–	(189)
Purchase of financial assets at fair value through profit or loss	(5,260)	–
Addition to land lease payments	(18,133)	–
Settlement of the remaining consideration in respect of acquisition of a subsidiary in prior years	(3,580)	(5,111)
Proceeds from disposal of items of property, plant and equipment, and intangible assets	–	25
Proceeds from disposal of partial interest in a subsidiary	–	50
Advances to third parties	(257,219)	(56,610)
Release of pledged deposits	66,000	–
Release of non-pledged term deposits	40,000	–
Net cash used in investing activities	(178,003)	(226,363)
Cash flows from financing activities		
New bank and other borrowings	306,018	290,960
Repayment of bank and other borrowings	(287,257)	(91,543)
Principal portion of lease payments	(1,372)	(13,903)
Interest paid	(34,671)	(15,840)
Net cash (used in)/from financing activities	(17,282)	169,674
Net decrease in cash and cash equivalents	(177,107)	(58,404)
Cash and cash equivalents at beginning of period	270,254	212,583
Effect of foreign exchange rate changes, net	4,357	5,891
Cash and cash equivalents at end of period	97,504	160,070
Analysis of balances of cash and cash equivalents		
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position and statement of cash flows	97,504	160,070

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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 registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Shares of the Company were listed on the Stock Exchange on 29 May 2018.

The Company is an investment holding company. During the six months ended 30 June 2024, the Company and its subsidiaries (collectively referred to as the “**Group**”) were principally engaged in providing educational services and the college management services in the People’s Republic of China (the “**PRC**”).

2.1 BASIS OF PRESENTATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2024 have been prepared in accordance with International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2023.

2.2 GOING CONCERN BASIS

The Group had net current liabilities of approximately RMB240.2 million as at 30 June 2024 which was primarily attributable to the capital outlay for acquiring certain education-related operating assets during the year ended 31 December 2023 and the reclassification of certain bank loans with specific drawdown requirements amounted to approximately RMB94.8 million as at 30 June 2024 to current liabilities. In view of the net current liabilities position, the directors of the Company have given careful consideration of the Group’s operating performance, the availability of sources of financing and the future cash flows in assessing the Group’s capability to continue its business as a going concern. Taking into consideration the increase in the number of students intake, the cash flows from operations, the additional financial resources available to the Group including the available banking facilities and the successful refinancing of certain existing bank and other borrowings upon maturity, and the positive operating results, the directors of the Company are of the opinion that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the new and revised International Financial Reporting Standards (“**IFRSs**”) for the first time for the current period’s condensed consolidated financial statements.

Adoption of new and revised International Financial Reporting Standards (“**IFRSs**”)

In the current period, the Group has adopted all the new and revised IFRSs issued by the International Accounting Standards Board that are relevant to its operations and effective for its accounting year beginning on 1 January 2024. IFRSs comprise International Financial Reporting Standards; International Accounting Standards; and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current and prior periods.

The Group has not applied the new and revised IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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 results which is measured consistently with the Group's profit before tax except that finance costs (other than interest on lease liabilities), interest income and other unallocated income and expenses are excluded from such measurement.

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

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

Six months ended 30 June 2024

	Vocational education RMB'000 (Unaudited)	Non-vocational education RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue	172,773	68,551	241,324
Other segment revenue	6,389	1,016	7,405
Total	179,162	69,567	248,729
Segment results	71,751	(9,818)	61,933
<u>Reconciliation</u>			
Finance costs (other than interest on lease liabilities)			(30,894)
Interest income			3,006
Unallocated income and expenses, net			(3,771)
Profit before tax			30,274

As at 30 June 2024

	Vocational education RMB'000 (Unaudited)	Non-vocational education RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment assets	1,522,994	99,219	1,622,213
<u>Reconciliation</u>			
Pledged deposits			110,000
Cash and bank balances			97,504
Financial assets at fair value through profit or loss			11,203
Unallocated head office and corporate assets			408,963
Total assets			2,249,883
Segment liabilities	(370,798)	(154,003)	(524,801)
<u>Reconciliation</u>			
Interest-bearing bank and other borrowings			(894,422)
Tax payable			(2,547)
Unallocated head office and corporate liabilities			(11,583)
Total liabilities			(1,433,353)

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

3. OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 June 2023

	Vocational education RMB'000 (Unaudited)	Non-vocational education RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue	124,476	67,626	192,102
Other segment revenue	14,571	3,654	18,225
Total	139,047	71,280	210,327
Segment results	56,662	6,194	62,856
<u>Reconciliation</u>			
Finance costs (other than interest on lease liabilities)			(14,245)
Interest income			4,692
Unallocated expenses			(20,300)
Profit before tax			33,003

As at 31 December 2023

	Vocational education RMB'000 (Audited)	Non-vocational education RMB'000 (Audited)	Total RMB'000 (Audited)
Segment assets	1,506,890	161,257	1,668,147
<u>Reconciliation</u>			
Term deposits			40,000
Pledged deposits			176,000
Cash and bank balances			270,254
Financial assets at fair value through profit or loss			8,997
Unallocated head office and corporate assets			159,351
Total assets			2,322,749
Segment liabilities	(505,677)	(142,449)	(648,126)
<u>Reconciliation</u>			
Interest-bearing bank and other borrowings			(875,661)
Tax payable			(2,656)
Unallocated head office and corporate liabilities			(15,121)
Total liabilities			(1,541,564)

Geographical information

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

Information about major customers

During both periods, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

		Six months ended 30 June	
	Notes	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
<i>Revenue from contracts with customers</i>			
Vocational education			
Tuition fees		127,628	91,288
Boarding fees		17,402	11,043
College operation service income	(i)	16,132	14,691
Others	(ii)	11,611	7,454
		172,773	124,476
Non-vocational education			
Tutoring fees		22,608	17,507
Tuition fees		44,212	48,028
Boarding fees		1,494	2,047
Consultation fees		237	44
		68,551	67,626
		241,324	192,102
Other income and gains			
Interest income		3,006	4,692
Donation of property, plant and equipment received		3,673	6,702
Investment income		222	1,576
Site use fees	(iii)	–	2,261
Sale of education materials and living goods		130	2,465
Government grants		664	238
Fair value (loss)/gain on financial assets at fair value through profit or loss		(3,263)	1,043
Others		1,981	3,176
		6,413	22,153

Notes:

- (i) The school operation service income comprises the service income derived from the provision of school operation service and the provision of accommodation service to the students.
- (ii) Others primarily represent service fees received from certain independent universities in respect of the provision of student recruitment services, income received from the provision of vocational training and examination preparation courses and income derived from granting the right of canteen management.
- (iii) The amount in the prior year mainly represented usage fees received from certain colleges and enterprises in connection with their uses of the school premises and facilities and right-of-use asset of the Group to organise teaching and training activities.

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

5. FINANCE COSTS

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Interest on bank and other borrowings	32,665	24,048
Less: interest capitalised	(2,071)	(9,924)
	30,594	14,124
Interest on lease liabilities	1,706	1,595
Financing consultancy service charges	300	121
	32,600	15,840

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Cost of services provided	137,987	115,908
Depreciation of property, plant and equipment	22,789	16,417
Depreciation of right-of-use assets	15,674	22,233
Amortisation of intangible assets	5,001	4,042
Minimum lease payments under operating leases:		
– Buildings	744	599
– Others	–	923
	744	1,522
Employee benefit expense (excluding directors' remuneration)		
Wages and salaries	50,162	48,069
Equity-settled compensation expenses	–	754
Pension scheme contributions (defined contribution scheme)	4,818	6,665
	54,980	55,488
Impairment/(reversal of impairment) of trade and other receivables	386	(341)
Fair value loss/(gain) from financial assets at fair value through profit or loss	3,263	(1,043)
Loss on disposal of property, plant and equipment	12	36

7. INCOME TAX

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

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

Hong Kong Profits Tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the six months ended 30 June 2024.

PRC Corporate Income Tax ("PRC CIT")

A certain subsidiary was accredited as a High-tech Enterprise and was entitled to a preferential tax rate of 15% (Six months ended 30 June 2023: 15%).

Certain subsidiaries were certified as small and micro-sized enterprises ("SMEs") in 2023. Their accumulated taxable income after further reductions would enjoy the preferential tax rate of 20% for the six month ended 30 June 2024 (six months ended 30 June 2023: 20%).

Pursuant to the PRC CIT Law and the respective regulations, the other PRC subsidiaries were subject to income tax at a statutory rate of 25% for the six month ended 30 June 2024 (six months ended 30 June 2023: 25%).

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Current – Mainland China		
Charge for the period	222	200
Over-provision in prior periods	–	(46)
Deferred	(727)	(518)
	(505)	(364)

8. DIVIDENDS

The board of directors of the Company does not recommend the payment of dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

9. EARNINGS PER SHARE

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 2024 and 2023.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2024 and 2023.

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	30,972	33,600

	Number of shares ('000) Six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue	1,161,204	1,161,204
Weighted average number of shares held for the Restricted Share Unit scheme	(19,844)	(19,832)
Adjusted weighted average number of ordinary shares in issue used in the basic and diluted earnings per share calculation	1,141,360	1,141,372

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired property, plant and equipment at a cost of RMB7,470,000 (six months ended 30 June 2023: RMB182,424,000).

Assets with a net book value of RMB12,000 were disposed of by the Group during the six months ended 30 June 2024 (six months ended 30 June 2023: RMB126,000), resulting in a net loss on disposal of RMB12,000 (six months ended 30 June 2023: RMB36,000).

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
A listed equity investment, at fair value	(i)	10,085	7,906
Other unlisted investment, at fair value			
Life insurance policy	(ii)	1,118	1,091
		11,203	8,997
Analysed into:			
Current portion		10,085	7,906
Non-current portion		1,118	1,091

Notes:

- (i) The above equity investment was classified as a financial asset at fair value through profit or loss as it was held for trading.
- (ii) The Group's financial assets at fair value through profit or loss represented a life insurance policy to insure an executive director as at 30 June 2024. Under the policy, the Group is the beneficiary and the policy holder. The Group paid upfront premiums for the policy and may surrender the insurance policies any time by making a written request and receive cash based on the surrender value of the policies at the date of withdrawal, which is calculated by the insurer. In the opinion of the directors of the Company, the surrender value of the policies provided by the insurance company is the best approximation of its fair value, which is categorised within Level 3 of the fair value hierarchy. The life insurance policy was mandatorily classified as a financial asset at fair value through profit or loss as its contractual cash flows are not solely payments of principal and interest.

As at 30 June 2024, the Group's life insurance policies were pledged as security for bank facilities granted to the Group.

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

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

12. OTHER CURRENT ASSETS AND OTHER NON-CURRENT ASSETS

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Other unlisted investments, at amortised cost	(i)	65,953	65,762
Prepayment for acquisition of properties	(ii)	20,662	20,000
Deposits and other assets	(iii)	9,869	15,855
Input VAT to be claimed	(iv)	18,388	18,804
		114,872	120,421
Analysed into:			
Current portion		84,341	84,566
Non-current portion		30,531	35,855

Notes:

- (i) Other non-current assets are stand-alone trust funds classified as financial assets at amortised cost as their contractual cash flows are solely payments of principal and interest and they were held for collecting the contractual cash flows. The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 30 June 2024, the loss allowance was assessed to be minimal.
- (ii) On 20 June 2023, the seller (a property developer in the PRC and an independent third party) entered into several sale and purchase agreements with the Group, pursuant to which the seller agreed to sell and the Group agreed to acquire several properties. As at 30 June 2024, the balance represents the prepayment for the acquisition of the aforesaid properties, which are reserved for office premises use.
- (iii) The balance as at 30 June 2024 mainly represented deposit made for procurement of certain teaching equipment and deferred expenses as the costs to obtain contracts.
- (iv) The balance mainly represents deductible input VAT generated from the Group's procurement of construction related services.

13. TRADE RECEIVABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Tuition fees and boarding fees receivables	21,491	23,012
Impairment under expected credit losses model	(1,299)	(913)
	20,192	22,099

The Group's students are required to pay tuition fees and boarding fees in advance for the upcoming school year, which normally commences in September. The outstanding receivables represent amounts related to students who have applied for the delayed payment of tuition fees and boarding fees.

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

13. TRADE RECEIVABLES (Continued)

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 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within one year	13,596	17,394
One to two years	1,896	4,161
Two to three years	4,700	544
	20,192	22,099

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Prepayments	19,610	13,725
Deposits	5,654	11,171
Consideration receivable for disposal of partial interest in a subsidiary	11,000	11,000
Other receivables	257,613	29,212
	293,877	65,108
Impairment of other receivables under expected credit losses model	(2,182)	(2,182)
	291,695	62,926

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Current		
Short term bank loan – unsecured	193,536	118,415
Current portion of long term bank loan – secured	49,957	98,261
Current portion of long term bank loan – unsecured	170,231	19,769
Current portion of other borrowing – secured	10,000	40,363
Current portion of other borrowings – unsecured	47,365	11,753
	471,089	288,561
Add:		
Repayable on demand within one year		
– Secured bank borrowings	85,000	88,000
– Unsecured bank borrowings	9,769	194,539
	94,769	282,539
Current portion of bank and other borrowings	565,858	571,100
Non-current		
Long term bank loans – secured	339,347	342,438
Long term bank loans – unsecured	9,769	194,539
Other borrowings – secured	–	30,576
Other borrowings – unsecured	74,217	19,547
	423,333	587,100
Less:		
Repayable on demand within one year		
– Secured bank borrowings	(85,000)	(88,000)
– Unsecured bank borrowings	(9,769)	(194,539)
	(94,769)	(282,539)
Non-current portion of bank and other borrowings	328,564	304,561

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Analysed into:		
Bank loans repayable:		
Within one year or on demand	508,493	518,984
In the second year	37,079	37,072
In the third to fifth year, inclusive	122,710	122,710
Over five years	94,558	94,656
	762,840	773,422
Other borrowings repayable:		
Within one year or on demand	57,365	52,116
In the second year	51,690	30,449
In the third to fifth year, inclusive	22,527	19,674
	131,582	102,239
	894,422	875,661

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

As at 30 June 2024 and 31 December 2023, certain of the above bank and other borrowings are guaranteed by certain related parties (note 20) and subsidiaries of the Group, and with the pledge of certain land use rights and buildings, and the charging right of Shijiazhuang Institute of Technology, a subsidiary of the Company, and secured by a director's life insurance policy.

16. CONTRACT LIABILITIES

Details of contract liabilities as at 30 June 2024 and 31 December 2023 are as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Tuition fees	38,188	162,677
Boarding fees	141	18,290
Others	9,905	8,607
Total contract liabilities	48,234	189,574

Contract liabilities include short-term advances received from student. The Group receives tuition and boarding fees from students in advance prior to the beginning of each academic year or each tutorial program. Tuition and boarding fees are recognised proportionately over the relevant period of the respective program.

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

17. SHARE CAPITAL

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Authorised: 3,000,000,000 (31 December 2023: 3,000,000,000) ordinary shares of nominal value of HK\$0.01 each	25,293	25,293
Issued and fully paid: 1,161,204,000 (31 December 2023: 1,161,204,000) ordinary shares	9,750	9,750

18. SHARE-BASED PAYMENT

(a) Share option scheme

The Company adopted a share option scheme (the “**Scheme**”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. The Scheme became effective on 4 May 2018 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Share options granted to a director or chief executive of the Company are subject to approval in advance by the independent non-executive directors.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (1) the nominal value of the share; (2) the Stock Exchange closing price of the Company’s shares on the date of grant of the share options; and (3) the average Stock Exchange closing price of the Company’s shares for the five trading days immediately preceding the date of grant.

Movements in the number of share options outstanding and their related weighted average exercise prices are set out below:

As at 30 June 2024 and 31 December 2023	
Number of options ('000)	13,779
Weighted average exercise price (HK\$ per share)	0.63

All the share options outstanding as at 30 June 2024 and 31 December 2023 are exercisable. No share options were exercised during the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

18. SHARE-BASED PAYMENT (Continued)**(b) Restricted Share Unit Scheme**

The Company adopted a share award plan (the “**Plan**”) for the purpose of recognising and rewarding the contribution of eligible participants to the growth and development of the Group, to give incentives to eligible participants in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. The Plan became effective on 14 October 2020 (the “**Adoption Date**”) and shall be valid and effective for a period of 10 years commencing from the Adoption Date but may be terminated earlier as determined by the Board.

On 29 December 2020, the Board resolved to approve the initial grant of the restricted share units (“**RSUs**”) under the Plan to the eligible participants, pursuant to which RSUs of 27,720,000, representing approximately 2.37% of the issued share capital of the Company as at 29 December 2020, shall be granted to 32 selected eligible participants on 29 December 2020. The exercise price under the initial grant is HK\$0.243 per each RSU. All the remaining RSUs granted were forfeited or expired during the year ended 31 December 2023. There were no outstanding RSUs as at 30 June 2024 and 31 December 2023.

The Company’s shares held for the RSU Scheme as at 30 June 2024 amounted to approximately 19,844,000 shares (31 December 2023: approximately 19,844,000 shares).

There were no RSU granted during the period (six months ended 30 June 2023: nil).

The Group recognised the total share-based payment expenses of nil for the six months ended 30 June 2024 (six months ended 30 June 2023: RMB1,216,000) with corresponding increase in share-based payment reserve.

19. COMMITMENTS

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

	30 June 2024 RMB’000 (Unaudited)	31 December 2023 RMB’000 (Audited)
Contracted, but not provided for: Land use rights and buildings	14,247	13,588

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

20. RELATED PARTY TRANSACTIONS AND BALANCES

In addition to the balances and transactions disclosed elsewhere in these condensed consolidated financial statements, the Group has the following material transactions or balances with related parties during the six months 30 June 2024 and 2023, and as at 30 June 2024 and 31 December 2023.

(a) Name and relationship of related parties

Name	Relationship
Mr. Li Yasheng	Chairman (after 30 June 2023) and son of Mr. Li Yunong
Mr. Li Yunong	Chairman (before 30 June 2023), one of the controlling shareholders of the Group, and father of Mr. Li Yasheng
Ms. Luo Xinlan	One of the controlling shareholders of the Group (before 21 June 2023), and mother-in-law of Mr. Li Yunong
Ms. Cao Yang	Wife of Mr. Li Yunong
河北廿一世紀教育投資有限公司^ Hebei Lionful Education Investment Co., Ltd.* ("Lionful Education")	A company controlled by Mr. Li Yunong and Mr. Luo Xinlan
邯鄲市美家優寶教育諮詢有限公司 Handan Meijia Youbao Education Consulting Co., Ltd.* ("Meijia Youbao")	A company significantly influenced by Mr. Li Yunong
河北學有方教育科技有限公司 Hebei Xueyoufang Education Technology Co., Ltd.* ("Xueyoufang Education")	A company significantly influenced by Mr. Li Yunong
新聯合投資控股有限公司 Lionful Investment Holding Co., Ltd.* ("Lionful Investment Holding")	A company controlled by Mr. Li Yunong
石家莊益瑞房地產開發有限公司 Shijiazhuang Yirui Real Estate Development Co., Ltd.* ("Shijiazhuang Yirui")	A company controlled by Mr. Li Yunong
河北路盟科技有限公司 Hebei Lumeng Technology Co., Ltd.* ("Hebei Lumeng Technology")	Non-controlling interest of a subsidiary
寧波學諾企業管理有限責任公司 Ningbo Xuenuo Enterprise Management Co., Ltd.* ("Ningbo Xuenuo Enterprise Management")	Non-controlling interest of a subsidiary

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

^ This entity was a related party to the Company until 12 July 2023. Since then, it became an independent third party of the Group afterwards.

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

20. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)**(b) Outstanding balances with related parties***Other payables to related parties*

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Hebei Lumeng Technology	3,000	–
Ningbo Xuenuo Enterprise Management	62	–
	3,062	–

(c) Transactions with related parties*Service income from a related party*

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Shijiazhuang Yirui	–	792

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

Purchases of land and buildings from a related party

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Lionful Education	–	210,000

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

20. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(d) Others

- (1) During the period, 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 period are as follows:

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
College operation service income	13,007	12,704

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Student accommodation service income [^]	3,125	1,944

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

- (3) During the period, certain bank and other borrowings are guaranteed and secured by certain related parties (as mentioned in note (a) above) and subsidiaries of the Group. Details of bank and other borrowings transactions are disclosed in note 15 to the condensed consolidated financial statements.

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Salaries, allowances and benefits in kind	635	548
Pension scheme contributions	84	184
Equity-settled compensation expense	—	201
	719	933

21. 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 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Financial assets				
Financial assets at fair value through profit or loss	11,203	8,997	11,203	8,997

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

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 and other assets, other current assets, amounts due from/to related parties, financial liabilities included in other payables and accruals, and the current portion of the interest-bearing bank and other borrowings, approximate to their carrying amounts largely due to the short term maturities of these instruments.

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

The fair values of other non-current assets and 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 nonperformance risk for interest-bearing bank and other borrowings as at 30 June 2024 were assessed to be insignificant.

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

21. 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 2024

	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Fair value measurement using: Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Financial assets at fair value through profit or loss	10,085	–	1,118	11,203

As at 31 December 2023

	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Fair value measurement using: Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	Total RMB'000 (Audited)
Financial assets at fair value through profit or loss	7,906	–	1,091	8,997

X. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

21. 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 periods are as follows:

	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Financial assets at fair value through profit or loss:		
At 1 January	1,075	1,041
Exchange difference	43	34
At 30 June	1,118	1,075

	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Consideration payable for business combination included in other current liabilities and other non-current liabilities:		
At 1 January	–	1,671
Satisfied by cash	–	(1,671)
At 30 June	–	–

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2023: nil).

22. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, on 4 July 2024, the Group entered into an agreement to dispose of its entire 51% equity interests in Zhejiang Peijian Technology Co., Ltd. (浙江培尖科技有限公司) (“Zhejiang Peijian”) to the remaining shareholders of Zhejiang Peijian at an aggregate consideration of approximately RMB13.5 million. Zhejiang Peijian is principally engaged in the businesses of education software, education equipment, technology development of electronic products and technology consultancy. Details of the disposal are set out in the Company’s announcement dated 4 July 2024.

XI. DEFINITIONS

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

“Audit Committee”	the audit committee of the Board
“Board”	the board of directors of the Company
“CG Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“Company”	China 21st Century Education Group Limited, an exempted company incorporated in the Cayman Islands with limited liability on 20 September 2016, with its Shares listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Education Department of Hebei Province”	an integral department of the provincial government, which is responsible for the education cause in Hebei Province
“government” or “State”	the central government of the PRC, including all governmental sub-divisions (such as provincial, municipal and other regional or local government entities)
“Group” or “we”	the Company, its subsidiaries and PRC Operating Entities from time to time
“Hangzhou Yimai”	Hangzhou Yimai Xueding Education Technology Co., Ltd.* (杭州一脈學鼎教育科技有限公司), a limited liability company established under the laws of the PRC on 16 May 2018, as to 70% was controlled by Shijiazhuang Saintach as at the date of this interim report, and 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 one of the PRC Operating Entities
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Date”	29 May 2018, being the date of listing of Shares on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“New Gaokao* (新高考) Business”	college entrance examination channel services business
“PRC” or “China”	the People’s Republic of China, for the purpose of this report, excludes Hong Kong, the Macau Special Administration Region of the PRC and Taiwan
“PRC Operating Entity(ies)”	Zerui Education, Shijiazhuang Institute of Technology, Shijiazhuang Yuying Experimental High School* (石家莊育英實驗中學), Hebei Saintach, Shijiazhuang Saintach, Saintach Kindergartens, Hangzhou Yimai, Beijing Xin Tian Di Xian Information and Technology Co., Ltd.* (北京新天地線信息技術有限公司), Zhejiang Peijian, Saintach Tutorial Schools and Beijing Zhihang Education Technology Co., Ltd.* (北京志航教育科技有限公司)

"Prospectus"	the prospectus issued by the Company for the initial public offering and listing dated 15 May 2018
"Reporting Period"	for the six months ended 30 June 2024
"RMB"	Renminbi, the lawful currency of the PRC for the time being
"Saintach Kindergartens" or "Kindergartens"	Shijiazhuang Qiaoxi District Blue Crystal Saintach Kindergarten* (石家莊市橋西區新天際藍水晶幼兒園), Shijiazhuang Luquan District Fukang Saintach Kindergarten* (石家莊市鹿泉區新天際福康幼兒園), Shijiazhuang Chang'an District Jianhua Saintach Kindergarten* (石家莊市長安區新天際建華幼兒園), Shijiazhuang Qiaoxi District Lidu Saintach Kindergarten* (石家莊市橋西區新天際麗都幼兒園), Shijiazhuang High-tech Industrial Development Zone Tianshan Saintach Kindergarten* (石家莊高新技術產業開發區新天際天山幼兒園), Shijiazhuang Chang'an District Qinghui Saintach Kindergarten* (石家莊市長安區新天際清暉幼兒園), Zhengding County Saintach Kindergarten* (正定縣新天際幼兒園) and Zhengding County Fumenli Saintach Kindergarten* (正定縣新天際福門里幼兒園), which are the PRC Operating Entities
"Saintach Tutorial Schools"	Shijiazhuang 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 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 Xinhua District Huixuan Education Tutorial School* (石家莊市新華區慧軒教育培訓學校), which are the PRC Operating Entities
"school sponsor(s)"	the individual(s) or entity(ies) that funds or holds interests in an educational institution
"school year"	the school year for all of our schools, which generally commences on 1 September of each calendar year and ends on 30 June of the next calendar year
"Share(s)"	ordinary share(s) of nominal value of HK\$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shijiazhuang Institute of Technology"	Shijiazhuang Institute of Technology* (石家莊理工職業學院), a general college established under the laws of the PRC on 1 July 2003 of which school sponsors' interest was wholly-owned by Zerui Education as at the date of this interim report, and one of the PRC Operating Entities
"Shijiazhuang Saintach"	Shijiazhuang Saintach Education and Technology Co., Ltd.* (石家莊新天際教育科技(有限)公司), a limited liability company established under the laws of the PRC on 13 July 2011, which was wholly-owned by Zerui Education as at the date of this interim report, and one of the PRC Operating Entities

XI. DEFINITIONS

"Sifang College"	Sifang College of Shijiazhuang Tiedao University* (石家莊鐵道大學四方學院), established in 2001, an independent institution implementing undergraduate education under approval of the Hebei Provincial People's Government and confirmation by the Ministry of Education, jointly operated by Shijiazhuang Tiedao University, an independent third party, and Hebei Lionful Education Technology Co., Ltd* (河北廿一世紀教育科技有限公司)
"sq.m."	square meter
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Structured Contracts"	collectively, the Business Cooperation Agreements, the Exclusive Service Agreements, the Exclusive Call Option Agreements, the Equity Pledge Agreements, the School Sponsors' and Directors' Rights Entrustment Agreements, the School Sponsors' Powers of Attorney, the Directors' Powers of Attorney, the Shareholders' Power of Attorney, the Shareholders' Rights Entrustment Agreements and the Spouse Undertakings, as amended and/or supplemented from time to time
"Zerui Education"	Hebei Zerui Education Technology Co., Ltd.* (河北澤瑞教育科技有限責任公司), a limited liability company established under the laws of the PRC on 12 July 2017, which was owned as to 80.625% by Ms. Li Jianxiang and 19.375% by Ms. Luo Xinlan as at the date of this interim report, and 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 originally controlled as to 51% by Zerui Education, and 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.