

**CHINA 21ST CENTURY EDUCATION GROUP LTD:
FIFTEEN YEARS OLD AND SHOULD BE GOING
FROM STRENGTH TO STRENGTH**

There are few negative aspects that are readily apparent on scanning the Global Offering Prospectus of China 21st Century Education Group Ltd (21) (Code: 1598, Main Board, The Stock Exchange of Hongkong Ltd) except, perhaps, that there is little to entice a serious, long-term investor to the idea of buying the scrip of this 15-year-old group of companies, heavily involved in the education industry and being based entirely in the People's Republic of China (PRC).

The financials indicate little that is particularly outstanding in terms of the Bottom Line in respect of the 2017 Financial Year, compared with the previous Year's Results, and there appears to be no suggestion that dividends will be forthcoming in the near-term future.

The Initial Public Offering (IPO) Of China 21st Century Education Group Ltd

China 21st Century Education Group Ltd published and disseminated its Global Offering Prospectus on May 15, 2018.

The Company was desirous of selling 360 million, one-cent Shares at the Indicative Offer Price Per Share, ranging from a low of 79 cents to a high of \$HK1.13.

The IPO was very successful when, on May 28, 2018, Management announced that the Offer Price Per Share had been struck at the highest level of the Indicative Offer Price Range, being \$HK1.13.

Investors of the Hongkong Special Administrative Region (HKSAR) of the PRC had been Offered 36 million Shares and the remaining 324 million Shares had been reserved for International Investors – institutions, professions, and/or well-heeled investors – via select Share Placements.

In the Allotment Results Announcement, it was stated that the Company expected to net about \$HK381.30 million for this cash-raising exercise.

This not insignificant amount of money is, today, intended to be utilised for the following purposes:

- Approximately, 40 percent of the net proceeds, that is about \$HK152.52 million, *‘is expected to be used to acquire and rebrand third party kindergartens in order to expand our Saintach Kindergarten network in the Integrated Area by end of 2020. When selecting an acquisition target, we will consider factors that include, among other things, school location, demographics in the area, condition of school facilities, number of existing students, historical performance of the schools, strategic value in expanding into the area, qualifications and quality of the teaching staff, and total acquisition and conversion costs; As of the Latest Practicable Date (May 6, 2018), we had not identified any specific acquisition targets’*;
- Approximately, 20 percent of the net proceeds, that is about \$HK76.26 million, *‘is expected to be used to expand our Saintach Tutorial Center network in the Integrated Area through acquisition of third party tutorial schools primarily engaged in providing small-group tutoring services by the end of 2020. When selecting an acquisition target, we will consider factors include, among other things, school location, demographics in the area, condition of school facilities, number of existing students, historical performance of the schools, qualifications and quality of the teaching staff, and total acquisition and conversion costs; As of the Latest Practicable Date, we had not identified any specific acquisition targets’*;
- Approximately, 20 percent of the net proceeds, that is about HK\$76.26 million, *‘is expected to be used to maintain, renovate and upgrade the facilities, equipment and infrastructure of our schools and tutorial centers and improve student accommodation, campus environment and teaching conditions at Shijiazhuang Institute of Technology. The costs needed to renovate and upgrade our schools and tutorial centers are estimated based on market enquiry and our historical experience dealing with similar expenditures. In particular, we estimated the number of dormitories or classroom to be upgraded and the average cost to upgrade each unit...’*;
- Approximately, 10 percent of the net proceeds, that is about \$HK38.13 million, *‘is expected to be used to establish our presence overseas and obtain experience in operating schools abroad, including approximately HK\$30.8 million for establishment of an officially accredited residential university in the state of California, the United States, and related teacher and administrative staff recruitment, daily operation and management and marketing and promotion expenses, and approximately HK\$1.0 million as a reserve fund to cover any additional expenses arising in connection with the establishment and on-going operation of such university, such as expenses related to maintenance, renovation and upgrading of the facilities, equipment and infrastructure of the university and*

scholarships used to reward student excellence, as well as any further research and development that may become necessary in relation to establishing and operating the university’; and,

- Approximately, 10 percent of the net proceeds, that is about \$HK38.13 million, ‘*is expected to be used to fund our working capital and general corporate purposes.*’

With regard to the last-mentioned utilisation of 10 percent of the net proceeds from this IPO, at Appendix I-4 of the Global Offering Prospectus, it was shown that, as at December 31, 2017, the Company had cash and bank balances plus term deposits, aggregating 109,864,000 renminbi (about \$HK134,064,842).

The Business Of China 21st Century Education Group Ltd

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