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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Junjing Tang (Chairman)
Mr. Junying Tang
Mr. Gui Zhou

Non-executive Director

Mr. Wenhui Xu

Independent Non-executive Directors

Mr. Yingmin Wu
Ms. Yu Long
Mr. Peng Xue

AUDIT COMMITTEE

Mr. Peng Xue (Chairman)
Ms. Yu Long
Mr. Wenhui Xu

REMUNERATION COMMITTEE

Ms. Yu Long (Chairlady)
Mr. Junjing Tang
Mr. Peng Xue

NOMINATION COMMITTEE

Mr. Junjing Tang (Chairman)
Mr. Yingmin Wu
Ms. Yu Long

JOINT COMPANY SECRETARIES

Mr. Changxu Zhu
Ms. Hing Ling Chau (LLM, FCIS, FCS)

AUTHORIZED REPRESENTATIVES

Mr. Junjing Tang
Ms. Hing Ling Chau (LLM, FCIS, FCS)

AUDITOR

Ernst & Young
Certified Public Accountant

LEGAL ADVISER

Jingtian & Gongcheng LLP

PRINCIPAL BANKS

China Merchants Bank Guangzhou Liwan Branch
Industrial and Commercial Bank of China Guangzhou
Nanfang Branch

REGISTERED OFFICE

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Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Guangdong, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Grand Cayman, KY1-1002
Cayman Islands

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LISTING DATE

27 December 2018

COMPANY PROFILE

As the largest K-12 after-school education service provider in southern China and the fifth largest nationwide¹, China Beststudy Education Group (the “**Company**” or “**Beststudy**” and, together with its subsidiaries, collectively the “**Group**”) has been providing quality and diversified education products and services to students and parents since its establishment 23 years ago. The Group mainly offers after-school education-related courses, including Small Group Tutoring, Individualised Tutoring, Talent Education and Full-time Test Preparation Program.

As at 30 June 2020, the Group had a total of 265 education centres nationwide, which are mainly located in major cities in the Greater Bay Area such as Guangzhou, Shenzhen, Foshan, Dongguan, Zhongshan, Zhuhai, Huizhou, Beijing, Shanghai and Nanning. The main education products and services provided by the Group are Small Group Tutoring, Individualised Tutoring, Talent Education and Full-Time Test Preparation Program. Our Small Group Tutoring and Individualised Tutoring are designed to improve students’ academic performance, covering all key academic subjects taught in primary schools, middle schools, and high schools in China. Our Talent Education is designed to cultivate an all-round development of our students, allowing a more engaging and enjoyable learning process. Our Full-time Test Preparation Program aims to help middle school and high school graduates achieve admission to their preferred schools through Zhongkao (中考) and Gaokao (高考).

The Group has been deeply plowing the South China area and radiating across the country. Through 23 years of effort and development, our “Zhuoyue Education” (卓越教育) brand and reputation have also been recognised and welcomed by students and parents and all social sectors. We obtained the award of “Education Leader” (教育領航者) issued by Yangcheng Evening News (羊城晚報) and the “Shenzhen Business Leading Brand in the New Consumption Era” (新消費時代深圳商業領軍品牌) accredited by Shenzhen Special Zone Daily. The recognition of students, parents and people from all walks of life will help us enlarge our student pool and further strengthen our market position in the K-12 after-school education training industry in China.

¹ According to an industry report prepared by Frost & Sullivan based on 2017 statistics.

FINANCIAL AND KEY OPERATING DATA HIGHLIGHTS

	For the six months ended		
	30 June		
	2020	2019	% Change
	RMB'000	RMB'000	
Revenue	769,295	867,401	-11.3%
Gross Profit	273,854	358,762	-23.7%
Net Profit	52,985	75,256	-29.6%
Adjusted Net Profit ^(Note 1)	62,368	75,256	-17.1%
Number of Enrollments ^(Note 2)	260,209	283,509	-8.2%
Number of Tutoring Hours ^(Note 2)	5,586,885	6,414,293	-12.9%
Number of Education Centres	265	260	
Number of Newly Established Education Centres	7	30	

Notes:

- Adjusted Net Profit eliminates the effect of non-recurring items such as equity-settled compensation costs.
- We adopted active strategies during Coronavirus disease 2019 ("COVID-19"), including the continuous introduction of more short-term courses apart from regular courses to attract customers during the six months ended 30 June 2020 (the "Reporting Period"), minimizing the impact of COVID-19 and securing more customers resources. For a better comparative understanding, the number of enrollments and the number of tutoring hours shown in the table above are all data from regular courses.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

As the largest K-12 after-school education service provider in southern China and the fifth largest nationwide¹, the Group has been providing quality and diversified education products and services to students and parents since its establishment 23 years ago. The Group mainly offers after-school education-related courses, including Small Group Tutoring, Individualised Tutoring, Talent Education and Full-time Test Preparation Program.

As at 30 June 2020, the Group had a total of 265 education centres nationwide, which are mainly located in major cities in the Greater Bay Area such as Guangzhou, Shenzhen, Foshan, Dongguan, Zhongshan, Zhuhai, Huizhou, Beijing, Shanghai and Nanning. The main education products and services provided by the Group are Small Group Tutoring, Individualised Tutoring, Talent Education and Full-Time Test Preparation Program. Our Small Group Tutoring and Individualised Tutoring are designed to improve students' academic performance, covering all key academic subjects taught in primary schools, middle schools, and high schools in China. Our Talent Education is designed to cultivate an all-round development of our students, allowing a more engaging and enjoyable learning process. Our Full-time Test Preparation Program aims to help middle school and high school graduates achieve admission to their preferred schools through Zhongkao (中考) and Gaokao (高考).

The Group has been deeply plowing the South China area and radiating across the country. Through 23 years of effort and development, our “Zhuoyue Education” (卓越教育) brand and reputation have also been recognised and welcomed by students and parents and all social sectors. We obtained the award of “Education Leader” (教育領航者) issued by Yangcheng Evening News (羊城晚報) and the “Shenzhen Business Leading Brand in the New Consumption Era” (新消費時代深圳商業領軍品牌) accredited by Shenzhen Special Zone Daily. The recognition of students, parents and people from all walks of life will help us enlarge our student pool and further strengthen our market position in the K-12 after-school education training industry in China.

BUSINESS REVIEW

During the Reporting Period, the Group had a revenue of RMB769.3 million, representing a decrease of approximately 11.3% as compared with the six months ended 30 June 2019.

During the Reporting Period, owing to the impact brought by COVID-19, the student enrollment number was 260,209, representing a decrease of approximately 8.2% as compared with the six months ended 30 June 2019. The total tutoring hours were 5,586,885 hours, decreasing by approximately 12.9% as compared with the six months ended 30 June 2019.

¹ According to an industry report prepared by Frost & Sullivan based on 2017 statistics

We adopted active strategies during COVID-19, including the continuous introduction of a series of short-term courses apart from the regular courses to attract customers during the Reporting Period, minimizing the impact of COVID-19 and securing more customers resources. As at 30 June 2020, the number of short-term courses represented an increase of 123.6% as compared with the corresponding period last year, which helps set up the foundation for business development after COVID-19 is eliminated.

The outbreak of COVID-19 in 2020 brought new challenges and changes to tutoring institutions. After the outbreak, the Group immediately held a meeting among the senior management to respond to the government's notice of requiring offline tutoring institutions to suspend classes, and determined the plan of "Three-Original Course", which means courses are shifted from offline to online platform, offered by original teachers in the original classes and at the original time and disclosed to the public in a timely manner. In the meantime, we gathered together a few thousand teachers and system support personnel to prepare lessons and make adjustments with the guidance of subject leaders and the supervision of our chief executive officer and to rapidly shift from offline to online courses.

Owing to the Group's early adoption of online platform and the strong support from the middle platform for many years, we succeeded in having a smooth transition during COVID-19. The offline to online conversion rate of winter courses reached 85%, and the refund rates of winter and spring courses stood at 4.2% and 2.5% respectively, indicating that the impact of COVID-19 was limited as a whole. While our online one-on-one tutoring course obtained new breakthrough, resulting in a revenue which was 4 times higher as compared with the corresponding period of 2019.

During the Reporting Period, the rate of renewing subscription for winter and spring courses was 80%, which stayed at a relatively high level in the industry. Between the transition of offline and online courses, the number of students for spring courses still showed an increase compared to that of winter courses, which reflected the recognition from parents regarding our online courses for spring session.

To optimise the placement of human resources, we carried out a control over the number of full-time employees in the first half of 2020. As at 30 June 2020, the Group had 6,686 full-time employees, representing a decrease of 216 employees as compared with that of 31 December 2019, which showed an effective improvement on staff efficacy and backend efficiency.

During the times of COVID-19, our teachers and staffs actively carried forward the core principles of "Team Culture", and overcame the difficulties and achieved rapid shift from offline to online courses, reflecting the "teamwork" corporate culture and cultivating the strong adaptability and executive ability for the cultural concept of "winning". In addition, we continued to promote the outstanding talent recruitment campaign on the condition that the remuneration package for frontline teachers and staffs remained the same. In terms of social recruitment, the Company absorbed more talented frontline teachers despite COVID-19. In terms of campus recruitment, about 90% of contracted graduates under the Company's Super Outstanding Talent Program (超級卓越生項目) were from key universities with the title of top-level university and discipline, including those which rank among the world's top 100 universities, providing additional talent reserve to the Company's strategy and development.

MANAGEMENT DISCUSSION AND ANALYSIS

Benefiting from the systematic inputs, we achieved conversion rate and course subscription renewal rate that were higher than the industry's average in the course of the shift from offline to online courses. We firmly believe that the continuous research and development investment is the key to ensuring teaching quality and the core driver of education industry, and will help the Group to stand out in the fierce race. We continuously develop, update and improve our courses, teaching materials and information technology system. The Group has established three major information technology-based teaching platforms: Small Group Tutoring EES System, Individualised Tutoring System and Full-time Smart Classroom, comprehensively standardised teaching activities and informatised and digitalised teaching management, which effectively improved our teaching quality and learning efficiency and strongly supported the teaching front end.

As at 30 June 2020, we had an in-house research and development team of 523 employees. During the Reporting Period, our research and development expenses amounted to approximately RMB78.6 million, and we still maintained relatively higher input in research and development.

Footprint expansion is our established development strategy. As at 30 June 2020, we had 265² education centres. During the Reporting Period, we opened 7 new education centres, which were mainly located in major cities of the Greater Bay Area. While consolidating the position in Guangzhou, we enhanced the layout in Shenzhen and regional cities, and the schools in Shenzhen showed an increase against the impact from COVID-19, which reflected the Group's continuous effort in promoting its business expansion strategy.

The pandemic led to changes in consumer behaviour, and some students and parents gradually adapted to online teaching. For the whole year, we will stick to our established strategy of opening education centres, and provide quality tutoring services to students by integrating both online and offline courses while aligning with the education Online merge Offline Education Services and Products ("**OMO**") layout.

As the offline courses were affected by COVID-19, the Group increased marketing expenses to ensure a sustainable development, online enrollment and new flow introduction. Marketing expenses accounted for 11.6% of our revenue. We upgraded the traditional channels and applied new media technologies to further expand online marketing channels and methods. Meanwhile, we adopted our private flows to build the marketing middle platform and worked with public flows and third-party data to construct the digital marketing platform to realise more targeted marketing. Upon the resumption of offline courses in schools, we will put marketing resources based on the actual situation of enrollment and business to ensure the growth of future business.

² To improve the business performance, we made efforts to optimise the campus structure while continuously expanding new campuses, and upgraded 1 old education centre. According to the adjustment of business strategy, we transformed 3 existing education centres to other business purposes, and closed 3 old education centres due to the impact brought by the pandemic.

FUTURE PROSPECTS

Full-Speed Education OMO

COVID-19 results in changes to study habit and consumer behaviour of the user end, and children, parents and even teachers begin the journey of online learning through screens of different sizes in just one night. We believe that offline education is still the most important and the most effective study scenario for students and has advantages that online education cannot substitute with, including the liveness, the temperature, the face-to-face encouragement and company and the favourable study atmosphere, while online education possesses advantages in terms of time and space convenience and learning behaviour digitization. The true individualised learning should let students freely select and switch between different learning methods and scenarios to achieve learning objectives by focusing on students' different stages, needs and learning objectives and taking account of students' characteristics, preferences and other key factors. As the support and supplement to offline courses, online teaching integrates deeply into the offline teaching system, realises offline and online teaching synchronisation that "student-centered learning" through education OMO and achieves interconnection of educational resources.

With an aim to realise education OMO better and faster, we dismantled the original teaching process and course system, made re-arrangements under the new time and space combination, thus providing students with individualised and one-stop learning plans and improving students' learning experience and efficiency through our upgraded operation and service system. Education OMO also brings new requirements and challenges to the management model. In the medium and long term, a decentralised and self-driven management model better aligns with the trend of creative and knowledge-intensive industry. Accordingly, we need support from self-driven employees, a highly transparent information system, a flexible project team and a strong platform. We will unremittingly pursue development to the direction of the education OMO, turn crises into opportunities, organically integrate offline education with online education and seek a teaching model that is adaptable to future development.

Footprint Expansion

The development of the Greater Bay Area not only introduces net population inflows to first and second-tier cities within the region, but also generates growing education demands. After the pandemic, the supply side of the industry is now changing, and the market will witness continuous consolidation and concentration in the future; tutoring institutions with standardised teaching products, high-quality teams and positive attitudes will outperform from the competition. In response to growing demands for K-12 after-school education services, we plan to further cultivate the existing markets where we have business operation, so as to improve the performance of existing education centres. In the meantime, we will leverage our brand influence and reputation to open more education centres in the Greater Bay Area, therefore improving the market share within the region. We will consolidate our position in Guangzhou, establish more education centres in cities other than Guangzhou, for example Shenzhen; and strengthen inputs and the faculty to build city campus with scale of over RMB100 million in cities other than Guangzhou. Based on the education OMO strategic layout, we will improve the penetration within the region through online education, satisfy education demands of second and third-tier cities, make online development as a part of footprint expansion and accelerate footprint expansion by means of "setting up physical education centers + online education".

MANAGEMENT DISCUSSION AND ANALYSIS

To ensure smooth progress of the footprint expansion strategy, we have adjusted the Group's organisational structure and applied different strategies and management approaches to different regions. We have improved the staff incentive mechanism, established the four-tier partnership and launched more motivating and sustainable incentive in line with the footprint expansion. We have accelerated the cultivation and introduction of excellent and young management talents, promoting them to higher management position and gathering new momentum for the sustainable expansion strategy.

In addition, the pandemic also leads to new changes of the industry landscape. Accordingly, we will speed up mergers and acquisitions and explore new opportunities and incentives for the Group's footprint expansion strategy.

Continuous Focus on Chinese Dominance Strategy

The Gaokao reform underlines the fundamentality and importance of Chinese discipline, and the Chinese education sets higher standards on Chinese quality besides test preparation. Chinese products are critical to our sustainable development; we will continue to focus on the Chinese Dominance Strategy and further solidify the Chinese Dominance positioning of Beststudy through improving the product system, developing new courses and enhancing the incentive mechanism.

Macro Chinese products witness growth amid the pandemic; with the revenue grows by approximately 27% as compared with the corresponding period of 2019; summer and autumn courses report increasing enrollment. All of these reflect that parents are paying high attention to the cultivation of Chinese quality and recognise the quality of Beststudy's Chinese teaching.

In addition, we will continue to cooperate with the School of Chinese Language and Literature of Beijing Normal University in key areas including the Chinese curriculum system in the basic education stage, Chinese teacher training and Chinese language ability assessment, and improve the content and the product update and applicability in respect of Chinese core quality. Meanwhile, we will establish two teaching models, namely offline face-to-face teaching and online large-group live teaching, strengthen the construction of high-quality faculty and operation team and provide students with multi-scenario and comprehensive education services in line with the education OMO development strategy.

Ecosystem Construction Guided by "All for Children's Healthy Development" Purpose

Today's children are subject to a world with extreme uncertainty and numerous challenges; the rapid development of artificial intelligence raises new requirements to talent cultivation. To realise the objective of developing versatile talents, we will follow the purpose "all for children's healthy development" when constructing a comprehensive and diversified ecosystem, provide students with diverse K-12 after-school products and one-stop after-school education services for K-12 education stage. We will incorporate the education OMO concept and accelerate the education ecosystem construction through independent management and external investment, so that students and parents will receive more education products and services that are adaptable to future requirements on Beststudy's platform.

With an improved situation of COVID-19 in June 2020, the offline courses in schools had resumed, and the businesses of the Group were gradually recovering as well. For instance, the revenue of our individualised tutoring in July increased by 29% as compared with last July. In addition, to cope with the impact brought by COVID-19, we also adopted active strategies, such as the introduction of Summer One Program (the promotional referral courses that charge RMB1) targeted at different markets. The number of students in regions outside Guangzhou has a 52.4% year-on-year increase, which set a solid foundation for user growth after COVID-19.

FINANCIAL REVIEW

Revenue

The following table sets forth a breakdown of the Group's revenue by type of education services we provided as at 30 June 2020 and 2019:

	For the six months ended 30 June		
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	% Change
Small Group Tutoring	375,288	414,598	-9.5%
Individualised Tutoring	281,194	355,110	-20.8%
Full-time Test Preparation Program	94,873	72,405	31.0%
Talent Education	17,231	24,078	-28.4%
Others	709	1,210	-41.4%
Total	769,295	867,401	-11.3%

The Group's revenue is principally generated from the tuition fees we collect from our students. During the Reporting Period, the Group's revenue generated from our principal business decreased by approximately 11.3% to approximately RMB769.3 million from RMB867.4 million as of the first half of 2019. As compared with the first half of 2019, the decrease in revenue generated from our principal business was mainly attributable to the decrease in tutoring hours resulted from COVID-19.

MANAGEMENT DISCUSSION AND ANALYSIS

(i) Number of enrollments

	For the six months ended 30 June		
	2020	2019	% Change
Small Group Tutoring (Regular courses)	175,791	186,322	-5.7%
Individualised Tutoring	74,884	87,700	-14.6%
Full-time Test Preparation Program	3,659	2,700	35.5%
Talent Education	5,875	6,787	-13.4%

(ii) Tutoring hours

	For the six months ended 30 June		
	2020	2019	% Change
Small Group Tutoring (Regular courses)	4,281,580	4,737,090	-9.6%
Individualised Tutoring	1,093,717	1,394,539	-21.6%
Full-time Test Preparation Program	N/A	N/A	N/A
Talent Education	211,588	282,664	-25.1%

(iii) Per-hour charges

	For the six months ended 30 June		
	2020 RMB	2019 RMB	% Change
Small Group Tutoring (Regular courses)	85	84	1.2%
Individualised Tutoring	257	255	0.8%
Full-time Test Preparation Program	N/A	N/A	N/A
Talent Education	81	85	-4.7%

Cost of Sales

Cost of sales decreased by 2.6% from RMB508.6 million as of the first half of 2019 to RMB495.4 million for the Reporting Period.

Gross Profit and Gross Profit Margin

As a result of the above principal factors, the Group's gross profit decreased by 23.7% from RMB358.8 million as of the first half of 2019 to RMB273.9 million for the Reporting Period.

The gross profit margin of the Group as of the first half of 2019 was 41.4%, whilst for the Reporting Period it was 35.6%. The decrease in gross profit margin was primarily due to (i) the decrease in the revenue, (ii) additional expenses arising from launching online classes during COVID-19 (such as additional expenses arising from online classes, expenses put in the prevention and control of COVID-19, and the one-off expenses for resuming normal classes), and (iii) additional depreciation charges on right-of-use assets and property, plant and equipment due to the expansion of business.

Other Income and Gains

During the Reporting Period, the Group recorded other income and gains in the amount of RMB20.3 million, representing an increase of RMB9.9 million year-on-year. The other income and gains during the Reporting Period mainly included government tax relief in the amount of RMB16.1 million, interest income of current deposit and time deposit in the amount of RMB2.9 million.

Fair Value Changes on Investments at Fair Value Through Profit or Loss

The fair value changes on investments at fair value through profit or loss increased by RMB42.1 million from approximately RMB23.5 million in the first half of 2019 to approximately RMB65.6 million for the Reporting Period. Please refer to Note 13 to the unaudited interim condensed consolidated financial information for details.

Selling Expenses

During the Reporting Period, the Group's total selling expenses amounted to approximately RMB89.2 million, representing an increase of 47.0% from RMB60.7 million in 2019. The increase was mainly attributable to the increase in investments in online advertising as a result of the higher cost of online referral traffic and customer acquisition during COVID-19.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative Expenses

Administrative expenses included the compensation for administrative staff, office rentals and daily operational expenses. During the Reporting Period, the Group's total administrative expenses amounted to approximately RMB106.8 million, representing an increase of 11.5% as compared to RMB95.8 million as of the first half of 2019.

The main reason for such an increase was that (i) equity-settled compensation costs amounted to RMB9.4 million during the Reporting Period, while there was no such cost in the first half of 2019, and (ii) materials for epidemic prevention and control increased during COVID-19. Excluding these factors, administrative expenses recorded a slight decrease.

Research and Development Expenses

During the Reporting Period, the Group's research and development expenses amounted to RMB78.6 million, representing a decrease of approximately RMB3.7 million from RMB82.3 million in 2019.

Other Expenses

The Group's other expenses during the Reporting Period amounted to RMB4.0 million, and mainly consisted of project expense of non-core businesses, charitable donations and foreign exchange losses.

Finance Costs

During the Reporting Period, the Group recorded finance costs in the amount of approximately RMB24.6 million, which were mainly the interest expenses recognised upon adoption of IFRS 16 *Leases* in the amount of RMB22.9 million and the interests expense of bank loans in the amount of RMB1.7 million.

Income Tax Expenses

During the Reporting Period, the Group's income tax expenses were RMB2.5 million, decreased by approximately RMB13.0 million from RMB15.5 million for the corresponding period of last year. The effective tax rate decreased from 17.1% as of the first half of 2019 to 4.5% for the Reporting Period. The decrease in effective tax rate was mainly attributable to: (i) the preferential CIT rate of 15% enjoyed by some major subsidiaries from the second half of 2019, and (ii) tax exemptions for gains on fair value changes of foreign wealth management investments and equity investments.

Profit for the Reporting Period

The Group's profit for the Reporting Period decreased from RMB75.3 million in 2019 to RMB53.0 million for the Reporting Period, representing a decrease of 29.6%. The decrease was mainly attributable to: (i) the decrease in revenue, (ii) additional expenses arising from launching online classes during COVID-19 (such as additional expenses arising from online classes, expenses put in the prevention and control of COVID-19, and the one-off expenses for resuming normal classes), and (iii) additional depreciation charges on right-of-use assets and property, plant and equipment due to the expansion of business.

Non-GAAP Measurements Related to the Profit for the Reporting Period

To supplement our consolidated financial statements, which are presented in accordance with IFRSs, we also use adjusted net profit as an additional financial measurement. We present such financial measure because it is used by our management to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business. We also believe these non-GAAP measurements provide additional information to investors and others in understanding and evaluating our results of operations.

The term of adjusted net profit is not defined under IFRSs. The use of these non-GAAP measurements has material limitations as an analytical tool, as they do not include all items that impact our net profit for the period. We compensate for these limitations by reconciling these financial measures to the nearest IFRSs performance measure, which should be considered when evaluating the Group's performance.

Our adjusted net profit decreased by 17.1% from RMB75.3 million for the first half of 2019 to RMB62.4 million for the Reporting Period. Adjusted net profit eliminates the effect of non-recurring items, such as equity-settled compensation costs.

The following table reconciles adjusted net profit from net profit for the periods, the most directly comparable financial measurement calculated and presented in accordance with IFRSs:

	For the year ended 30 June		
	2020 RMB'000	2019 RMB'000	% Change
Net profit	52,985	75,256	-29.6%
Add:			
Equity-settled compensation costs	9,383	–	N/A
Adjusted Net Profit	62,368	75,256	-17.1%

In light of the foregoing limitations for other financial measurements, when assessing our operating and financial performance, shareholders and investors should not consider adjusted net profit in isolation or as a substitute for our profit for the period, operating profit or any other operating performance measure that is calculated in accordance with IFRSs. In addition, because such measures may not be calculated in the same manner by all companies, it may not be comparable to other similar titled measurements by other companies.

At the beginning of the year, the Group disposed of one subsidiary and some unlisted equity investments were disposal off accordingly. As such, the net profit from core business will not be disclosed as from the Reporting Period due to the adjusted factors are no longer material.

MANAGEMENT DISCUSSION AND ANALYSIS

Investment and Treasury Policy

The Board and the finance department are mainly responsible for making, implementing and supervising our investment decisions. In this regard, we have implemented the following investment and treasury policies:

- the Board is responsible for the overall planning, coordination, analysis and research of equity investment projects;
- we assign certain personnel to conduct long-term routine management of equity investment projects, including supervising the results of operations and financial status of the investee, monitoring the investee's profitability and performing regular investment analysis;
- investments may be made when we have surplus cash that is not required for our short-term working capital purposes;
- we mainly invest in short-term wealth management products with low risk, high liquidity and reasonable returns;
- the annual cap for purchasing short-term wealth management products is set by our Board annually; and
- we assess the risk associated with the underlying financial instruments based on the risk classification provided by the issuing licensed commercial bank.

Liquidity and Financial Resources

As at 30 June 2020, cash and cash equivalents of the Group amounted to RMB220.5 million and remained stable as compared with the balance of RMB196.4 million as at 31 December 2019.

As at the end of the Reporting Period, the cash and cash equivalents balance of the Group denominated in RMB amounted to RMB216.9 million. Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and deposits are deposited in credit-worthy banks with no recent history of default.

Current and Gearing Ratio

As at 30 June 2020, the current ratio of the Group was approximately 1.0, representing a decrease from 1.04 as at 31 December 2019. The current ratio is equal to total current assets divided by the total current liabilities.

As at 30 June 2020, the gearing ratio of the Group was 71.2%, which was stable as compared to that of 31 December 2019. The gearing ratio is equal to total debts divided by the sum of total equity and total debts.

Future Plans for Significant Investment and Capital Assets

The Group does not have other plans for significant investment or capital assets as at the date of this interim report.

Significant Investments, Acquisition and Disposal of Subsidiaries

As at 30 June 2020, the Group held (i) financial assets at fair value through profit or loss (“**FVTPL**”) comprising (a) debt investments of approximately RMB808.8 million (31 December 2019: approximately RMB1,020.1 million), in aggregate accounted for approximately 29.6% of the Group’s total assets as at 30 June 2020, representing investments in a long-term asset management plan and various types of short-term wealth management products issued by licensed banks and unlisted trust plans, asset management plan and funds; and (b) equity investments of approximately RMB111.8 million (31 December 2019: approximately RMB67.4 million), in aggregate accounted for approximately 4.1% of the Group’s total assets as at 30 June 2020, representing investment portfolio of unlisted companies and listed companies; and (ii) financial assets at amortised cost comprising debt investments of approximately RMB211.8 million (31 December 2019: Nil), in aggregate accounted for approximately 7.77% of the Group’s total assets as at 30 June 2020, representing debt assets and a financing plan in the PRC. The board (the “**Board**”) of directors (the “**Directors**”) considers that any single investments with fair value accounting for more than 5% of the Group’s total assets as significant investments. For details, please refer to the announcements of the Company dated 23 April 2019 and 27 March 2020.

Financial assets at FVTPL and at amortised cost held by the Group as at 30 June 2020

Set forth below is a breakdown of the financial assets at FVTPL and at amortised cost held by the Group as at 30 June 2020, including the fair value and investment income of such investment as at 30 June 2020 and its size as compared to the Group’s total assets, and its performance for the six months ended 30 June 2020.

Nature of investments	As at 30 June 2020		For the six months ended 30 June 2020		
	Fair value/ carrying amount RMB’000	Approximate percentage as compared to the Company’s total assets %	Fair value gains RMB’000	Investment income RMB’000	Dividend income RMB’000
Debt investments at FVTPL:					
Long-term asset management plan A ^{(1)&(2)}	172,578	6.32%	122	–	–
Others ⁽³⁾	636,267	23.32%	19,283	–	–
Sub-total	808,845	29.64%	19,405	–	–
Equity investments at FVTPL:					
Unlisted equity investments	4,948	0.18%	–	–	– ⁽⁴⁾
Listed equity investments ⁽⁵⁾	106,891	3.92%	42,128	–	–
Sub-total	111,839	4.10%	42,128	–	–
Debt investments at amortised cost:					
Current debt investments at amortised cost ⁽⁶⁾	30,167	1.11%	–	1,348	–
Non-current debt investments at amortised cost ⁽⁷⁾	181,604	6.66%	–	1,604	–
Sub-total	211,771	7.77%	–	2,952	–

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

1. Long-term asset management plan A refers to a low-risk asset management plan with the objectives of both capital preservation and capital appreciation. The investment comprises principally fixed-income investments as well as certain equity investments. Pursuant to the investment management agreement dated 23 April 2019 between the Company and China Re Asset Management (Hong Kong) Company Limited, a company incorporated in Hong Kong and licensed by the Securities and Futures Commission to carry out type 4 (advising on securities) and type 9 (asset management) regulated activities pursuant to the SFO, China Re Asset Management (Hong Kong) Company Limited provided investment management services to the Group in July 2019 for aggregate principal amount of HK\$280,000,000. For details of the investment, please refer to the announcement of the Company dated 23 April 2019.
2. As long-term asset management plan A accounted for more than 5% of the Group's total assets as at 30 June 2020, it is regarded as a significant investment held by the Group for the relevant Reporting Period (the "**Significant Investment**"). Please refer to the announcement of the Company dated 27 March 2020 for details of wealth management products subscribed during the Reporting Period, which required disclosure under Chapter 14 of the Listing Rules.
3. Including four wealth management products issued by licensed banks, five unlisted trust plans, an asset management plan and four funds issued by other financial institutions in the PRC. Each of the individual debt statements does not have carrying value of more than 5%.
4. No dividend was declared by the underlying investee companies for the six months ended 30 June 2020.
5. Fair values of the listed equity investments refer to the closing prices of respective investment quoted in active markets. They are accounted for using their fair values based on the quoted market prices (level 1: quoted price (unadjusted) in active markets) without deduction for transaction costs.
6. Including a financing plan in the PRC.
7. Including two debt assets in the PRC. Each of the two debt assets does not have carrying value of more than 5%.

The Group adopts prudent and pragmatic investment strategies over its Significant Investments. The subscriptions of the Significant Investment as well as the investments in other financial products were made for treasury management purpose to maximize the return of the Company after taking into account, among others, the level of risk, return on investment and the term to maturity. When making the investment decision, it is the Company's investment strategy to select standard short-term financial products that had relatively low associated risk in order to secure a stable investment income. Prior to making an investment, the Company had also ensured that there remains sufficient working capital for the requirements of the Group's business, operating activities and capital expenditures even after making the significant investments.

Save as disclosed in this interim report, the Group had not made any significant investments, acquisitions and disposals of subsidiaries during the Reporting Period.

Contingent Liabilities

As at 30 June 2020, the Group did not have any unrecorded significant contingent liabilities, guarantees or any litigation against the Group.

Pledge of Assets

As at 30 June 2020, bank balances amounting to RMB2.6 million were restricted, including bank balances amounting to RMB2.1 million restricted in accordance with requirements of some local education bureaus on launching the private education business and RMB0.5 million restricted for capital verification purpose upon setting up some of the Group's subsidiaries.

Bank Loans and Other Borrowings

As at 30 June 2020, the balance of bank loans of the Company amounted to RMB251.5 million, which was used to replenish the working capital. Please refer to Note 17 to the unaudited interim condensed consolidated financial information for details.

Foreign Exchange Exposure

Our Group's sales and purchases during the Reporting Period were mostly denominated in Renminbi ("**RMB**"). As at 30 June 2020, foreign exchange exposures mainly arise from debt investments at fair value through profit or loss denominated in US\$ and short-term equity investment at fair value through profit or loss denominated in Hong Kong dollar ("**HK\$**"). During the Reporting Period, the Group did not experience any significant difficulties in or impacts on its operations or liquidity due to fluctuations in currency exchange rates. The Group did not enter into any financial instrument for hedging purpose.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the Reporting Period, there was not any significant event for the Group.

HUMAN RESOURCES

As at 30 June 2020, the Group had a total of 6,686 (30 June 2019: 6,902) employees. To ensure that the Group is able to attract and retain staff capable of attaining the best performance levels, remuneration packages are reviewed on a regular basis. The Restricted Share Units Scheme ("**RSU Scheme**") is employed by the Group. The total cost of the equity-settled compensation granted to employees for the Reporting Period amounted to RMB9.4 million. In addition, discretionary bonus is offered to eligible employees by reference to the Group's results and individual performance.

DIVIDEND

No interim dividend was proposed by the Company during the Reporting Period.

On 21 May 2020, the Board declared final dividend and final special dividend, out of the share premium account of the Company for the year ended 31 December 2019.

USE OF PROCEEDS FROM THE LISTING

The net proceeds from the listing of ordinary shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited on 27 December 2018 (the "**Listing**") (including from the partial exercise of the over-allotment option) amounted to HK\$299.5 million, after deducting the underwriting fees and other listing expenses borne by the Company. As known to the Directors, there is no material change to the planned use of the proceeds as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 12 December 2018 (the "**Prospectus**").

MANAGEMENT DISCUSSION AND ANALYSIS

An analysis of the planned use of net proceeds as stated in the Prospectus and the actual use of the net proceeds from 27 December 2018 (being the date of the listing (the “**Listing Date**”)) up to 30 June 2020 and the intended use of the proceeds and the expected timeline are set out as below:

Business objective as stated in the Prospectus	Percentage of use of proceeds as stated in the Prospectus	Unused net proceeds as at 1 January 2020 HK\$'million	Actual use of net proceeds during the period from the Listing Date to 30 June 2020 ⁽¹⁾ HK\$'million	Proceeds unused HK\$'million	Expected timeline ⁽³⁾
For expansion of the business network	50%	–	–	–	Completed
For seeking strategic alliances and acquisitions to support and expand the operations	30%	24.7	4.4	20.3 ⁽²⁾	As at the date of this interim report, we had no finalised or definitive investment or memorandum of understanding on acquisition, commitment or agreement, and has not engaged in any negotiation.
For investments to improve the teaching quality	20%	–	–	–	Completed

Notes:

- The actual proceeds allocated to each business objective stated in the table have been adjusted and recalculated with reference to (i) the actual net proceeds of HK\$299.5 million received by the Company from the Listing (including from the partial exercise of the over-allotment option and after deducting the underwriting fees and other listing expenses borne by the Company); and (ii) the percentage of use of proceeds allocated to each business objective as disclosed in the Prospectus.
- As at 30 June 2020, the unused net proceeds were deposited into current deposits and low-risk short-term debt investment products.
- The expected timeline to use the remaining proceeds is prepared based on the best estimate made by the Group, which is subject to change according to the current and future development of the market condition.

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Company recognised the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the shareholders of the Company (the “**Shareholders**”) as a whole. The Company has adopted the code provisions as set out in the Corporate Governance Code (the “**CG Code**”) as contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), as its own code to govern its corporate governance practices.

Save as disclosed below, in the opinion of the Directors, the Company has complied with the relevant code provisions contained in the CG Code during the Reporting Period.

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. Under the current organisation structure of the Company, Mr. Junjing Tang is the chairman and chief executive officer of the Company. With extensive experience in the education industry, Mr. Junjing Tang is responsible for overall development, operation and management of the Company and is instrumental to the growth and business expansion since the establishment of the Group. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprise experienced individuals. The Board currently comprises three executive directors (including Mr. Junjing Tang), one non-executive director and three independent non-executive directors and therefore has a fairly strong independence element in its composition. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

The Board will continue to review and monitor the operation of the Company with an aim of maintaining a high standard of corporate governance.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding dealings in the securities of the Company by the Directors and the Group’s senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company or its securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the Reporting Period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the Reporting Period.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Other than the shares purchased (as employee incentive which will create value for the Shareholders) through the Trustee as mentioned in the paragraph headed "RSU Scheme", neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

AUDIT COMMITTEE

The audit committee of the Company, comprising Mr. Peng Xue, Ms. Yu Long and Mr. Wenhui Xu, with Mr. Peng Xue being the chairman of the committee, have discussed with the management and reviewed the unaudited interim financial information of the Group for the Reporting Period, and considered that the Company had complied with all applicable accounting standards and requirements and made adequate disclosures.

CHANGES IN THE BOARD AND THE DIRECTORS' INFORMATION

There was no change in the Board and the information of Directors since the date of the Annual Report 2019 of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

The Company does not have any disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

INTERESTS OF THE DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at 30 June 2020, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the “SFO”), which (a) were required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long position in ordinary shares

Name of Director	Capacity	Number of ordinary shares interested ⁽¹⁾	Approximate percentage ⁺ of the Company's issued share capital
Mr. Junjing Tang ⁽²⁾	Beneficial owner	446,000 (L)	0.052%
	Founder of a discretionary trust who can influence how the trustee exercises his discretion	171,165,101 (L)	20.14%
	Interest held jointly with another person	286,591,130 (L)	33.73%
Mr. Junying Tang ⁽³⁾	Founder of a discretionary trust who can influence how the trustee exercises his discretion	143,510,888 (L)	16.89%
	Interest held jointly with another person	314,691,343 (L)	37.03%
Mr. Gui Zhou ⁽⁴⁾	Beneficial owner	822,000 (L)	0.097%
	Founder of a discretionary trust who can influence how the trustee exercises his discretion	142,258,242 (L)	16.74%
	Interest held jointly with another person	315,121,989 (L)	37.09%
Mr. Wenhui Xu ⁽⁵⁾	Interest in a controlled corporation	10,676,527 (L)	1.26%

Notes:

- (1) The letter “L” denotes the person's long position in the Shares.
- (2) Elite Education Investment Co. Ltd. is interested in 171,165,101 shares. JTC Trustees (BVI) Limited (in its capacity as the trustee of the trust) is the legal owner of all the shares in issued share capital of Elite Education Investment Co. Ltd.. Mr. Junjing Tang is the founder of the trust. Under the SFO, Mr. Junjing Tang is deemed to be interested in all Shares held by Elite Education Investment Co. Ltd.. He is also deemed to be interested in all Shares held by Mr. Junying Tang and Mr. Gui Zhou as they are parties acting in concert.
- (3) Texcellence Holding Company Limited is interested in 143,510,888 shares. JTC Trustees (BVI) Limited (in its capacity as the trustee of the trust) is the legal owner of all the shares in issued share capital of Texcellence Holding Company Limited. Mr. Junying Tang is the founder of the trust. Under the SFO, Mr. Junying Tang is deemed to be interested in all Shares held by Texcellence Holding Company Limited. He is also deemed to be interested in all Shares held by Mr. Junjing Tang and Mr. Gui Zhou as they are parties acting in concert.

OTHER INFORMATION

(4) Jameson Ying Industrial Co. Ltd. is interested in 142,258,242 shares. JTC Trustees (BVI) Limited (in its capacity as the trustee of the trust) is the legal owner of all the shares in issued share capital of Jameson Ying Industrial Co. Ltd. Mr. Gui Zhou is the founder of the trust. Under the SFO, Mr. Gui Zhou is deemed to be interested in all Shares held by Jameson Ying Industrial Co. Ltd. He is also deemed to be interested in all Shares held by Mr. Junjing Tang and Mr. Junying Tang as they are parties acting in concert.

(5) Under the SFO, Mr. Wenhui Xu is deemed to be interested in all Shares held by Commqua Holding Co. Ltd., a company which is wholly-owned by him.

* The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2020.

Save as disclosed in this interim report and to the best knowledge of the Directors, as at 30 June 2020, none of the Directors or the chief executive of the Company has any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (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 are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

So far as is known to any Director or chief executive of the Company, as at 30 June 2020, the following corporations/persons (other than the Directors or the chief executive of the Company) had interests of 5% or more in the issued shares of the Company according to the register of interests required to be kept by the Company under section 336 of the SFO:

Name	Capacity	Number of ordinary shares interested ⁽¹⁾	Approximate percentage ⁺ of the Company's issued share capital
Ms. Yanyun Huang ⁽²⁾	Spouse interest	458,202,231 (L)	53.92%
Elite Education Investment Co. Ltd.	Beneficial owner	171,165,101 (L)	20.14%
	Interests held jointly with another person	286,591,130 (L)	33.73%
Ms. Hua Yu ⁽³⁾	Spouse interest	458,202,231 (L)	53.92%
Texcellence Holding Company Limited	Beneficial owner	143,510,888 (L)	16.89%
	Interests held jointly with another person	314,691,343 (L)	37.03%
Ms. Xiaoying Zhang ⁽⁴⁾	Spouse interest	458,202,231 (L)	53.92%
Jameson Ying Industrial Co. Ltd.	Beneficial owner	142,258,242 (L)	16.74%
	Interests held jointly with another person	315,121,989 (L)	37.09%
Soarise Bulex Limited ⁽⁵⁾	Nominee for another person (other than a bare trustee)	72,161,428 (L)	8.49%
Ms. Shaoping Fu ⁽⁵⁾	Trustee	72,161,428 (L)	8.49%
JTC Trustees (BVI) Limited ⁽⁶⁾	Trustee	456,934,231 (L)	53.77%

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares.
 - (2) Ms. Yanyun Huang is the spouse of Mr. Junjing Tang and she is therefore deemed to be interested in the Shares in which Mr. Junjing Tang is interested by the virtue of the SFO.
 - (3) Ms. Hua Yu is the spouse of Mr. Junying Tang and she is therefore deemed to be interested in the Shares in which Mr. Junying Tang is interested by the virtue of the SFO.
 - (4) Ms. Xiaoying Zhang is the spouse of Mr. Gui Zhou and she is therefore deemed to be interested in the Shares in which Mr. Gui Zhou is interested by the virtue of the SFO.
 - (5) Ms. Shaoping Fu has been appointed as the trustee of the RSU Scheme and Soarise Bulex Limited, which has been appointed as the nominee of the RSU Scheme. To the extent permitted under applicable laws and regulations, the trustee shall procure the nominee to exercise the voting rights attached to the underlying Shares in accordance with the instructions of the Board.
 - (6) JTC Trustees (BVI) Limited (in its capacity as the trustee of the trust) is the legal owner of all the shares in issued share capital of Elite Education Investment Co. Ltd., Texcellence Holding Company Limited and Jameson Ying Industrial Co. Ltd. respectively.
- + The percentage represents the number of ordinary Shares interested divided by the number of the issued Shares as at 30 June 2020.

Save as disclosed above and to the best knowledge of the Directors, as at 30 June 2020, no person (other than the Directors or chief executive of the Company) had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

STRUCTURED CONTRACTS

Reference is made to the section headed “Structured Contracts” in the Prospectus in relation to the Structured Contracts (as defined in the Prospectus), through which the Company obtains control over and derives the economic benefits from its PRC Operating Entities (as defined in the Prospectus). All capitalised terms used herein below shall have the same meanings as those defined in the Prospectus unless otherwise stated in this interim report.

The Board hereby provides updated information in relation to the business operations of the PRC Operating Entities through the Structured Contracts and the implications thereof as follows:

(a) Particulars and principal activities of the PRC Operating Entities:

The Company currently conducts its K-12 after-school education business through its PRC Operating Entities in the PRC as PRC laws and regulations generally restrict foreign ownership in the K-12 education industry in the PRC.

OTHER INFORMATION

(b) Summary of material terms of the Structured Contracts:

(1) Exclusive Management Consultancy and Business Cooperation Agreement (dated 18 June 2018):

- (i) Parties: WFOE; Guangzhou Beststudy; Foshan Beststudy Culture Communication Co., Ltd, Shenzhen Zhuoyue Education Training Co., Ltd., Dongguan Zhuoyue Education Consulting Services Co., Ltd, and Zhongshan Zhuoyue Consulting Management Co., Ltd., being the four important PRC Operating Entities of the Company given their importance in terms of revenue contribution; and the shareholders of Guangzhou Beststudy (including the Registered Shareholders and Mr. Hua Wang).
- (ii) WFOE has the exclusive right to provide each of the PRC Operating Entities with corporate and education management consulting services, intellectual property licensing services as well as technical and business support services. All of the existing PRC Operating Entities are listed as the service recipients to receive such services provided by WFOE, and Guangzhou Beststudy and its shareholders are obligated to cause all the PRC Operating Entities to appoint WFOE as the exclusive services provider under the Exclusive Management Consultancy and Business Cooperation Agreement.

A summary of the material terms of the Exclusive Management Consultancy and Business Cooperation Agreement has been set out in the section headed “Structured Contracts” in the Prospectus.

(2) Exclusive Call Option Agreement I and the Exclusive Call Option Agreement II (collectively, the “Exclusive Call Option Agreements”) (dated 18 June 2018):

- (i) Parties (Exclusive Call Option Agreement I): WFOE, Guangzhou Beststudy and the Registered Shareholders
- (ii) Parties (Exclusive Call Option Agreement II): WFOE, Guangzhou Beststudy and the wholly-owned subsidiaries of Guangzhou Beststudy
- (iii) Under the Exclusive Call Option Agreement I, the Registered Shareholders irrevocably agreed to grant WFOE or its designated third party an exclusive option to purchase all or part of the equity interests in Guangzhou Beststudy held by Registered Shareholders, for nil consideration or the minimum amount of consideration permitted by the applicable PRC laws and regulations, under circumstances in which WFOE or its designated third party is permitted under PRC laws and regulations to own all or part of the equity interests of Guangzhou Beststudy. Where the purchase price is required by the relevant PRC laws and regulations to be an amount other than nil consideration, the Registered Shareholders shall, according to the instruction of WFOE, return the amount of purchase price they have received to WFOE or its designated third party, or Guangzhou Beststudy.

Under the Exclusive Call Option Agreement II, Guangzhou Beststudy unconditionally and irrevocably agreed to grant WFOE or its designated third party an exclusive option to purchase all or part of the equity interests, as applicable, in the subsidiaries directly-wholly-owned by Guangzhou Beststudy, for nil consideration or the minimum amount of consideration permitted by applicable PRC laws and regulations, under circumstances in which WFOE or its designated third party is permitted under PRC laws and regulations to own all or part of the equity interests, as applicable, of the subsidiaries directly-wholly-owned by Guangzhou Beststudy. Where the purchase price is required by the relevant PRC laws and regulations to be an amount other than nil consideration, Guangzhou Beststudy shall, according to the instruction of WFOE, return the amount of purchase price they have received to WFOE or its designated third party or the subsidiaries directly-wholly-owned by Guangzhou Beststudy.

A summary of the material terms of the Exclusive Call Option Agreements has been set out in the section headed “Structured Contracts” in the Prospectus.

(3) Equity Pledge Agreement (dated 18 June 2018):

- (i) Parties: WFOE, Guangzhou Beststudy, and the Registered Shareholders
- (ii) Assets pledged: All of the equity interests in Guangzhou Beststudy to WFOE as security.
- (iii) Under the Equity Pledge Agreement, the Registered Shareholders have agreed that, without the prior written consent of WFOE, they will not transfer or dispose of the pledged equity interests or create or allow any third party to create any encumbrance on the pledged equity interests that would prejudice WFOE’s interest.

The Equity Pledge Agreement shall remain valid until (i) the satisfaction of all the contractual obligations of Guangzhou Beststudy and their respective subsidiaries and the Registered Shareholders in full under the Exclusive Management Consultancy and Business Cooperation Agreement, Exclusive Call Option Agreements and the Powers of Attorney, or (ii) the nullification or termination of the Exclusive Management Consultancy and Business Cooperation Agreement, the Exclusive Call Option Agreements and the Powers of Attorney, whichever is later.

A summary of the material terms of the Equity Pledge Agreement has been set out in the section headed “Structured Contracts” in the Prospectus.

OTHER INFORMATION

(4) Powers of Attorney (dated 18 June 2018):

- (i) Parties: Registered Shareholders; and WFOE
- (ii) It is an irrevocable power of attorney under which WFOE shall be the sole attorney of the Registered Shareholders. Each of the Registered Shareholders has exclusively appointing WFOE, or any person designated by WFOE or their successors or liquidators (excluding the Registered Shareholders or persons who may give rise to conflicts of interests), as his or her attorney-in-fact to appoint directors and vote on his or her behalf on all matters of Guangzhou Beststudy requiring shareholders' approval under its articles of associations and under the relevant PRC laws and regulations. These Powers of Attorney remain effective until the nullification or termination of the Exclusive Management Consultancy and Business Cooperation Agreement.

A summary of the material terms of the Powers of Attorney has been set out in the section headed "Structured Contracts" in the Prospectus.

(5) Spouse Undertakings (dated 6 June 2018 or 18 June 2018):

- (i) Parties: Spouse of each of the Registered Shareholders
- (ii) The spouse of each of the Registered Shareholders, has full knowledge of and has consented unconditionally and irrevocably to the entering into of the Structured Contracts by the respective Registered Shareholders, and in particular, the arrangement as set out in the Structured Contracts in relation to the restrictions imposed on the direct or indirect equity interest in the Group, pledge or transfer the direct or indirect equity interest in the Group, or the disposal of the direct or indirect equity interest in the Group in any other forms. The spouse shall not take any actions to prevent the performances under Structured Contracts. The terms that are not stated in the Spouse Undertakings such as governing law and dispute resolution shall be interpreted pursuant to the terms of the Exclusive Management Consultancy and Business Cooperation Agreement.

A summary of the material terms of the Spouse Undertakings has been set out in the section headed "Structured Contracts" in the Prospectus.

(c) Significance of business activities of the PRC Operating Entities to the Group:

- According to the Structured Contract, the Group has obtained control of the PRC Operating Entities and obtained economic benefits from it.

(d) Financial impact of the Structured Contracts on the Group:

The following table sets forth the financial contributions of the PRC Operating Entities to the Group:

	Financial Contribution to the Group		
	Revenue as at 30 June 2020	Net Profit as at 30 June 2020	Total Asset as at 30 June 2020
PRC Operating Entities	100%	23.3%	88.2%

(e) Extent to which the Structured Contracts relate to requirement of applicable laws, rules and regulations other than the foreign ownership restriction:

- the Structured Contracts as a whole and each of the agreements comprising the Structured Contracts are legal, valid and binding on the parties thereto, enforceable under PRC laws and regulations, and in particular, the Structured Contracts do not violate the provisions of the PRC Contract Law including “concealing illegal intentions with a lawful form,” the General Principles of the PRC Civil Law and other applicable PRC laws and regulations; upon signing, the Structured Contracts will be valid and effective under PRC laws and regulations; each of the Structured Contracts is not in violation of provisions of the articles of association of our PRC Operating Entities; entering into and the performance of the Structured Contracts are not required to obtain any approvals or authorizations from the PRC governmental authorities except that (1) the pledge of any equity interest in company in favor of WOFE is subject to registration requirements with relevant Administration of Industry and Commerce; (2) the transfer of the equity interests in the Company contemplated under the Structured Contracts is subject to applicable approval and/or registration requirements under the then applicable PRC laws; and (3) any arbitral awards in relation to the performance of the Structured Contracts are subject to application to competent PRC courts for recognition and enforcement.

(f) Reasons for using the Structured Contracts and the risks associated therewith including actions taken to mitigate such risks:

- We currently conduct our K-12 after-school education business through our PRC Operating Entities in the PRC as PRC laws and regulations generally restrict foreign ownership in the K-12 education industry in the PRC. PRC laws and regulations currently restrict the operation of education institutions that provides K-12 after-school education to Sino-foreign cooperation ownership, in addition to imposing qualification requirements on the foreign owners.

For the risks associated with structured contracts, please refer to the prospectus “Risk factors – Risks relating to our structured contracts”

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Structured Contracts and our compliance with the Structured Contracts:

- major issues arising from the implementation and compliance with the Structured Contracts or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;

OTHER INFORMATION

- (b) our Board will review the overall performance of and compliance with the Structured Contracts at least once a year;
- (c) our Company will disclose the overall performance and compliance with the Structured Contracts in its annual and interim reports to update the Shareholders and potential investors;
- (d) our Company and our Directors undertake to provide periodic updates in our annual and interim reports regarding the Qualification Requirement and our status of compliance with the Draft Foreign Investment Law and its accompanying explanatory notes as stipulated under the section headed “Structured Contracts – Background of the Structured Contracts” and the latest development of the Draft Foreign Investment Law and its accompanying explanatory notes as disclosed under the section headed “Structured Contracts – Development in the PRC Legislation on Foreign Investment,” including the latest relevant regulatory development as well as our plan and progress in acquiring the relevant experience to meet the Qualification Requirement;
- (e) our Company will disclose, as soon as possible (i) any updates of changes to the Draft Foreign Investment Law that will materially and adversely affect our Company as and when they occur; and (ii) a clear description and analysis of the final Foreign Investment Law as implemented, specific measures taken by us to fully comply with the final Foreign Investment Law supported by a PRC legal opinion and any material impact of the final Foreign Investment Law on our operations and financial position; and
- (f) our Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Structured Contracts, review the legal compliance of WFOE and our PRC Operating Entities to deal with specific issues or matters arising from the Structured Contracts.

(g) Material change in the Structured Contracts:

No Structured Contract has been supplemented or modified since the date of execution of all such Structured Contracts.

(h) Unwinding of the Structured Contracts:

No Structured Contract has been unwound since the date of execution all such Structured Contracts. None of the Structured Contract is to be unwound until and unless the PRC regulatory environment changes and all of the Qualification Requirement, the Foreign Ownership Restriction and the Foreign Control Restriction are removed (and assuming there are no other changes in the relevant PRC laws and regulations), the WFOE will exercise the call option granted under the Exclusive Call Option Agreements (the “**Equity Call Option**”) in full to hold all of the interest except for the 0.07% portion held by Mr. Wang Hua in the PRC Operating Entities and unwind the Structured Contracts accordingly.

RSU SCHEME AND SHARE OPTION SCHEME

RSU Scheme

The Company approved and adopted the RSU Scheme on 3 December 2018. The purpose of the RSU Scheme is to incentivise Directors, senior management and employees for their contribution to the Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company.

On 3 September 2019, the Board resolved to grant certain number of restricted share units at a consideration of RMB0.80 or nil per share to 551 employees of the Group (the “**Grantees**”), subject to acceptance of the Grantees. The purpose of the grant is to provide our employees with an opportunity to own equity interests in the Company and to reward them for their contributions to the Group and to motivate them to strive for the future development and expansion of the Group in the coming three years.

As at 30 June 2020, the trustee of the Company, Ms. Shaoping Fu (the “**Trustee**”) has purchased an aggregate of 10,123,000 shares (representing approximately 1.2% of the total issued shares of the Company) under the RSU Scheme. A total of 26,216,122 shares (representing approximately 3.1% of the total issued shares of the Company) have been granted to employees of the Group under the RSU Scheme, among which 8,793,968 shares (representing approximately 1% of the total issued shares of the Company) have been transferred to the Grantees and 17,422,154 (representing approximately 2.1% of the total issued shares of the Company) shares are yet to be transferred to the Grantees.

Share Option Scheme

On 3 December 2018, the Company adopted the share option scheme (the “**Share Option Scheme**”), which falls within the ambit of, and is subject to, the regulations under Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to attract, retain and motivate employees, Directors and such other participant, and to provide a means of compensating them through the grant of options pursuant to the terms of the Share Option Scheme for their contribution to the growth and profits of the Group, and to allow such employees, Directors and other persons to participate in the growth and profitability of the Group.

The Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other share option schemes of the Company (and to which the provisions of the Listing Rules are applicable) shall not exceed 84,804,000 Shares, (i.e. 10% of the aggregate of the Shares in issue on the Listing Date (“**Scheme Mandate Limit**”). Options lapsed in accordance with the terms of the Share Option Scheme shall not be counted for the purpose of calculating this Scheme Mandate Limit.

The total number of Shares issued and to be issued upon the exercise of the options granted to or to be granted to each eligible person under the Share Option Scheme (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue.

The Share Option Scheme will remain in force for a period of 10 years from 3 December 2018 and the options granted have a 10-year exercise period. Options may be vested over such period(s) as determined by the Board in its absolute discretion subject to compliance with the requirements under any applicable laws, regulations or rules.

OTHER INFORMATION

The exercise price of the option shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option), but in any case the subscription price shall not be less than the higher of (a) the closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a business day, (b) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five (5) business days immediately preceding the date of grant, and (c) the nominal value of a Share.

No options were granted, exercised, cancelled or lapsed by the Company under the Share Option Scheme during the Reporting Period and there were no outstanding share options under the Share Option Scheme as at 30 June 2020 and up to the date of this interim report. As at 30 June 2020, the remaining life of the Share Option Scheme is 8 years and 4 months.

A summary of the terms of the Share Option Scheme has been set out in the section headed “D. Share Incentive Schemes –2. Share Option Scheme” in Appendix IV of the Prospectus.

By order of the Board

Junjing Tang

Chairman

Hong Kong, 13 August 2020

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

In this report “we”, “us” and “our” refer to the Company (as defined below) and where the context otherwise requires, the Group (as defined below).

The board (the “**Board**”) of directors (the “**Directors**”) of China Beststudy Education Group (the “**Company**” or “**Beststudy**”) and, together with its subsidiaries, collectively the “**Group**”) announces the unaudited interim condensed consolidated financial results of the Group for the six months ended 30 June 2020 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2019 as follows:

	Notes	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	4	769,295	867,401
Cost of sales		(495,441)	(508,639)
Gross profit		273,854	358,762
Other income and gains, net	4	20,330	10,466
Investment income	13	3,105	1
Selling expenses		(89,158)	(60,699)
Research and development expenses		(78,629)	(82,260)
Administrative expenses		(106,777)	(95,805)
Share of losses of associates		(4,362)	(209)
Share of profit of a joint venture		86	90
Fair value changes on investments at fair value through profit or loss	13	65,597	23,451
Finance costs	6	(24,568)	(25,102)
Other expenses		(4,021)	(37,970)
PROFIT BEFORE TAX		55,457	90,725
Income tax expense	7	(2,472)	(15,469)
PROFIT FOR THE PERIOD		52,985	75,256
Attributable to:			
Owners of the parent		54,506	75,755
Non-controlling interests		(1,521)	(499)
		52,985	75,256
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic			
– For profit for the period		RMB6.9 cents	RMB9.7 cents
Diluted			
– For profit for the period		RMB6.7 cents	RMB9.7 cents

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD	52,985	75,256
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	5,292	622
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	5,292	622
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	5,292	622
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	58,277	75,878
Attributable to:		
Owners of the parent	59,798	76,377
Non-controlling interests	(1,521)	(499)
	58,277	75,878

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	200,312	202,027
Right-of-use assets	12(a)	840,265	893,785
Intangible assets		24,328	15,808
Investment in a joint venture		5,889	5,718
Investments in associates		65,822	70,239
Equity investments at fair value through profit or loss	13	4,948	3,827
Debt investments measured at amortised cost	13	181,604	–
Debt investments at fair value through profit or loss	13	172,578	203,589
Time deposits		51,271	50,270
Prepayments for purchases of property, plant and equipment		4,434	12,035
Deferred tax assets		21,115	18,999
Total non-current assets		1,572,566	1,476,297
CURRENT ASSETS			
Short-term equity investments measured at fair value through profit or loss	13	106,891	63,537
Short-term debt investment measured at amortised cost	13	30,167	–
Short-term debt investments measured at fair value through profit or loss	13	636,267	816,470
Prepayments, deposits and other receivables	14	158,030	139,838
Restricted cash	15	2,616	5,146
Cash and cash equivalents	15	220,527	196,406
Other current assets		1,012	1,236
Assets classified as held for sale	8	–	66,072
Total current assets		1,155,510	1,288,705
CURRENT LIABILITIES			
Other payables and accruals	16	216,101	200,095
Interest-bearing bank loans	17	202,000	–
Lease liabilities	12(b)	196,522	225,915
Contract liabilities		531,280	775,071
Tax payable		19,981	33,678
Liabilities directly associated with the assets classified as held for sale	8	–	111
Total current liabilities		1,165,884	1,234,870

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
NET CURRENT (LIABILITIES)/ASSETS		(10,374)	53,835
TOTAL ASSETS LESS CURRENT LIABILITIES		1,562,192	1,530,132
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	17	49,500	–
Lease liabilities	12(b)	727,415	733,470
Total non-current liabilities		776,915	733,470
Net assets		785,277	796,662
EQUITY			
Equity attributable to owners of the parent			
Share capital	18	304	304
Reserves		787,166	797,030
		787,470	797,334
Non-controlling interests		(2,193)	(672)
Total equity		785,277	796,662

No ageing analysis has been prepared as there were no trade payable and trade receivable as at 30 June 2020 (2019: Nil).

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the parent										Total equity RMB'000
	Share capital RMB'000 Note 18	Share premium* RMB'000	Shares held for the RSU scheme* RMB'000	Share-based payment reserve* RMB'000	Statutory surplus reserve* RMB'000	Other reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	
At 1 January 2020 (audited)	304	301,531	(4,684)	7,572	101,484	226,302	(16,208)	181,033	797,334	(672)	796,662
Profit for the period	-	-	-	-	-	-	-	54,506	54,506	(1,521)	52,985
Other comprehensive income for the period:											
Exchange differences on translation of financial statements	-	-	-	-	-	-	5,292	-	5,292	-	5,292
Total comprehensive income for the period	-	-	-	-	-	-	5,292	54,506	59,798	(1,521)	58,277
Share-based payments	-	-	-	9,383	-	-	-	-	9,383	-	9,383
Exercise of share awards under the restricted share unit scheme	-	-	3	(8,906)	-	-	-	13,467	4,564	-	4,564
Repurchase of shares under the restricted share unit scheme	-	-	(27,455)	-	-	-	-	-	(27,455)	-	(27,455)
Deregistration of a subsidiary	-	-	-	-	(286)	-	-	286	-	-	-
Final 2019 dividend declared	-	(56,154)	-	-	-	-	-	-	(56,154)	-	(56,154)
At 30 June 2020 (unaudited)	304	245,377	(32,136)	8,049	101,198	226,302	(10,916)	249,292	787,470	(2,193)	785,277

* These reserve accounts comprise the reserves of RMB787,166,000 in the unaudited interim condensed consolidated statement of financial position as at 30 June 2020.

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UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the parent										
	Share capital RMB'000 Note 18	Share premium* RMB'000	Shares held for the RSU scheme* RMB'000	Share-based payment reserve* RMB'000	Statutory surplus reserve* RMB'000	Other reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019 (audited)	303	298,066	(24)	41,496	98,452	226,302	(21,725)	(19,746)	623,124	(1,042)	622,082
Profit for the period	-	-	-	-	-	-	-	75,755	75,755	(499)	75,256
Other comprehensive income for the period:											
Exchange differences on translation of financial statements	-	-	-	-	-	-	622	-	622	-	622
Total comprehensive income for the period	-	-	-	-	-	-	622	75,755	76,377	(499)	75,878
Issue of shares	1	3,475	-	-	-	-	-	-	3,476	-	3,476
Share issue expenses	-	(10)	-	-	-	-	-	-	(10)	-	(10)
Contributions from minority shareholders	-	-	-	-	-	-	-	-	-	525	525
At 30 June 2019 (unaudited)	304	301,531	(24)	41,496	98,452	226,302	(21,103)	56,009	702,967	(1,016)	701,951

* These reserve accounts comprise the reserves of RMB702,663,000 in the unaudited interim condensed consolidated statement of financial position as at 30 June 2019.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		55,457	90,725
Adjustments for:			
Interest income	4	(2,858)	(2,968)
Investment income		(3,105)	(1)
Gain on disposal of an associate	4	–	(848)
Loss/(gain) on disposal of items of property, plant and equipment	5	45	(147)
Loss on disposal of intangible assets	5	–	63
Equity-settled compensation costs	5	9,383	–
Depreciation of property, plant and equipment	5	37,472	30,575
Depreciation of right-of-use assets	5, 12(a)	101,986	98,702
Gain on lease modifications	5	(184)	–
Amortisation of intangible assets	5	1,734	1,137
Finance costs	5, 6	24,568	25,102
Share of losses of associates		4,362	209
Share of profit of a joint venture		(86)	(90)
Change in fair value of investments measured at fair value through profit or loss	13	(65,597)	(23,451)
Loss on disposal of a subsidiary	5, 20	45	–
Variable lease payment	12(b)	(12,217)	–
		151,005	219,008
Increase in prepayments, deposits and other receivables		(15,535)	(16,747)
Decrease/(increase) in other current assets		224	(658)
Increase/(decrease) in other payables and accruals		8,817	(40,125)
(Decrease)/increase in contract liabilities		(243,791)	35,634
Cash (used in)/generated from operations		(99,280)	197,112
Interest received		1,857	2,968
Corporate income tax paid		(18,285)	(10,674)
Net cash flows (used in)/from operating activities		(115,708)	189,406

continued/...

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income received		12,656	17,651
Purchases of items of property, plant and equipment		(22,947)	(34,719)
Purchases of items of intangible assets		(7,994)	(948)
Proceeds from disposal of items of property, plant and equipment and intangible assets		89	1,233
Disposal of a subsidiary	20	(40)	–
Acquisition of associates		–	(34,050)
Disposal of an associate		508	1,000
Dividend received from an associate		55	–
Purchase of an equity investment at fair value through profit or loss		(1,064)	(1,037)
Disposals of equity investments at fair value through profit or loss		65,989	–
Purchases of debt investments measured at amortised cost		(180,000)	–
Purchases of debt investments measured at fair value through profit or loss		(2,160)	–
Receipt from maturity of debt investments measured at fair value through profit or loss		14,168	–
Purchase of short-term investment measured at amortised cost		(80,000)	(299)
Receipt from maturity of short-term investment measured at amortised cost		50,000	–
Purchases of short-term debt investments measured at fair value through profit or loss		(686,000)	(747,480)
Receipt from maturity of short-term debt investments measured at fair value through profit or loss		898,954	726,000
Purchases of short-term equity investments measured at fair value through profit or loss		–	(40,587)
Net cash flows from/(used in) investing activities		62,214	(113,236)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares on initial public offering		–	40,094
Proceeds from issue of shares on over-allotment option		–	3,476
Repurchase of shares	19(a)	(27,455)	–
Share issue expenses		–	(10)
Capital contribution		–	525
Principal portion of lease payments	12(b)	(71,278)	(73,282)
Interest portion of lease payments	12(b)	(22,897)	(25,102)
New bank loans		251,500	–
Interest paid		(1,671)	–
Dividends paid	9	(56,154)	–
Proceeds from exercise of share awards		5,384	–
Net cash flows from/(used in) financing activities		77,429	(54,299)

continued/...

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Note	Six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
NET INCREASE IN CASH AND CASH EQUIVALENTS		23,935	21,871
Cash and cash equivalents at beginning of period		196,429	468,041
Effect of foreign exchange rate changes, net		163	608
CASH AND CASH EQUIVALENTS AT END OF PERIOD		220,527	490,520
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	15	220,527	490,520
Cash and cash equivalents as stated in the statement of cash flows		220,527	490,520

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in the Cayman Islands on 27 August 2010 as an exempted company with limited liability under the laws of the Cayman Islands. The address of the registered office of the Company is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman, KY1-1002, Cayman Islands.

The Company is an investment holding company. During the six months ended 30 June 2020, the Group was engaged in the provision of preparing kindergarten students for their transition into primary schools to Grade 12 (“**K-12**”) after-school education services, including small group tutoring courses and tutoring courses for individuals, talent education and full-time test preparation courses in Mainland China.

The ultimate controlling parties of the Group are Mr. Junjing Tang, Mr. Junying Tang and Mr. Gui Zhou who have entered into an acting in concert agreement.

2.1 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with International Accounting Standards (“**IAS**”) 34 *Interim Financial Reporting*. The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised IFRSs for the first time for the current period’s financial information.

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to IFRS 16	<i>COVID-19-Related Rent Concessions</i> (early adopted)
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

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

During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's buildings have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the period ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB12,217,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2020.

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

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of K-12 after-school education services in Mainland China.

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the Directors, who are the chief operating decision makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the Directors review the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

During the Reporting Period, the Group operated within one geographical segment because all of its revenue was generated in Mainland China and all of its long-term assets/capital expenditure were located/incurred in Mainland China. Accordingly, no further geographical segment information is presented.

Information about major customers

No service provided to a single customer amounted to 10% or more of total revenue of the Group during the period.

4. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the value of services rendered, net of value-added tax (“VAT”) and other sales tax, after allowances for refunds and discounts during the Reporting Period.

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers</i>		
Premium learning programs		
– Small group tutoring	375,288	414,598
– Individualised tutoring	281,194	355,110
Full-time test preparation programs	94,873	72,405
Talent education	17,231	24,078
Others	709	1,210
	769,295	867,401

4. REVENUE, OTHER INCOME AND GAINS, NET (continued)

Revenue from contracts with customers

(i) Disaggregated revenue information

For the six months ended 30 June 2020

Segments	Small group tutoring RMB'000 (Unaudited)	Individualised tutoring RMB'000 (Unaudited)	Full-time test preparation programs RMB'000 (Unaudited)	Talent education RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Timing of revenue recognition						
Services transferred at a point in time	-	281,194	-	-	709	281,903
Services transferred over time	375,288	-	94,873	17,231	-	487,392
	375,288	281,194	94,873	17,231	709	769,295

For the six months ended 30 June 2019

Segments	Small group tutoring RMB'000 (Unaudited)	Individualised tutoring RMB'000 (Unaudited)	Full-time test preparation programs RMB'000 (Unaudited)	Talent education RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Timing of revenue recognition						
Services transferred at a point in time	-	355,110	-	-	1,210	356,320
Services transferred over time	414,598	-	72,405	24,078	-	511,081
	414,598	355,110	72,405	24,078	1,210	867,401

The following table shows the amounts of revenue recognised in the current Reporting Period that were included in the contract liabilities at the beginning of the Reporting Period.

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue recognised that was included in contract liabilities at the beginning of the Reporting Period:		
Tutoring services	625,034	459,383

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4. REVENUE, OTHER INCOME AND GAINS, NET (continued)

Revenue from contracts with customers (continued)

(ii) Performance obligations

Except for the other services, short-term advances are normally required before rendering the services of small group tutoring, individualised tutoring, full-time test preparation programs and talent education.

The Group has elected the practical expedient for not to disclose information about the remaining performance obligations as majority of the services have original expected duration of one year or less or the services are rendered in short period of time.

Other income and gains, net

		For the six months ended	
		30 June	
	Notes	2020	2019
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
<i>Other income and gains, net</i>			
Interest income		2,858	2,968
VAT exemption	(i)	16,104	–
Subsidy income from the PRC government	(ii)	1,041	6,018
Gain on lease modifications		184	–
Gain on disposal of items of property, plant and equipment		–	147
Gain on disposal of an associate		–	848
Others		143	485
		20,330	10,466

Notes:

- (i) The VAT exemption during the Reporting Period was tax concessions according to the taxation policy issued concerning of COVID-19 pandemic.
- (ii) The subsidy income from the PRC government during the Reporting Period mainly represents subsidies granted by the local government as encouragement for its contribution to the local economy. There are no unfulfilled conditions or contingencies relating to such subsidies.

5. PROFIT BEFORE TAX

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

	Notes	For the six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Employee benefit expense (excluding Directors' remuneration):			
Wages and salaries		406,989	385,763
Pension scheme contributions		32,203	46,765
Equity-settled compensation costs		9,383	–
		448,575	432,528
Cost of services provided*		495,441	508,639
Depreciation of property, plant and equipment		37,472	30,575
Depreciation of right-of-use assets	12(c)	101,986	98,702
Amortisation of intangible assets		1,734	1,137
Lease payments not included in the measurement of lease liabilities	12(c)	2,863	2,007
Variable lease payment	12(b)	(12,217)	–
Loss/(gain) on disposal of items of property, plant and equipment, net**	4	45	(147)
Loss on disposal of intangible assets		–	63
Gain on lease modifications	4	(184)	–
Interest income	4	(2,858)	(2,968)
VAT exemption	4	(16,104)	–
Subsidy income from the PRC government	4	(1,041)	(6,018)
Foreign exchange difference, net**		584	(207)
Gain on disposal of an associate	4	–	(848)
Loss on disposal of a subsidiary	20	45	–
Investment income	13	(3,105)	(1)
Fair value gains:			
Equity investments at fair value through profit or loss	13	(42,128)	(13,350)
Debt investments at fair value through profit or loss	13	(23,469)	(10,101)
Auditor's remuneration		1,440	1,400
Finance costs	6	24,568	25,102

* The staff costs of RMB329,123,000 (six months ended 30 June 2019: RMB340,766,000) and the depreciation and amortisation of RMB125,839,000 (six months ended 30 June 2019: RMB111,954,000) are included in "Cost of sales" in the unaudited interim condensed consolidated statement of profit or loss.

** Included in "Other income and gains, net" or "Other expenses" in the unaudited interim condensed consolidated statement of profit or loss.

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6. FINANCE COSTS

	For the six months ended	
	30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank loans	1,671	–
Interest on lease liabilities	22,897	25,102
	24,568	25,102

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.

Hong Kong Profits Tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period.

PRC Corporate Income Tax (“CIT”)

Guangzhou Beststudy Enterprise Co., Ltd. 廣州市卓越里程教育科技有限公司 was accredited as a High-tech Enterprise in 2019 and was entitled to a preferential tax rate of 15% from 2019 to 2021.

Guangzhou Aiyuwen Technology Information Consulting Co., Ltd. 廣州市愛語文科技諮詢有限責任公司, Zhongshan Xiaolan Zhuoye Boda Education and Training Centre 中山市小欖卓業博達教育培訓中心, Guangzhou Qizuo Education Consulting Co., Ltd. 廣州奇作教育諮詢有限公司, Zhongshan West District Zhuoye Boda Huating Education and Training Centre 中山市西區卓業博達華庭教育培訓中心, Zhuhai Xiangzhou District Siqi Cultural Training Centre 珠海市香洲區思奇文化培訓中心 and Guangzhou Beststudy Wendao Travel Service Co., Ltd. 廣州卓越問道旅行社有限公司 were certified as small and micro-sized enterprise (“SME”) in 2019 and 2020. They enjoyed 75% reduction of the first RMB1,000,000 of taxable income, 50% reduction of taxable income between RMB1,000,000 and RMB3,000,000 and the preferential CIT rate of 20%.

Pursuant to the CIT Law and the respective regulations, the other PRC subsidiaries were subject to income tax at a statutory rate of 25% for the period (2019: 25%).

7. INCOME TAX (continued)

CIT of the Group has been provided at the applicable tax rates on the estimated taxable profits arising in Mainland China during the period.

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Current – the PRC		
Charge for the period	4,588	19,928
Deferred	(2,116)	(4,459)
Total tax charge for the period	2,472	15,469

8. DISCONTINUED OPERATIONS

On 25 December 2019, the Group had entered into an equity transfer intention agreement with an independent third party to sell the entire equity interest of Guangzhou Gaofen Network Technology Co., Ltd. 廣州高分網絡科技有限公司 (“**Guangzhou Gaofen**”) held by the Group. As at 31 December 2019, final negotiations for the sale were in progress. Assets and liabilities included Guangzhou Gaofen were classified as assets and liabilities held for sale. The disposal of Guangzhou Gaofen had been completed in February 2020.

The major classes of assets and liabilities classified as held for sale as at 31 December 2019 are as follows:

	2019 RMB'000 (Audited)
<i>Assets</i>	
Prepayments, deposits and other receivables	60
Cash and cash equivalents	23
Equity investments at fair value through profit or loss	65,989
Assets classified as held for sale	66,072
<i>Liabilities</i>	
Other payables and accruals	111
Liabilities directly associated with the assets classified as held for sale	111
Net assets classified as held for sale	65,961

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9. DIVIDENDS

	For the six months ended	
	30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Final dividend declared and paid – HK\$5.3 cents per ordinary share (2019: nil)	40,769	–
Final special dividend declared and paid – HK\$2.0 cents per ordinary share (2019: nil)	15,385	–
	56,154	–

On 21 May 2020, the Board declared final dividend and final special dividend, out of the share premium account of the Company for the year ended 31 December 2019.

No interim dividend was proposed during the Reporting Period (six months ended 30 June 2019: Nil).

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 793,386,642 (six months ended 30 June 2019: 778,748,377) in issue during the period, as adjusted to reflect the rights issue during the period.

The calculation of the diluted earnings per share amount for the period is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation of diluted earnings per share is the adjusted weighted average number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares. The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2019.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

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

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	54,506	75,755
	Number of shares for the six months ended 30 June	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue	849,720,000	849,580,773
Weighted average number of shares held for the RSU Scheme	(56,333,358)	(70,832,396)
Adjusted weighted average number of ordinary shares in issue used in the basic earnings per share calculation	793,386,642	778,748,377
Effect of dilution – weighted average number of ordinary shares: RSU Scheme	24,574,998	–
Adjusted weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	817,961,640	778,748,377

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired assets with a cost of RMB35,891,000 (six months ended 30 June 2019: RMB33,966,000).

Assets with a net book value of RMB134,000 were disposed of by the Group during the six months ended 30 June 2020 (six months ended 30 June 2019: RMB1,086,000), resulting in a net loss on disposal of RMB45,000 (six months ended 30 June 2019: net gain of RMB147,000).

12. LEASES

The Group as a lessee

The Group has lease contracts for property used in its operations. Leases of property generally have lease terms between 1 and 12 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the period are as follows:

	2020	2019
	Property	Property
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
As at 1 January	893,785	981,510
Additions	73,668	50,960
Depreciation charge (note 5)	(101,986)	(98,702)
Lease modifications	(25,202)	–
As at 30 June	840,265	933,768

12. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the period are as follows:

	2020	2019
	Lease liabilities	Lease liabilities
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Carrying amount at 1 January	959,385	1,006,904
New leases	73,668	50,960
Accretion of interest recognised during the period	22,897	25,102
Payments	(94,175)	(98,384)
Variable lease payment	(12,217)	–
Lease modifications	(25,621)	–
Carrying amount at 30 June	923,937	984,582
Analysed into:		
Current portion	196,522	211,555
Non-current portion	727,415	773,027

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	For the six months ended	
	30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on lease liabilities	22,897	25,102
Depreciation charge of right-of-use assets	101,986	98,702
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in cost of sales and administrative expenses)	2,863	2,007
Total amount recognised in profit or loss	127,746	125,811

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13. OTHER INVESTMENTS

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Non-current assets			
Equity investments at fair value through profit or loss			
– Unlisted equity investments	(i)	4,948	3,827
Debt investments measured at amortised cost			
– Corporate debts	(ii)	181,604	–
Debt investments at fair value through profit or loss			
– Unlisted trust plans and asset management plans	(iii)	172,578	203,589
		359,130	207,416
Current assets			
Short-term equity investments measured at fair value through profit or loss			
– Listed equity investments	(iv)	106,891	63,537
Short-term debt investment measured at amortised cost			
– Corporate debt	(ii)	30,167	–
Short-term debt investments measured at fair value through profit or loss			
– Unlisted trust plans and asset management plans	(iii)	221,578	274,447
– Wealth management products issued by banks	(iii)	243,603	370,282
– Funds	(iii)	171,086	171,741
		636,267	816,470
		773,325	880,007

13. OTHER INVESTMENTS (continued)

Notes:

- (i) The fair values of the unlisted securities are measured using a valuation technique with unobservable inputs and hence categorised within Level 3 of the fair value hierarchy.
- (ii) Debt investments measured at amortised cost are debt assets and a financing plan with guaranteed returns. They are denominated in RMB. None of these investments are past due.
- (iii) Wealth management products issued by banks, and unlisted trust plans, asset management plans, funds issued by financial institutions were denominated in Renminbi (“RMB”) and US dollar (“US\$”) at aggregate amounts of RMB636,267,000 and RMB172,578,000 (2019: RMB773,489,000 and RMB246,570,000), with an expected rate of return ranging from 3.45% to 9.0% (2019: 3.5% to 8.0%) per annum for the period. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. The fair values are based on cash flows discounted using the expected return based on management judgement and are within Level 2 of fair value hierarchy.
- (iv) The fair values of listed equity investments are determined based on the closing prices quoted in active markets. They are accounted for using their fair values based on the quoted market prices (Level 1: quoted price (unadjusted) in active markets) without deduction for transaction costs.
- (v) Amounts recognised in profit or loss

	For the six months ended	
	30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Investment income from debt investments measured at amortised cost		
– Corporate debts	2,952	–
– Structured deposit	153	–
– National debt	–	1
	3,105	1
Fair value gains/(loss) on equity investments		
– Unlisted equity investments	–	(5,662)
– Listed equity investments	42,128	19,012
Fair value gains on debt investments		
– Unlisted trust plans and asset management plans	8,737	989
– Wealth management products issued by banks	3,300	8,609
– Funds	11,432	503
	65,597	23,451

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14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Prepaid operation expenses	14,467	12,937
Rental and other deposits	86,986	82,495
Receivables from payment channels	35,367	17,732
Loans to employees	11,624	15,041
Proceeds receivable	3,377	4,200
Amounts due from related parties	2,131	3,413
Staff advances	873	618
Others	3,205	3,402
	158,030	139,838

The above balances, except for loans to employees, are interest-free and are not secured with collateral.

The Group applies the general approach to provide for the expected credit loss (“ECL”) of the financial assets measured at amortised cost including rental and other deposits, receivables from payment channels, loans to employees, amounts due from related parties, proceeds receivable, and others prescribed by IFRS 9. The Group assessed that the credit standing of the payment agents is very strong, and the tenor of such receivables is short. For the loans to employees and the rental deposits, in the situation of a default, the Group might reduce the loss by negotiating settlement based on obtaining services or a right of use over lease assets. No ECLs were provided as it is assessed that the overall ECL rate for the above financial assets measured at amortised cost was less than 1%.

Included in the balance above, rental and other deposits, receivables from payment channels, loans to employees, amounts due from related parties, proceeds receivable and others are financial assets. None of the above financial assets is either past due or impaired.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 30 June 2020 and 31 December 2019, the loss allowance was assessed to be minimal.

15. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Cash and bank balances	223,143	201,552
Less: restricted cash	2,616	5,146
Cash and cash equivalents	220,527	196,406

As at the end of the Reporting Period, the cash and bank balances of the Group denominated in RMB amounted to RMB216,921,000 (2019: RMB184,793,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default.

As at 30 June 2020, bank balances amounting to RMB2,616,000 (2019: RMB5,146,000) are restricted. Bank balances amounting to RMB450,000 (2019: RMB3,004,000) were restricted for capital verification purpose upon setting up one of the Group's subsidiaries. Bank balances amounting to RMB2,166,000 (2019: RMB2,142,000) were restricted in use for establishing education reserve accounts at the request of the local education bureau, which is a prerequisite for launching the private education business.

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16. OTHER PAYABLES AND ACCRUALS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Accrued staff benefits and payroll	125,786	140,476
Payable for operating activities	69,600	30,461
Refund liabilities	7,111	4,577
Payable for listing expenses	4,548	4,548
Deposits	2,648	2,962
Other tax payables	2,276	8,545
Amount due to related parties	439	–
Others	3,693	8,526
	216,101	200,095

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

17. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	30 June 2020			31 December 2019		
	Effective interest rate (%)	Maturity	RMB'000 (Unaudited)	Effective interest rate (%)	Maturity	RMB'000 (Audited)
Current						
Lease liabilities (note 12(b))	4.75-4.9	2021	196,522	4.75-4.9	2020	225,915
Bank loans – unsecured	3.05	2021	200,000	–	–	–
Current portion of long-term bank loans – unsecured	3.60	2020-2021	2,000	–	–	–
			398,522			225,915
Non-current						
Lease liabilities (note 12(b))	4.75-4.9	2021-2030	727,415	4.75-4.9	2021-2030	733,470
Bank loans – unsecured	3.60	2021-2022	49,500	–	–	–
			776,915			733,470
			1,175,437			959,385

17. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS (continued)

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Analysed into:		
Bank loans:		
Within one year or on demand	202,000	–
In the second year	49,500	–
	251,500	–
Other borrowings repayable:		
Within one year or on demand	196,522	225,915
In the second year	173,102	172,018
In the third to fifth years, inclusive	404,173	415,055
Beyond five years	150,140	146,397
	923,937	959,385
	1,175,437	959,385

Note:

The Group's interest-bearing bank loans are unsecured and denominated in RMB, bearing interest rates ranging from 3.05% to 3.60%. Except for the 3.60% bank loan of Guangzhou Beststudy Enterprise Co., Ltd. is secured by Guangzhou Zhuoxue Information Technology Co., Ltd. 廣州市卓學信息科技有限責任公司, one of the subsidiaries of the Group, the other bank loan is unsecured.

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18. SHARE CAPITAL

Shares

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Authorised: 3,000,000,000 ordinary shares of US\$0.00005 each as at 30 June 2020 (2019: 3,000,000,000 ordinary shares)	1,070	1,070
Issued and fully paid: 849,720,000 ordinary shares as at 30 June 2020 (2019: 849,720,000 ordinary shares)	304	304

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

	Number of shares in issue	Share capital RMB'000
At 1 January 2019	848,040,000	303
Exercise of over-allotment options	1,680,000	1
At 31 December 2019 and 30 June 2020	849,720,000	304

On 16 January 2019, the Company issued 1,680,000 new ordinary shares at a price of HK\$2.40 per share upon the exercise of over-allotment share options granted to the relevant underwriters in connection with the global offering.

19. SHARE-BASED PAYMENT

(a) Restricted Share Unit Scheme

The Company's RSU Scheme was adopted pursuant to a resolution passed on 3 December 2018 for the primary purpose of providing incentives to directors and eligible employees. The RSU Scheme will be valid and effective for a period of ten years, commencing from 3 December 2018.

The maximum number of restricted share units ("RSUs") that may be granted under the RSU Scheme in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the rules of the RSU Scheme) shall be such number of shares held or to be held by the RSU Trustee for the purpose of the RSU Scheme from time to time.

The movements of the Company's shares held for RSU Scheme account during the six months ended 30 June 2020 and the year ended 31 December 2019 are as follows:

	Notes	Number of shares	Amount RMB'000
As at 1 January 2019		70,832,396	24
Repurchase of shares held for RSU Scheme	(i)	1,575,000	4,666
Exercise of share awards	(ii)	(17,423,418)	(6)
As at 31 December 2019 and 1 January 2020		54,983,978	4,684
Repurchase of shares held for RSU Scheme	(i)	8,548,000	27,455
Exercise of share awards	(ii)	(8,792,704)	(3)
As at 30 June 2020		54,739,274	32,136

Notes:

- (i) During the six months ended 30 June 2020, 8,548,000 (2019: 1,575,000) ordinary shares of the Company on the Stock Exchange were purchased for the RSU Scheme at a total consideration of HK\$30,280,000, approximately RMB27,455,000 (2019: HK\$5,194,000, approximately RMB4,666,000).
- (ii) On 3 September 2019, the Board resolved to grant certain numbers of RSUs at a consideration of RMB0.80 or nil per share to 551 employees of the Group (the "Grantees") pursuant to the RSU Scheme, subject to acceptance of the Grantees. The fair value of each restricted share unit granted to employees is measured with reference to the closing price of the ordinary shares of the Company at the grant date of HK\$1.70 (equivalent to RMB1.54) per share. The aggregate number of shares granted during the period is set out in the table below.

During the six months ended 30 June 2020, the Group amortised the difference between the fair value of the share awards and the consideration that employees have to pay to the Company over the vesting period and recognised equity-settled compensation costs of RMB9,383,000 (six months ended 30 June 2019: nil) in profit or loss in relation to the RSU Scheme.

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19. SHARE-BASED PAYMENT (continued)

(a) Restricted Share Unit Scheme (continued)

Notes: (continued)

(ii) (continued)

A summary of the particulars of the RSUs granted under the RSU Scheme during the six months ended 30 June 2020 is as follows:

Date of grant	Number of outstanding granted RSUs as at 1 January 2020 '000	Shares newly granted during the period '000	Fair value RMB'000	Exercise price RMB	Vesting date	Number of Awarded Shares		
						Vested during the period '000	Forfeited during the period '000	Outstanding granted RSUs as at 30 June 2020 '000
3 September 2019	6,374	–	–	0.80	31 May 2020	5,751	623	–
3 September 2019	3,400	–	–	–	31 May 2020	3,042	358	–
3 September 2019	8,718	–	–	0.80	31 May 2021	–	237	8,481
3 September 2019	2,550	–	–	–	31 May 2021	–	89	2,461
3 September 2019	167	–	–	–	31 July 2021	–	–	167
3 September 2019	8,718	–	–	0.80	31 May 2022	–	237	8,481
3 September 2019	2,550	–	–	–	31 May 2022	–	89	2,461
3 September 2019	167	–	–	–	31 July 2022	–	–	167
3 September 2019	167	–	–	–	31 December 2023	–	–	167
	32,811	–	–			8,793	1,633	22,385

(b) Share Option Scheme

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to a resolution passed on 3 December 2018 for the primary purpose of providing incentives to directors and eligible employees. The Share Option Scheme will be valid and effective for a period of ten years, commencing from 3 December 2018. No share option was in issue pursuant to the Share Option Scheme at the end of the Reporting Period.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 84,804,000 shares, being 10% (the "Scheme Mandate Limit") of the shares in issue immediately after the initial public offering (assuming the over-allotment option is not exercised and no exercise of any option which may be granted under the Share Option Scheme) unless the Company obtains an approval from its shareholders. Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit. Moreover, 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 share option schemes of the Company shall not in aggregate exceed 30% of the shares in issue from time to time.

No option may be granted under the Share Option Scheme and any other share option schemes of the Company if such Scheme Mandate Limited is exceeded.

20. DISPOSAL OF SUBSIDIARIES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Net assets disposed of:		
Property, plant and equipment	–	2,714
Equity investments at fair value through profit or loss	65,989	–
Prepayments, deposits and other receivables	51	1,044
Cash and cash equivalents	40	1,271
Other payables and accruals	(66,035)	(2,576)
Contract liabilities	–	(1,989)
Non-controlling interests	–	486
	45	950
Loss on disposal of subsidiaries	(45)	(350)
	–	600
Satisfied by:		
Cash	–*	–*

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2020 RMB'000 (Unaudited)	2019 RMB'000 (Audited)
Cash consideration	–*	–*
Cash and bank balances disposed of	(40)	(1,271)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(40)	(1,271)

* The amount was less than RMB1,000.

21. CONTINGENT LIABILITIES

As at the end of the Reporting Period, the Group did not have any significant contingent liabilities.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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22. COMMITMENTS

- (a) The Group had the following capital commitments at the end of the Reporting Period:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Contracted, but not provided for: Leasehold improvements	3,406	5,589

- (b) The Group has a lease contract that has not yet commenced as at 30 June 2020. The future lease payments for this non-cancellable lease contract are RMB158,000 due within one year, RMB2,147,000 due in the second to fifth years, inclusive and RMB242,000 due after five years.

23. RELATED PARTY TRANSACTIONS

(a) Name and relationship of related parties

Name	Relationship
Huerguosi Lexue Venture Capital Co., Ltd. 霍爾果斯樂學創業投資有限公司 (“Lexue Venture Capital”)	Controlled by Mr. Junjing Tang, Mr. Junying Tang and Mr. Gui Zhou
Guangzhou GROW Education Technology Co., Ltd. 廣州市果肉教育科技有限公司 (“Guangzhou GROW”)	Associate of the Group
Guangzhou Yuyou Pinxue Co., Ltd. 廣州市譽優品學教育科技有限公司 (“Yuyou Pinxue”)	Associate of the Group
Guangzhou Haite Sports Development Co., Ltd. 廣州市海特體育發展有限公司 (“Guangzhou Haite”)	Associate of the Group

(b) Transactions with related parties

The Group had the following material transactions with related parties during the period:

(1) Sales of consulting services to a related party

	For the six months ended 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Guangzhou GROW	1,930	–

The price for the above service was determined in accordance with mutually agreed terms.

23. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties (continued)

(2) Rental income from a related party

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Yuyou Pinxue	430	–

The price for the above service was determined in accordance with mutually agreed terms.

(3) Purchase of an investment from a related party

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Lexue Venture Capital	–	23,050

The Group purchased 8.66% of shares of Beijing Tengyue Zhihui Network Technology Co., Ltd. 北京騰躍智匯網絡科技有限公司 from Lexue Venture Capital for a consideration of RMB23,050,000.

(4) Transfer of property, plant and equipment to a related party

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Guangzhou GROW	82	–

The price for the above service was determined in accordance with mutually agreed terms.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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23. RELATED PARTY TRANSACTIONS (continued)

(c) Outstanding balances with related parties

(1) Amounts due from related parties

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Guangzhou GROW	1,305	3,413
Guangzhou Haite	455	–
Yuyou Pinxue	371	–
	2,131	3,413

(2) Amounts due to related parties

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Guangzhou Haite	185	–
Yuyou Pinxue	254	–
	439	–

These balances are unsecured, interest-free and have no fixed terms of repayment.

(d) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Short-term employee benefits	2,761	4,110
Pension scheme contributions	121	84
Equity-settled compensation costs	567	–
Total compensation paid to key management personnel	3,449	4,194

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Financial assets				
Equity investments at fair value through profit or loss				
– Unlisted equity investments	4,948	3,827	4,948	3,827
Debt investments at fair value through profit or loss				
– Unlisted trust plans and asset management plans	172,578	203,589	172,578	203,589
Short-term debt investments measured at fair value through profit or loss				
– Unlisted trust plans and asset management plans	221,578	274,447	221,578	274,447
– Wealth management products issued by banks	243,603	370,282	243,603	370,282
– Funds	171,086	171,741	171,086	171,741
Short-term equity investments measured at fair value through profit or loss				
– Listed equity investments	106,891	63,537	106,891	63,537
	920,684	1,087,423	920,684	1,087,423
Financial liabilities				
Interest-bearing bank borrowings	251,500	–	251,500	–

Management has assessed that the fair values of cash and cash equivalents, restricted cash, financial assets included in prepayments, deposits and other receivables, debt investments measured at amortised cost, short-term debt investment measured at amortised cost, time deposits, loan to a joint venture and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for lease liabilities as at 30 June 2020 and 31 December 2019 were assessed to be insignificant.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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24. 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:

Assets measured at fair value:

As at 30 June 2020

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Equity investments at fair value through profit or loss				
– Unlisted equity investments	–	–	4,948	4,948
Debt investments at fair value through profit or loss				
– Unlisted trust plans and asset management plans	–	172,578	–	172,578
Short-term debt investments measured at fair value through profit or loss				
– Wealth management products issued by banks	–	243,603	–	243,603
– Unlisted trust plans and asset management plans	–	221,578	–	221,578
– Funds	–	171,086	–	171,086
Short-term equity investments measured at fair value through profit or loss				
– Listed equity investments	106,891	–	–	106,891
	106,891	808,845	4,948	920,684

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

Fair value hierarchy (continued)

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

Assets measured at fair value: (continued)

As at 31 December 2019

	Fair value measurement using			Total RMB'000 (Audited)
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	
Equity investments at fair value through profit or loss				
– Unlisted equity investments	–	–	3,827	3,827
Debt investments at fair value through profit or loss				
– Unlisted trust plans and asset management plans	–	203,589	–	203,589
Short-term debt investments measured at fair value through profit or loss				
– Wealth management products issued by banks	–	370,282	–	370,282
– Unlisted trust plans and asset management plans	–	274,447	–	274,447
– Funds	–	171,741	–	171,741
Short-term equity investments measured at fair value through profit or loss				
– Listed equity investments	63,537	–	–	63,537
	63,537	1,020,059	3,827	1,087,423

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

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

Fair value hierarchy (continued)

	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Equity investments at fair value through profit or loss:		
As at 1 January	3,827	71,299
Total losses recognised in the unaudited interim condensed consolidated statement of profit or loss	–	(5,662)
Additions	1,064	1,037
Exchange realignment	57	4
As at 30 June	4,948	66,678

During the six months ended 30 June 2020, 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.

25. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the Reporting Period, there was not any significant event for the Group.