



卓越教育集团

China Beststudy Education Group

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3978



2021
INTERIM REPORT



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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

COMPANY SECRETARY

Ms. Hing Ling Chau (LLM, FCG, FCS)

AUTHORIZED REPRESENTATIVES

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

AUDITOR

Ernst & Young
Certified Public Accountant

LEGAL ADVISER

Jingtian & Gongcheng LLP

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Industrial and Commercial Bank of China Guangzhou
Nanfang Branch

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LISTING DATE

27 December 2018

COMPANY PROFILE

As a leading education service provider in southern China, China Beststudy Education Group (the “**Company**” or “**Beststudy**” and, together with its subsidiaries, collectively the “**Group**”) has been providing high-quality and diversified education products and services to students and parents since our establishment 24 years ago. The Group mainly provides education related courses including talent education, international Chinese, full-time revision, after-school tutoring projects and sports services for children.

As at 30 June 2021, the Group had a total of 276 education centres nationwide, which are located in Guangzhou, Shenzhen, Zhongshan, Foshan, Zhuhai, Shanghai, Dongguan, Nanning and Beijing, which are mainly distributed in the Guangdong-Hong Kong-Macau Greater Bay Area. Our Group mainly offers education related courses including talent education, full-time revision, international Chinese and after-school tutoring projects and sport services for children. Our talent education is designed to cultivate the all-round development of our students, allowing a more engaging and enjoyable learning process. Our full-time revision projects aim to help middle school and high school graduates to be admitted to their preferred schools through Zhongkao (中考) and Gaokao (高考). Our after-school tutoring projects aim to help students establish a sound learning thinking and knowledge system, so that they can give full play in their study and daily life.

The Group has been deeply plowing the South China area and radiating across the country. Through 24 years of effort and development, our “Zhuoyue Education” (卓越教育) brand and reputation have also been recognised and welcomed by students, parents and all social sectors. During the epidemic, we actively participated in social welfare undertakings and won the awards of “Advanced Anti-epidemic Collective of Private Education in Yuexiu District” (越秀區民辦教育抗疫先進集體) and “Golden Spike Partner of Educational Charity” (教育公益金穗夥伴). We have also made a breakthrough in enhancing the brand image of the Group as an employer who broadens brand building, and won various awards such as “King’s Ark Award for Employer Cherishing Talents the Most” (王者之舟最愛人才僱主獎), “2021 Most Influential Employer” (2021年最具影響力僱主), “2021 China Best Employer – Campus Recruitment Case Award” (2021中國年度最佳僱主—校招案例獎) as well as the “College Student Education Practice Base of the College of Liberal Arts of Jinan University” (暨南大學文學院大學生教育實踐基地) granted by Jinan University. The recognition from students, parents and people from all walks of life will help us enlarge our student pool and further strengthen our market position in the industry.

FINANCIAL AND KEY OPERATING DATA HIGHLIGHTS

	For the six months ended		
	30 June		% Change
	2021	2020	
	RMB'000	RMB'000	
Revenue	1,096,355	769,295	42.5%
Gross Profit	421,925	273,854	54.1%
Net Profit	1,408	52,985	-97.3%
Adjusted Net Profit	3,522	62,368	-94.4%
Number of Enrollments^{Note}	322,938	260,209	24.1%
Number of Tutoring Hours^{Note}	7,311,749	5,586,885	30.9%

Note: 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 a leading education service provider in southern China, the Company has been providing high-quality and diversified education products and services to students and parents since our establishment 24 years ago. The Group mainly provides education related courses including talent education, international Chinese, full-time revision, after-school tutoring projects and sports services for children.

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BUSINESS REVIEW

Despite the recurrence of the epidemic in Guangzhou, the Group still exerted its strong operational capabilities after the small classes were quickly switched from offline to online. As a result of our high-quality teaching, the rate of renewing subscription for winter and spring courses remained at a relatively high level, indicating that our teaching effects and course experience were recognized by parents and students, which established a reputation for our Online and Offline Education Services and Products (“OMO”) teaching model. On the whole, our businesses recovered and our revenue growth was in line with the expectations in the first half of 2021.

During the six months ended 30 June 2021 (the “Reporting Period”), the total revenue of individualised tutoring courses was RMB471.24 million. In the first half of the year, we organised large-scale live broadcast events to continue to polish and update our products. In particular, we helped students improve learning efficiency by integrating weekend offline and weekday online OMO courses. Therefore, we achieved good results in subject expansion and referral. In particular, the performance of one-on-three courses was outstanding. We invested continuously in high-quality resources, optimized the teaching mode, and improved teaching services, so as to increase students’ enthusiasm for enrollment and build a good reputation.

In respect of OMO, during the first half of the year, we focused on unique product advantages and launched a new exploration model for OMO. Relying on the advantages of localized teaching and research, the Group continued to enrich online special products and set up the semester-end preparation courses to meet the online learning needs of students and parents and greatly improve the online rate of renewing subscription. We hope to draw our customers' awareness of Beststudy Online education, hence achieving our sustainable and competitive online growth objective by "putting students as our focus".

Adhering to the mission of "cultivating excellence and helping the future of the country", the Group proactively organized various activities in relation to Chinese traditional academic culture and carried out product cooperation projects to further help students comprehensively improve their learning ability and core literacy and enhance the Group's influence and brand recognition.

As at 30 June 2021, we had 276 education centres. The Group adopted a flexible shop opening strategy, thereby boosting the healthy development of various business operations.

In order to uphold the excellent attitude of openness and honesty, we have established an open and transparent communication mechanism to synchronize strategic progress and promote communication with employees through activities such as "President's face to face", in order to improve the information interoperability across the Group, thereby increasing the sense of belonging of members of the Group and leading the Group to a better future.

The Group continued to conduct social and campus recruitment of high-quality talents and strengthen the construction of talent echelon, to provide strong talent support for the sustainable development of the Group. In order to keep pace with the development of the times, we developed a targeted high-quality teacher development plan to nurture teachers' diversified business skills, help rapid transformation of internal teachers, improve employee effectiveness and speed up the organization, driving the Group to move forward in the future.

In light of the recurrence of the COVID-19 in Guangzhou in mid-to-late May 2021, the Group proactively responded to the call of the Party and the government, to actively participate in the prevention and control of the COVID-19, made contributions to the epidemic prevention and control of Guangzhou in terms of charitable donations, material supply, resumption of work and production, voluntary services, etc., and carried out various public welfare activities for epidemic prevention and control, including erection of umbrellas for the front-line medical staff at the vaccination site in Yunshan Longzhu Primary School.

Beststudy has always been adhering to the motto of "All for Children's Healthy Development". During the epidemic, it carried out a cross-border joint charity examinee delivery activity with Wang Laoji, a subsidiary of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd., to cheer for students to attend senior high school entrance examination and national college entrance examination. The Group effectively disseminated its corporate image and corporate culture to the public, created the brand effect of "Success in Senior High School Entrance Examination, Achieving Excellence", and also gained public attention and favor. We proactively assumed the social responsibility to continuously improve corporate credibility and brand influence and expand the Group's enrollment population.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECTS

On 24 July 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council of the People's Republic of China recently issued the Opinions on Further Reducing the Burden of Compulsory Education Students' Homework and Off-campus Training* (《關於進一步減輕義務教育階段學生作業負擔和校外培訓負擔的意見》) (the “**Opinions**”), which is expected to have a greater impact on the Group's respective after-school tutoring services. In this regard, as a proactive response to the national policy, our Group, based on the accumulation of experience in the education field for more than 20 years, will accelerate the transformation and upgrade of our business and provide students with a full range of diversified teaching services through the development in the field of talent education, exploration of new trusteeship and self-study businesses, and development of new market of international Chinese, to help children grow up healthy.

All-round development of talent education to build a one-stop education service platform

With the increase in the supply of talents of higher education, the shift of economy from “high-speed growth” to “high-quality development”, and the continuous upgrading of parents' consumption level and educational concept, talent education is ushering in a new stage of development and market opportunities. The Group expects to develop the core literacy of primary and middle school students through professional construction of an “individualised growth system” for students' quality and ability, to equip students with key abilities and qualities that can meet the needs of social development and their own development and achieve comprehensive development in terms of “morality, intelligence, sports, aesthetic and labor”, laying a solid foundation for the improvement of the overall quality of China's new generation of citizens and the cultivation of professional and innovative talents.

In response to the call of the State, the Group has upgraded its existing campus to create an education complex with “weekday academic courses + weekend quality courses”, adhering to the teaching philosophy of “people-oriented and comprehensive education”. Offline classes are primarily taught on Monday to Friday, supplemented by online live sessions to meet the learning needs of different students and to fully guarantee the effectiveness and quality of teaching. During weekends and the summer and winter vacations, the Group offers quality education programmes in the areas of arts, culture, technology, labour and sports, with a focus on the long-term development of students, to build a comprehensive education system covering youths' moral, intellectual, physical, aesthetic and labour education, and to enhance the comprehensive quality of students.

Meanwhile, the Group is proactively establishing cooperation with public schools in terms of after-class services in school. At present, we have successfully cooperated with public schools in Guangzhou to provide quality courses and basic trusteeship services to meet the learning needs of students for individualised quality courses. Leveraging on its own localization advantages, the Group continues to polish the after-class quality products and trusteeship services, and will establish a service operation system and build a one-stop learning platform through the eight talent education product systems, i.e. moral education, thinking growth, language expression, aesthetic arts, technological literacy, labour education, physical education and research practices, to help students discover and develop their potential, assist the implementation of talent education in schools, and create characteristic school-based curriculums for the talent education.

* For identification purposes only

In order to implement the original intention of “All for Children’s Healthy Development” and create a positive and loving growth environment, the Group establishes the “Di-Da Growth Centre” (嗶嗶成長中心), which offers courses in the five intelligence systems of linguistic intelligence, mathematical and logical intelligence, physical and sport intelligence, visual and aesthetic intelligence and interpersonal intelligence, provides individualised solutions for children’s growth for families in the community, and builds a center for children’s growth. In the future, we will continue to explore the new model of “talent education + community” and build a one-stop talent education platform for comprehensive ability cultivation, growth and evaluation, to accelerate market penetration, increase brand influence and boost new development of talent education.

With the upsurge of “national fitness”, the Group will also create a new children’s sports brand under “China Beststudy”, and continue to promote joint cooperation with major domestic famous sports brands. Through the offline education centers of Beststudy, we will provide customers with quality physical education courses and supporting children’s consumption products, explore a new business model for children’s sports consumption and initially tap into the sports product market. In addition, we will also jointly organize various sports activities to inject sports and health vitality into the Company, with the aim to further showcase the Company’s sunny image and enhance the corporate social influence.

From the perspective of development trends, the cultivation of children’s future abilities and the shaping of their character are becoming increasingly important, and the demand for talent education continues to grow rapidly. Therefore, we believe that based on the understanding of “helping each child tap the greatest potential for the long-term development of children”, companies with excellent service products and high-quality educational concepts will stand out in the field of talent education and gain long-term competitive advantages for brand.

Creating an integrated learning and growth space and accompanying children’s growth in a high-quality and efficient way

Facing the new opportunities which arise from the new policy, we have comprehensively upgraded our original campus to “Premium Learning and Growth Space”, and are committed to providing children with high-quality teaching and growth services, cultivating children’s core qualities, and enhancing students’ sense of learning experience. The Group wants to create an integrated learning and growth space through habit formation, cultural edification, ability improvement, homework tutoring, etc., accompanying children’s growth in a high-quality and efficient way in the rich learning practices and experience, so that Beststudy will become the place for study and growth most favored by children and trusted by parents.

The Group will proactively explore new markets in the industry, set up new trusteeship and self-study businesses, and provide students with a space for self-study and create the best offline learning scenarios based on the self-learning + artificial intelligence model. The Group will arrange professional teachers to provide learning Q&A services through systematic learning methods, and cultivate children’s good self-study habits in a subtle manner, truly helping children achieve the goals of “wanting to learn”, “being able to learn”, and “efficient learning”.

Development of new market of international Chinese to promote Chinese to “Go Global”

In the current era of economic globalization, China, being the world’s second largest economy, coupled with the increased frequency in cultural exchanges and trade between countries and China, have triggered a rapid growth in global needs for learning of Chinese language. The “Chinese language craze” continues to heat up, and international Chinese language teaching has gradually become new trends all over the world.

MANAGEMENT DISCUSSION AND ANALYSIS

Over the years, Beststudy has always been characterized by Chinese language, Chinese traditional academic culture, and Chinese culture. In order to proactively respond to the “Belt and Road” initiative, Beststudy proactively joined the China-Africa Non-governmental Chamber of Commerce of the All-China Federation of Industry and Commerce, and cooperated with the consulates of many countries along the “Belt and Road Initiative” in China to open international Chinese classes, covering three sub-fields including business Chinese, daily Chinese, and Chinese for youth and children, to provide precise Chinese training for foreigners in China and their children.

Beststudy will take a new step towards the internationalization of Chinese and proactively explore new paths for the international teaching of Chinese. We continue to promote the new development of the international Chinese language business and continuously accumulate practical experience in international teaching, to promote the fine traditional culture of our country and the Sino-foreign friendly development. The Group looks forward to developing new overseas business to increase its international influence and using its Chinese language teaching and research teams and high-quality teaching quality formed over the years to help promote Chinese language to “go out”.

Facing the new normal, we, leveraging on our own advantages accumulated by the Group over the years, will proactively promote the development of diversified businesses to provide one-stop growth solutions for the healthy growth of children and continue to explore new field of education innovation, to build the new atmosphere and new pattern for Beststudy in an all-round way.

FINANCIAL REVIEW

Revenue

The following table sets forth a breakdown of the Group’s revenue by type of education services we provided as at the first half of 2021 and the first half of 2020:

	For the six months ended 30 June		
	2021 RMB’000 (Unaudited)	2020 RMB’000 (Unaudited)	% Change
Small Group Tutoring	508,079	375,288	35.4%
Individualised Tutoring	471,236	281,194	67.6%
Full-time Revision Program	83,158	94,873	-12.3%
Talent Education	33,500	17,231	94.4%
Others	382	709	-46.1%
Total	1,096,355	769,295	42.5%

The Group's revenue is principally generated from the tuition fees collected from our students. During the Reporting Period, the Group's revenue generated from our principal business increased by 42.5% to approximately RMB1,096.4 million from RMB769.3 million as of the first half of 2020. As compared with the first half of 2020, the increase in revenue generated from Small Group Tutoring and Individualised Tutoring was mainly attributable to the increase in the number of students and tutoring hours; while the decrease in Full-time Revision Program was mainly attributable to impact of Gaokao (高考) reform on the number of enrollments.

(i) Number of enrollments

	For the six months ended 30 June		
	2021	2020	% Change
Small Group Tutoring	205,358	175,791	16.8%
Individualised Tutoring	104,429	74,884	39.5%
Full-time Revision Program	2,878	3,659	-21.3%
Talent Education	10,273	5,875	74.9%

(ii) Tutoring hours

	For the six months ended 30 June		
	2021	2020	% Change
Small Group Tutoring	5,295,680	4,281,580	23.7%
Individualised Tutoring	1,654,029	1,093,717	51.2%
Full-time Revision Program	N/A	N/A	N/A
Talent Education	362,040	211,588	71.1%

(iii) Per-hour charges

	For the six months ended 30 June		
	2021 RMB	2020 RMB	% Change
Small Group Tutoring	92	85	8.2%
Individualised Tutoring	285	257	10.9%
Full-time Revision Program	N/A	N/A	N/A
Talent Education	93	81	14.8%

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales

Cost of sales increased by 36.1% from RMB495.4 million as of the first half of 2020 to RMB674.4 million for the Reporting Period. The increase in cost of sales was mainly attributable to: (i) the increase in teacher labor cost for the rising of tutoring hours; and (ii) the leasing costs of new campuses.

Gross Profit and Gross Profit Margin

As a result of the above principal factors, the Group's gross profit increased by 54.1% from RMB273.9 million as of the first half of 2020 to RMB421.9 million for the Reporting Period.

The gross profit margin of the Group as of the first half of 2020 was 35.6%, whilst for the Reporting Period it was 38.5%. The increase in gross profit margin was primarily due to (i) the rising of full class rate and average class size of tutoring classes; (ii) the growth of average tutoring hours of the teachers for individualised tutoring; and (iii) the increase of classroom utilisation rate.

Other Income and Gains

During the Reporting Period, the Group recorded other income and gains in the amount of RMB51.7 million, representing an increase of RMB31.4 million year-on-year. The other income and gains during the Reporting Period mainly included gain on disposal of an associate in the amount of RMB20.5 million, government tax relief in the amount of RMB15.8 million, interest income of current deposit and time deposit in the amount of RMB7.8 million and government grants in the amount of RMB5.8 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 decreased by RMB36.4 million from approximately RMB65.6 million in the first half of 2020 to approximately RMB29.2 million for the Reporting Period. The fair value changes included fair value changes on unlisted equity investments, listed equity investments, wealth-management products issued by banks and unlisted trust plans and funds.

Selling Expenses

During the Reporting Period, the Group's total selling expenses amounted to RMB124.5 million, representing an increase of approximately 39.7% from RMB89.2 million in the first half of 2020. The increase was mainly attributable to the development of online one-to-one business, and related investment in customer and member services.

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 RMB116.8 million, representing an increase of 9.4% as compared to RMB106.8 million as of the first half of 2020.

Research and Development Expenses

During the Reporting Period, the Group's research and development expenses amounted to RMB85 million, representing an increase of approximately RMB6.4 million from RMB78.6 million in the first half of 2020. The increase was mainly attributable to OMO-related inputs.

Other Expenses

The Group's other expenses during the Reporting Period amounted to RMB147.5 million, and mainly consisted of impairment losses on assets. Based on the assessment of impact of the policy change, the Group has made provision for impairment of RMB75.7 million in certain campus assets for the commencement of academic extracurricular tutoring business and made provision for impairment of RMB67.1 million in associates, external investments and other receivables.

Finance Costs

During the Reporting Period, the Group recorded finance costs in the amount of approximately RMB30.5 million, which were attributable to the interest expenses recognised upon adoption of IFRS 16 Leases in the amount of RMB24.3 million and the loan interest in the amount of RMB6.2 million.

Income Tax Expenses

During the Reporting Period, the Group's income tax expenses were RMB7.2 million. The effective tax rate increased from 4.5% as of the first half of 2020 to 83.7% for the Reporting Period. The increase in income tax rate was mainly attributable to (i) the Group made provision for impairment in certain campus assets for the commencement of academic extracurricular tutoring business and external investments during the Reporting Period; and (ii) the decrease in tax-exempt gains arising from foreign wealth management investments and equity investments.

Profit for the Reporting Period

The Group's profit for the Reporting Period decreased from RMB53 million in the first half of 2020 to RMB1.4 million for the Reporting Period, representing a decrease of 97.3%. The decrease in profit for the Reporting Period was mainly attributable to the impact of provision made for the impairment.

MANAGEMENT DISCUSSION AND ANALYSIS

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 Reporting 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 94.4% from RMB62.4 million for the first half of 2020 to RMB3.5 million for the Reporting Period. Adjusted profit eliminates the effect of non-recurring items and certain items that were not incurred in relation to the Group's principal business, such as equity-settled compensation costs.

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

	For the six months ended 30 June		
	2021 RMB'000	2020 RMB'000	% Change
Net profit	1,408	52,985	-97.3%
Add:			
Equity-settled compensation costs	2,114	9,383	-77.5%
Adjusted Net Profit	3,522	62,368	-94.4%

In light of the foregoing limitations for other financial measurements, when assessing our operating and financial performance, shareholders and investors should not consider adjusted profit and profit from core business in isolation or as a substitute for our profit for the Reporting 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.

Liquidity and Financial Resources

As at 30 June 2021, cash and cash equivalents of the Group amounted to RMB205.8 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 2021, the current ratio of the Group was approximately 0.98, as compared to 1.06 as at 31 December 2020. The current ratio is equal to total current assets divided by the total current liabilities. Current liabilities as at 30 June 2021 included contract liabilities of RMB775.4 million. Except for refund, the remaining amount of contract liabilities will be recognized as income in future reporting periods, so the Group has sufficient resources to continue as a going concern.

As at 30 June 2021, the gearing ratio of the Group was 79.4%, as compared to 75% as at 31 December 2020. 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, Associates and Joint Ventures

As at 30 June 2021, the Group held financial assets comprising (i) debt investments of RMB1,343 million (31 December 2020: RMB943.0 million), in aggregate accounted for 40.5% of the Group's total assets as at 30 June 2021, representing investments in various types of short-term wealth management products issued by licensed banks, unlisted trust plans, asset management plans, funds and corporate debts; and (ii) equity investments of RMB93.1 million (31 December 2020: RMB91.2 million), in aggregate accounted for 2.8% of the Group's total assets as at 30 June 2021, representing investment portfolio of unlisted companies and a listed company. For details, please refer to the section headed "Financial assets at FVTPL and at amortised cost held by the Group as at 30 June 2021" as set out below.

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 Group 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.

During the Reporting Period, the Group transferred the total equity interest of Guangzhou GROW Education Technology Co., Ltd. to a third party at a consideration of RMB20.5 million. The transaction does not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial assets at FVTPL and at amortised cost held by the Group as at 30 June 2021

Set forth below is a breakdown of the financial assets at FVTPL and at amortised cost held by the Group as at 30 June 2021, including the fair value and investment income of such investment as at 30 June 2021 and its size as compared to the Group's total assets, and its performance for the six months ended 30 June 2021.

Nature of investments	As at 30 June 2021		For the six months ended 30 June 2021	
	Fair value/ carrying amount (RMB'000)	Approximate percentage as compared to the Company's total assets (%)	Fair value gains/ (losses) (RMB'000)	Investment income (RMB'000)
Equity investments at FVTPL:				
Non-current Assets – Unlisted equity investments	6,120	0.18%	(165)	–
Current Assets – Listed equity investments ⁽¹⁾	86,987	2.63%	3,010	–
Sub-total	93,107	2.81%	2,845	–
Debt investments at FVTPL⁽²⁾:				
Asset management plan	76,586	2.31%	3,908	–
Wealth management product, unlisted trust plans and funds ⁽³⁾	679,186	20.50%	19,029	–
Sub-total	755,772	22.81%	22,937	–
Debt investments at amortised cost:				
Short-term debt investments measured at amortised cost ⁽⁴⁾	290,844	8.78%	–	5,844
Debt investments measured at amortised cost ⁽⁵⁾	296,389	8.95%	–	5,989
Sub-total	587,233	17.73%	–	11,833

Notes:

- 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.
- Including Non-current Assets – Debt Investments at FVTPL and Current Assets – Short-term Debt Investments at FVTPL.
- Including one wealth management product issued by a licensed bank with carrying value of approximately RMB40,252 thousand, ten unlisted trust plans with carrying value of approximately RMB325,027 thousand and eight funds issued by other financial institutions in the PRC with carrying value of approximately RMB313,907 thousand. The respective carrying value as at 30 June 2021 of each of the individual investments is less than 5% of the Group's total assets.
- Including six corporate debts in the PRC and their respective carrying value as at 30 June 2021 is less than 5% of the Group's total assets.
- Including five corporate debts in the PRC and their respective carrying value as at 30 June 2021 is less than 5% of the Group's total assets.

Contingent Liabilities

As at 30 June 2021, the Group did not have any unrecorded significant contingent liabilities, guarantees or any litigation against the Group.

Pledge of Assets

As at 30 June 2021, bank balances amounting to RMB4.5 million were restricted, including the restricted bank balances in accordance with requirements of some local education bureaus on launching the private education business and for capital verification purpose upon setting up some of the Group's subsidiaries.

Bank Loans and Other Borrowings

As at 30 June 2021, the balance of bank loans amounted to RMB355.3 million.

Foreign Exchange Exposure

Our Group's sales and purchases during the Reporting Period were mostly denominated in Renminbi. Therefore, 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 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, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council of the People's Republic of China recently issued the Opinions on Further Reducing the Burden of Compulsory Education Students' Homework and Off-campus Training* (《關於進一步減輕義務教育階段學生作業負擔和校外培訓負擔的意見》) (the “**Opinions**”), which regulates institutions offering tutoring on the school curriculum. It is expected that the implementation of the Opinions will have a significant impact on the operation of the Group. The Group will make appropriate adjustment of its business model to ensure the compliance with the new policies under the Opinions, while actively follows the instructions of the regulatory authority while advancing the comprehensive and diversified development of its business. The Company will make further announcement(s) in relation to compliance with the Listing Rules and the applicable laws and regulations as and when appropriate.

HUMAN RESOURCES

As at 30 June 2021, the Group had a total of 7,759 (30 June 2020: 6,686) 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 RMB2.1 million. In addition, discretionary bonus is offered to eligible employees by reference to the Group's results and individual performance.

* For identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

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

USE OF PROCEEDS FROM THE LISTING

The net proceeds from 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**”).

As at 31 December 2020, proceeds of HK\$7.9 million remain unused. The expected timeline of using the unused proceeds was on or before 30 June 2021. As at 30 June 2021, all of HK\$7.9 million proceeds have been utilized.

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 2021 and the intended use of the proceeds and the expected timeline are set out as below:

Business objective as stated in the Prospectus⁽²⁾	Percentage of use of proceeds as stated in the Prospectus	Unused net proceeds as at 1 January 2021 HK\$'million	Actual use of net proceeds during the period from 1 January 2021 to 30 June 2021⁽¹⁾ HK\$'million	Proceeds unused HK\$'million	Expected timeline
For footprint expansion	50%		–	–	Completed
For seeking strategic alliances and acquisitions to support and expand the operations	30%	7.9	7.9	–	Completed
For investments to improve the teaching quality	20%		–	–	Completed

Notes:

1. 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.
2. The Company also confirms that the actual use of the proceeds is in line with the business objective as stated in the Prospectus.

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

In January 2021, an aggregate of 2,499,000 shares were repurchased by the Company, at a total consideration of HK\$6,807,270 and all of these shares were cancelled in April 2021.

Save as the Shares purchased by the trustee of the Company, Ms. Shaoping Fu (the “**Trustee**”) under the RSU scheme and disclosed above, 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 2020 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 2021, 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; Founder of a discretionary trust; interest held jointly with another person	459,098,231 (L)	54.19%
Mr. Junying Tang ⁽³⁾	Founder of a discretionary trust; interest held jointly with another person	459,098,231 (L)	54.19%
Mr. Gui Zhou ⁽⁴⁾	Beneficial owner; Founder of a discretionary trust; interest held jointly with another person	459,098,231 (L)	54.19%
Mr. Wenhui Xu ⁽⁵⁾	Beneficial owner; interest in a controlled corporation	10,911,527 (L)	1.29%

Notes:

- (1) The letter “L” denotes the person's long position in the Shares.
- (2) Under the SFO, Mr. Junjing Tang is deemed to be interested in 171,165,101 Shares held by JTC Trustees (BVI) Limited, a trust which he is a founder. 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) Under the SFO, Mr. Junying Tang is deemed to be interested in 143,510,888 Shares held by JTC Trustees (BVI) Limited, a trust which he is a founder. 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) Under the SFO, Mr. Gui Zhou is deemed to be interested in 142,258,242 Shares held by JTC Trustees (BVI) Limited, a trust which he is a founder. 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 2021.

Save as disclosed in this interim report and to the best knowledge of the Directors, as at 30 June 2021, 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 2021, 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. In the event of changes in the shareholding of the Shareholders in the Company, the Shareholders will not be required to notify the Company and the Stock Exchange unless certain conditions are met. Therefore, the latest shareholding of the Shareholders in the Company may be different from the shareholding submitted to the Stock Exchange:

Name	Capacity	Number of ordinary shares interested ⁽¹⁾	Approximate percentage ⁺ of the Company's issued share capital
Ms. Yanyun Huang ⁽²⁾	Spouse interest	459,098,231 (L)	54.19%
Elite Education Investment Co. Ltd.	Beneficial owner; Interests held jointly with another person	457,775,231 (L)	54.03%
Ms. Hua Yu ⁽³⁾	Spouse interest	459,098,231 (L)	54.19%
Texcellence Holding Company Limited	Beneficial owner; Interests held jointly with another person	459,098,231 (L)	54.19%
Ms. Xiaoying Zhang ⁽⁴⁾	Spouse interest	459,098,231 (L)	54.19%
Jameson Ying Industrial Co. Ltd.	Beneficial owner; Interests held jointly with another person	458,257,231 (L)	54.09%
Soarise Bulex Limited ⁽⁵⁾	Nominee for another person (other than a bare trustee)	121,136,044 (L)	14.30%
Ms. Shaoping Fu ⁽⁵⁾	Trustee	121,136,044 (L)	14.30%
JTC Trustees (BVI) Limited	Trustee	456,934,231 (L)	53.93%

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) Pursuant to the RSU Scheme, (i) 27,292,396 existing Shares were reserved; (ii) 43,540,000 new Shares were allotted and issued at par value to Soarise Bulex Limited on the Listing Date will be reserved for the vesting of RSUs granted under the RSU Scheme; and (iii) 60,639,000 Shares were purchased by the trustee pursuant to the RSU Scheme as at 30 June 2021. Ms. Shaoping Fu has been appointed as the trustee of the RSU Scheme and Soarise Bulex Limited 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. Out of the 121,136,044 Shares held by Soarise, 2,656,432 Shares have been vested, pending transfer to the relevant grantees.
- + The percentage represents the number of ordinary Shares interested divided by the number of the issued Shares as at 30 June 2021.

Save as disclosed above and to the best knowledge of the Directors, as at 30 June 2021, 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.

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(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 2021	Net Profit as at 30 June 2021	Total Asset as at 30 June 2021
PRC Operating Entities	100%	-312%	94%

(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.

RESTRICTED SHARE UNITS SCHEME AND SHARE OPTION SCHEME

Restricted Share Units Scheme (“RSU Scheme”)

The Company approved and adopted the RSU Scheme on 3 December 2018, the principal terms of which are set out in the section headed “Statutory and General Information – D. Share Incentive Schemes – 1. RSU Scheme” in Appendix IV of the Prospectus.

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.

As at 30 June 2021, the Board resolved to grant certain number of restricted share units at a consideration of RMB0.8 or nil per share to 733 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 2021, the Trustee has purchased an aggregate of 60,639,000 shares (representing approximately 7%¹ of the total issued shares of the Company) under the RSU Scheme. A total of 53,089,173 shares (representing approximately 6%¹ of the total issued shares of the Company) have been granted to employees of the Group under the RSU Scheme.

As the RSU Scheme does not involve the grant of options by the Company to subscribe for new Shares, the RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules.

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.

¹ The percentage represents the number of shares divided by the number of the Company’s issued shares as at 30 June 2021.

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 2021 and up to the date of this interim report. As at 30 June 2021, the remaining life of the Share Option Scheme is 7 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, 31 August 2021

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	4	1,096,355	769,295
Cost of sales		(674,430)	(495,441)
Gross profit		421,925	273,854
Other income and gains, net	4	51,703	20,330
Investment income		11,978	3,105
Selling expenses		(124,542)	(89,158)
Research and development expenses		(84,963)	(78,629)
Administrative expenses		(116,766)	(106,777)
Share of losses of associates		(1,966)	(4,362)
Share of profit of a joint venture		87	86
Fair value changes on investments at fair value through profit or loss	13	29,156	65,597
Finance cost	6	(30,457)	(24,568)
Other expenses		(147,513)	(4,021)
PROFIT BEFORE TAX		8,642	55,457
Income tax expense	7	(7,234)	(2,472)
PROFIT FOR THE PERIOD		1,408	52,985
Attributable to:			
Owners of the parent		5,836	54,506
Non-controlling interests		(4,428)	(1,521)
		1,408	52,985
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic			
– For profit for the period		RMB0.8 cents	RMB6.9 cents
Diluted			
– For profit for the period		RMB0.8 cents	RMB6.7 cents

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	1,408	52,985
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	(2,482)	5,292
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	(2,482)	5,292
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(2,482)	5,292
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(1,074)	58,277
Attributable to:		
Owners of the parent	3,354	59,798
Non-controlling interests	(4,428)	(1,521)
	(1,074)	58,277

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	Notes	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	159,235	206,217
Right-of-use assets	11(a)	1,023,473	837,494
Intangible assets		37,363	33,427
Investments in joint ventures		8,233	5,450
Investments in associates	12	43,701	79,719
Equity investments at fair value through profit or loss	13	6,120	6,346
Debt investments measured at amortised cost		296,389	215,292
Debt investments at fair value through profit or loss	13	28,324	15,252
Time deposits		50,000	151,070
Prepayments for purchases of property, plant and equipment		11,378	4,467
Deferred tax assets		30,049	17,687
Total non-current assets		1,694,265	1,572,421
CURRENT ASSETS			
Short-term debt investments measured at fair value through profit or loss	13	727,448	682,299
Short-term equity investments measured at fair value through profit or loss	13	86,987	84,825
Short-term debt investments measured at amortised cost		290,844	30,175
Prepayments, deposits and other receivables	14	129,414	117,277
Restricted cash	15	4,537	2,631
Cash and cash equivalents	15	205,759	693,733
Other current assets		604	692
Short-term time deposits		172,955	–
Total current assets		1,618,548	1,611,632
CURRENT LIABILITIES			
Other payables and accruals	16	359,933	291,535
Interest-bearing bank loans	17	259,827	204,000
Lease liabilities	11(b)	245,290	211,546
Contract liabilities		775,465	797,078
Tax payable		14,429	22,703
Total current liabilities		1,654,944	1,526,862

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	Notes	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
NET CURRENT (LIABILITIES)/ASSETS		(36,396)	84,770
TOTAL ASSETS LESS CURRENT LIABILITIES		1,657,869	1,657,191
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	17	95,500	145,000
Lease liabilities	11(b)	878,320	716,321
Total non-current liabilities		973,820	861,321
Net assets		684,049	795,870
EQUITY			
Equity attributable to owners of the parent			
Share capital	18	303	304
Reserves		690,627	798,039
		690,930	798,343
Non-controlling interests		(6,881)	(2,473)
Total equity		684,049	795,870

No ageing analysis has been prepared as there were no trade payable and trade receivable as at 30 June 2021 (2020: Nil).

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	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 2021 (audited)	304	248,380	(83,162)	12,136	100,673	226,302	(33,668)	327,378	798,343	(2,473)	795,870
Profit for the period	-	-	-	-	-	-	-	5,836	5,836	(4,428)	1,408
Other comprehensive income for the period:											
Exchange differences on translation of financial statements	-	-	-	-	-	-	(2,482)	-	(2,482)	-	(2,482)
Total comprehensive income for the period	-	-	-	-	-	-	(2,482)	5,836	3,354	(4,428)	(1,074)
Share-based payments	-	-	-	2,114	-	-	-	-	2,114	-	2,114
Exercise of share awards under the restricted share unit scheme	-	-	**	(762)	-	-	-	762	-	-	-
Repurchase of shares under the restricted share unit scheme	-	-	(73,172)	-	-	-	-	-	(73,172)	-	(73,172)
Repurchase and cancellation of shares	(1)	(5,677)	-	-	-	-	-	-	(5,678)	-	(5,678)
Deregistration of a subsidiary	-	-	-	-	(2,461)	-	-	2,461	-	-	-
Contributions from minority shareholders	-	-	-	-	-	-	-	-	-	20	20
Final 2020 dividend declared	-	(34,031)	-	-	-	-	-	-	(34,031)	-	(34,031)
At 30 June 2021 (unaudited)	303	208,672	(156,334)	13,488	98,212	226,302	(36,150)	336,437	690,930	(6,881)	684,049

* These reserve accounts comprise the reserves of RMB690,627,000 in the unaudited interim condensed consolidated statement of financial position as at 30 June 2021.

** The amount was less than RMB1,000.

continued/...

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	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 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.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		8,642	55,457
Adjustments for:			
Interest income	4	(7,827)	(2,858)
Investment income		(11,978)	(3,105)
Gain on disposal of an associate	4	(20,511)	–
Loss on disposal of items of property, plant and equipment	5	875	45
Equity-settled compensation costs	5	2,114	9,383
Depreciation of property, plant and equipment	5	38,881	37,472
Depreciation of right-of-use assets	5, 11	117,731	101,986
Gain on lease modifications	4, 5	(1,666)	(184)
Amortisation of intangible assets	5	3,711	1,734
Finance costs	6	30,457	24,568
Share of losses of associates		1,966	4,362
Share of profit of a joint venture		(87)	(86)
Change in fair value of investments measured at fair value through profit or loss	13	(29,156)	(65,597)
Impairment of property, plant and equipment		75,698	–
Impairment of financial assets		31,885	–
Impairment of investment in associates	12	35,252	–
Loss on disposal of a subsidiary	20	–	45
COVID-19-related rent concessions from lessors	11(b)	(841)	(12,217)
		275,146	151,005
Increase in prepayments, deposits and other receivables		(25,350)	(15,535)
Decrease in other current assets		88	224
(Decrease)/increase in other payables and accruals		(395)	8,817
Decrease in contract liabilities		(21,613)	(243,791)
Cash from/(used in) from operations		227,876	(99,280)
Interest received		3,975	1,857
Corporate income tax paid		(27,870)	(18,285)
Net cash flows from/(used in) operating activities		203,981	(115,708)

continued/...

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021	2020
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income received		19,149	12,656
Purchases of items of property, plant and equipment		(68,345)	(22,947)
Purchases of items of intangible assets		(7,647)	(7,994)
Proceeds from disposal of items of property, plant and equipment and intangible assets		–	89
Disposal of a subsidiary	20	–	(40)
Acquisition of associates		(1,000)	–
Disposal of an associate		20,511	508
Dividend received from an associate		200	55
Purchase of equity investments at fair value through profit or loss		–	(1,064)
Disposal of equity investments		–	65,989
Purchases of debt investments measured at fair value through profit or loss		(10,202)	(182,160)
Receipt from maturity of debt investments measured at fair value through profit or loss		–	14,168
Purchases of debt investments measured at amortised cost		(97,000)	–
Purchases of short-term debt investments measured at fair value through profit or loss		(575,050)	(686,000)
Receipt from maturity of short-term debt investments measured at fair value through profit or loss		542,061	898,954
Purchase of short-term investment measured at amortised cost		(285,000)	(80,000)
Receipt from maturity of short-term investment measured at amortised cost		30,000	50,000
Purchases of time deposits		(120,000)	–
Receipt from time deposits		50,000	–
Prepayment for acquisition		(5,440)	–
Net cash flows (used in)/from investing activities		(507,763)	62,214
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase of shares	19(a)	(78,850)	(27,455)
Capital contribution		20	–
Principal portion of lease payments	11(b)	(105,396)	(71,278)
Interest portion of lease payments	11(b)	(24,296)	(22,897)
New bank loans		208,327	251,500
Repayment of a bank loan		(202,000)	–
Increase in amounts due to related parties		24,565	–
Interest paid		(6,152)	(1,671)
Dividends paid	8	–	(56,154)
Proceeds from exercise of share awards		–	5,384
Net cash flows (used in)/from financing activities		(183,782)	77,429

continued/...

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Note	Six months ended 30 June	
		2021	2020
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(487,564)	23,935
Cash and cash equivalents at beginning of period		693,733	196,429
Effect of foreign exchange rate changes, net		(410)	163
CASH AND CASH EQUIVALENTS AT END OF PERIOD		205,759	220,527
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	15	205,759	220,527
Cash and cash equivalents as stated in the statement of cash flows		205,759	220,527

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

1. CORPORATE AND GROUP INFORMATION

China Beststudy Education Group (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 2021, there was no change to the principal activities of the Company and its subsidiaries (collectively referred to as the “**Group**”).

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

2.1 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with 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 2020.

Going concern

The Group recorded net current liabilities of RMB36,396,000 as at 30 June 2021. Included therein there were contract liabilities of RMB775,465,000. The directors of the Group are of the opinion that the Group has sufficient resources to continue as a going concern excluding the influences of contract liabilities and it is appropriate to prepare the unaudited interim condensed consolidated financial statement on a going concern basis.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

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

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- (b) Amendment to IFRS 16 issued in April 2021 extends the availability of the 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 by 12 months (the “**2021 Amendment**”). Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group’s buildings had been reduced or waived by the lessors as a result of the pandemic and there were no other changes to the terms of the leases. The Group elected to apply the practical expedient for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. The Group has early adopted the 2021 Amendment on 1 January 2021 and applied the practical expedient during the period ended 30 June 2021 to all eligible rent concessions under the 2021 Amendment. As a result, a reduction in the lease payments arising from the rent concessions of RMB841,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of 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	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<i>Revenue from contracts with customers</i>		
Premium learning programs		
– Small group tutoring	508,079	375,288
– Individualised tutoring	471,236	281,194
Full-time revision programs	83,158	94,873
Talent education	33,500	17,231
Others	382	709
	1,096,355	769,295

Revenue from contracts with customers

(i) Disaggregated revenue information

For the six months ended 30 June 2021

Segments	Small group tutoring RMB'000 (Unaudited)	Individualised tutoring RMB'000 (Unaudited)	Full-time revision 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	-	471,236	-	-	382	471,618
Services transferred over time	508,079	-	83,158	33,500	-	624,737
	508,079	471,236	83,158	33,500	382	1,096,355

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

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

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

For the six months ended 30 June 2020

Segments	Small group tutoring RMB'000 (Unaudited)	Individualised tutoring RMB'000 (Unaudited)	Full-time revision 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

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	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At the beginning of the period	797,078	775,071
Cash refunded to customers that was included in contract liability at the beginning of the period	(22,610)	(73,098)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	(774,468)	(701,973)
Increases due to cash received, excluding amounts recognised as revenue during the period	775,465	531,280
At the end of the period	775,465	531,280

(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 revision 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.

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

Other income and gains, net

	Notes	For the six months ended	
		2021	2020
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
<i>Other income and gains, net</i>			
Interest income		7,827	2,858
VAT exemption	(i)	15,843	16,104
Subsidy income from the PRC government	(ii)	5,768	1,041
Gain on lease modifications		1,666	184
Gain on disposal of an associate	(iii)	20,511	–
Others		88	143
		51,703	20,330

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.
- (iii) The Group transferred the total equity interest of Guangzhou GROW Education Technology Co., Ltd. 廣州市果肉教育科技有限公司 (“**Guangzhou GROW**”) to a third party at a consideration of RMB20,511,000.

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5. PROFIT BEFORE TAX

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

	Notes	For the six months ended	
		2021	2020
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Employee benefit expense (excluding Directors' remuneration):			
Wages and salaries		514,629	406,989
Pension scheme contributions		59,642	32,203
Equity-settled compensation costs		2,114	9,383
		576,385	448,575
Cost of services provided*		674,430	495,441
Depreciation of property, plant and equipment		38,881	37,472
Depreciation of right-of-use assets	11(a)	117,731	101,986
Amortisation of intangible assets		3,711	1,734
Lease payments not included in the measurement of lease liabilities	11(c)	5,455	2,863
COVID-19-related rent concessions from lessors	11(b)	(841)	(12,217)
Loss on disposal of items of property, plant and equipment, net		875	45
Gain on lease modifications	4	(1,666)	(184)
Interest income	4	(7,827)	(2,858)
Interest on bank loans and other borrowing	6	6,161	1,671
Interest on lease liabilities	6	24,296	22,897
VAT exemption	4	(15,843)	(16,104)
Subsidy income from the PRC government	4	(5,768)	(1,041)
Foreign exchange difference, net		89	584
Loss on disposal of a subsidiary	19	–	45
Impairment of property, plant and equipment	10	75,698	–
Impairment of financial assets		31,885	–
Impairment of investment in associates	12	35,252	–
Fair value gains:			
Equity investments at fair value through profit or loss	12	(2,845)	(42,128)
Debt investments at fair value through profit or loss	12	(26,311)	(23,469)
Auditor's remuneration		1,563	1,440

* The staff costs of RMB451,545,000 (six months ended 30 June 2020: RMB329,123,000) and the depreciation and amortisation of RMB142,893,000 (six months ended 30 June 2020: RMB125,839,000) are included in "Cost of sales" in the unaudited interim condensed consolidated statement of profit or loss.

6. FINANCE COSTS

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Interest on bank loans and other borrowing	6,161	1,671
Interest on lease liabilities	24,296	22,897
	30,457	24,568

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.

Tibet Zhuoye Venture Capital Investment Management Co., Ltd. 西藏卓業創業投資管理有限公司 was entitled to a preferential tax rate of 15% from 2021 to 2030 according to the Announcement on Continuation of Corporate Income Tax Policies for Exploration and Development of Western Region (Announcement [2020] No.23).

Beijing Qiaowen Education Technology Co., Ltd. 北京巧問教育科技有限公司, Dongguan Dongcheng Jinghu Beststudy Training Centre Co., Ltd. 東莞市東城卓越培訓中心, Foshan Nanhai Beststudy Frontline Education and Training Centre 佛山市南海區卓越前線教育培訓中心, Zhongshan Xiaolan Zhuoye Boda Education and Training Centre 中山市小欖卓業博達教育培訓中心, Zhuhai Beststudy Education Training School 珠海市卓越教育培訓學校, Guangzhou Tianhe Beststudy Education and Training Centre Co., Ltd. 廣州市天河區卓越教育培訓中心有限公司, Nanning Qingxiu Zhuole Training School Co., Ltd. 南寧市青秀區卓樂培訓學校有限公司, Guangzhou Aiyuwen Technology Information Consulting Co., Ltd. 廣州市愛語文科技諮詢有限責任公司, Guangzhou Huadu Beststudy After-school Education and Training Centre Co., Ltd. 廣州市花都區卓越課外教育培訓中心有限公司, Foshan Nanhai Zhuozhu Education and Training Centre Co., Ltd. 佛山市南海區卓著教育培訓中心有限公司, Foshan Nanhai Zhuoming Education and Training Centre Co., Ltd. 佛山市南海區卓明教育培訓中心有限公司, Foshan Nanhai Zhuokai Education and Training Centre Co., Ltd. 佛山市南海區卓凱教育培訓中心有限公司, Foshan Nanhai Zhuohong education Training Center Co., Ltd. 佛山市南海區卓泓教育培訓中心有限公司, Foshan Nanhai Zhuocheng Education Training Center Co., Ltd. 佛山市南海區卓誠教育培訓中心有限公司 and Foshan Nanhai Xinzhuoyue Education and Training Centre Co., Ltd. 佛山市南海區新卓越教育培訓中心有限公司 were certified as small and micro-sized enterprise ("SME") in 2020 and 2021. They enjoyed 87.5% 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 (2020: 25%).

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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	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current – the PRC Charge for the period	19,596	4,588
Deferred	(12,362)	(2,116)
Total tax charge for the period	7,234	2,472

8. DIVIDENDS

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Final dividend declared – 5.5 cents per ordinary share (2020: HK\$5.3 cents per ordinary share)	34,031	40,769
Final special dividend declared – nil (2020: HK\$2.0 cents per ordinary share)	–	15,385
	34,031	56,154

On 14 May 2021, the board of directors declared final dividend and final special dividend, out of the share premium account of the Company for the year ended 31 December 2020. The dividend was paid on 12 July 2021.

No interim dividend was proposed during the period (six months ended 30 June 2020: nil).

9. 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 adjusted weighted average number of ordinary shares of 753,931,100 (six months ended 30 June 2020: 793,386,642) in 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 calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	5,836	54,506
	Number of shares for the six months ended 30 June	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue	847,478,718	849,720,000
Weighted average number of shares held for the RSU Scheme	(93,547,618)	(56,333,358)
Adjusted weighted average number of ordinary shares in issue used in the basic earnings per share calculation	753,931,100	793,386,642
Effect of dilution – weighted average number of ordinary shares: RSU Scheme	16,376,431	24,574,998
Adjusted weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	770,307,531	817,961,640

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10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired assets with a cost of RMB68,728,000 (six months ended 30 June 2020: RMB35,891,000).

Assets with a net book value of RMB1,131,000 were disposed of by the Group during the six months ended 30 June 2021 (six months ended 30 June 2020: RMB134,000), resulting in a net loss on disposal of RMB875,000 (six months ended 30 June 2020: net loss of RMB45,000).

The Group planned to close certain training centres and a full provision of the relevant leasehold improvements of these centres amounting to RMB75,698,000 (30 June 2020: nil) was recognised during the six months ended 30 June 2021.

11. 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:

	2021	2020
	Property	Property
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
As at 1 January	837,493	893,785
Additions	315,919	73,668
Depreciation charge (note 5)	(117,731)	(101,986)
Revision of a lease term arising from a change in the non-cancellable period of a lease	(12,208)	(25,202)
As at 30 June	1,023,473	840,265

11. 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:

	2021	2020
	Lease liabilities	Lease liabilities
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Carrying amount at 1 January	927,866	959,385
New leases	315,919	73,668
Accretion of interest recognised during the period	24,296	22,897
Payments	(129,692)	(94,175)
COVID-19-related rent concessions from lessors	(841)	(12,217)
Revision of a lease term arising from a change in the non-cancellable period of a lease	(13,938)	(25,621)
Carrying amount at 30 June	1,123,610	923,937
Analysed into:		
Current portion	245,290	196,522
Non-current portion	878,320	727,415

As disclosed in note 2.2 to the condensed consolidated financial statements, the Group has early adopted the amendment to IFRS 16 and applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain property during the reporting period.

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

	For the six months ended	
	30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on lease liabilities	24,296	22,897
Depreciation charge of right-of-use assets	117,731	101,986
Expense relating to short-term leases (included in cost of sales, selling expenses, research and development expenses and administrative expenses)	5,455	2,863
COVID-19-related rent concessions from lessors	(841)	(12,217)
Total amount recognised in profit or loss	146,641	115,529

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12. INVESTMENTS IN ASSOCIATES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Share of net assets	24,192	24,958
Goodwill on acquisition	54,761	54,761
Impairment	(35,252)	–
	43,701	79,719

Particulars of the associates are as follows:

Name	Place of incorporation/ registration and business	Particulars of registered capital RMB'000	Percentage of ownership interest attributable to the Group		Principal activities
			2021	2020	
Guangdong Donghu Qiyuan Co., Ltd. ("Donghu Qiyuan") *	Mainland China	1,429	30.00	30.00	Chess training services
Guangzhou Sairui Sports Co., Ltd. ("Sairui Sports") *	Mainland China	167	24.00	24.00	Physical education services
Guangzhou Haite Sports Development Co., Ltd. ("Haite Sports") *	Mainland China	1,250	36.00	36.00	Physical education services
Guangzhou Xinyue Sports Co., Ltd. ("Xinyue Sports") *	Mainland China	5,000	40.00	40.00	Physical education services
Beijing Xiaohu Times Education Technology Co., Ltd. ("Beijing Xiaohu") **	Mainland China	1,163	2.61	2.61	Consulting services
Beijing Tengyue Zhihui Network Technology Co., Ltd. ("Beijing Tengyue") **	Mainland China	1,546	10.54	10.54	Online education services
Guangzhou Walmonos Sports Development Co., Ltd. ("Walmonos Sports") **	(i) Mainland China	1,087	18.00	18.00	Physical education services
Guangzhou Yuyou Pinxue Co., Ltd. ("Yuyou Pinxue") **	(ii) Mainland China	1,304	17.48	17.48	After-school education services
Xiaohu Education Technology (Wuhan) Co., Ltd. ("Xiaohu Education (Wuhan)") **	(iii) Mainland China	5,333	10.00	10.00	After-school education services

12. INVESTMENTS IN ASSOCIATES (continued)

Name	Place of incorporation/ registration and business	Particulars of registered capital RMB'000	Percentage of ownership interest attributable to the Group		Principal activities
			2021	2020	
Guangzhou GROW*	(iv) Mainland China	2,442	-	24.57	Internet information and culture services
Shanghai Juzhi Future Culture Communication Co., Ltd. ("Shanghai Juzhi")*	(v) Mainland China	10,000	40.00	40.00	After-school education services
Guangzhou Wandou Information and Technology Co., Ltd. ("Guangzhou Wandou")*	(vi) Mainland China	3,000	33.33	-	Information and technology services
Guangzhou Shengshi Zhiben Education Investment Co., Ltd. ("Guangzhou Shengshi")*	(vii) Mainland China	2,000	20.00	-	Education investment and consultation services

* The financial statements of these companies for the year were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

In the opinion of the Directors, the Group has significant influence over these associates and determined that it has significant influence through the board representation, even though the respective shareholdings of some investments are below 20%. Accordingly, these investments have been classified as associates.

- (i) During the year ended 31 December 2020, the Group received dividend amounting to RMB55,000 from Walmonos Sports.
- (ii) During the year ended 31 December 2020, the equity interest percentage was decreased to 17.48% due to the capital contribution of other shareholders.
- (iii) During the six months ended 30 June 2021, the Group received dividend amounting to RMB200,000 from Xiaohu Education (Wuhan).
- (iv) The Group transferred the total equity interest in Guangzhou GROW to a third party at a consideration of RMB20,511,000 during the six months ended 30 June 2021.
- (v) The Group contributed total capital of RMB12,000,000 to Shanghai Juzhi, representing a 40% equity interest during the year ended 31 December 2020.
- (vi) The Group contributed the total capital of RMB1,000,000 to Guangzhou Wandou, representing a 33.33% equity interest during the six months ended 30 June 2021.
- (vii) The Group contributed the total capital of RMB400,000 to Guangzhou Shengshi, which was paid in July 2021, representing a 20% equity interest during the six months ended 30 June 2021.

The Group's shareholding in the associates represents equity shares held through its wholly-owned subsidiaries of the Company.

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12. INVESTMENTS IN ASSOCIATES (continued)

The Group recognised a full provision of investments in five associates, amounting to RMB35,252,000, due to the changes in outlook of the associates and the market environment of the underlying business.

The Group's other receivables and other payables with associates are disclosed in note 14 and note 16 to the condensed consolidated financial statements.

Beijing Tengyue and Walmonos Sports are considered material associates of the Group and are accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Beijing Tengyue adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	30 June 2021 RMB'000	31 December 2020 RMB'000
Current assets	13,237	22,216
Non-current assets	636	2,404
Current liabilities	(63,067)	(60,770)
Net liabilities	(49,194)	(36,150)
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	10.54%	10.54%
Group's share of net assets of the associate	(5,185)	(3,810)
Goodwill on acquisition (less cumulative impairment)	26,735	26,735
Impairment	(21,550)	–
Carrying amount of the investment	–	22,925
Revenue	30,709	44,251
Loss and total comprehensive loss for the year	(13,044)	(27,143)

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12. INVESTMENTS IN ASSOCIATES (continued)

The following table illustrates the summarised financial information in respect of Walmonos Sports adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	30 June 2021 RMB'000	31 December 2020 RMB'000
Current assets	52,862	42,973
Non-current assets	14,267	11,972
Current liabilities	(56,718)	(47,008)
Non-current liabilities	(6,000)	–
Net assets	4,411	7,937
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	18.00%	18.00%
Group's share of net assets of the associate	794	1,428
Goodwill on acquisition (less cumulative impairment)	22,604	22,604
Carrying amount of the investment	23,398	24,032
Revenue	43,824	56,064
Loss and total comprehensive loss for the year	(3,526)	(5,425)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	30 June 2021 RMB'000	31 December 2020 RMB'000
Share of the associates' profits for the year	43	1,373
Share of the associates' total comprehensive income	43	1,373
Aggregate carrying amount of the Group's interests in the associates	23,203	32,762

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13. OTHER INVESTMENTS

		30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Non-current assets			
Equity investments at fair value through profit or loss			
– Unlisted equity investments	(i)	6,120	6,346
Debt investments at amortised cost			
– Corporate debts	(ii)	296,389	215,292
Debt investments at fair value through profit or loss			
– Unlisted asset management plan	(iii)	10,067	–
– Funds	(iii)	18,257	15,252
		330,833	236,890
Current assets			
Short-term debt investments measured at fair value through profit or loss			
– Unlisted trust plans and asset management plans	(iii)	391,546	200,228
– Wealth management products issued by banks	(iii)	40,252	304,414
– Funds	(iii)	295,650	177,657
		727,448	682,299
Short-term equity investments measured at fair value through profit or loss			
– Listed equity investments	(iv)	86,987	84,825
Short-term debt investments measured at amortised cost			
– Corporate debts	(ii)	290,844	30,175
		1,105,279	797,299

13. OTHER INVESTMENTS (continued)

- (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 financing plans with guaranteed returns. They are denominated in RMB. None of these investments are past due.
- (iii) Unlisted trust plans, asset management plans and funds issued by financial institutions, and wealth management products issued by banks, were denominated in Renminbi (“RMB”) and US dollar (“US\$”) at aggregate amounts of RMB679,186,000 and RMB76,586,000 (2020: RMB571,938,000 and RMB125,613,000), with an expected rate of return ranging from 4.0% to 8.0% (2020: 3.3% to 10.0%) 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	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Investment income from debt investments measured at amortised cost		
– Corporate debts	11,978	2,952
– Structured deposit	–	153
	11,978	3,105
Fair value changes on equity investments		
– Unlisted equity investments	(165)	–
– Listed equity investments	3,010	42,128
Fair value changes on debt investments		
– Unlisted trust plans and asset management plans	9,811	8,737
– Wealth management products issued by banks	2,409	3,300
– Funds	14,091	11,432
	29,156	65,597
Impairment of financial asset		
– Corporate debt	(15,000)	–

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14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Rental and other deposits	59,361	56,815
Receivables from payment channels	23,443	18,776
Prepaid operation expenses	13,487	13,216
Loans to employees	10,896	13,229
Prepayment for acquisition	5,440	–
Proceeds receivable	4,693	4,693
Staff advances	1,022	332
Amounts due from related parties	78	–
Others	10,994	10,216
	129,414	117,277

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, proceeds receivable, prepayment for acquisition, amounts due from related parties, 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 rental deposits, loans to employees and proceeds receivable, in the situation of a default, the Group might reduce the loss by negotiating settlement based on obtaining a right of use over lease assets or services. 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, proceeds receivable, amounts due from related parties and others are financial assets. Except for the rental deposits, none of the above financial assets is either past due or impaired.

During the six months ended 30 June 2021, an impairment loss of RMB16,885,000 (30 June 2020: nil) was recognised for certain rental deposits. The Group planned to close certain training centres and a full provision of these deposits was recognised.

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 2021 and 31 December 2020, the loss allowance was assessed to be minimal.

15. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Cash and bank balances	210,296	696,364
Less: restricted cash	4,537	2,631
Cash and cash equivalents	205,759	693,733

As at the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB191,443,000 (2020: RMB684,107,000). 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 2021, bank balances amounting to RMB4,537,000 (2020: RMB2,631,000) are restricted. Bank balances amounting to RMB2,200,000 (2020: RMB302,000) were restricted for capital verification purpose upon setting up nine (2020: four) of the Group's subsidiaries. Bank balances amounting to RMB2,337,000,000 (2020: RMB2,329,000) 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 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Accrued staff benefits and payroll	192,231	189,476
Payable for operating activities	66,477	72,177
Dividend payable	34,071	–
Amount due to related parties	28,046	203
Refund liabilities	11,425	8,625
Other tax payables	8,883	4,529
Deposits	3,991	3,607
Payable for listing expenses	669	691
Interest payable	356	347
Others	13,784	11,880
	359,933	291,535

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 2021			31 December 2020		
	Effective interest rate (%)	Maturity	RMB'000 (Unaudited)	Effective interest rate (%)	Maturity	RMB'000 (Audited)
Current						
Lease liabilities (note 11(b))	4.75-4.9	2021-2022	245,290	4.75-4.9	2021	211,546
Bank loans – unsecured	3.55/ HIBOR+2.3	2022	208,327	3.05	2021	200,000
Current portion of long-term bank loans – unsecured	3.60	2021-2022	51,500	3.60	2021	4,000
			505,117			415,546
Non-current						
Lease liabilities (note 11(b))	4.75-4.9	2022-2030	878,320	4.75-4.9	2022-2030	716,321
Bank loans – unsecured	3.60	2022	95,500	3.60	2022	145,000
			973,820			861,321
			1,478,937			1,276,867

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Analysed into:		
Bank loans:		
Within one year or on demand	259,827	204,000
In the second year	95,500	145,000
	355,327	349,000
Other borrowings repayable:		
Within one year or on demand	245,290	211,546
In the second year	239,354	189,736
In the third to fifth years, inclusive	508,007	408,461
Beyond five years	130,959	118,124
	1,123,610	927,867
	1,478,937	1,276,867

Note:

The Group's interest-bearing bank loans are denominated in RMB. The bank loans of RMB147,000,000 are 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 while the other bank loans are unsecured.

18. SHARE CAPITAL

Shares

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Authorised: 3,000,000,000 ordinary shares of US\$0.00005 each as at 30 June 2021 (2020: 3,000,000,000 ordinary shares)	1,070	1,070
Issued and fully paid: 847,221,000 ordinary shares as at 30 June 2021 (2020: 849,720,000 ordinary shares)	303	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 2020, 31 December 2020 and 1 January 2021	849,720,000	304
Shares repurchased and cancelled	(2,499,000)	(1)
At 30 June 2021	847,221,000	303

The company purchased 2,499,000 of its ordinary shares on the Hong Kong Stock Exchange at a total consideration of HK\$6,807,270, approximately RMB5,677,000. The purchased shares were cancelled during the six months ended 30 June 2021.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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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 2021 and the year ended 31 December 2020 are as follows:

	Notes	Number of shares	Amount RMB'000
As at 1 January 2020		54,983,978	4,684
Repurchase of shares held for RSU Scheme	(i)	26,746,000	78,481
Exercise of share awards	(ii)	(9,507,620)	(3)
As at 31 December 2020 and 1 January 2021		72,222,358	83,162
Repurchase of shares held for RSU Scheme	(i)	32,318,000	73,172
Exercise of share awards	(ii)	(372,000)	—*
As at 30 June 2021		104,168,358	156,334

* The amount was less than RMB1,000.

Notes:

- (i) During the six months ended 30 June 2021, 32,318,000 (2020: 26,746,000) ordinary shares of the Company on the Stock Exchange were purchased for the RSU Scheme at a total consideration of HK\$89,669,000, approximately RMB73,172,000 (2020: HK\$88,275,000, approximately RMB78,481,000).
- (ii) On 3 September 2019, the board of directors of the Group 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.

During the year ended 31 December 2020, the Group granted a certain number of RSUs at a consideration of nil per share to 17 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\$3.20 (equivalent to RMB2.82) per share, HK\$2.80 (equivalent to RMB2.45) per share, HK\$2.90 (equivalent to RMB2.48) per share and HK\$3.10 (equivalent to RMB2.68) per share, respectively.

19. SHARE-BASED PAYMENT (continued)

(a) Restricted Share Unit Scheme (continued)

Notes: (continued)

(ii) (continued)

On 30 April 2021, the Group granted a certain number of RSUs at a consideration of nil per share to 365 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\$2.50 (equivalent to RMB2.05) 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 2021, 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 recognized equity-settled compensation costs of RMB2,114,000 (six months ended 30 June 2020: RMB9,383,000) in profit or loss in relation to the RSU Scheme.

A summary of the particulars of the RSUs granted under the RSU Scheme during the six months ended 30 June 2021 is as follows:

Date of grant	Number of outstanding granted RSUs as at 1 January 2021	Shares newly granted during the period	Fair value RMB'000	Exercise price RMB	Vesting date	Number of Awarded Shares		Outstanding granted RSUs as at 30 June 2021
						Vested during the period	Forfeited during the period	
	'000	'000				'000	'000	'000
3 September 2019	167	-	-	-	31 July 2021	-	-	167
3 September 2019	16,202	-	-	0.80	31 May 2022	-	1,080	15,122
3 September 2019	4,412	-	-	-	31 May 2022	-	350	4,062
3 September 2019	167	-	-	-	31 July 2022	-	-	167
3 September 2019	167	-	-	-	31 December 2023	-	-	167
10 September 2020	167	-	-	-	10 September 2021	-	-	167
10 September 2020	167	-	-	-	10 September 2022	-	-	167
10 September 2020	166	-	-	-	10 September 2023	-	-	166
29 October 2020	256	-	-	-	29 October 2021	-	-	256
29 October 2020	324	-	-	-	29 October 2022	-	-	324
29 October 2020	134	-	-	-	29 October 2023	-	-	134
8 November 2020	105	-	-	-	8 October 2021	-	-	105
8 November 2020	105	-	-	-	8 October 2022	-	-	105
8 November 2020	105	-	-	-	8 October 2023	-	-	105
8 November 2020	105	-	-	-	8 October 2024	-	-	105
30 April 2021	-	372	762	-	30 April 2021	372	-	-
	22,749	372	762			372	1,430	21,319

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19. SHARE-BASED PAYMENT (continued)

(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 A SUBSIDIARY

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 held by the Group. The disposal of Guangzhou Gaofen was completed in February 2020 with a loss of RMB45,000.

	31 December 2020 RMB'000 (Audited)
Net assets disposed of:	
Equity investments at fair value through profit or loss	65,989
Prepayments, deposits and other receivables	51
Cash and cash equivalents	40
Other payables and accruals	(66,035)
	45
Loss on disposal of subsidiaries	(45)
	—
Satisfied by:	
Cash	—*

20. DISPOSAL OF A SUBSIDIARY (continued)

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

	2020 RMB'000 (Audited)
Cash consideration	—*
Cash and bank balances disposed of	(40)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(40)

* 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.

22. COMMITMENTS

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Contracted, but not provided for: Leasehold improvements	14,865	7,785

(b) The Group's equity investments' capital commitments, which are not included in the above, is as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Contracted, but not provided for: Equity investments	16,350	8,000

(c) The Group has no lease contract that has not yet commenced as at 30 June 2021.

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23. RELATED PARTY TRANSACTIONS

(a) Name and relationship of related parties

Name	Relationship
Junjing Tang	Director
Junying Tang	Director
Gui Zhou	Director
Guangzhou Beststudy Ha Culture Communication Co., Ltd 廣州市卓越樂樂文化傳播有限公司 ("Lele Culture")	Joint venture of the Group
Guangzhou GROW	Disposed associate of the Group
Walmonos Sports	Associate of the Group
Xinyue Sports	Associate of the Group
Yuyou Pinxue	Associate of the Group
Haite Sports	Associate of the Group
Sairui Sports	Associate of the Group
Donghu Qiyuan	Associate of the Group
Guangzhou Shengshi	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 related parties

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Walmonos Sports	114	–
Xinyue Sports	56	–
Guangzhou GROW	–	1,930
	170	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	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Yuyou Pinxue	748	430

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

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

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Guangzhou GROW	–	82

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

(c) Outstanding balances with related parties

(1) Amounts due from related parties

	30 June	31 December
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Lele Culture	44	–
Haite Sports	34	–
	78	–

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

23. RELATED PARTY TRANSACTIONS (continued)

(c) Outstanding balances with related parties (continued)

(2) Amounts due to related parties

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Junjing Tang	9,987	–
Junying Tang	7,515	–
Gui Zhou	7,063	–
Lele Culture	2,750	–
Guangzhou Shengshi	400	–
Walmonos Sports	200	203
Xinyue Sports	56	–
Yuyou Pinxue	45	–
Sairui Sports	26	–
Donghu Qiyuan	4	–
	28,046	203

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	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Short term employee benefits	4,043	2,761
Pension scheme contributions	185	121
Equity-settled compensation costs	95	567
Total compensation paid to key management personnel	4,323	3,449

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 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Financial assets				
Equity investments at fair value through profit or loss				
– Unlisted equity investments	6,120	6,346	6,120	6,346
Debt investments at fair value through profit or loss				
– Unlisted trust plans and asset management plans	10,067	–	10,067	–
– Funds	18,257	15,252	18,257	15,252
Short-term equity investments measured at fair value through profit or loss				
– Listed equity investments	86,987	84,825	86,987	84,825
Short-term debt investments measured at fair value through profit or loss				
– Wealth management products issued by banks	40,252	304,414	40,252	304,414
– Unlisted trust plans and asset management plans	391,546	200,228	391,546	200,228
– Funds	295,650	177,657	295,650	177,657
	848,879	788,722	848,879	788,722

Management has assessed that the fair values of cash and cash equivalents, restricted cash, financial assets included in prepayments, deposits and other receivables, 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 debt investments measured at amortised cost, interest-bearing bank loans and 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 2021 and 31 December 2020 were assessed to be insignificant.

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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 2021

	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	–	–	6,120	6,120
Debt investments at fair value through profit or loss				
– Unlisted trust plans and asset management plans	–	10,067	–	10,067
– Funds	–	18,257	–	18,257
Short-term equity investments measured at fair value through profit or loss				
– Listed equity investments	86,987	–	–	86,987
Short-term debt investments measured at fair value through profit or loss				
– Wealth management products issued by banks	–	40,252	–	40,252
– Unlisted trust plans and asset management plans	–	391,546	–	391,546
– Funds	–	295,650	–	295,650
	86,987	755,772	6,120	848,879

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 2020

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Equity investments at fair value through profit or loss				
– Unlisted equity investments	–	–	6,346	6,346
Debt investments at fair value through profit or loss				
– Unlisted trust plans and asset management plans	–	–	–	–
– Funds	–	15,252	–	15,252
Short-term equity investments measured at fair value through profit or loss				
– Listed equity investments	84,825	–	–	84,825
Short-term debt investments measured at fair value through profit or loss				
– Wealth management products issued by banks	–	304,414	–	304,414
– Unlisted trust plans and asset management plans	–	200,228	–	200,228
– Funds	–	177,657	–	177,657
	84,825	697,551	6,346	788,722

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

Fair value hierarchy (continued)

	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Equity investments at fair value through profit or loss:		
As at 1 January	6,346	3,827
Total losses recognised in the unaudited interim condensed consolidated statement of profit or loss	(165)	–
Additions	–	1,064
Exchange realignment	(61)	57
As at 30 June	6,120	4,948

During the six months ended 30 June 2021, 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.

The Group did not have any financial liabilities measured at fair value as at the end of the reporting period.

25. EVENTS AFTER THE REPORTING PERIOD

The General Office of the Central Committee of the Communist Party of China and the General Office of the State Council of the People's Republic of China recently issued the Opinions on Further Reducing the Burden of Compulsory Education Students' Homework and Off-campus Training (“關於進一步減輕義務教育階段學生作業負擔和校外培訓負擔的意見”) (the “**Opinions**”), which regulates institutions offering tutoring on the school curriculum. The Group is seeking for adjustments on the business model to ensure compliance with the Opinions. The Group will keep continuous attention on the development of the Opinions and react actively to its impact on the operation and financial position of the Group.