卓越教育

China Beststudy Education Group
卓越教育集團*
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3978)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL AND KEY OPERATING DATA HIGHLIGHTS

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

Notes:

1: Adjusted Net Profit eliminates the effect of non-recurring items such as equity-settled compensation costs.

2: We adopted active strategies during Coronavirus disease 2019 ("**COVID-19**"), including the continuous introduction of more short-term courses apart from regular courses to attract customers during the Reporting Period, minimizing the impact of COVID-19 and securing more customers resources. For a better comparative understanding, the number of enrollments and the number of tutoring hours shown in the table above are all data from regular courses.

* *For identification purposes only*

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

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**769,295**	867,401
Cost of sales		**(495,441)**	(508,639)
Gross profit		**273,854**	358,762
Other income and gains, net	*4*	**20,330**	10,466
Investment income	*9*	**3,105**	1
Selling expenses		**(89,158)**	(60,699)
Research and development expenses		**(78,629)**	(82,260)
Administrative expenses		**(106,777)**	(95,805)
Share of losses of associates		**(4,362)**	(209)
Share of profit of a joint venture		**86**	90
Fair value changes on investments at fair value through profit or loss	*9*	**65,597**	23,451
Finance costs		**(24,568)**	(25,102)
Other expenses		**(4,021)**	(37,970)
PROFIT BEFORE TAX		**55,457**	90,725
Income tax expense	*6*	**(2,472)**	(15,469)
PROFIT FOR THE PERIOD		**52,985**	75,256
Attributable to:			
Owners of the parent		**54,506**	75,755
Non-controlling interests		**(1,521)**	(499)
		52,985	75,256
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic			
– For profit for the period		**RMB6.9 cents**	RMB9.7 cents
Diluted			
– For profit for the period		**RMB6.7 cents**	RMB9.7 cents

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**52,985**	75,256
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	**5,292**	622
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**5,292**	622
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**5,292**	622
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**58,277**	75,878
Attributable to:		
Owners of the parent	**59,798**	76,377
Non-controlling interests	**(1,521)**	(499)
	58,277	75,878

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

	Notes	**30 June 2020** ***RMB'000*** **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**200,312**	202,027
Right-of-use assets		**840,265**	893,785
Intangible assets		**24,328**	15,808
Investment in a joint venture		**5,889**	5,718
Investments in associates		**65,822**	70,239
Equity investments at fair value through profit or loss	*9*	**4,948**	3,827
Debt investments measured at amortised cost	*9*	**181,604**	–
Debt investments at fair value through profit or loss	*9*	**172,578**	203,589
Time deposits		**51,271**	50,270
Prepayments for purchases of property, plant and equipment		**4,434**	12,035
Deferred tax assets		**21,115**	18,999
Total non-current assets		**1,572,566**	1,476,297
CURRENT ASSETS			
Short-term equity investments measured at fair value through profit or loss	*9*	**106,891**	63,537
Short-term debt investment measured amortised cost	*9*	**30,167**	–
Short-term debt investments measured at fair value through profit or loss	*9*	**636,267**	816,470
Prepayments, deposits and other receivables		**158,030**	139,838
Restricted cash		**2,616**	5,146
Cash and cash equivalents		**220,527**	196,406
Other current assets		**1,012**	1,236
Assets classified as held for sale		**–**	66,072
Total current assets		**1,155,510**	1,288,705

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As at 30 June 2020

	Notes	**30 June 2020** *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
CURRENT LIABILITIES			
Other payables and accruals		**216,101**	200,095
Interest-bearing bank loans		**202,000**	–
Lease liabilities		**196,522**	225,915
Contract liabilities		**531,280**	775,071
Tax payable		**19,981**	33,678
Liabilities directly associated with the assets classified as held for sale		**–**	111
Total current liabilities		**1,165,884**	1,234,870
NET CURRENT (LIABILITIES)/ASSETS		**(10,374)**	53,835
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,562,192**	1,530,132
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		**49,500**	–
Lease liabilities		**727,415**	733,470
Total non-current liabilities		**776,915**	733,470
Net assets		**785,277**	796,662
EQUITY			
Equity attributable to owners of the parent			
Share capital	*10*	**304**	304
Reserves		**787,166**	797,030
		787,470	797,334
Non-controlling interests		**(2,193)**	(672)
Total equity		**785,277**	796,662

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

1. CORPORATE AND GROUP INFORMATION

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

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

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

2.1 BASIS OF PREPARATION

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

(a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

(c) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

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

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

3. OPERATING SEGMENT INFORMATION

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

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

Geographical information

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

Information about major customers

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

4. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the value of services rendered, net of value-added tax ("**VAT**") and other sales tax, after allowances for refunds and discounts during the reporting period.

An analysis of revenue is as follows:

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

Revenue from contracts with customers

(i) Disaggregated revenue information

For the six months ended 30 June 2020

Segments	**Small group tutoring** *RMB'000* **(Unaudited)**	**Individualised tutoring** *RMB'000* **(Unaudited)**	**Full-time test preparation programs** *RMB'000* **(Unaudited)**	**Talent education** *RMB'000* **(Unaudited)**	**Others** *RMB'000* **(Unaudited)**	**Total** *RMB'000* **(Unaudited)**
Timing of revenue recognition						
Services transferred at a point in time	**–**	**281,194**	**–**	**–**	**709**	**281,903**
Services transferred over time	**375,288**	**–**	**94,873**	**17,231**	**–**	**487.392**
	375,288	**281,194**	**94,873**	**17,231**	**709**	**769,295**

For the six months ended 30 June 2019

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

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

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

(ii) *Performance obligations*

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

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

Other income and gains, net

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

Notes:

(i) The VAT exemption during the Reporting Period was tax concessions according to the taxation policy issued concerning of COVID-19 pandemic.

(ii) The subsidy income from the PRC government during the reporting period mainly represents subsidies granted by the local government as encouragement for its contribution to the local economy. There are no unfulfilled conditions or contingencies relating to such subsidies.

5. PROFIT BEFORE TAX

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

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

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

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

6. 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 Reporting Period.

PRC Corporate Income Tax ("CIT")

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

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

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

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

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

7. DIVIDENDS

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

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

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

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

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

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

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**54,506**	75,755

	Number of shares for the six months ended 30 June	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue	**849,720,000**	849,580,773
Weighted average number of shares held for the RSU Scheme	**(56,333,358)**	(70,832,396)
Adjusted weighted average number of ordinary shares in issue used in the basic earnings per share calculation	**793,386,642**	778,748,377
Effect of dilution – weighted average number of ordinary shares:		
RSU Scheme	**24,574,998**	–
Adjusted weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	**817,961,640**	778,748,377

9. OTHER INVESTMENTS

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

Notes:

(i) The fair values of the unlisted securities are measured using a valuation technique with unobservable inputs and hence categorised within Level 3 of the fair value hierarchy.

(ii) Debt investments measured at amortised cost are debt assets and financing plan with guaranteed returns. They are denominated in RMB. None of these investments are past due.

(iii) Wealth management products issued by banks, and unlisted trust plans, asset management plans, funds issued by financial institutions were denominated in Renminbi ("**RMB**") and US dollar ("**US$**") at aggregate amounts of RMB636,267,000 and RMB172,578,000 (2019: RMB773,489,000 and RMB246,570,000), with an expected rate of return ranging from 3.45% to 9.0% (2019: 3.5% to 8.0%) per annum for the period. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. The fair values are based on cash flows discounted using the expected return based on management judgement and are within Level 2 of fair value hierarchy.

(iv) The fair values of listed equity investments are determined based on the closing prices quoted in active markets. They are accounted for using their fair values based on the quoted market prices (Level 1: quoted price (unadjusted) in active markets) without deduction for transaction costs.

(v) Amounts recognised in profit or loss

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

10. SHARE CAPITAL

Shares

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

As the largest K-12 after-school education service provider in southern China and the fifth largest nationwide[1], the Group has been providing quality and diversified education products and services to students and parents since its establishment 23 years ago. The Group mainly offers after-school education-related courses, including Small Group Tutoring, Individualised Tutoring, Talent Education and Full-time Test Preparation Program.

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

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

Business Review

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

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

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

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

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

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

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

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

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

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

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

Footprint expansion is our established development strategy. As at 30 June 2020, we had 265[2] education centres. During the Reporting Period, we opened 7 new education centres, which were mainly located in major cities of the Greater Bay Area. While consolidating the position in Guangzhou, we enhanced the layout in Shenzhen and regional cities, and the schools in Shenzhen showed an increase against the impact from COVID-19, which reflected the Group's continuous effort in promoting its business expansion strategy.

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

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

FUTURE PROSPECTS

Full-Speed Education OMO

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

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

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

Footprint Expansion

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

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

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

Continuous Focus on Chinese Dominance Strategy

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

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

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

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

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

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

FINANCIAL REVIEW

Revenue

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

	For the six months ended 30 June		
	2020	2019	% Change
	RMB'000	*RMB'000*	
	(Unaudited)	*(Unaudited)*	
Small Group Tutoring	**375,288**	414,598	-9.5%
Individualised Tutoring	**281,194**	355,110	-20.8%
Full-time Test Preparation Program	**94,873**	72,405	30.1%
Talent Education	**17,231**	24,078	-28.4%
Others	**709**	1,210	-41.4%
Total	**769,295**	867,401	-11.3%

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

(i) Number of enrollments

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

(ii) Tutoring hours

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

(iii) Per-hour charges

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

Cost of Sales

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

Gross Profit and Gross Profit Margin

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

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

Other Income and Gains

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

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

The fair value changes on investments at fair value through profit or loss increased by RMB42.1 million from approximately RMB23.5 million in the first half of 2019 to approximately RMB65.6 million for the Reporting Period. Please refer to Note 9 to the unaudited interim condensed consolidated financial information for details.

Selling Expenses

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

Administrative Expenses

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

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

Research and Development Expenses

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

Other Expenses

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

Finance Costs

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

Income Tax Expenses

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

Profit for the Reporting Period

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

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

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

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

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

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

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

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

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

Liquidity and Financial Resources

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

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

Current and Gearing Ratio

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

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

Future Plans for Significant Investment and Capital Assets

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

Significant Investments, Acquisitions, and Disposals of Subsidiaries

As at 30 June 2020, the Group held financial assets at fair value through profit or loss comprising (i) debt investments of RMB808.8 million (31 December 2019: RMB1,020.1 million), in aggregate accounted for 29.6% of the Group's total assets as at 30 June 2020, representing investments in various types of short-term wealth management products issued by licensed banks and unlisted trust plans and asset management plans and funds; and (ii) equity investments of RMB111.8 million (31 December 2019: RMB67.4 million), in aggregate accounted for 4.1% of the Group's total assets as at 30 June 2020, representing investment portfolio of unlisted companies and listed companies.

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

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

Contingent Liabilities

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

Pledge of Assets

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

Bank Loans and Other Borrowings

As at 30 June 2020, the balance of bank loans of the Company amounted to RMB251.5 million, which was used to replenish the working capital.

Foreign Exchange Exposure

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

EVENTS AFTER THE REPORTING PERIOD

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

HUMAN RESOURCES

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

DIVIDEND

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

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

USE OF PROCEEDS FROM THE LISTING

The net proceeds from the listing (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**").

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

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

Notes:

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. As at 30 June 2020, the unused net proceeds were deposited into current deposits and low-risk short-term debt investment products.

3. The expected timeline to use the remaining proceeds is prepared based on the best estimate made by the Group, which is subject to change according to the current and future development of the market condition.

RSU SCHEME

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

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

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

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.

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

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

AUDIT COMMITTEE

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

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and on the website of the Company at www.beststudy.com. The interim report of the Company for the Reporting Period containing all the information required by the Listing Rules will be dispatched to Shareholders and published on the above websites in due course.

APPRECIATION

On behalf of the Board, I would like to thank all our colleagues for their diligence, dedication, loyalty and integrity. I would also like to thank all our Shareholders, customers, bankers and other business associates for their trust and support.

By Order of the Board
China Beststudy Education Group
Junjing Tang
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 13 August 2020

As at the date of this announcement, the executive directors are Mr. Junjing Tang, Mr. Junying Tang and Mr. Gui Zhou, the non-executive director is Mr. Wenhui Xu, and the independent non-executive directors are Mr. Yingmin Wu, Ms. Yu Long and Mr. Peng Xue.