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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 2021

FINANCIAL AND KEY OPERATING DATA HIGHLIGHTS

| | For the six months ended 30 June | | |
|------------------------------------------|-----------------------------------------|----------------|-----------------|
| | 2021 | 2020 | % Change |
| | 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.

* 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 2021 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2020 as follows:

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

| | <i>Notes</i> | Six months ended 30 June | |
|------------------------------------------------------------------------|--------------|---------------------------------|--------------------|
| | | 2021 | 2020 |
| | | RMB'000 | RMB'000 |
| | | (Unaudited) | (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 | 9 | 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 | 9 | 29,156 | 65,597 |
| Finance cost | | (30,457) | (24,568) |
| Other expenses | | (147,513) | (4,021) |
| PROFIT BEFORE TAX | | 8,642 | 55,457 |
| Income tax expense | 6 | (7,234) | (2,472) |
| PROFIT FOR THE REPORTING 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 |

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

For the six months ended 30 June 2021

| | | Six months ended 30 June | |
|---------------------------------------------------------------------------------|-------------|---------------------------------|----------------------------|
| | | 2021 | 2020 |
| | <i>Note</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | | (Unaudited) | (Unaudited) |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | 8 | | |
| Basic | | | |
| – For profit for the Reporting Period | | <u>RMB0.8 cents</u> | <u>RMB6.9 cents</u> |
| Diluted | | | |
| – For profit for the Reporting Period | | <u>RMB0.8 cents</u> | <u>RMB6.7 cents</u> |

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 REPORTING PERIOD | <u>1,408</u> | <u>52,985</u> |
| OTHER COMPREHENSIVE INCOME | | |
| Other comprehensive income that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of financial statements | <u>(2,482)</u> | <u>5,292</u> |
| Net other comprehensive income that may be reclassified to profit or loss in subsequent periods | <u>(2,482)</u> | <u>5,292</u> |
| OTHER COMPREHENSIVE INCOME FOR THE REPORTING PERIOD, NET OF TAX | <u>(2,482)</u> | <u>5,292</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE REPORTING PERIOD | <u>(1,074)</u> | <u>58,277</u> |
| Attributable to: | | |
| Owners of the parent | 3,354 | 59,798 |
| Non-controlling interests | <u>(4,428)</u> | <u>(1,521)</u> |
| | <u>(1,074)</u> | <u>58,277</u> |

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

| | <i>Note</i> | 30 June 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) |
|--------------------------------------------------------------------------------|-------------|-----------------------------------------------------|-------------------------------------------------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 159,235 | 206,217 |
| Right-of-use assets | | 1,023,473 | 837,494 |
| Intangible assets | | 37,363 | 33,427 |
| Investments in joint ventures | | 8,233 | 5,450 |
| Investments in associates | | 43,701 | 79,719 |
| Equity investments at fair value through profit or loss | 9 | 6,120 | 6,346 |
| Debt investments measured at amortised cost | 9 | 296,389 | 215,292 |
| Debt investments at fair value through profit or loss | 9 | 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 | 9 | 727,448 | 682,299 |
| Short-term equity investments measured at fair value through profit or loss | 9 | 86,987 | 84,825 |
| Short-term debt investments measured at amortised cost | 9 | 290,844 | 30,175 |
| Prepayments, deposits and other receivables | | 129,414 | 117,277 |
| Restricted cash | | 4,537 | 2,631 |
| Cash and cash equivalents | | 205,759 | 693,733 |
| Other current assets | | 604 | 692 |
| Short-term time deposits | | 172,955 | – |
| Total current assets | | 1,618,548 | 1,611,632 |

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 FINANCIAL POSITION (continued)

As at 30 June 2021

| | <i>Notes</i> | 30 June 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) |
|----------------------------------------------------|--------------|-----------------------------------------------------|-------------------------------------------------------|
| CURRENT LIABILITIES | | | |
| Other payables and accruals | | 359,933 | 291,535 |
| Interest-bearing bank loans | | 259,827 | 204,000 |
| Lease liabilities | | 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 |
| 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 | | 95,500 | 145,000 |
| Lease liabilities | | 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 | 10 | 303 | 304 |
| Reserves | | 690,627 | 798,039 |
| | | 690,930 | 798,343 |
| Non-controlling interests | | (6,881) | (2,473) |
| Total equity | | 684,049 | 795,870 |

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 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 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
Amendment to IFRS 16

Interest Rate Benchmark Reform – Phase 2

*Covid-19-Related Rent Concessions beyond 30 June
2021 (early adopted)*

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 Reporting 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.

- (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 Reporting 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 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 | |
|----------------------------------------------|---------------------------------------------|-------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (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 |
| | <u>508,079</u> | <u>471,236</u> | <u>83,158</u> | <u>33,500</u> | <u>382</u> | <u>1,096,355</u> |

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 |
| | <u>375,288</u> | <u>281,194</u> | <u>94,873</u> | <u>17,231</u> | <u>709</u> | <u>769,295</u> |

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 Reporting Period | 797,078 | 775,071 |
| Cash refunded to customers that was included in contract liability at the beginning of the Reporting 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 Reporting Period | <u>775,465</u> | <u>531,280</u> |
| At the end of the Reporting Period | <u>775,465</u> | <u>531,280</u> |

(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.

Other income and gains, net

| | | For the six months ended 30 June | |
|----------------------------------------|-------|---------------------------------------------|--------------------|
| | | 2021 | 2020 |
| | | RMB'000 | RMB'000 |
| | | (Unaudited) | (Unaudited) |
| Other income and gains, net | | | |
| 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.

5. PROFIT BEFORE TAX

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

| | <i>Notes</i> | For the six months ended 30 June | |
|------------------------------------------------------------------------|--------------|-----------------------------------------------------|----------------------------------------------|
| | | 2021 RMB'000 (Unaudited) | 2020 RMB'000 (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 | | 117,731 | 101,986 |
| Amortisation of intangible assets | | 3,711 | 1,734 |
| Lease payments not included in the measurement of lease liabilities | | 5,455 | 2,863 |
| COVID-19-related rent concessions from lessors | | (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 | | 6,161 | 1,671 |
| Interest on lease liabilities | | 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 | | – | 45 |
| Impairment of property, plant and equipment | | 75,698 | – |
| Impairment of financial assets | | 31,885 | – |
| Impairment of investment in associates | | 35,252 | – |
| Fair value gains: | | | |
| Equity investments at fair value through profit or loss | 9 | (2,845) | (42,128) |
| Debt investments at fair value through profit or loss | 9 | (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. 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.

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 and 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 佛山市南海區新卓越教育培訓中心 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 Reporting Period (2020: 25%).

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

| | For the six months ended 30 June | |
|-------------------------------------------|---------------------------------------------|--------------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Current – the PRC | | |
| Charge for the Reporting Period | 19,596 | 4,588 |
| Deferred | (12,362) | (2,116) |
| Total tax charge for the Reporting Period | 7,234 | 2,472 |

7. DIVIDENDS

| | For the six months ended 30 June | |
|----------------------------------------------------------------------------------------------------|-------------------------------------|----------------------|
| | 2021 | 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (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 |
| | <u>34,031</u> | <u>56,154</u> |

On 14 May 2021, the Board 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 Reporting Period (six months ended 30 June 2020: 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 Reporting 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 Reporting Period.

The calculation of the diluted earnings per share amount for the Reporting Period is based on the profit for the Reporting 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 Reporting 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 | 2020 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (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 |

9. OTHER INVESTMENTS

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

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 plans with guaranteed returns. They are denominated in RMB. None of these investments are past due.

- (iii) Unlisted trust plans and 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 Reporting 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 | 2020 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (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) | – |

10. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY PROFILE AND 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.

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.

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 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.

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.

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” (嗒嗒成長中心), 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.

Over the years, China 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, China 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.

China 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 China 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 | 2020 | % Change |
| | <i>RMB'000</i> | <i>RMB'000</i> | |
| | <i>(Unaudited)</i> | <i>(Unaudited)</i> | |
| 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 | <u>1,096,355</u> | <u>769,295</u> | 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 approximately 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 | 2020 | % Change |
| | RMB | RMB | |
| 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% |

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 approximately 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 an decrease of 97.3%. The decreased in profit for the Reporting Period was mainly attributable to the impact of provision made for the impairment.

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 | 2020 | % Change |
| | RMB'000 | RMB'000 | |
| 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 announcement.

Significant Investments, Acquisition and Disposal of Subsidiaries, Associates and Joint Venture

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.

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 announcement, the Group had not made any significant investments, acquisitions and disposals of subsidiaries, associates and joint venture during the Reporting Period.

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.

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**”).

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 | Percentage of use of proceeds as stated in the Prospectus | Unused net proceeds as at 1 January 2021 <i>HK\$'million</i> | Actual use of net proceeds during the period from 1 January 2021 to 30 June 2021 | Proceeds unused <i>HK\$'million</i> | Expected timeline |
|---------------------------------------------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------------|----------------------------------------------------------------------------------|----------------------------------------|-------------------|
| | | | <i>(Note)</i> <i>HK\$'million</i> | | |
| 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 |

Note:

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.

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.

As at 30 June 2021, the trustee of the Company, Ms. Shaoping Fu (the “**Trustee**”) has purchased 60,639,000 shares (representing approximately 7% 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 grantees under the RSU Scheme.

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

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 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.

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, 31 August 2021

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.