



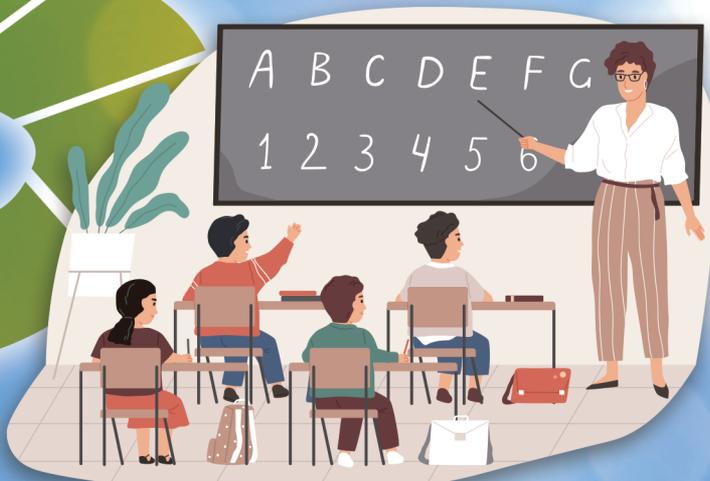
卓越教育集团

China Beststudy Education Group

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3978

INTERIM REPORT
2022



CONTENTS

Corporate Information	2
Company Profile	4
Financial and Key Operating Data Highlights	5
Management Discussion and Analysis	6
Other Information	17
Condensed Consolidated Statement of Profit or Loss	29
Condensed Consolidated Statement of Comprehensive Income (Expense)	30
Condensed Consolidated Statement of Financial Position	31
Condensed Consolidated Statement of Changes in Equity	33
Condensed Consolidated Statement of Cash Flows	35
Notes to Condensed Consolidated Financial Information	37





Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Junjing Tang (Chairman)

Mr. Junying Tang

Mr. Gui Zhou

Ms. Weiyang Guan (appointed on 31 March 2022)

Non-executive Director

Mr. Wenhui Xu

Independent Non-executive Directors

Ms. Yu Long

Mr. Caihe Lin (appointed on 23 March 2022)

Mr. Peng Xue (resigned on 4 July 2022)

AUDIT COMMITTEE

Mr. Peng Xue (Chairman) (resigned on 4 July 2022)

Ms. Yu Long

Mr. Wenhui Xu

REMUNERATION COMMITTEE

Ms. Yu Long (Chairlady)

Mr. Junjing Tang

Mr. Peng Xue (resigned on 4 July 2022)

NOMINATION COMMITTEE

Mr. Junjing Tang (Chairman)

Mr. Caihe Lin

Ms. Yu Long

COMPANY SECRETARY

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

AUTHORIZED REPRESENTATIVES

Mr. Junjing Tang

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

AUDITOR

Deloitte Touche Tohmatsu

Registered Public Interest Entity Auditors

LEGAL ADVISERS

Tahota (Beijing) Law Firm

Tian Yuan Law Firm LLP

PRINCIPAL BANKS

China Merchants Bank Guangzhou Liwan Branch

Industrial and Commercial Bank of China Guangzhou

Nanfang Branch

REGISTERED OFFICE

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Grand Cayman, KY1-1002

Cayman Islands

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Causeway Bay

Hong Kong



PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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103 South Church Street
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
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Hopewell Centre
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Wanchai
Hong Kong

STOCK CODE

3978

COMPANY'S WEBSITE

www.beststudy.com

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LISTING DATE

27 December 2018



Company Profile

As a leading education service provider in South China, China Beststudy Education Group (the “**Company**” or “**Beststudy**” and, together with its subsidiaries, collectively the “**Group**”) has been consistently providing high-quality and diversified education products and services to students and parents since our establishment 25 years ago.

Our Group mainly offers education related courses including full time revision business (equivalent to full-time test preparation programs), talent education, self-study program, vocational education, after-school tutoring program and other education related products and services. Our full time revision business 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 talent education is designed to promote the all-round development of our students, allowing a more engaging and enjoyable learning process. Our after-school tutoring program targets to help students establish a sound learning thinking and knowledge system and develop good learning habits. Our self-study program aims to improve students’ soft power of learning through self-study model, so that they can give full play in their study and daily life. Our vocational education is designed to cultivate new types of vocational and technical talents needed by the country and society in an innovative model with the support of public vocational colleges.

The Group has been focusing on developing in the South China region and established business presence across the country. Through 25 years of efforts and development, our “Zhuoyue Education” (卓越教育) brand and reputation have also been recognized and welcomed by students, parents and all social sectors. During the outbreak of the pandemic, we actively participated in social welfare undertakings and won the awards of “Advanced Anti-epidemic Collective of Private Education in Yuexiu District” (越秀區民辦教育抗疫先進集體) and “Golden Spike Partner of Educational Charity” (教育公益金穗夥伴). We have also made a breakthrough in enhancing the brand image of the Group as an employer who broadens brand building, and won various awards such as “King’s Ark Award for Employer Cherishing Talents the Most” (王者之舟最愛人才僱主獎), “2021 Most Influential Employer” (2021年最具影響力僱主), “2021 China Best Employer – Campus Recruitment Case Award” (2021中國年度最佳僱主 – 校招案例獎) as well as the “College Student Education Practice Base of the College of Liberal Arts of Jinan University” (暨南大學文學院大學生教育實踐基地) granted by Jinan University. The recognition from students, parents and people from all walks of life will help us enlarge our student pool and further strengthen our market position in the industry.



Financial and Key Operating Data Highlights

	For the six months ended		
	30 June		
	2022	2021	% Change
	RMB'000	RMB'000	
Revenue	268,445	1,096,355	(75.5)%
Gross Profit	121,671	421,925	(71.2)%
Net Profit	5,547	1,408	294.0%
Adjusted Net Profit	6,766	3,522	92.1%



Management Discussion and Analysis

PERFORMANCE REVIEW

To mitigate the impact of the “Double Reduction Policy” and the COVID-19 pandemic on the industry and the Group’s business, the Group has taken proactive measures for the six months ended 30 June 2022 (the “**Reporting Period**”) to adjust its strategic focus, developing a future-oriented layout, re-focusing on the Greater Bay Area, leveraging on the Group’s accumulated resources and strengths to explore new tracks and stimulate the second growth curve.

The Group has been pushing forward the rapid development of its full time revision business segment, with new schools opening in Guangdong province. Leveraging on the strengths of its existing business brand, the Group has attracted students and received positive feedback and recognition from the market. We insist on the continuous utilization of efficient technology to empower our precise teaching system, combining our rich teaching experience with a scientific teaching system to continuously improve the quality of our precise teaching services and optimise our teaching mode, so as to grasp and meet students’ needs in a more accurate manner, and to immerse them in a rich learning atmosphere and continuously improve and surpass themselves, which not only helps students achieve their desired results, but also builds up an efficient and reliable brand image for the Company, thereby realising our corporate value and laying a solid foundation for the sustainable development of the Group.

In order to comprehensively optimise its layout in talent education, the Group has upgraded various educational products, such as “Curious Young Reporter, Beststudy Programming, Beststudy Go Chess, Thinking Planet, Beststudy Literature (Di-Da Literature), Literature and Aesthetic Education, Bilingual Culture and Practical Science Experiment”, among others, to meet the needs of students’ all-round development of moral, intellectual, physical, aesthetic and labour education, and equip them with the necessary characters and critical abilities that they can adapt themselves to lifelong development and social development.

During the Reporting Period, the Group partnered with 48 primary and secondary schools in Guangzhou to provide integrated after-class services within the school. We have won recognition from schools for providing high quality services and experiences to students through more than 50 talent education products, including moral education, thinking development, language expression, aesthetic arts, science literacy, cooking, labouring, sports, study and practice.

The Group has actively responded to national policy by implementing the transformation in the direction of vocational education through different forms, establishing a comprehensive strategic partnership with secondary vocational schools and institutions and actively pursuing new breakthroughs. With full awareness of the core characteristics of secondary education, we have tailor-made a fully closed management program for secondary school students, with the College Entrance Examination for Vocational School Students as the final destination, to provide full support for the high quality learning of secondary vocational school students through a full-swing, holistic and all-round education and services, and to stimulate their internal learning motivation, so that they could be equipped with not only good professional skills, but also sufficient cultural literacy, so as to lay a good foundation for their College Entrance Examination for Vocational School Students, helping students to fulfil their dreams of higher education while developing high quality and highly skilled applied talents for the society and the state.

In addition, the Group has also launched the 3+ Certificate in Higher Vocational Studies on top of the fully closed management program. The program is based on the basic model of “small group tutoring”, with a three-lecturer classroom teaching strategy tailored specifically for secondary vocational school students and taught by experienced section leaders and five-star lectures in a closed-loop manner through “lecture, practice and test”, so as to guarantee the learning quality of each and every student.

In the face of the new situation of transformation, the Group has carried out a new internal transformation and upgrade. With business efficiency as the core and business increment as the measurement, the Quality Product Centre and the Vocational Education Department were swiftly established, and the middle and back office functional departments were immersed down to business units. At the same time, the staff management mechanism has been repeatedly calculated and the staff motivation system has been significantly improved to stimulate the enthusiasm of the frontline business team, creating a new business team with quick response time and strong revenue generating capability, which has become the permanent motivation for the Group’s diversified business transformation.

The Group has consistently adhered to the mission of “cultivating excellent quality and contributing to China’s future” and has firmly stuck to the objective of “do warm education” for our public welfare action. We have carried out several public welfare and charitable student aid projects, such as donating teaching equipment and materials to primary and secondary schools in remote mountainous areas many times, and continued to carry out the “Candle Care Program”, while improving the educational conditions of schools in rural area, we also actively carry out rural teacher support and exchange activities to improve the quality of rural education, and support the great national vision of revitalising rural education through practical actions. The Group continues to adhere to the educational philosophy of cultivating people by virtue, actively undertakes social responsibilities by joining hands with government units to organize the “Youth of the Future” summer public welfare series activities, providing childcare services for the children of frontline pandemic prevention personnel and ease their anxieties, continuously improves corporate credibility and brand influence, and interprets the original intention of public welfare with practical actions.

FUTURE PROSPECTS

Since the first anniversary of the implementation of the “Double Reduction Policy”, the Group has not only closely followed the direction of general state policies, strictly implemented the national policy and operated in accordance with the law, but also adhered to the original intention of “All for Children’s Healthy Development”, committed to the essence of education and contributing to the construction of a high-talent education system in China. Under the dual guidance of policy and market, the Group has accelerated the development of its second growth curve, focusing on the core strategic system of “full-time revision + talent education + vocational education” and actively promoting the diversification of fields to provide comprehensive teaching services for students and promote the all-round development of children.



Management Discussion and Analysis

Expanding into new full time revision business to enhance the momentum of growth

Leveraging on the new situation, the Group will continue to provide full time revision business to students, promote the continuous development of our existing business. The Group will expand the provincial market in a swift pace while putting efforts in marching forward towards the national market, explore and develop a new market territory. The Group remains committed to using technology-enabled precision teaching systems, combining our rich teaching experience with science-based teaching systems to help us better understand students' needs and continuously optimise our teaching models to ensure high quality output of teaching content and accelerate the development of our business segments.

The deepening of our new full-time business will continue to give us a higher and stronger boost to our development in the new industry landscape, providing the Group with continuous momentum to take our business to the next level.

Deepening the development of talent education to build a one-stop talent education base

The importance of talent education is becoming increasingly evident as the demand for talent in economic development continues to rise. Coupled with the proper guidance from national policies, talent education has now become one of the most promising new tracks in the education industry. The Group has been actively transforming towards talent education by conducting a new round of research and development and upgrading its eight existing talent education products to build an all-round development education system that embraces the “five educations” integration “moral, intellectual, physical, aesthetic and labour” to achieve the improvement of core literacy of primary and secondary school students. At the same time, in the non-academic accreditation of the departments in charge of education, products such as Programming, Curious Young Reporter, Go Chess, Thinking Planet and Di-Da Literature became the first batch of talent education products to pass the accreditation of non-academic products, which were highly recognised by the society and students, and established the brand image of Beststudy in talent education.

The Group will further collaborate with more primary and secondary schools to provide a wide range of integrated after-class services and products within the school to meet students' needs for a comprehensive talent education curriculum by leveraging our local language advantage, professional service operation system and teacher and training team. Beststudy are committed to becoming a beneficial complement within schools, continuing to develop after-school service business, endeavoring to assist the implementation of talent education in schools, in an effort to create school-based curriculums with the talent education characteristics and build a new pattern of services within schools.

We will continue to enhance the model of “talent education + community” model, taking the community as the center to radiate the surrounding areas, reorganize the diversified talent education sub-products, explore students' interests and talents through “direct perception, practical operation and hands-on experience”, and create a comprehensive and multi-category one-stop talent education base to provide students with more diversified choices, thereby further enhancing their comprehensive abilities.

In the future, Beststudy will continue to build on its philosophy of cultivating people by virtue and all-round development, consolidate the new anchor point of diversified talent education programs, leverage on the Group's strengths in customer resources and business scale accumulated through years of hard work to vigorously promote the development of new businesses in talent education on the brand new track.

Explore vocational education and sail towards overseas business

As China enters a new stage of development, the importance of vocational education is becoming more and more prominent. In October 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the Opinions on Promoting the High-quality Development of Vocational Education* (《關於推動現代職業教育高質量發展的意見》), which emphasised the promising future of vocational education and pointed out the direction for the development of vocational education. In May 2022, the Vocational Education Law of the People's Republic of China* (《中華人民共和國職業教育法》) was promulgated, bringing the development of vocational education to a new level. The market for vocational education is set to grow further under the positive guidance of national policies. Guangdong Province, where the Group is located, has always attached great importance to vocational education. Over the past decade, Guangdong has not only realised the equal importance of general education and vocational education, but has also established a large number of high-quality vocational education institutions and training bases, turning the “promising vision” of vocational education into the practice of “great deal” in Guangdong.

Riding on the unique original advantages of vocational education in Guangdong Province and leveraging on its years of accumulated resources and teaching and research experience, the Group has launched a comprehensive exploration of vocational education products. With the focus of developing its business in the new arena, the Group will offer courses including vocational certificate training. In addition, the Group will continue to strengthen its strategic cooperation relationship with private colleges and universities, and secondary vocational colleges, actively explore the innovative training models for vocational education, give full play to the respective advantages of all parties, establish the consensus of “complementary advantages, resource sharing and cooperative development” on education, provide professional courses and services in overseas and domestic further education, non-academic training and early childhood education, jointly cultivate high-quality and high-skilled application-oriented talents, providing multi-level and diversified technical and skilled talent support to promote the high-quality development of modern vocational education, enhance the Group's reputation in the field of vocational education, and help to accelerate the development of Beststudy in the course of vocational education.

The Group has created a new international education segment, striving to build a professional and refined overseas study service team. Based on the Group's long-term accumulation of brand influence in education and its stock of customer resources, we will tap into the overseas study needs of customers and provide one-stop overseas study application services to open up diversified and customised paths for students to realise their dreams of studying abroad.

* For identification purposes only



Management Discussion and Analysis

Creating an integrated learning and growth space and accompanying children's growth in a high quality and efficient manner

In response to the requirements of national policies, the Group has built a self-learning space, providing students with learning systems or learning materials, creating a more comforting and reassuring self-study environment, and helping children develop correct and good learning methods and habits in the self-study mode to improve the soft power of learning. It is the Group's intention to create an integrated learning and growth space through habit development, cultural edification, ability improvement, homework tutoring, etc., and to accompany children's growth in a high-quality and efficient manner 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.

Live up to the expectations and forge ahead

We have always followed the guidance of national policies, constantly optimizing and improving our strategy, enhancing our core competitiveness and promoting sustainable, high-quality development. Always being child-oriented, we will provide children with diversified and comprehensive teaching services with warmth, substance, creativity and technology, so as to stimulate their internal motivation and promote their healthy and comprehensive growth. We will also respond to the national call to vigorously develop vocational education, rely on our own advantages, deepen cooperation with universities and colleges, actively explore the vocational and technical training and education track, and promote the development of the Group in multiple fields and tracks. The Group will continue to create a better service and working platform for teachers and employees to help them realise their personal value. The Group will also deliver continuous and increasing investment returns to the shareholders (the "Shareholder(s)") and investors through sustainable and healthy operation, so as to achieve a new level of success for Beststudy. The chairman would like to express his most sincere gratitude to the Shareholders and investors of the Company who have been with the Group and grown with it over the years.

FINANCIAL REVIEW

Revenue

The following table sets forth a breakdown of the Group's revenue by type of education services we provided during the Reporting Period and the first half of 2021:

	For the six months ended 30 June		
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	% Change
Full-time test preparation programs	89,611	83,158	7.8%
Talent education	49,822	33,500	48.7%
Tutoring programs	129,012	979,315	(86.8)%
Others	—	382	(100.0)%
Total	268,445	1,096,355	(75.5)%

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 decreased by 75.5% to approximately RMB268.4 million from RMB1,096.4 million in the first half of 2021. Compared with the first half of 2021, the increase in revenue from talent education was mainly due to the increase in number of students and tutoring hours; the reduction in tutoring programs was due to the termination of primary and junior middle school school businesses as required by the "Double Reduction Policy".

Cost of Sales

Cost of sales decreased by 78.2% from RMB674.4 million in the first half of 2021 to RMB146.8 million for the Reporting Period, which was due to the decrease in various costs of sales including teacher labour cost as a result of the decrease in tutoring hours.



Management Discussion and Analysis

Gross Profit and Gross Profit Margin

As a result of the above principal factors, the Group's gross profit decreased by 71.2% from RMB421.9 million in the first half of 2021 to RMB121.7 million for the Reporting Period. The gross profit margin of the Group in the first half of 2021 was 38.5%, whilst for the Reporting Period it was 45.3%.

Other Income and Gains

During the Reporting Period, the Group recorded other income and gains in the amount of RMB10.1 million, representing a decrease of 80.5% year-on-year. The other income and gains during the Reporting Period mainly included interest income from demand deposit of RMB5.5 million, dividend income from equity investment of RMB1.1 million, and government subsidies of RMB2.1 million.

Impairment Losses under Expected Credit Loss Model, Net of Reversal

Impairment losses under expected credit loss model, net of reversal refers to the provision for impairment of financial assets or the reversal of provision. During the Reporting Period, the reversal of provision was RMB21.4 million, which was mainly because the provision for impairment of wealth management products was overdue in the second half of 2021, while some overdue wealth management products were recovered in the first half of 2022.

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 RMB49.3 million from approximately RMB29.2 million in the first half of 2021 to approximately RMB-20.1 million for the Reporting Period. The fair value changes included gains and losses from fair value changes on listed equity investments.

Selling Expenses

During the Reporting Period, the Group's total selling expenses decreased by approximately 75.5% to RMB30.5 million from RMB124.5 million in the first half of 2021.

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 RMB44.4 million, representing a decrease of 62% as compared to RMB116.8 million in the first half of 2021.

Research and Development Expenses

During the Reporting Period, the Group's research and development expenses amounted to RMB35.3 million, representing a decrease of approximately 58.4% from RMB85.0 million in the first half of 2021.

Other Expenses

The Group's other expenses during the Reporting Period amounted to RMB0.7 million, as compared with RMB115.6 million in the first half of 2021, decreased approximately 99.4%, which was due to the provision of asset impairment loss during the interim period in 2021, while no such impairment loss was provided during the current interim period.

Finance Cost

During the Reporting Period, the Group recorded finance cost in the amount of approximately RMB7.7 million, which were attributable to the interest expenses recognised upon adoption of IFRS 16 Leases in the amount of RMB3.5 million and the loan interest in the amount of RMB4.2 million, as compared with RMB 30.5 million in the first half of 2021.

Income Tax Expense

During the Reporting Period, the Group's income tax expense were RMB11.3 million. The effective tax rate decreased from 83.7% in the first half of 2021 to 67% for the Reporting Period.

Profit for the Reporting Period

The Group's profit increased from RMB1.4 million in the first half of 2021 to RMB5.5 million for the Reporting Period, representing an increase 294.0%, which was mainly due to the lower comparison base as a result of the provision for impairment in the first half of 2021.

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.



Management Discussion and Analysis

Our adjusted net profit increased by 92.1% from RMB3.5 million in the first half of 2021 to RMB6.8 million for the Reporting Period.

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		
	2022 RMB'000	2021 RMB'000	% Change
Net profit	5,547	1,408	294.0%
Add:			
Equity-settled compensation costs	1,219	2,114	(42.3%)
Adjusted net profit	6,766	3,522	92.1%

In light of the foregoing limitations for other financial measurements, when assessing our operating and financial performance, Shareholders and investors of the Company 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 measurements applied by other companies.

Liquidity and Financial Resources

As at 30 June 2022, cash and cash equivalents of the Group amounted to RMB310.4 million.

Cash at banks bears 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 2022, the current ratio of the Group was approximately 1.3, representing an increase as compared to 0.9 as at 31 December 2021. The current ratio is equal to total current assets divided by the total current liabilities.

As at 30 June 2022, the gearing ratio of the Group was 59.8%, representing a decrease as compared to 73.4% as at 31 December 2021. 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 did not have other plans for significant investment or capital assets as at the date of this interim report.

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

As at 30 June 2022, the Group held financial assets comprising (i) debt investments of RMB117.1 million (31 December 2021: RMB577.3 million), in aggregate accounted for 13.2% of the Group's total assets as at 30 June 2022, 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 RMB40.5 million (31 December 2021: RMB56.2 million), in aggregate accounted for 4.5% of the Group's total assets as at 30 June 2022, representing investment portfolio of unlisted companies and a listed company. The investments as set out above do not constitute disclosable transactions as all the highest applicable percentage ratios are less than 5%, and none of them constituted connected transaction under Chapter 14A of the Listing Rules nor significant investments under 32(4) of Appendix 16 of the Listing Rules.

Some financial assets are subject to the risk of overdue redemption as a result of the fluctuation of the current economic cycle. The Company has conducted relevant fair value assessment and made relevant provision for impairment.

The Group suffered a decrease in the financial assets in the Reporting Period compared with the previous corresponding period. To mitigate the credit risks, the Group has engaged in continuous negotiations and instituted litigation, arbitration, or other proceedings. As for those wealth management products that have matured while not been fully redeemed or are in breach of the signed extension agreements, the Group has filed a lawsuit or applied for arbitration against the counterparties. As at the date of this interim report, the Group was involved in three litigation and arbitration cases (initiated by the Group) pending final judgment or ruling. In addition, the Group has reached supplementary agreements or an agreement on the repayment of debts with properties with the issuer or related parties of some projects, the Company will continue to follow up and pursue the repayment in the future.

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 maximise 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.

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

Contingent Liabilities

As at 30 June 2022, the Group did not have any unrecorded significant contingent liabilities, guarantees or any litigation against the Group.



Management Discussion and Analysis

Pledge of Assets

As at 30 June 2022, the Group did not have any unrecorded pledge of assets.

Foreign Exchange Exposure

Our Group's sales and purchases during the Reporting Period were mostly denominated in RMB. Therefore, foreign exchange exposures mainly arise from debt investments at fair value through profit or loss denominated in US\$ and short-term equity investments 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

As at the date of this interim report, the Group has no material subsequent events after 30 June 2022 which are required to be disclosed.

HUMAN RESOURCES

As at 30 June 2022, the Group had a total of 2,431 (31 December 2021: 3,043) 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 remuneration policy of the Company has not changed since the date of the 2021 annual report. The information regarding the employee remuneration and benefits for the six months ended 30 June 2022 is set out in note 5 to the Condensed Consolidated Financial Information.

INTERIM DIVIDEND

The board of directors (the "**Director(s)**") of the Company (the "**Board**") resolved not to declare interim dividend for the six months ended 30 June 2022.



Other Information

CORPORATE GOVERNANCE PRACTICES

The Company recognised the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the code provisions as set out in Part 2 of Appendix 14 to the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**CG Code**”), 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 C.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 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.

NON-COMPLIANCE WITH RULES 3.10(1), 3.10(2), 3.10A, 3.21 AND 3.25 OF THE LISTING RULES

On 4 July 2022, Mr. Peng Xue (“**Mr. Xue**”) resigned as an independent non-executive Director and ceased to act as the chairman of the audit committee of the Company (the “**Audit Committee**”) and a member of the remuneration committee of the Company. Following the resignation of Mr. Xue, the Company fails to meet the following requirements: (i) the requirement that the Board shall comprise with a minimum of three independent non-executive directors, at least one of whom must have appropriate professional qualifications or accounting or related financial management expertise (the “**Qualification**”), and independent non-executive directors represent at least one-third of the Board under Rule 3.10(1), 3.10(2) and 3.10A of the Listing Rules; (ii) the requirement under Rule 3.21 of the Listing Rules and the terms of reference of the audit committee that the audit committee must comprise a minimum of three members, at least one of whom is an independent non-executive director with the Qualification as required under Rule 3.10(2) of the Listing Rules, the majority of the audit committee members must be independent non-executive directors of the company and shall have a chairman; and (iii) the requirement that the remuneration committee must comprise a minimum of three members, and a majority of them must be independent non-executive directors of the company under Rule 3.25 of the Listing Rules and the terms of reference of the remuneration committee. In order to comply with the Listing Rules, the terms of reference of the audit committee and the terms of reference of the remuneration committee, the Company is endeavoring to identify suitable candidate(s) to fill the vacancy of Mr. Xue as soon as practicable but in any event not later than three months from 4 July 2022 in accordance with the Listing Rules. Further announcement will be made by the Company as and when appropriate.



Other Information

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 of the Company (the “**Shares**”) purchased by the Trustee under the restricted share units scheme (“**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 currently comprises two members, namely, Ms. Yu Long and Mr. Wenhui Xu. Mr. Peng Xue ceased to act as the chairman of the Audit Committee on 4 July 2022. The Audit Committee had discussed with the management and reviewed the unaudited interim financial information of the Group for the Reporting Period, and considered that the Company had complied with all applicable accounting standards and requirements and made adequate disclosures.

CHANGES IN THE BOARD AND THE DIRECTORS’ INFORMATION

Mr. Peng Xue resigned as an independent non-executive Director and ceased to be the chairman of the Audit Committee and a member of the remuneration committee of the Company with effect from 4 July 2022 as he cannot take on more responsibilities of the Company due to his other business commitments that require more of his dedication.

Saved as disclosed above, there was no change in the Board and the information of Directors since the date of the Annual Report 2021 of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

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



INTERESTS OF THE DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at 30 June 2022, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the “SFO”), which (a) were required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long position in ordinary shares

Name of Director	Capacity	Number of ordinary shares interested ⁽¹⁾	Approximate percentage* of the Company’s issued share capital
Mr. Junjing Tang ⁽²⁾	Beneficial owner; Founder of a discretionary trust; interest held jointly with another person	459,098,231 (L)	54.19%
Mr. Junying Tang ⁽³⁾	Founder of a discretionary trust; interest held jointly with another person	459,098,231 (L)	54.19%
Mr. Gui Zhou ⁽⁴⁾	Beneficial owner; Founder of a discretionary trust; interest held jointly with another person	459,098,231 (L)	54.19%
Mr. Wenhui Xu ⁽⁵⁾	Beneficial owner; Interest in a controlled corporation	10,911,527 (L)	1.29%
Ms. Weiyang Guan ⁽⁶⁾	Beneficial owner; Interest in a controlled corporation	9,389,751 (L)	1.11%

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) Under the SFO, Mr. Junjing Tang is deemed to be interested in 171,165,101 Shares held by JTC Trustees (BVI) Limited, a trust which he is a founder. He is also deemed to be interested in all Shares held by Mr. Junying Tang and Mr. Gui Zhou as they are parties acting in concert.
- (3) Under the SFO, Mr. Junying Tang is deemed to be interested in 143,510,888 Shares held by JTC Trustees (BVI) Limited, a trust which he is a founder. He is also deemed to be interested in all Shares held by Mr. Junjing Tang and Mr. Gui Zhou as they are parties acting in concert.
- (4) Under the SFO, Mr. Gui Zhou is deemed to be interested in 142,258,242 Shares held by JTC Trustees (BVI) Limited, a trust which he is a founder. He is also deemed to be interested in all Shares held by Mr. Junjing Tang and Mr. Junying Tang as they are parties acting in concert.



Other Information

- (5) Under the SFO, Mr. Wenhui Xu is deemed to be interested in all Shares held by Commqua Holding Co. Ltd., a company which is wholly-owned by him.
- (6) Under the SFO, Ms. Weiyong Guan is deemed to be interested in all Shares held by Crouching Tiger Holdings Limited.
- + The percentage represents the number of ordinary Shares interested divided by the number of the issued Shares as at 30 June 2022.

Save as disclosed in this interim report and to the best knowledge of the Directors, as at 30 June 2022, none of the Directors or the chief executive of the Company has any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

So far as is known to any Director or chief executive of the Company, as at 30 June 2022, the following corporations/persons (other than the Directors or the chief executive of the Company) had interests of 5% or more in the issued shares of the Company according to the register of interests required to be kept by the Company under section 336 of the SFO. In the event of changes in the shareholding of the Shareholders in the Company, the Shareholders will not be required to notify the Company and the Stock Exchange unless certain conditions are met. Therefore, the latest shareholding of the Shareholders in the Company may be different from the shareholding submitted to the Stock Exchange:

Name	Capacity	Number of ordinary shares interested ⁽¹⁾	Approximate percentage* of the Company's issued share capital
Ms. Yanyun Huang ⁽²⁾	Spouse interest	459,098,231 (L)	54.19%
Elite Education Investment Co. Ltd.	Beneficial owner; interests held jointly with another person	457,775,231 (L)	54.03%
Ms. Hua Yu ⁽³⁾	Spouse interest	459,098,231 (L)	54.19%
Texcellence Holding Company Limited	Beneficial owner; interests held jointly with another person	459,098,231 (L)	54.19%
Ms. Xiaoying Zhang ⁽⁴⁾	Spouse interest	459,098,231 (L)	54.19%
Jameson Ying Industrial Co. Ltd.	Beneficial owner; interests held jointly with another person	458,257,231 (L)	54.09%
Soarise Bulex Limited ⁽⁵⁾	Nominee for another person (other than a bare trustee)	109,709,397 (L)	12.95%
Ms. Shaoping Fu ⁽⁵⁾	Trustee	109,709,397 (L)	12.95%
JTC Trustees (BVI) Limited ⁽⁵⁾	Trustee	456,934,231 (L)	53.93%



Notes:

- (1) The letter “L” denotes the person’s long position in the Shares.
 - (2) Ms. Yanyun Huang is the spouse of Mr. Junjing Tang and she is therefore deemed to be interested in the Shares in which Mr. Junjing Tang is interested by the virtue of the SFO.
 - (3) Ms. Hua Yu is the spouse of Mr. Junying Tang and she is therefore deemed to be interested in the Shares in which Mr. Junying Tang is interested by the virtue of the SFO.
 - (4) Ms. Xiaoying Zhang is the spouse of Mr. Gui Zhou and she is therefore deemed to be interested in the Shares in which Mr. Gui Zhou is interested by the virtue of the SFO.
 - (5) Pursuant to the RSU Scheme, (i) 27,292,396 existing Shares were reserved; (ii) 43,540,000 new Shares were allotted and issued at par value to Soarise Bulex Limited on the Listing Date will be reserved for the vesting of restricted share units (“RSUs”) granted under the RSU Scheme; and (iii) 62,156,000 Shares were purchased by the trustee pursuant to the RSU Scheme as at 30 June 2022. Ms. Shaoping Fu has been appointed as the trustee of the RSU Scheme and Soarise Bulex Limited has been appointed as the nominee of the RSU Scheme. To the extent permitted under applicable laws and regulations, the trustee shall procure the nominee to exercise the voting rights attached to the underlying Shares in accordance with the instructions of the Board. Out of the 109,709,397 Shares held by Soarise Bulex Limited, 63,967,773 Shares have been vested, pending transfer to the relevant grantees.
- + The percentage represents the number of ordinary Shares interested divided by the number of the issued Shares as at 30 June 2022.

Save as disclosed above and to the best knowledge of the Directors, as at 30 June 2022, no person (other than the Directors or chief executive of the Company) had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

STRUCTURED CONTRACTS

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

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

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

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

In compliance with the Double Reduction Policy and the related implementation rules, regulations and measures promulgated by competent authorities, the Company divested its K-12 after-school education business through the connected transaction with its associates (as defined in the Listing Rules) which is set out in the section headed “Connected Transactions” in annual report 2021. The Company confirms that our structured contracts as a whole do not change as a result of such connected transaction.



Other Information

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

- (1) Exclusive Management Consultancy and Business Cooperation Agreement (dated 18 June 2018):
 - (i) Parties: Wholly Foreign Owned Enterprise (the “WFOE”); Guangzhou Beststudy; Foshan Beststudy Culture Communication Co., Ltd, Shenzhen Zhuoyue Education Training Co., Ltd., Dongguan Zhuoyue Education Consulting Services Co., Ltd, and Zhongshan Beststudy Education Training Centre Co., Ltd., being the four important PRC Operating Entities of the Company given their importance in terms of revenue contribution; and the shareholders of Guangzhou Beststudy (including the Registered Shareholders and Mr. Hua Wang).
 - (ii) WFOE has the exclusive right to provide each of the PRC Operating Entities with corporate and education management consulting services, intellectual property licensing services as well as technical and business support services. All of the existing PRC Operating Entities are listed as the service recipients to receive such services provided by WFOE, and Guangzhou Beststudy and its shareholders are obligated to cause all the PRC Operating Entities to appoint WFOE as the exclusive services provider under the Exclusive Management Consultancy and Business Cooperation Agreement.

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

- (2) Exclusive Call Option Agreement I and the Exclusive Call Option Agreement II (collectively, the “**Exclusive Call Option Agreements**”) (dated 18 June 2018):
 - (i) Parties (Exclusive Call Option Agreement I): WFOE, Guangzhou Beststudy and the Registered Shareholders
 - (ii) Parties (Exclusive Call Option Agreement II): WFOE, Guangzhou Beststudy and the wholly-owned subsidiaries of Guangzhou Beststudy
 - (iii) Under the Exclusive Call Option Agreement I, the Registered Shareholders irrevocably agreed to grant WFOE or its designated third party an exclusive option to purchase all or part of the equity interests in Guangzhou Beststudy held by Registered Shareholders, for nil consideration or the minimum amount of consideration permitted by the applicable PRC laws and regulations, under circumstances in which WFOE or its designated third party is permitted under PRC laws and regulations to own all or part of the equity interests of Guangzhou Beststudy. Where the purchase price is required by the relevant PRC laws and regulations to be an amount other than nil consideration, the Registered Shareholders shall, according to the instruction of WFOE, return the amount of purchase price they have received to WFOE or its designated third party, or Guangzhou Beststudy.



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

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

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

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

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

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

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

- (i) Parties: Registered Shareholders; and WFOE



Other Information

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

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

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

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

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

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

- According to the Structured Contracts, the Group has obtained control of the PRC operating entities and obtained economic benefits from it.

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

- The following table sets forth the financial contributions of the PRC operating entities to the Group :

	Financial Contribution to the Group		
	Revenue as at 30 June 2022	Net Profit as at 30 June 2022	Total Asset as at 30 June 2022
PRC Operating Entities	100%	371%	93%



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

- the Structured Contracts as a whole and each of the agreements comprising the Structured Contracts are legal, valid and binding on the parties thereto, enforceable under PRC laws and regulations, and in particular, the Structured Contracts do not violate the provisions of Parts I & III of the PRC Civil Code (中華人民共和國民法典第一編及第三編) and other applicable PRC laws and regulations; upon signing, the Structured Contracts will be valid and effective under PRC laws and regulations; each of the Structured Contracts is not in violation of provisions of the articles of association of our PRC Operating Entities; entering into and the performance of the Structured Contracts are not required to obtain any approvals or authorizations from the PRC governmental authorities except that (1) the pledge of any equity interest in company in favor of WFOE is subject to registration requirements with relevant Administration of Industry and Commerce; (2) the transfer of the equity interests in the Company contemplated under the Structured Contracts is subject to applicable approval and/or registration requirements under the then applicable PRC laws; and (3) any arbitral awards in relation to the performance of the Structured Contracts are subject to application to competent PRC courts for recognition and enforcement.

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

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

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

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

- (a) major issues arising from the implementation and compliance with the Structured Contracts or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (b) our Board will review the overall performance of and compliance with the Structured Contracts at least once a year;
- (c) our Company will disclose the overall performance and compliance with the Structured Contracts in its annual and interim reports to update the Shareholders and potential investors;



Other Information

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

(g) Material change in the Structured Contracts:

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

(h) Unwinding of the Structured Contracts:

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



RSU SCHEME AND SHARE OPTION SCHEME

RSU Scheme

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

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

As at 30 June 2022, the trustee of the Company, Ms. Shaoping Fu (the “**Trustee**”) has purchased 62,156,000 shares (representing approximately 7% of the total issued shares of the Company as at 30 June 2022) under the RSU Scheme. A total of 63,967,773 shares (representing approximately 8% of the total issued shares of the Company as at 30 June 2022) have been granted to grantees under the RSU Scheme.

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

Share Option Scheme

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

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

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



Other Information

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

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

No options were granted, exercised, cancelled or lapsed by the Company under the Share Option Scheme during the Reporting Period and there were no outstanding share options under the Share Option Scheme as at 30 June 2022 and up to the date of this interim report. As at 30 June 2022, the remaining life of the Share Option Scheme is 6 years and 4 months.

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

By order of the Board

Junjing Tang

Chairman

Hong Kong, 30 August 2022



Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Revenue	4	268,445	1,096,355
Cost of sales		(146,774)	(674,430)
Gross profit		121,671	421,925
Other income and gains, net	4	10,070	51,703
Investment income		3,466	11,978
Selling expenses		(30,452)	(124,542)
Research and development expenses		(35,315)	(84,963)
Administrative expenses		(44,397)	(116,766)
Finance cost	6	(7,737)	(30,457)
Share of losses of associates		(478)	(1,966)
Share of (losses) profits of a joint venture		(607)	87
Fair value changes on investments at fair value through profit or loss	14	(20,085)	29,156
Impairment losses under expected credit loss model, net of reversal	7	21,415	(31,885)
Other expenses		(736)	(115,628)
PROFIT BEFORE TAX		16,815	8,642
Income tax expense	8	(11,268)	(7,234)
PROFIT FOR THE PERIOD		5,547	1,408
Attributable to:			
Ordinary equity holders of the parent		5,232	5,836
Non-controlling interests		315	(4,428)
		5,547	1,408
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic			
— For profit for the period		RMB0.7 cents	RMB0.8 cents
Diluted			
— For profit for the period		RMB0.7 cents	RMB0.8 cents



Condensed Consolidated Statement of Comprehensive Income (Expense)

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
PROFIT FOR THE PERIOD	5,547	1,408
OTHER COMPREHENSIVE EXPENSE		
Other comprehensive expense that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	—	(2,482)
Net other comprehensive expense that may be reclassified to profit or loss in subsequent periods	—	(2,482)
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD, NET OF TAX	—	(2,482)
TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE PERIOD	5,547	(1,074)
Attributable to:		
Ordinary equity holders of the parent	5,232	3,354
Non-controlling interests	315	(4,428)
	5,547	(1,074)

Condensed Consolidated Statement of Financial Position

At 30 June 2022



	Notes	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	41,564	51,858
Right-of-use assets	12(a)	143,038	192,166
Intangible assets		30,339	33,642
Investments in joint ventures		7,510	7,377
Investments in associates	13	17,014	17,492
Equity investments at fair value through profit or loss	14	7,607	7,227
Debt investments measured at amortised cost	14	22,716	186,047
Debt investments at fair value through profit or loss	14	11,558	15,248
Prepayments for purchases of property, plant and equipment		939	552
Deferred tax assets		35,826	35,080
		318,111	546,689
CURRENT ASSETS			
Short-term debt investments measured at fair value through profit or loss	14	57,060	245,989
Short-term equity investments measured at fair value through profit or loss	14	32,881	48,986
Short-term debt investments measured at amortised cost	14	25,780	130,000
Prepayments, deposits and other receivables	15	79,046	72,765
Restricted cash	16	14,971	12,135
Short-term time deposits		51,276	50,130
Cash and cash equivalents	16	310,437	211,180
Other current assets		462	778
		571,913	771,963
CURRENT LIABILITIES			
Other payables and accruals	17	91,929	171,846
Contract liabilities		144,787	191,725
Tax payable		29,313	33,874
Interest-bearing bank loans	18	95,500	333,218
Lease liabilities	12(b)	75,649	87,163
		437,178	817,826



Condensed Consolidated Statement of Financial Position

At 30 June 2022

	Notes	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
NET CURRENT ASSETS (LIABILITIES)		134,735	(45,863)
TOTAL ASSETS LESS CURRENT LIABILITIES		452,846	500,826
NON-CURRENT LIABILITIES			
Lease liabilities	12(b)	94,986	150,222
Total non-current liabilities		94,986	150,222
NET ASSETS		357,860	350,604
EQUITY			
Share capital	19	303	303
Reserves		356,998	350,401
Equity attributable to ordinary equity holders of the parent		357,301	350,704
Non-controlling interests		559	(100)
TOTAL EQUITY		357,860	350,604

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022



	Attributable to owners of the parent										
	Share capital	Share premium*	Shares held for the RSU scheme*	Share-based payment reserve*	Statutory surplus reserve*	Other reserve*	Exchange fluctuation reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000 (Note 19)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022 (audited)	303	208,710	(155,883)	594	36,957	226,302	(37,802)	71,669	350,850	(246)	350,604
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	5,232	5,232	315	5,547
Share-based payments	-	-	-	1,219	-	-	-	-	1,219	-	1,219
Exercise of share awards under the restricted share unit scheme	-	-	-**	(341)	-	-	-	341	-	-	-
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	490	490
At 30 June 2022 (unaudited)	303	208,710	(155,883)	1,472	36,957	226,302	(37,802)	77,242	357,301	559	357,860

* These reserve accounts comprise the reserves of RMB356,998,000 in the condensed consolidated statement of financial position as at 30 June 2022.

** The amount was less than RMB1,000.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Share capital		Attributable to owners of the parent							Non-controlling interests	Total equity
	Share capital	Share premium*	Shares held for the RSU scheme*	Share-based payment reserve*	Statutory surplus reserve*	Other reserve*	Exchange fluctuation reserve*	Retained profits*			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	Total		
	(Note 19)										
At 1 January 2021 (audited)	304	248,380	(83,162)	12,136	100,673	226,302	(33,668)	327,378	798,343	(2,473)	795,870
Profit/(loss) for the period	–	–	–	–	–	–	–	5,836	5,836	(4,428)	1,408
Other comprehensive expense for the period:											
Exchange differences on translation of financial statements	–	–	–	–	–	–	(2,482)	–	(2,482)	–	(2,482)
Total comprehensive (expense) income for the period	–	–	–	–	–	–	(2,482)	5,836	3,354	(4,428)	(1,074)
Share-based payments	–	–	–	2,114	–	–	–	–	2,114	–	2,114
Exercise of share awards under the restricted share unit scheme	–	–	–**	(762)	–	–	–	762	–	–	–
Repurchase of shares under the restricted share unit scheme	–	–	(73,172)	–	–	–	–	–	(73,172)	–	(73,172)
Repurchase and cancellation of shares	(1)	(5,677)	–	–	–	–	–	–	(5,678)	–	(5,678)
Deregistration of a subsidiary	–	–	–	–	(2,461)	–	–	2,461	–	–	–
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	20	20
Final 2020 dividend declared	–	(34,031)	–	–	–	–	–	–	(34,031)	–	(34,031)
At 30 June 2021 (unaudited)	303	208,672	(156,334)	13,488	98,212	226,302	(36,150)	336,437	690,930	(6,881)	684,049

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

** The amount was less than RMB1,000.



Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating cash flows before movements in working capital	61,166	275,146
Increase in prepayments, deposits and other receivables	(6,281)	(23,444)
Increase in restricted cash	(2,836)	(1,906)
Decrease in other current assets	316	88
Decrease in other payables and accruals	(58,019)	(395)
Decrease in contract liabilities	(46,938)	(21,613)
Cash flows (used in)/from operations	(52,592)	227,876
Interest received	5,503	3,975
Corporate income tax paid	(16,575)	(27,870)
Net cash flows (used in)/from operating activities	(63,664)	203,981
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	36,612	19,149
Dividends received from listed investments	944	—
Dividends received from unlisted investments	181	—
Purchases of items of property, plant and equipment	(6,455)	(68,345)
Purchases of items of intangible assets	(694)	(7,647)
Proceeds from disposal of items of property, plant and equipment and intangible assets	3,871	—
Acquisition of associates	—	(1,000)
Disposal of an associate	—	20,511
Dividend received from an associate	—	200
Purchases of debt investments measured at fair value through profit or loss	—	(10,202)
Receipt from maturity of debt investments measured at amortised cost	162,000	—
Purchases of debt investments measured at amortised cost	—	(97,000)
Purchases of short-term debt investments measured at fair value through profit or loss	—	(575,050)
Receipt from maturity of short-term debt investments measured at fair value through profit or loss	158,931	542,061
Purchase of short-term investment measured at amortised cost	—	(285,000)
Receipt from maturity of short-term investments measured at amortised cost	122,272	30,000
Purchase of short-term time deposits	(1,146)	—
Purchases of time deposits	—	(120,000)
Receipt from time deposits	—	50,000
Prepayment for acquisition	—	(5,440)
Net cash flows from/(used in) investing activities	476,516	(507,763)



Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase of shares	20(a)	—	(78,850)
Capital contribution		490	20
Principal portion of lease payments	12(b)	(46,607)	(105,396)
Interest portion of lease payments	12(b)	(3,509)	(24,296)
New bank loans		—	208,327
Repayment of a bank loan		(237,718)	(202,000)
(Decrease)/Increase in amounts due to related parties		(21,898)	24,565
Interest paid		(4,353)	(6,152)
Net cash flows used in financing activities		(313,595)	(183,782)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		211,180	693,733
Effect of foreign exchange rate changes, net		—	(410)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		310,437	205,759
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	16	310,437	205,759
Cash and cash equivalents as stated in the statement of cash flows		310,437	205,759



Notes to Condensed Consolidated Financial Information

For the six months ended 30 June 2022

1. CORPORATE AND GROUP INFORMATION

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

The Company is an investment holding company. During the six months ended 30 June 2022, there was no change to the principal activities of 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 condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) issued by the International Accounting Standards Board (“IASB”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”). The 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 2021.

The directors of the Company have, at the time of approving the condensed consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

2.2 PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.



Notes to Condensed Consolidated Financial Information

For the six months ended 30 June 2022

2.2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of amendments to International Financial Reporting Standards (“IFRSs”)

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2022 for the preparation of the Group’s unaudited interim condensed consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020

The application of the amendments to IFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these unaudited interim condensed consolidated financial statements.

Change in the functional currency of the Company

During the current period, the functional currency of the Company was changed from United States dollars (“**USD**”) to Renminbi (“**RMB**”) upon the Company ceased its treasury investment function. Subsequently, the Company mainly holds subsidiaries whose underlying operations are primarily in the People’s Republic of China (the “**PRC**”) with RMB being the currency that mainly influences the Group’s underlying transactions, events and conditions. The directors of the Company have determined that RMB better reflects the economic substance of the Company and its business activity as an investment holding company primarily holding subsidiaries with primary economic environment in the PRC.

3. SEGMENT INFORMATION

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

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, 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 of the Company review the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.



Notes to Condensed Consolidated Financial Information
For the six months ended 30 June 2022

3. SEGMENT INFORMATION (CONTINUED)

Geographical information

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

Information about major customers

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

4. REVENUE, OTHER INCOME AND GAINS, NET

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

An analysis of revenue is as follows:

	For the six months ended	
	30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue from contracts with customers		
Full-time test preparation programs	89,611	83,158
Talent education	49,822	33,500
Tutoring programs	129,012	979,315
Others	—	382
	268,445	1,096,355

Notes to Condensed Consolidated Financial Information
For the six months ended 30 June 2022

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

Revenue from contracts with customers

(i) Disaggregated revenue information

For the six months ended 30 June 2022

	Full-time test preparation programs RMB'000 (unaudited)	Talent education RMB'000 (unaudited)	Tutoring programs RMB'000 (unaudited)	Total RMB'000 (unaudited)
Timing of revenue recognition				
Services transferred at a point in time	—	—	63,134	63,134
Services transferred over time	89,611	49,822	65,878	205,311
	89,611	49,822	129,012	268,445

For the six months ended 30 June 2021

	Full-time test preparation programs RMB'000 (unaudited)	Talent education RMB'000 (unaudited)	Tutoring programs 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	83,158	33,500	508,079	—	624,737
	83,158	33,500	979,315	382	1,096,355



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

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

The amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period is RMB152,743,000 (for the six months ended 30 June: RMB774,468,000).

(ii) Performance obligations

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

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

	Note	For the six months ended 30 June	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Interest income		5,503	7,827
VAT exemption		72	15,843
Subsidy income from the PRC government	(i)	2,083	5,768
Gain on lease modifications		488	1,666
Gain on disposal of an associate		—	20,511
Dividend income from equity investments at fair value through profit or loss		1,125	—
Others		799	88
		10,070	51,703

Note:

- (i) 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.

Notes to Condensed Consolidated Financial Information

For the six months ended 30 June 2022

5. PROFIT BEFORE TAX

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

	Notes	For the six months ended 30 June	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Employee benefit expense			
Wages and salaries		139,167	518,672
Retirement benefit scheme contributions		10,092	59,827
Equity-settled compensation costs		1,219	2,209
		150,478	580,708
Cost of sales*		146,774	674,430
Depreciation of property, plant and equipment		9,791	38,881
Depreciation of right-of-use assets	12(a)	33,746	117,731
Amortisation of intangible assets		3,590	3,711
Total depreciation and amortisation		47,127	160,323
Lease payments not included in the measurement of lease liabilities	12(c)	4,209	5,455
COVID-19-related rent concessions from lessors	12(c)	(3,895)	(841)
Loss on disposal of items of property, plant and equipment, net	11	218	875
Foreign exchange difference, net		222	89
Impairment of property, plant and equipment	11	—	75,698
Reversal of impairment of financial assets		(21,415)	—
Impairment of financial assets		—	31,885
Impairment of investment in associates	13	—	35,252
Auditor's remuneration		898	1,563

* The staff costs of RMB106,253,000 (for the six months ended 30 June: RMB451,545,000) and the depreciation and amortisation of RMB20,187,000 (for the six months ended 30 June: RMB142,893,000) are included in "Cost of sales" in the condensed consolidated statement of profit or loss.



6. FINANCE COSTS

	For the six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Interest on bank loans and other borrowing	4,228	6,161
Interest on lease liabilities	3,509	24,296
	7,737	30,457

7. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	For the six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Impairment loss reversed (recognised) in respect of:		
debt investments measured at amortised cost	20,541	—
deposits and other receivables	874	(31,885)
	21,415	(31,885)

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021.

During the current interim period, the Group reversed the impairment allowance of RMB21,415,000 (for the six months ended 30 June: nil) in particular, a specific reversal of RMB20,541,000 has been made to debt investments measured at amortised cost due to partial redemption.

During the six months ended 30 June 2021, an impairment loss under expected credit loss model of RMB15,000,000 was provided on the loan receivables from third parties, and an impairment loss under expected credit loss model of RMB16,885,000 was provided on the rental and other deposits. No material impairment losses under expected credit loss model was made during the six months ended 30 June 2022.



Notes to Condensed Consolidated Financial Information

For the six months ended 30 June 2022

8. INCOME TAX EXPENSE

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

Hong Kong Profits Tax

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

PRC Enterprise Income Tax (“EIT”)

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 2022.

Pursuant to the EIT Law and the respective regulations, the other PRC subsidiaries were subject to income tax at a statutory rate of 25% for the period (2021: 25%).

EIT 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	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Current — the PRC		
Charge for the period	10,521	19,596
Deferred tax expense (credit)	747	(12,362)
Income tax expense for the period	11,268	7,234



9. DIVIDENDS

	For the six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Final dividend declared — nil cents per ordinary share (2021: HK\$5.5 cents per ordinary share)	—	34,031
	—	34,031

The Board resolved not to declare the interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June: nil).

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the adjusted weighted average number of ordinary shares of 752,535,956 (for the six months ended 30 June: 753,931,100) in issue during the period.

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

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

	For the six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	5,232	5,836



Notes to Condensed Consolidated Financial Information

For the six months ended 30 June 2022

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

	Number of shares for the six months ended 30 June	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue	847,221,000	847,478,718
Weighted average number of shares held for the RSU Scheme	(94,685,044)	(93,547,618)
Adjusted weighted average number of ordinary shares in issue used in the basic earnings per share calculation	752,535,956	753,931,100
Effect of dilution — weighted average number of ordinary shares: RSU Scheme	593,000	16,376,431
Adjusted weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	753,128,956	770,307,531

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired property, plant and equipment with a cost of RMB3,585,000 (for the six months ended 30 June: RMB68,728,000).

Property, plant and equipment with a net book value of RMB4,089,000 were disposed of by the Group during the six months ended 30 June 2022 (for the six months ended 30 June: RMB1,131,000), resulting in a net loss on disposal of RMB218,000 (for the six months ended 30 June: net loss of RMB875,000).

During the six months ended 30 June 2021, the Group planned to close certain training centres and a full impairment loss on the relevant leasehold improvements of these centres amounting to RMB75,698,000 was recognised. No impairment loss on property, plant and equipment is recognised during the six months ended 30 June 2022.



12. RIGHT OF USE ASSETS AND LEASE LIABILITIES

The Group as a lessee

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

(a) Right-of-use assets

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

	2022 Property RMB'000 (unaudited)	2021 Property RMB'000 (unaudited)
As at 1 January	192,166	837,493
Additions	24,098	315,919
Depreciation for the period (note 5)	(33,746)	(117,731)
Derecognition upon early termination of leases	(6,617)	—
Revision of lease terms arising from the change in the non-cancellable periods	(32,863)	(12,208)
As at 30 June	143,038	1,023,473

Notes to Condensed Consolidated Financial Information
For the six months ended 30 June 2022

12. RIGHT OF USE ASSETS AND LEASE LIABILITIES (CONTINUED)

The Group as a lessee (Continued)

(b) Lease liabilities

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

	2022 Lease liabilities RMB'000 (unaudited)	2021 Lease liabilities RMB'000 (unaudited)
Carrying amount at 1 January	237,385	927,866
New leases entered	24,098	315,919
Accretion of interest recognised during the period	3,509	24,296
Lease payments	(50,116)	(129,692)
COVID-19-related rent concessions from lessors	(3,895)	(841)
Derecognition upon early termination of leases	(5,957)	—
Revision of lease terms arising from the change in the non-cancellable periods	(34,389)	(13,938)
Carrying amount at 30 June	170,635	1,123,610
Analysed into:		
Current portion	75,649	245,290
Non-current portion	94,986	878,320
Carrying amount at 30 June	170,635	1,123,610

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

	For the six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Interest on lease liabilities	3,509	24,296
Depreciation charge of right-of-use assets	33,746	117,731
Expense relating to short-term leases (included in cost of sales, selling expenses, research and development expenses and administrative expenses)	4,209	5,455
COVID-19-related rent concessions from lessors	(3,895)	(841)
Total amount recognised in profit or loss	37,569	146,641

13. INVESTMENTS IN ASSOCIATES

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Share of net assets	9,172	9,665
Goodwill on acquisition	23,037	23,037
Impairment loss recognised	(15,195)	(15,210)
	17,014	17,492

Particulars of the associates are as follows:

Name	Place of incorporation/ registration and business	Particulars of registered/ paid-in capital RMB	Percentage of ownership interest attributable to the Group		Principal activities
			2022	2021	
Guangdong Donghu Qiyuan Co., Ltd. ("Donghu Qiyuan")	Mainland China	1,429,000	30.00	30.00	Chess training services
Guangzhou Sairui Sports Co., Ltd. ("Sairui Sports")	Mainland China	167,000	24.00	24.00	Physical education services
Guangzhou Haite Sports Development Co., Ltd. ("Haite Sports")	Mainland China	1,250,000	36.00	36.00	Physical education services
Guangzhou Xinyue Sports Co., Ltd. ("Xinyue Sports")	Mainland China	5,000,000	40.00	40.00	Physical education services
Guangzhou Walmonos Sports Development Co., Ltd. ("Walmonos Sports") [#]	Mainland China	1,087,000	18.00	18.00	Physical education services
Guangzhou Yuyou Pinxue Co., Ltd. ("Yuyou Pinxue") [#]	Mainland China	1,304,000	17.48	17.48	Consulting services



Notes to Condensed Consolidated Financial Information

For the six months ended 30 June 2022

13. INVESTMENTS IN ASSOCIATES (CONTINUED)

Name	Place of incorporation/ registration and business	Particulars of registered/ paid-in capital RMB	Percentage of ownership interest attributable to the Group		Principal activities
			2022	2021	
Guangzhou Wandou Information and Technology Co., Ltd. ("Guangzhou Wandou")	(i) Mainland China	3,000,000	0.00	33.33	Information and technology services
Guangzhou Shengshi Zhiben Education Investment Co., Ltd. ("Guangzhou Shengshi")	Mainland China	100,000	20.00	20.00	Education investment and consultation services

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

(i) Guangzhou Wandou was de-registered on 21st January 2022.

The Group's other receivables and other payables with associates are disclosed in note 15 and note 17 to the condensed consolidated financial statements.

Walmons Sports

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



13. INVESTMENTS IN ASSOCIATES (CONTINUED)

Walmons Sports (Continued)

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

	30 June 2022 RMB'000	31 December 2021 RMB'000
Non-current assets	14,030	17,282
Current assets	46,919	49,328
Current liabilities	(59,134)	(64,402)
Non-current liabilities	(5,400)	(5,700)
Net liabilities	(3,585)	(3,492)
Reconciliation to the Group's interest in the associate:		
Net liabilities	(3,585)	(3,492)
Non-controlling interests of Walmonos Sports	(358)	—
Proportion of the Group's ownership	18.00%	18.00%
Group's share of net assets of the associate	(710)	(629)
Goodwill on acquisition (less cumulative impairment)	7,409	7,409
Impairment	—	—
Carrying amount of the investment	6,699	6,780
Revenue	53,718	104,105
Loss and total comprehensive loss for the year	(451)	(11,428)

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

	30 June 2022 RMB'000	31 December 2021 RMB'000
Share of the associates' loss for the period	(397)	(4,151)
Share of the associates' total comprehensive loss for the period	(397)	(4,151)
Aggregate carrying amount of the Group's interests in the associates	10,315	10,712

Notes to Condensed Consolidated Financial Information
For the six months ended 30 June 2022

14. OTHER INVESTMENTS

		30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Non-current assets			
Equity investments at fair value through profit or loss			
– Unlisted equity investments	(i)	7,607	7,227
Debt investments measured at amortised cost			
– Corporate debts	(ii)	22,716	186,047
Debt investments at fair value through profit or loss			
– Funds	(iii)	11,558	15,248
Current assets			
Short-term debt investments measured at fair value through profit or loss			
– Unlisted trust plans and asset management plans	(iii)	21,015	20,396
– Wealth management products issued by banks	(iii)	–	41,048
– Funds	(iii)	36,045	184,545
		57,060	245,989
Short-term equity investments measured at fair value through profit or loss			
– Listed equity investments	(iv)	32,881	48,986
Short-term debt investments measured at amortised cost			
– Corporate debts	(ii)	25,780	130,000
		115,721	424,975

14. OTHER INVESTMENTS (CONTINUED)

- (i) The fair values of the unlisted equity investments 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 with guaranteed returns. They are denominated in RMB.
- (iii) Wealth management products issued by banks, unlisted trust plans, asset management plans and funds issued by financial institutions, were denominated in RMB at aggregate carrying amounts of RMB68,618,000 (2021: RMB261,237,000), with an expected rate of return ranging from 4.0% to 14.0% (2021: 4.0% to 14.0%) per annum at 30 June 2022. 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. As at 30 June 2022, certain unlisted trust plans and funds were overdue without being redeemed pursuant to the terms of the subscriptions agreements. The fair values are based on discounted cash flows using the expected return and are within level 2 and level 3 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	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Investment income from debt investments measured at amortised cost — corporate debts	3,466	11,978
Reversal of impairment loss of debt investments measured at amortised cost	20,541	—
Fair value changes on investments		
<i>Equity investments</i>		
— Unlisted	380	(165)
— Listed	(16,105)	3,010
<i>Debt investments</i>		
— Unlisted trust plans and asset management plans	619	9,811
— Wealth management products issued by banks	236	2,409
— Funds	(5,215)	14,091
	(20,085)	29,156



Notes to Condensed Consolidated Financial Information
For the six months ended 30 June 2022

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Rental and other deposits	25,085	25,122
Receivables from payment channels	12,627	5,874
Prepaid operation expenses	10,097	7,928
Loans to employees	2,974	4,617
Proceeds receivable	240	219
Staff advances	490	229
Amounts due from related parties	225	130
Loan receivables from third parties	21,329	21,329
Others	5,979	7,317
	79,046	72,765

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

The Group applies the general approach to provide for the expected credit loss (“ECL”) of the financial assets measured at amortised cost including rental and other deposits, receivables from payment channels, loans to employees, proceeds receivable, amounts due from related parties, loan receivables from third parties, and others prescribed by IFRS 9. The Group assessed that the credit standing of the payment agents is very strong, and the tenor of such receivables is short.

Included in the balance above, rental and other deposits, receivables from payment channels, loans to employees, proceeds receivable, amounts due from related parties, loan receivables from third parties and others are financial assets.

Loan receivables from third parties represent the loan receivables transferred from the prepaid acquisition costs for the controlling interests in the target companies due to the cessation of the related acquisitions. The carrying amounts of RMB21,329,000 equal the total gross amounts of RMB37,000,000 less the ECL allowance of RMB15,671,000. The Group assessed that the carrying amounts are probably to recover in the foreseeable future.



16. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Cash and bank balances	325,407	223,315
Less: restricted cash	14,970	12,135
Cash and cash equivalents	310,437	211,180

As at the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB323,102,000 (2021: RMB191,443,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

As at 30 June 2022, bank balances amounting to RMB14,970,000 (2021: RMB12,135,000) are restricted. Bank balances amounting to RMB8,777,000 (2021: RMB8,777,000) were restricted as guarantee deposit of a bank loan repaid in advance in January 2022, and remained to be restricted till the original due date of the bank loan after 30 June 2022. Bank balances amounting to RMB100,000 (2021: RMB100,000) were restricted for capital verification purposes upon setting up one (2021: one) of the Group's subsidiaries. Bank balances amounting to RMB5,914,000 (2021: RMB3,258,000) were restricted in use for establishing education reserve accounts at the request of the local education bureau, which is a prerequisite for launching the private education business.

Notes to Condensed Consolidated Financial Information
For the six months ended 30 June 2022

17. OTHER PAYABLES AND ACCRUALS

	30 June 2022	31 December 2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Accrued staff benefits and payroll	55,431	88,917
Payable for operating activities	18,957	31,977
Amount due to related parties	393	22,161
Refund liabilities	—	7,001
Other tax payables	1,637	7,839
Deposits received	2,817	2,972
Payable for listing expenses	682	682
Interest payable	344	469
Others	11,668	9,828
	91,929	171,846

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

18. INTEREST-BEARING BANK LOANS

	30 June 2022			31 December 2021		
	Effective interest rate	Maturity	RMB'000	Effective interest rate	Maturity	RMB'000
	(%)			(%)		
			(Unaudited)			(Audited)
Current						
Bank loans — unsecured	—	—	—	3.55	2022	180,000
Bank loans — secured	—	—	—	HIBOR+1	2022	8,218
Current portion of long-term bank loans — unsecured	—	—	—	3.60	2022	145,000
Current portion of long-term bank loans — guaranteed	3.60	2022	95,500	3.60	2022	188,218
			95,500			333,218



18. INTEREST-BEARING BANK LOANS (CONTINUED)

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Analysed into:		
Bank loans:		
Within one year or on demand	95,500	333,218
In the second year	—	—
	95,500	333,218

19. SHARE CAPITAL

Shares

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Authorised:		
3,000,000,000 ordinary shares of US\$0.00005 each as at 30 June 2022 (2021: 3,000,000,000 ordinary shares)	1,070	1,070
Issued and fully paid:		
847,221,000 ordinary shares as at 30 June 2022 (2021: 847,221,000 ordinary shares)	303	303

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 2021	849,720,000	304
Shares repurchased and cancelled	(2,499,000)	(1)
At 30 June 2021, 1 January 2022 and 30 June 2022	847,221,000	303



Notes to Condensed Consolidated Financial Information

For the six months ended 30 June 2022

19. SHARE CAPITAL (CONTINUED)

Shares (Continued)

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

20. SHARE-BASED PAYMENT

(a) RSU Scheme

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

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

The movements of the Company's shares held for RSU Scheme account during the six months ended 30 June 2022 and the year ended 31 December 2021 are as follows:

	Notes	Number of shares	Amount RMB'000
As at 1 January 2021		72,222,358	83,162
Repurchase of shares held for RSU Scheme	(i)	33,835,000	72,725
Exercise of share awards	(ii)	(11,010,067)	(4)
As at 31 December 2021		95,047,291	155,883
As at 31 December 2021 and 1 January 2022		95,047,291	155,883
Exercise of share awards	(ii)	(366,667)	—*
As at 30 June 2022		94,680,624	155,883

* The amount was less than RMB1,000.

20. SHARE-BASED PAYMENT (CONTINUED)

(a) RSU Scheme (Continued)

Notes:

- (i) During the six months ended 30 June 2021, 33,835,000 ordinary shares of the Company on the Stock Exchange were purchased for the RSU Scheme at a total consideration of approximately HK\$87,620,000, equivalent to approximately RMB72,725,000. No ordinary shares were purchased by the Company during the six months ended 30 June 2022.
- (ii) During the year ended 30 June 2022, the Group granted a certain number of RSUs at a consideration of nil per share to 1 grantee (for the year ended 31 December 2021: 351 grantees) pursuant to the RSU Scheme, subject to acceptance of the grantees. The fair value of each RSU granted to employees is measured with reference to the closing prices of the ordinary shares of the Company at the grant date of HK\$0.52 per share, equivalent to RMB0.43 per share (2021: HK\$2.5 per share, equivalent to RMB2.05 per share, and HK\$0.6 per share, equivalent to RMB0.46 per share, respectively).

The aggregate number of shares granted during the period is set out in the table below.

During the six months ended 30 June 2022, the Group amortised the difference between the fair value of the share awards and the consideration that employees have to pay to the Company over the vesting period and recognised as equity-settled compensation costs of RMB1,219,000 (for the six months ended 30 June: RMB2,114,000) in profit or loss in relation to the RSU Scheme.

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

Date of grant	Number of outstanding granted RSUs as at 1 January 2022	Shares newly granted or resumed as effective during the period	Fair value RMB'000	Exercise price RMB	Vesting date	Number of Awarded Shares		
						Vested during the period	Forfeited during the period	Outstanding granted RSUs as at 30 June 2022
	'000	'000				'000	'000	'000
10 September 2020	167	—	—	—	10 September 2022	—	—	167
10 September 2020	166	—	—	—	10 September 2023	—	—	166
29 October 2020	—	50*	—	—	29 October 2023	—	—	50
8 November 2020	—	105*	—	—	8 October 2023	—	—	105
8 November 2020	—	105*	—	—	8 October 2024	—	—	105
3 September 2019	—	167*	—	—	28 July 2021	167	—	—
5 January 2022	—	200	86	—	5 January 2022	200	—	—
	333	627	86			367	—	593

* The shares were resumed as effective during the period due to the revised estimation of the number of shares to be exercised.



Notes to Condensed Consolidated Financial Information

For the six months ended 30 June 2022

20. SHARE-BASED PAYMENT (CONTINUED)

(b) Share Option Scheme

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

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

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

21. COMMITMENTS

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Contracted, but not provided for:		
Leasehold improvements	18,636	—

- (b) The Group has no lease contract that has not yet commenced as at 30 June 2022.



22. RELATED PARTY TRANSACTIONS

(a) Name and relationship of related parties

Name	Relationship
Walmonos Sports	Associate of the Group
Xinyue Sports	Associate of the Group
Yuyou Pinxue	Associate of the Group
Haite Sports	Associate of the Group
Sairui Sports	Associate of the Group
Donghu Qiyuan	Associate of the Group
Guangzhou Shengshi	Associate of the Group
Guangzhou Tengyue Education Technology Co., Ltd 廣州騰越教育科技有限公司 (“ Tengyue Education ”)	Under the common control of the ultimate controlling parties
Shenzhen Wandie Culture Development Co., Ltd. 深圳市萬蝶文化發展有限公司 (“ Shenzhen Wandie Culture ”)	Under the common control of the ultimate controlling parties

Notes to Condensed Consolidated Financial Information
For the six months ended 30 June 2022

22. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

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

(1) Sales of consulting services to related parties

	For the six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Walmonos Sports	—	114
Xinyue Sports	—	56
	—	170

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

(2) Rental income from a related party

	For the six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Yuyou Pinxue	—	748
Tengyue Education	234	—

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

22. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties (Continued)

(3) Consultation fee to a related party

	For the six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Guangzhou Shengshi	130	—

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

(c) Outstanding balances with related parties

(1) Amounts due from related parties

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Haite Sports	94	94
Tengyue Education	95	—
Donghu Qiyuan	36	36
	225	130

22. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Outstanding balances with related parties (Continued)

(2) Amounts due to related parties

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Shenzhen Wandie Culture	—	21,898
Guangzhou Shengshi	130	—
Walmonos Sports	136	136
Xinyue Sports	56	56
Yuyou Pinxue	45	45
Sairui Sports	26	26
	393	22,161

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

(d) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Short term employee benefits	3,323	4,043
Pension scheme contributions	182	185
Equity-settled compensation costs	—	95
Total compensation paid to key management personnel	3,505	4,323



23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value measurements and valuation processes

The Board has set up a valuation committee, which is headed up by the Chief Financial Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group engages third party qualified valuers to perform the valuation. The valuation committee works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the valuation committee's findings to the board every quarter to explain the cause of fluctuations in the fair value.

The fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to Condensed Consolidated Financial Information
For the six months ended 30 June 2022

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s) and sensitivity
	30/06/2022 (Unaudited)	31/12/2021 (Audited)			
1) Short-term equity investments measured at fair value through profit or loss – Listed equity investments	RMB32,881,000	RMB48,986,000	Level 1	Quoted bid prices in an active market.	Not applicable.
2) Debt investments at fair value through profit or loss – Funds	RMB11,558,000	RMB15,248,000	Level 2	Summation method under cost approach. Key inputs include observable financial statements and market capitalization at the end of the reporting period.	Not applicable.
3) Short-term debt investments measured at fair value through profit or loss – Wealth management products issued by banks	–	RMB41,048,000	Level 2	Summation method under cost approach. Key input represents observable market capitalization at the end of the reporting period.	Not applicable.
4) Short-term debt investments measured at fair value through profit or loss – Funds	–	RMB11,052,000	Level 2	Summation method under cost approach. Key input represents observable market capitalization at the end of the reporting period.	Not applicable.
5) Equity investment at fair value through profit or loss – Unlisted equity investment	RMB7,607,000	RMB7,227,000	Level 3	The net asset value based on the fair value of the underlying investments.	The fair value of underlying assets of USD28,126,000 (31 December 2021: USD28,126,000). The higher the underlying assets valuation, the higher the fair value.



23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s) and sensitivity
	30/06/2022 (Unaudited)	31/12/2021 (Audited)			
6) Short-term debt investments measured at fair value through profit or loss – Unlisted trust plans and asset management plans	RMB21,015,000	RMB20,396,000	Level 3	1) Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	Expected recoverable amounts of RMB21,015,000 (31 December 2021: RMB20,396,000). The higher the recoverable amounts, the higher the fair value. Expected recovery date. The earlier the recovery date, the higher the fair value. Discount rates that correspond to the expected risk level of 3.22% (31 December 2021: 3.22%). The lower the discount rates, the higher the fair value.
7) Short-term debt investments measured at fair value through profit or loss – Funds	RMB36,045,000	RMB173,493,000	Level 3	1) Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	Expected recoverable amounts of RMB36,045,000 (31 December 2021: RMB173,493,000). The higher the recoverable amounts, the higher the fair value. Expected recovery date. The earlier the recovery date, the higher the fair value. Discount rates that correspond to the expected risk level of 3.22% (31 December 2021: 3.22%). The lower the discount rates, the higher the fair value.



Notes to Condensed Consolidated Financial Information
For the six months ended 30 June 2022

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Reconciliation of Level 3 fair value measurements of financial assets

	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Financial assets at fair value through profit or loss:		
As at 1 January	201,116	6,346
Total losses recognised in the condensed consolidated statement of profit or loss	(1,667)	(165)
Disposals	(134,782)	—
Exchange realignment	—	(61)
As at 30 June	64,667	6,120