

2020

INTERIM REPORT



Neuedu

東軟教育科技有限公司

Neusoft Education Technology Co. Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 9616

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairperson and Non-Executive Director

Dr. LIU Jiren

Executive Director

Dr. WEN Tao

Non-executive Directors

(aside from our Chairperson)

Mr. RONG Xinjie

Dr. YANG Li

Dr. ZHANG Yinghui

Mr. Klaus Michael ZIMMER

Independent Non-executive Directors

Dr. LIU Shulian

Dr. QU Daokui

Dr. WANG Weiping

AUDIT COMMITTEE

Dr. LIU Shulian (Chairperson)

Dr. QU Daokui

Mr. RONG Xinjie

REMUNERATION COMMITTEE

Dr. QU Daokui (Chairperson)

Dr. LIU Jiren

Dr. WANG Weiping

NOMINATION COMMITTEE

Dr. LIU Jiren (Chairperson)

Dr. LIU Shulian

Dr. WANG Weiping

JOINT COMPANY SECRETARIES

Ms. HE Jing

Ms. MAK Po Man Cherie

AUTHORISED REPRESENTATIVES

Dr. WEN Tao

Ms. MAK Po Man Cherie

REGISTERED OFFICE

89 Nexus Way

Camana Bay

Grand Cayman, KY1-9009

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 8, Software Park Road

Ganjingzi District, Dalian

Liaoning, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 40, Sunlight Tower

No. 248 Queen's Road East

Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR

Ogier Global (Cayman) Limited

89 Nexus Way

Camana Bay

Grand Cayman, KY1-9009

Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited

Level 54, Hopewell Centre

183 Queen's Road East, Hong Kong

Corporate Information

HONG KONG LEGAL ADVISER

William Ji & Co. LLP
(in Association with
Tian Yuan Law Firm Hong Kong Office)
Suite 702, 7/F
Two Chinachem Central
26 Des Voeux Road Central
Central, Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central, Hong Kong

COMPLIANCE ADVISER

Somerley Capital Limited
20/F, China Building
29 Queen's Road Central
Hong Kong

PRINCIPAL BANKS

China Construction Bank
Dalian High-tech Zone Branch
Shanghai Pudong Development Bank
Dalian Xueyuan Square Branch
Bank of Chengdu
Dujiangyan Branch
Guangdong Nanhai Rural Commercial Bank
Shishan Software Park Banking Office

STOCK CODE

9616

COMPANY WEBSITE

<http://www.neuedu.com>

LISTING DATE

29 September 2020



FINANCIAL SUMMARY

SELECTED CONSOLIDATED STATEMENTS OF TOTAL COMPREHENSIVE INCOME

	For the six months ended 30 June		Percentage of change
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	
Revenue	439,604	455,233	-3.4%
Cost of revenue	(282,639)	(293,412)	-3.7%
Gross profit	156,965	161,821	-3.0%
Selling expenses	(10,736)	(4,800)	123.7%
Administrative expenses	(50,541)	(46,029)	9.8%
Research and development expenses	(9,520)	(11,453)	-16.9%
Other income	40,897	34,658	18.0%
Other expense	(8,252)	(9,292)	-11.2%
Other gains	1,783	592	201.2%
Operating profit	120,596	125,497	-3.9%
Finance income	1,820	940	93.6%
Finance expenses	(18,886)	(18,719)	0.9%
Finance expenses-net	(17,066)	(17,779)	-4.0%
Profit before income tax	103,530	107,718	-3.9%
Income tax expense	(13,416)	(16,257)	-17.5%
Profit for the period	90,114	91,461	-1.5%
Attributable to owners of the Company	72,366	70,874	2.1%
Non-IFRS measure:			
Adjusted Net Profit	100,707	99,990	0.7%
Attributable to owners of the Company	82,959	79,403	4.5%

HONORS AND AWARDS

Date of Award	Award/Accreditation/ Qualification	Awarded entity	Awarding organisation
December 2019	Three bachelor degree programmes, i.e. computer science and technology, software engineering, and digital media technology, were included in the list of the first batch of national-level first-class bachelor degree programmes, making it rank the first among all private universities (including independent colleges) in terms of the number of bachelor degree programmes included in the list. With respect to each of the three bachelor degree programmes mentioned above, it is the only private university (including independent colleges) that was included in the list	Dalian University	Ministry of Education
December 2019	Six bachelor degree programmes, i.e. network engineering, electronic information engineering, information management and information system, human resource management, animation, and English, were included in the first batch of provincial-level first-class bachelor degree programmes	Dalian University	Ministry of Education
December 2019	Three bachelor degree programmes, i.e. software engineering, network engineering, and animation, were included in the first batch of provincial-level first-class bachelor degree programmes	Chengdu University	Ministry of Education
February 2020	Ranked No.1 in the "Analysis Report on National Teachers' Teaching Contests (2012-2019)" among all private universities (inclusive of independent colleges) in China for three consecutive years	Dalian University	China Association of Higher Education (中國高等教育學會)



Honors and Awards

Date of Award	Award/Accreditation/ Qualification	Awarded entity	Awarding organisation
February 2020	First batch of organizations providing online vocational training platforms	Dalian Education	China Employment Training Technical Instruction Center (中國就業培訓技術指導中心) under the MHRSS
March 2020	National-level Mass Entrepreneurship Space	Chengdu University	Torch Centre of Ministry of Science and Technology
May 2020	Ranked fifth among all private universities (inclusive of independent colleges) in China in 2020	Dalian University	Ruanke ⁽¹⁾
June 2020	The “Neusoft Baidu Artificial Intelligence College” innovation project selected as one of the Global Top 40 in the 2020WURIRanking Industry Application Innovation Projects	Dalian University	Hanseatic League of Universities
April to June 2020	A total of 15 projects in three batches were selected as the “Outstanding examples of online teaching during the epidemic period”(「疫情階段在線教學優秀案例」)	Guangdong University	The Steering Committee of the Online Open Courses of Undergraduate Universities in Guangdong Province (廣東省本科高校在線開放課程指導委員會)
July 2020	First batch of construction and cultivation units of industry-education integrated enterprises	Dalian Education	Dalian Development and Reform Commission, Dalian Education Bureau
July 2020	Excellent innovative application cases of educational technology “against epidemic” (教育科技「戰疫」優秀創新應用案例)	Dalian Education	CAETT

Note: (1) Ruanke refers to a world-leading professional research and consulting firm focusing on higher education institution’s performance review and improvement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

As a leading private IT higher education service provider in China, we focus on nurturing talents in IT industry to cater for the fast-growing demand for the talent arising from the development of China's software and information service industry. Leveraging on our school-operating experience and high-quality resources accumulated in the IT higher education industry in the past two decades, we have developed an ecosystem with full-time formal higher education services as our fundamental business; continuing education services, and education resources and apprenticeship programme as our two strategic businesses, and are committed to becoming a leading provider of digital talent education services in China.

The Group offers three types of education services: (1) full-time formal higher education services, (2) continuing education services, and (3) education resources and apprenticeship programme. The following table shows a breakdown of our revenue from the three business segments during the Reporting Period:

	For the six months ended 30 June		Percentage of change
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	
Full-time formal higher education services	343,226	348,628	-1.5%
Continuing education services	46,123	32,587	41.5%
Education resources and apprenticeship programme			
Education resources	13,173	8,980	46.7%
Apprenticeship programme	37,082	65,038	-43.0%
Total	439,604	455,233	-3.4%

Full-time formal higher education services

The Group currently operates three universities, namely Dalian University in Liaoning province, Chengdu University in Sichuan province and Guangdong University in Guangdong province, to provide bachelor degree programmes, junior college diploma programmes and junior college to bachelor degree transfer programmes. Leveraging on our centralised management, our universities have carried out unified operating strategies and implemented consistent teaching and education principles, which enables us to enjoy good synergies and efficient resource sharing mechanism. Therefore, we have established a good reputation and influence for running schools in regions where we operate and even in the whole country.

After two decades of development, we have established a leading position in private IT higher education in China. According to the Frost & Sullivan Report, we ranked the first in terms of the number of IT majors and the second in terms of the number of students enrolled in IT majors among all private higher education institutions (including independent colleges) in China for the 2018/2019 school year, and ranked the first after excluding independent colleges.



Management Discussion and Analysis

BUSINESS REVIEW (CONT'D)

Dalian University

Dalian University is located in the core area of Dalian Software Park, and currently offers 34 bachelor degree majors (including 27 IT related majors and 5 healthcare technology related majors), 8 junior college diploma majors (all of which are IT related majors) and 3 junior college to bachelor degree transfer majors (all of which are IT related majors). As of the date of this report, related majors of Dalian University were recognised in 4 national-level and 49 provincial-level government supporting programmes, among which 3 bachelor degree programmes were recognised as the first batch of national-level first-class bachelor degree programmes by the MOE and 6 programmes were recognised as the first batch of provincial-level first-class bachelor degree programmes by the MOE. Dalian University ranked the fifth in “Wushulian China Private Universities in Comprehensive Strength” (武書連中國民辦大學綜合實力排行榜) for two consecutive years in 2018 and 2019, and ranked the fifth among the “Top 100 private universities among all universities in China by Ruanke (軟科) in 2020”, which was published by Ruanke in May 2020. Dalian University was the first private university in China being awarded the first prize of the National Teaching Achievement Award and one of the First 50 Model Universities Nationwide of Experimental Innovation and Entrepreneurship and was recognised by mainstream media such as Xinhuanet (新華網) as a “Private University with Social Influence in China” (中國社會影響力民辦高校).

Chengdu University

Chengdu University is located in the World Natural and Culture Heritage Site – Dujiangyan and Qingcheng Mountain National Quintuple A Grade Scenic Spot, and currently offers 25 bachelor degree majors (including 17 IT related majors and 2 healthcare technology related majors), 11 junior college diploma majors (including 8 IT related majors) and 11 junior college to bachelor degree transfer majors (including 8 IT related majors). As of the

date of this report, related majors of Chengdu University were recognised in 19 provincial-level government supporting programmes, among which 3 bachelor degree programmes were recognised as the first batch of provincial – level first – class bachelor degree programmes by the MOE. Chengdu University was one of the First Batch of 35 Model Software Vocational Technical Institutes in China (全國首批35所示範性軟件職業技術學院) and a Pilot University in Sichuan Province in the Reform of the Overall Transformation and Development of Undergraduate Colleges (四川省本科院校整體轉型發展改革試點).

Guangdong University

Guangdong University is located in the core area of High-tech Industrial Development Zone, Foshan city, and currently offers 18 bachelor degree majors (including 13 IT related majors) and 17 junior college diploma majors (including 11 IT related majors). As of the date of this report, related majors of Guangdong University were recognised in 11 provincial-level government supporting programmes. For example, 4 majors such as e-commerce were selected as Featured Majors in Guangdong Province (廣東省特色專業) and software technology major was selected as Key Majors of Higher Vocational Education in Guangdong Province (廣東省高職教育重點專業). Guangdong University was the “National Base for Nurturing Skill-Oriented Professionals in Short Supply on Computer Application and Software Technology” (國家計算機應用和軟件技術專業技能型緊缺人才培養培訓基地) and one of the First Batch of Model Software Institutes in Guangdong province (廣東省首批示範性軟件學院) and was recognised by China Youth Daily as “National Vocational College Employment Competitiveness Demonstration School” (全國職業院校就業競爭力示範校).

Management Discussion and Analysis

BUSINESS REVIEW (CONT'D)

Student enrolment

As of 30 June 2020, there had totally been 36,083 students enrolment in our three universities, including 15,339 students in our Dalian University, 11,010 students in our Chengdu University, and 9,734 students in our Guangdong University, which increased by 5.4% as compared with that of 30 June 2019.

	As at 30 June 2020	As at 30 June 2019	Change	Percentage of change
Dalian University				
Bachelor degree programmes	13,234	13,037	197	1.5%
Junior college diploma programmes	1,755	1,172	583	49.7%
Junior college to bachelor degree transfer programmes	350	389	-39	-10.0%
Subtotal	15,339	14,598	741	5.1%
Chengdu University				
Bachelor degree programmes	10,600	10,123	477	4.7%
Junior college diploma programmes	353	257	96	37.4%
Junior college to bachelor degree transfer programmes	57	86	-29	-33.7%
Subtotal	11,010	10,466	544	5.2%
Guangdong University				
Bachelor degree programmes	8,724	8,219	505	6.1%
Junior college diploma programmes	1,010	938	72	7.7%
Subtotal	9,734	9,157	577	6.3%
Total	36,083	34,221	1862	5.4%

New majors for the 2020/2021 school year

In the 2020/2021 school year, focusing on IT and healthcare technology industry, Dalian University offered four new majors for bachelor degree programmes, i.e. medical information engineering, artificial intelligence, robotics engineering and big data management and application, two new majors for junior college diploma programmes, i.e. artificial intelligence technology service and big data technology and application, as well as one new major for junior college to bachelor degree transfer programmes, i.e. computer science and technology. Chengdu University offered three new majors for bachelor degree programmes, i.e. medical information engineering, intelligence science and technology, and health services and management, as well as three new majors for junior college diploma programmes, i.e. computer information management, big data technology and application and logistics management.



Management Discussion and Analysis

BUSINESS REVIEW (CONT'D)

Admission quota for the 2020/2021 school year

In the 2020/2021 school year, the admission quota of all three universities of the Group achieved steady growth, representing an increase of 2,025 or 16% as compared with that of 2019/2020 school year, among which, the admission quota for junior college diploma programmes and junior college to bachelor degree transfer programmes increased significantly, mainly attributed to certain positive macro policies including the 2020 Government Work Report (《2020政府工作報告》), which clearly stated that student enrolment in higher vocational colleges in China will increase by two million in 2020 and 2021, as well as the statement of the MOE in February 2020 that the enrollment of junior college to bachelor degree transfer programmes in universities will expand, and the number of students will increase by 322,000 as compared with the same period last year.

	Admission quota for 2020/2021	Admission quota for 2019/2020	Change	Percentage of change
Dalian University				
Bachelor degree programmes	4,109	3,757	352	9.4%
Junior college diploma programmes	696	696	0	0
Junior college to bachelor degree transfer programmes	700	200	500	250%
Subtotal	5,505	4,653	852	18.3%
Chengdu University				
Bachelor degree programmes	3,473	3,288	185	5.6%
Junior college diploma programmes	1,000	900	100	11.1%
Junior college to bachelor degree transfer programmes	222	8	214	2675%
Subtotal	4,695	4,196	499	11.9%
Guangdong University				
Bachelor degree programmes	2,944	2,932	12	0.4%
Junior college diploma programmes	1,500	838	662	79.0%
Subtotal	4,444	3,770	674	17.9%
Total	14,644	12,619	2,025	16.0%

Management Discussion and Analysis

BUSINESS REVIEW (CONT'D)

Tuition fees and boarding fees

We optimize our pricing strategy from time to time and adjust the tuition fees and boarding fees of our three universities in the 2020/2021 school year as appropriate. In particular, we have increased the tuition fees for bachelor degree programmes, junior college diploma programmes and junior college to bachelor degree transfer programmes in Dalian University, the tuition fees for bachelor degree programmes and junior college to bachelor degree transfer programmes and boarding fees in Chengdu University, and the tuition fees for bachelor degree programmes in Guangdong University.

	Tuition fees for each school year (RMB)		Boarding fees for each school year (RMB)	
	2020/2021	2019/2020	2020/2021	2019/2020
Dalian University				
Bachelor degree programmes	24,000-28,000	20,000-28,000	2,400	2,400
Junior college diploma programmes	28,000	24,000	2,400	2,400
Junior college to bachelor degree transfer programmes	24,000	20,000	2,400	2,400
Chengdu University				
Bachelor degree programmes	18,000-19,000	16,000	2,000	1,200
Junior college diploma programmes	16,000	16,000	2,000	1,200
Junior college to bachelor degree transfer programmes	18,000-19,000	16,000	2,000	1,200
Guangdong University				
Bachelor degree programmes	28,000-34,000	24,000-30,000	2,000-3,000	2,000-3,000
Junior college diploma programmes	22,000-30,000	22,000-30,000	2,000-3,000	2,000-3,000



Management Discussion and Analysis

BUSINESS REVIEW (CONT'D)

School capacity and utilisation rate

On 30 June 2020, the school capacity of Dalian University and Guangdong University increased from that of 30 June 2019, mainly due to the construction of a new student apartment in Dalian University and the upgrade of dormitory in Guangdong University. Upon completion of the above projects, the campus capacity was further expanded, providing support for the future expansion of enrollment.

	Campus capacity ⁽¹⁾		Campus utilisation rate ⁽²⁾	
	As at 30 June 2020	As at 30 June 2019	As at 30 June 2020	As at 30 June 2019
Dalian University	16,843	15,013	91.07%	97.24%
Chengdu University	10,878	10,878	101.21% ⁽³⁾	96.21%
Guangdong University	10,067	9,430	96.69%	97.10%
Total/Average	37,788	35,321	95.49%	96.89%

Note:

- (1) The capacity of each school represents the total number of beds in student dormitories in each school year.
- (2) The utilisation rate of each school is calculated as the total number of students enrolled in our full-time formal higher education programmes as of 30 June in each corresponding school year divided by the school capacity for that year.
- (3) Chengdu University had 136 graduating students living outside the campus for the purposes of inter-campus exchange or internships.

In August and September 2020, the construction of a new student apartment was completed and put into use in each of Chengdu University and Guangdong University. The newly built apartment of Chengdu University is expected to accommodate 2,000 students while the newly built apartment of Guangdong University is expected to accommodate 1,572 students.

Continuing education services

Based on Neusoft's accumulation in industry practice and Neuedu's accumulation in operating schools, supported by our three universities and a nationwide sales network, we have built a distinctive continuing education service system consist of: (i) formal higher continuing education programmes and self-taught examination preparation programmes in our three universities; (ii) customized short-term training services to institutional clients such as governments, enterprises, colleges and universities; and (iii) IT skills training services to college students, graduates as well as individual trainees in society. According to the Frost & Sullivan Report, our newly acquired Tianjin Ruidao ranked the seventh among IT and Internet technology vocational training providers in China in terms of revenues generated from offering IT training services in 2019.

Management Discussion and Analysis

BUSINESS REVIEW (CONT'D)

Formal higher continuing education and self-taught examination preparation programmes

As of 30 June 2020, student enrolment of formal higher continuing education (adult higher education) in our three universities was 3,970, increased by 4.9% as compared with that of 30 June 2019; student enrolment of non-formal higher continuing education (self-taught examination) was 540, basically in line with that of 30 June 2019.

	As at 30 June 2020	As at 30 June 2019	Change	Percentage of change
Adult higher education				
Dalian University	1,668	1,335	333	24.9%
Guangdong University	2,302	2,448	-146	-6.0%
Total	3,970	3,783	187	4.9%
Self-taught examination				
Dalian University	445	479	-34	-7.1%
Chengdu University	95	68	27	39.7%
Total	540	547	-7	-1.3%

Short-term training programmes

Short-term training services to individual customers

The Group operates eight training schools in Shenyang, Dalian, Tianjin, Nanjing, Qinhuangdao, Qingdao, and Guangzhou to provide IT skills training for individual trainees. From January to June 2020, a total of 1,039 individual trainees were enrolled, representing a decrease of 950 trainees as compared with the same period last year. Such decrease was mainly due to the fact that enrollment promotion activities could not be conducted effectively and offline teaching could not be resumed under the impact of the COVID-19 epidemic in the first half of 2020, which had an adverse impact on our student enrollment.

Short-term training services to institutional customers

We provide customized short-term training services for institutional customers, including government, colleges and universities and enterprises. We currently have more than 30 qualifications on training sites recognized by national, provincial and municipal governments, including "a new generation of information and technology dual-qualified teachers training base" by the MOE, "a premium provincial centre for the scheme of improving capabilities of the teachers in vocational schools" by the MOE, "an outsourcing talent training base" in Liaoning province and "a professional technician continuing education base" in Dalian.

From January to June 2020, the Group contracted 17 training programmes for institutional customers, with 10,839 trainees participating in the implemented projects. Affected by the COVID-19 epidemic, most of the training programmes were conducted through online modality, which reached 10,573 online trainees. During the COVID-19 epidemic in the first half of 2020, a total of 9,039 employees from 267 enterprises used our smart education platforms to conduct online vocational skills training. We were recognised by the MHRSS as one of the first batch of 50 recommended organizations providing online vocational training platforms during the COVID-19 pandemic.

Management Discussion and Analysis

BUSINESS REVIEW (CONT'D)

Education resources and apprenticeship programme

Relying on Neusoft's accumulation in industry practice and Neuedu's accumulation in operating schools, and with a strong applied research and development team, we have digitized, productized, and platformized education resources including the advanced educational philosophy, approach, model, system and standard of our three universities that have been proven in practice. On the basis of continuous application, feedback and iterative upgrades in our three universities, we provide educational products and services to many other universities and vocational schools in three forms, i.e. joint establishment of academic majors and industrial colleges, smart education platform and teaching resources, and practical training laboratory solutions, in an O2O, asset-light and less-manpower "3+N" model ("3" stands for our three universities and "N" stands for other higher education institutions that enjoy our premium education resources). We have proposed and built an "apprenticeship programme" as one of the implementation vehicles for educational resources output, forming a complete ecological chain of talent supply from tailored programmes of college students, centralized practical training, on-the-job internship to talent output. According to the Frost & Sullivan Report, as measured by number of school customers using IT value-added education services as of 31 March 2020, we would be ranked the second in China among providers of IT value-added education services.

During the Reporting Period, the Group has carried out 158 programmes of joint establishment of academic majors (including 26 practical training programmes) with 74 colleges and universities, covering approximately ten thousand students. In addition, during the Reporting Period, the Group has entered into contracts for 24 new programmes of joint establishment of academic majors with 14 colleges and universities and provided education platforms, education contents and laboratory solutions to 13 colleges and universities, including, the joint establishment of software engineering major with Dalian University of Technology, applied computer

technology major and intelligent networking automobile major with Nanjing City Vocational College and artificial intelligence industrial college with Qilu Normal University, and the provision of smart campus core platform to Taiyuan University of Technology, practical training system on software development and computer course practice teaching system to Changchun Finance College respectively.

The Group has built 10 execution centres for apprenticeship programme in Shenyang, Dalian, Guangzhou, Chengdu, Qingdao, Tianjin, Nanjing, Ningbo, Taicang and Wuzhong of Suzhou, which can accommodate approximately 5,700 students for on-site training. Due to the COVID-19 epidemic, training of apprenticeship programme was mainly conducted through online modality in the first half of 2020.

Impact of the COVID-19 Pandemic

The outbreak of the COVID-19 pandemic in early 2020 had certain negative impacts on the operating activities of the Group. Since students did not live on campus, we have made provisions for boarding fee refund to students of RMB23.9 million in accordance with relevant regulations for the six months ended 30 June 2020. In addition:

1. Full-time formal higher education services: Due to the impact of the pandemic, the three universities were unable to resume offline teaching and students were unable to return to school during the spring semester of the 2019/2020 school year. The three universities have incurred total expenses of approximately RMB1.06 million for epidemic prevention.
2. Continuing education services: Due to the impact of the pandemic, the training schools under the Group in various regions have been unable to resume offline teaching for a considerably long time and our student enrollment in training schools has been affected. From January to June 2020, our training services for individual student enrolled a total of 1,039 students, and the number of student enrollment decreased by 950 as compared with the corresponding period of last year.

Management Discussion and Analysis

BUSINESS REVIEW (CONT'D)

Impact of the COVID-19 Pandemic (cont'd)

3. Education resources and apprenticeship programme:
The customers of this business are mainly colleges and universities, and on-site visits to customers are usually required to carry out the business. However, due to the impact of the pandemic, most colleges and universities in China were closed and not fully reopened in the first half of 2020, and travel across China was also restricted, which adversely affected the market expansion of the business.

The COVID-19 pandemic has affected the traditional offline learning methods, however, online education has received unprecedented attention. As a leading IT higher education group in China, we opened our independently developed Neusoft MOOC Platform, Neusoft Practical Curriculum Platform and Neusoft Software Development Practical Training Platform to domestic universities for free during the pandemic. Approximately 300 higher education institutions with a total of 87,000 registered users across these three platforms used our smart education platforms. We were also recognised by CAETT as “Excellent Innovative Application Cases of Educational Technology in the Battle against the Pandemic” (“*教育科技‘戰疫’優秀創新應用案例*”). There are also 15 teaching cases of Guangdong University selected as Outstanding Online Teaching Cases during the Pandemic in Guangdong Province (*廣東省疫情階段在線教學優秀案例*) by virtue of the effective online teaching. Currently, the COVID-19 pandemic in China is generally under control, but there are still recurrences. Therefore, online education has great market prospect. We are also guiding our customers to purchase and reserve online resources, and are committed to the transformation to online and light delivery model in many aspects, such as solutions, products and service models.

Acquisition of Tianjin Ruidao

On 1 March 2020, through our subsidiary Dalian Education, we acquired 90.91% equity interest in Tianjin Ruidao from Neusoft Holdings, our controlling shareholder at a consideration of RMB362.8 million. On 19 May 2020, we entered into a share option agreement with Tianjin Ruiyi Enterprise Management Consulting Center (Limited Partnership), a minority shareholder of Tianjin Ruidao, in relation to its remaining 9.09% equity interest in Tianjin Ruidao, for a consideration of approximately RMB36.3 million. For details, please refer to the sections headed “History, Reorganisation and corporate structure” and “Business” of the Prospectus.

Recent Development after the Reporting Period

As of the date of this report, Dalian University, Chengdu University and Guangdong University had reopened as usual for the 2020/2021 school year, and students have returned to campuses and resume offline learning.

Admission Scores of 2020/2021 School Year

For the 2020/2021 school year, with respect to the admission scores of science stream and liberal arts stream, the admission score of science stream of Dalian University is 59 higher than the university cut-off score of Liaoning province, and the admission score of liberal arts is 32 higher than the university cut-off score of Liaoning province; the admission scores of science stream and liberal arts stream of Chengdu University are 18 and 14 higher than the university cut-off scores of Sichuan province respectively; the admission scores of science stream and liberal arts stream of Guangdong University are 32 and 22 higher than the university cut-off scores of Guangdong province respectively.



Management Discussion and Analysis

BUSINESS REVIEW (CONT'D)

Latest Update on the Election of For-profit or Non-profit Private School

Universities of the Group

According to the Implementation Opinions of the People's Government of Sichuan Province on Encouraging the Operation of Education by Social Forces and Promoting the Healthy Development of Private Education (《四川省人民政府關於鼓勵社會力量興辦教育促進民辦教育健康發展的實施意見》), "sponsors of existing private schools should submit written materials for determining the status of schools to competent authorities before 1 September 2020, and schools that fail to submit the materials within the prescribed period cannot choose to register themselves as for-profit private schools. Schools choosing to register themselves as non-profit private schools should complete relevant procedures by 1 September 2021. For those choosing to register themselves as for-profit private schools, private schools that offer higher education services should complete the registration procedures by 1 September 2023, and others should complete the registration procedures by 1 September 2022." Under these requirements, Chengdu University has submitted the application for re-registering as a for-profit private university to the Education Department of Sichuan Province on 28 August 2020, and the subsequent works for such re-registration will be conducted in accordance with the requirements of the Education Department of Sichuan Province.

As at the date of this report, the Provincial Amendment Implementation Rules released by Liaoning province and Guangdong province have not set the deadline for schools to choose to register as for-profit or non-profit private schools.

Training Schools of the Group

Among training schools of the Group, Neusoft Training School is established as a for-profit training school; Tianjin Binhai Newtown Neusoft Ruidao Software Talent Vocational Training School has submitted the application for re-registering as a for-profit training school to the competent authority, and is dealing with relevant procedures. Other training schools will also re-register as for-profit training schools within the prescribed period set by local competent authorities.

FUTURE PROSPECT

Market Analysis

Government Policies

Private higher education receives continuous support from the country. The 2020 Work Priorities of MOE Department of Higher Education (《教育部高等教育司2020年工作要點》) released in January 2020 clearly states that "the department will provide guidance to private colleges and universities for deepening the connotation construction, support the construction of private colleges and universities in the course of building first-class majors and first-class courses, promoting the diversified cooperation and joint establishment between enterprises and private colleges and universities, and improving the education quality through multiple channels." As China's higher education is entering the popularization stage, the country is offering positive guidance to colleges and universities for expanding the enrolment. The MOE stated in February 2020 that the enrollment of junior college to bachelor degree transfer programmes of colleges and universities will be increased by 322,000 year on year in 2020. The State Council stated in the Report on the Work of the Government in May 2020 that the enrolment of higher vocational colleges in this year and next year will be expanded by 2,000,000. All of these create a favorable policy environment for further increasing the admission quota of our schools. In the meantime, as China's economy and society are entering a new stage and the COVID-19 pandemic is affecting higher education continuously, the country is strongly advocating the construction of blended learning and online education resources. The Opinions on Supporting Sound Development of New Business Forms and New Modes, and Activating the Consumer Market to Drive and Increase Employment (《關於支持新業態新模式健康發展激活消費市場帶動擴大就業的意見》), jointly released by 13 departments including the NDRC in July 2020, underlines the construction of regular integration mechanism for online and offline education and the building of positive interaction pattern of the two. Meanwhile, the opinions allow the purchase and proper use of socialized, marketized and excellent online course resources that meet the standards, explore the incorporation of such resources into the regular teaching system of certain education stage, and encourage the pilot programmes in some schools.

Management Discussion and Analysis

FUTURE PROSPECT (CONT'D)

Market Analysis (cont'd)

Industry Demands

Great Development Potential of "IT+ Healthcare Technology" Education

As a new generation of information technologies including cloud computing, big data, Internet of Things and artificial intelligence are thriving, all industries and sectors witness the development of digitalization, digitization and interconnection and continuously booming demands for pan-IT professionals arising therefrom. The Planning Guidance for the Development of Manufacturing Talents (《製造業人才發展規劃指南》) jointly released by the MOE, the MOHRSS and the MIIT projects that China's demand for a new generation of IT talents will reach 20,000,000 in 2025, and the talent gap is expected to be 9,500,000. "Comprehensive Health" has become a national strategy, and the Frost & Sullivan Report shows that China's demand for healthcare talents will reach 47,700,000 and that the talent gap is expected to be 25,400,000. The continuously expanding industry scale and the accelerated IT iteration and upgrading also set higher requirements to the educational background of talents and the improvement of work abilities. Therefore, judging from the quantity and the quality of demands for talents in the "IT + healthcare technology" field, the full-time formal higher education and the continuing education will both have great market development potential.

Large Demands for "IT + Healthcare Technology" Education Resources

The Frost & Sullivan Report shows that as at 31 December 2018, 71.4% of secondary vocational schools, 77.8% of higher vocational colleges and 85.9% of universities have offered IT majors; as of June 2019, 577 out of China's 2,688 colleges and universities have offered healthcare related majors, and it is expected that the number of colleges and universities that offer majors in the aforesaid fields and the number of majors offered will continue to increase. Majors related to IT and healthcare technology have greater dependence on industry resources and require the incorporation of practical cases, projects and achievements that are on the cutting edge and convertible to teaching content into the cultivation of talents of relevant majors, to improve the professional skills and practical abilities

of students. As a result, for colleges and universities that are engaged in the cultivation of IT or healthcare technology talents, demands in such aspects as the joint establishment of academic majors and industrial colleges, the smart education platform and teaching resources, the practical training laboratory and the practice environment of enterprises to support students' internship will grow accordingly, whether they are related to the new major establishment or the improvement of existing major.

Our Strategies

Based on the continuous tracking of the country's education policies and the positive judgment to the "IT + healthcare technology" education market, we propose to adopt the following strategies/plans for each business segment:

Full-time Formal Higher Education

Based on the unique TOPCARES approach, we will utilize the intelligent platforms to promote the iteration and upgrading of blended learning model, deepen the education and teaching reform, construct the industry-education integration ecosystem, and realize the standardization, digitalization and replication of education recourse development. Underpinned by the construction of 3 national-level first-class bachelor degree programmes and 9 provincial-level first-class bachelor degree programmes, we will continue to improve the level of major construction and the quality of talent cultivation, make greater efforts to build the three universities into smart, open and enabling model universities. We will offer more new majors to cater for strong industry demands in the "IT + healthcare technology" field and apply for more enrolment quota, so that the leading position in the field will be further strengthened. We will continue to improve our pricing strategies, review the fee charging levels of the three universities on a regular basis by taking into consideration of regional economic and social development, service demands, education cultivation costs and regulatory environment, and raise the pricing standards when it is deemed appropriate. We will also continue to expand the student enrolment and the campus capacity, improve the operating conditions of the three universities for the purpose of sustained growth of student enrolment.



FUTURE PROSPECT (CONT'D)

Our Strategies (cont'd)

Continuing Education Services

Leveraging the sound reputation and strong brand recognition of the Group, we will actively apply for more training base qualifications, further expand the enrolment, and build an open and shared O2O education platform. Through the online and offline integration, we will provide students with more flexible and diversified learning channels, and make use of the accumulated online resources to further develop the online continuing education.

Education Resources and Apprenticeship Programmes

We will further promote the asset-light “3+N” model, offer high-quality education resources through online and offline channels and develop additional value-added services, including building the smart education platform, data monitoring and assessment, to address further demands of higher education institutions. We will strengthen the product research and development, thus continuously offering the market high-quality education resources and products through standardized, streamlined and systematic research and development. By further expanding the sales network, we will be able to cover more geographical regions, improve the marketing capacity and the brand recognition. We will also further improve the education resource delivery through online and offline channels, and adopt the big data technology to make the education resource delivery more monitorable, measurable and assessable. In addition, we will further improve the apprenticeship programmes and attract more higher education institutions to cooperate with us to establish a talent supply ecosystem that benefits schools, enterprises, students and governments.

FINANCIAL REVIEW

Revenue

Our revenue decreased by 3.4% from RMB455.2 million for the six months ended 30 June 2019 to RMB439.6 million for the six months ended 30 June 2020. Details of analysis are as follows:

- Revenue derived from our full-time formal higher education services decreased by 1.5% from RMB348.6 million for the six months ended 30 June 2019 to RMB343.2 million for the six months ended 30 June 2020, primarily attributable to (i) the provisions for boarding fees refund to students due to campus closing resulted from the COVID-19 epidemic, (ii) while an increase in tuition fees partially offset the influence of the refund of boarding fees.
- Revenue derived from our continuing education services increased by 41.5% from RMB32.6 million for the six months ended 30 June 2019 to RMB46.1 million for the six months ended 30 June 2020, primarily due to the consolidation of the financial results of Tianjin Ruidao into the financial results of the Group during the Reporting Period.
- Revenue generated from the education resources increased by 46.7% from RMB9.0 million for the six months ended 30 June 2019 to RMB13.2 million for the six months ended 30 June 2020, primarily attributable to the consolidation of the financial results of Tianjin Ruidao into the financial results of the Group during the Reporting Period.
- Revenue generated from the apprenticeship programme decreased by 43.0% from RMB65.0 million for the six months ended 30 June 2019 to RMB37.1 million for the six months ended 30 June 2020, primarily attributable to the optimisation of our employee structure, in particular, our engineer team, to reduce cost. During the Reporting Period, a vast majority of our revenue from the apprenticeship programme was derived from the revenue arising from the services provided by engineers. The decrease in the number of engineers resulted in the drop in revenue from the apprenticeship programme. In order to increase our student training capacity and further improve the quality and effectiveness of our training, we applied Internet technologies in student training in our apprenticeship programme.

Management Discussion and Analysis

FINANCIAL REVIEW (CONT'D)

Gross Profit

Gross profit decreased by 3.0% from RMB161.8 million for the six months ended 30 June 2019 to RMB157.0 million for the six months ended 30 June 2020, which was primarily attributable to the decrease in revenue.

Selling Expenses

Selling expenses increased by 123.7% from RMB4.8 million for the six months ended 30 June 2019 to RMB10.7 million for the six months ended 30 June 2020 due to the consolidation of the financial results of Tianjin Ruidao into the financial results of the Group during the Reporting Period.

Administrative Expenses

Administrative expenses increased by 9.8% from RMB46.0 million for the six months ended 30 June 2019 to RMB50.5 million for the six months ended 30 June 2020. Such increase was primarily due to (i) the consolidation of the financial results of Tianjin Ruidao into the financial results of the Group during the Reporting Period and (ii) an increase in listing expenses.

Research and Development Expenses

Research and development expenses decreased by 16.9% from RMB11.5 million for the six months ended 30 June 2019 to RMB9.5 million for the six months ended 30 June 2020, primarily due to certain software, such as practical training platforms, had been well-developed. The Group reduced the number of relevant research and development personnel to focus resources on the recruitment of more research and development talent for our business growth.

Other Income

Other income increased by 18.0% from RMB34.7 million for the six months ended 30 June 2019 to RMB40.9 million for the six months ended 30 June 2020, primarily due to an increase in government grants.

Net Finance Expenses

Net finance expenses decreased by 4.0% from RMB17.8 million for the six months ended 30 June 2019 to RMB17.1 million for the six months ended 30 June 2020, primarily due to an increase in interest income of bank deposits.

Income Tax Expense

Income tax expense decreased by 17.5% from RMB16.3 million for the six months ended 30 June 2019 to RMB13.4 million for the six months ended 30 June 2020, primarily attributable to a decrease in effective tax rate of income tax.

Profit for the Period

As a result of the foregoing, profit for the period decreased by 1.5% from RMB91.5 million for the six months ended 30 June 2019 to RMB90.1 million for the six months ended 30 June 2020.

Adjusted Net Profit

To supplement our Consolidated Financial Statements which are presented in accordance with IFRS, we also use Adjusted Net Profit as an additional financial measure. Adjusted Net Profit eliminates the effect of certain non-recurring expense item, namely the expenses relating to the listing. We present this financial measure because it may eliminate potential impacts of items that the management do not consider to be indicative of the Group's operating performance. We also believe that such non-IFRS measure provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner adopted by the management of the Group and in comparing financial results across accounting periods with peer companies.

Management Discussion and Analysis

FINANCIAL REVIEW (CONT'D)

Adjusted Net Profit (cont'd)

In light of the limitations for Adjusted Net Profit, when assessing our operating and financial performance, you should not view Adjusted Net Profit in isolation or as a substitute for our profit for the period or any other operating performance measure that is calculated in accordance with IFRS. In addition, because this non-IFRS measure may not be calculated in the same manner by all companies, they may not be comparable to other similarly measures used by other companies. The following table reconciles our Adjusted Net Profit for the periods presented to the profit for the period calculated and presented in accordance with IFRS:

	For the six months ended 30 June		Percentage of changes
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	
Profit for the period	90,114	91,461	-1.5%
Add: listing expenses	10,593	8,529	24.2%
Adjusted net profit	100,707	99,990	0.7%
Attributable to owners of the Company	82,959	79,403	4.5%

FINANCIAL AND LIQUIDITY POSITION

Liquidity, Financial Resources and Capital Structure

The shares were successfully listed on the Main Board of the Stock Exchange on 29 September 2020. There has been no change in the capital structure of the Group since then.

As at 30 June 2020, the issued share capital of the Company was HK\$100,000, and the number of issued ordinary shares was 500,000,000 of HK\$0.0002 each.

As at 30 June 2020, cash and cash equivalents of the Group amounted to approximately RMB262.3 million (31 December 2019: approximately RMB562.9 million). As at 30 June 2020, total bank borrowings of the Group amounted to approximately RMB1,054.9 million (31 December 2019: approximately RMB998.8 million). Borrowings were all denominated in Renminbi. Interests are charged at fixed rates and floating rates. The Group did not carry out any interest rate hedging policy.

Management Discussion and Analysis

FINANCIAL AND LIQUIDITY POSITION (CONT'D)

Treasury Policy

The Group has adopted a prudent financial management approach towards its treasury policy. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements all the time.

Significant Investment, Material Acquisitions or Disposals of Subsidiaries and Associates

Save as disclosed above, during the Reporting Period, the Group did not have any significant investment or any material acquisitions or disposals of subsidiaries or associates.

Net Current Liabilities

As of 30 June 2020, net current liabilities amounted to approximately RMB861.7 million (31 December 2019: RMB616.1 million). Such increase was primarily due to: (i) a decrease in cash and cash equivalents of RMB300.6 million, which was utilized as the payment of the operation expenses and partial consideration for acquisition of Tianjin Ruidao; (ii) a decrease in contract liabilities of RMB373.7 million mainly because a portion of the tuition fees received at the beginning of the school year was recognised as revenue; (iii) an increase in current bank borrowings of RMB94.5 million; and (iv) the acquisition of Tianjin Ruidao and other reasons, which resulted in an increase in trade and other payables of RMB290.7 million.

Contingent Liabilities

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

Foreign Exchange Exposure

For the six months ended 30 June 2020, the Group mainly operated its business in the PRC, and the majority of the transactions were denominated in RMB. As at 30 June 2020, except for the bank deposits denominated in foreign currencies, the Group did not have any significant foreign currency exposure from its business operations.

Charge on Assets

As at 30 June 2020, the Group had bank borrowings of RMB353.8 million pledged by certain collection rights of tuition fees and boarding fees.

Gearing Ratio

As at 30 June 2020, the gearing ratio (being total debt divided by total equity, of which total debt refers to the sum of interest-bearing bank loans, other borrowings and lease liabilities) of the Group was 135.9% (31 December 2019: 146.4%).

Capital Expenditures

The capital expenditures of the Group for the six months ended 30 June 2020 amounted to approximately RMB124.0 million, which was primarily related to the upgrade and expansion of our campuses.

Material Acquisitions and Disposals

On 1 March 2020, we, through our subsidiary Dalian Education, acquired 90.91% equity interest in Tianjin Ruidao, for a consideration of approximately RMB362.8 million. Following the acquisition, Tianjin Ruidao became a subsidiary of our Group and its financial results were consolidated into the Company's financial accounts.

Save as disclosed above, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2020.



Management Discussion and Analysis

FINANCIAL AND LIQUIDITY POSITION (CONT'D)

Employee and Remuneration Policy

As at 30 June 2020, a total of 2,723 staff (31 December 2019: 2,400 staff) fell into the Group's payroll. During the Reporting Period, total staff costs (including directors' emoluments, salaries, wages and other staff benefits, contributions and retirement schemes, provisions for staff long service payment and untaken paid leave) amounted to approximately RMB190.6 million (six months ended 30 June 2019: approximately RMB214.5 million). In order to attract and retain high quality staff and to enable smooth operation within the Group, the remuneration policy and package of the Group's employees are periodically reviewed. The salary and benefit levels of the employees of the Group are competitive (with reference to market conditions and individual qualifications and experience). The Group provides employees with adequate job training to equip them with practical knowledge and skills. Apart from mandatory provident fund and job training programs, salaries increment and discretionary bonuses may be awarded to employees according to individual performance and the assessment of market situation.

Future Plans for Material Investments or Capital Assets

Save as disclosed under the section headed "Future Plans and Use of Proceeds" to the Prospectus of the Company dated 17 September 2020, the Group did not have any other plans for material investments or capital assets.

Use of Proceeds from Listing

The Group completed its listing and received net proceeds of approximately HK\$904 million. The net proceeds received from the Group's listing will be used in the manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" of the Prospectus. Since the Listing Date and up to date of this report, the net proceeds has not been applied for any use.

OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

The Shares of the Company have been listed on the Main Board of the Stock Exchange since 29 September 2020. As at 30 June 2020, the Company was not required to keep any register pursuant to Part XV of the SFO.

As at the date of this report, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), that fall 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 that he/she is taken or deemed to have under such provisions of the SFO), or that have been recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or that will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, are set out below:

Interest in the Company

Name of Director	Nature of interest	Number of Shares held	Approximate percentage of interest in the Company
LIU Jiren ⁽¹⁾	Interest in a controlled corporation and interest in a controlled corporation through voting proxy	500,000,000	75.00%
WEN Tao ⁽²⁾	Beneficial interest	9,595,000	1.44%
RONG Xinjie ⁽²⁾	Beneficial interest	300,000	0.04%
YANG Li ⁽²⁾	Beneficial interest	3,420,000	0.51%
ZHANG Yinghui ⁽²⁾	Beneficial interest	3,145,000	0.47%

Notes:

- (1) Dr. LIU Jiren: (a) wholly-owns Kang Ruidao Education First Investment Limited ("Kang Ruidao First"), which holds all of the voting rights of Kang Ruidao International Investment Inc. ("Kang Ruidao"); (b) controls the voting rights held by the proxy grantors (being Century Bliss International Limited ("Century Bliss"), Alpine Electronics, Inc ("Alpine Electronics") and Apex Venture Holdings, Inc. ("Apex Venture")) in the Company through the irrevocable voting proxies; and (c) has more than one-third ultimate control over Dongkong Education First Investment Inc. ("Dongkong First") and Dongkong Education Second Investment Inc. ("Dongkong Second") through a series of intermediary entities. Under the SFO, Dr. LIU Jiren is deemed to be interested in the full amount of equity interests held by each of Kang Ruidao, the proxy grantors (being Century Bliss, Alpine Electronics and Apex Venture), Dongkong First and Dongkong Second in the Company.
- (2) These interests were held through options granted under pre-IPO share incentive scheme that are convertible into Shares.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES (CONT'D)

Interest in associated corporations

Dalian Neusoft Software Park Industry Development Co., Ltd.

Name of Director	Nature of interest	Number of Shares held	Approximate percentage of interest in the associated corporation
LIU Jiren	Nominee shareholder whose shareholder rights are subject to the contractual arrangements ⁽¹⁾	359,000,000	100%

Note:

- (1) Dr. LIU Jiren has more than one-third ultimate control in Neusoft Holdings, which is the sole registered shareholder of Dalian Neusoft Software Park Industry Development Co., Ltd. Under the SFO, Dr. LIU Jiren is deemed to be interested in the full amount of interest held by Neusoft Holdings in Dalian Neusoft Software Park Industry Development Co., Ltd, which is subject to the contractual arrangements.

Save as disclosed above, as at the date of this report, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), that were recorded in the register required to be kept pursuant to Section 352 of the SFO, or that will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES

The Shares of the Company have been listed on the Main Board of the Stock Exchange since 29 September 2020. As at 30 June 2020, the Company was not required to disclose the interests or short positions of substantial Shareholders of the Company in the Shares or underlying Shares that were recorded in the register kept pursuant to Section 336 of the SFO in accordance with the provisions of Divisions 2 and 3 of Part XV of the SFO.

Other Information

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES (CONT'D)

As at the date of this report, as far as the Directors are aware, the following persons (not being the Directors or chief executive of the Company) have or are taken or deemed to have interests and short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations, that fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or that are recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as follows:

Interests in the Company

Shareholders	Capacity/ Nature of interest	Number of Shares held	Approximate percentage of interest in the Company
Kang Ruidao International Investment Inc. ⁽¹⁾	Beneficial interest	150,245,000	22.54%
Kang Ruidao Education First Investment Limited ⁽¹⁾	Interest in a controlled corporation	150,245,000	22.54%
Dongkong Education First Investment Inc. ⁽²⁾⁽³⁾	Beneficial interest	127,465,000	19.12%
Dongkong Education Second Investment Inc. ⁽²⁾⁽³⁾	Beneficial interest	120,000,000	18.00%
Neusoft Holdings International Inc. ("Neusoft International") ⁽²⁾	Interest in a controlled corporation	247,465,000	37.12%
Neusoft Holdings ⁽²⁾	Interest in a controlled corporation	247,465,000	37.12%
Century Bliss International Limited ⁽⁴⁾	Beneficial interest	65,010,000	9.75%
SUN Yinhan ⁽⁴⁾	Interest in a controlled corporation	65,010,000	9.75%

Notes:

- (1) Dongkong Education First Investment Inc. holds all of the voting shares in Kang Ruidao International Investment Inc. Under the SFO, Dongkong Education First Investment Inc. is deemed to be interested in the full aggregate amount of Shares held by Kang Ruidao International Investment Inc. in the Company.
- (2) Both Dongkong Education First Investment Inc. and Dongkong Education Second Investment Inc. are wholly-owned subsidiaries of Neusoft International, which is a wholly-owned subsidiary of Neusoft Holdings. Under the SFO, each of Neusoft International and Neusoft Holdings is deemed to be interested in the full aggregate amount of Shares held by Dongkong Education First Investment Inc. and Dongkong Education Second Investment Inc. in the Company.
- (3) Under a supplemental trust loan agreement entered into between Neusoft Holdings and China Industrial International Trust Limited ("CIIT") dated 20 June 2019, Dongkong Education First Investment Inc. and Dongkong Education Second Investment Inc. granted securities over all of their Shares in favour of CIIT for the performance of Neusoft Holdings' obligations under its facility agreement with CIIT's affiliate, pursuant to which, following 12 months after Listing (being the time the share pledge is to become effective), CIIT may have a right to the Shares held by Dongkong Education First Investment Inc. and Dongkong Education Second Investment Inc.
- (4) Century Bliss International Limited is controlled as to more than one-third by SUN Yinhan. Under the SFO, SUN Yinhan is deemed to be interested in the full amount of Shares held by Century Bliss International Limited in the Company.

Other Information

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES (CONT'D)

Interests in the Group (Excluding the Company)

Shareholder	Name of Group member	Capacity/ Nature of interest	Approximate percentage held by the substantial shareholder
Neusoft Holdings	Dalian Neusoft Software Park Industry Development Co., Ltd.	Interest of a registered Shareholder	100%
The People's Insurance Company (Group) of China Limited (中國人民保險集團股份有限公司) ⁽¹⁾	Dalian Neusoft Ruixin Technology Development Co., Limited	Interest in a controlled corporation	13.25%
ZHOU Zhenming	Tianjin Neusoft Ruichuang Technology Business Incubator Co., Ltd.	Beneficial interest	24%
GAO Yan	Tianjin Neusoft Ruichuang Technology Business Incubator Co., Ltd.	Beneficial interest	16%
Qinhuangdao Xingdong Technology Co., Ltd. ⁽²⁾	Qinhuangdao Neusoft Venture School	Beneficial interest	10%
Guangdong Nanhai High-tech Industrial Investment Holding Co., Ltd. ⁽³⁾	Guangdong Ruidao Gongchuang Technology Co., Ltd.	Beneficial interest	49%
iMobile Inc.	Dalian Waye Information Service Co., Ltd.	Beneficial interest	40%

Notes:

- (1) According to publicly available information, each of PICC Life Insurance Company Limited (which holds approximately 8.40% interest in Dalian Neusoft Ruixin Technology Development Co., Limited) and PICC Health Insurance Company Limited (which holds approximately 4.85% interest in Dalian Neusoft Ruixin Technology Development Co., Limited) is majority-controlled by The People's Insurance Company (Group) of China Limited, which is majority-controlled by Ministry of Finance of the PRC. As such, each of The People's Insurance Company (Group) of China Limited and Ministry of Finance of the PRC may exercise more than 10% of the voting rights in Dalian Neusoft Ruixin Technology Development Co., Limited.
- (2) According to publicly available information, the Qinhuangdao campus of the Northeastern University (東北大學秦皇島分校) wholly owns Qinhuangdao Xingdong Technology Co., Ltd. (秦皇島興東科技有限公司), and is therefore deemed to control 10% of the voting rights in one of our subsidiaries.
- (3) According to publicly available information, Foshan Nanhai District State-owned Asset Supervision and Administration Bureau (佛山市南海區國有資產監督管理局) wholly owns Guangdong Nanhai High-tech Industrial Investment Holding Co., Ltd. (廣東南海高新技術產業投資控股有限公司), and is therefore deemed to control more than 10% of the voting rights in one of our subsidiaries.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at the date of this report (other than those owned by the Directors and chief executive of the Company) that fall to be disclosed to the Company pursuant to the Divisions 2 and 3 of Part XV of the SFO, or that have been recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Other Information

EMPLOYEE INCENTIVE SCHEME

The Company adopted an employee incentive scheme by the resolution passed on 19 June 2019. The purpose of the scheme is to provide participants with the opportunity to acquire Shares of the Company and to encourage them to work towards enhancing the value of the Company and our Shares for the benefit of the Group and our Shareholders as a whole.

The details of the employee incentive scheme are set out in the “Statutory and General Information – Share Incentive Schemes – Pre-IPO Share Incentive Scheme” under Appendix V of the Prospectus. On 31 August 2020, the Company granted options involving outstanding options in respect of a total of 50,000,000 Shares pursuant to the employee incentive scheme, representing approximately 5% of the issued ordinary Shares of the Company as at 30 June 2020.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme on 11 September 2020 with effect from the Listing Date. The principal terms of the Share Option Scheme are summarized in Appendix V of the Prospectus. The main purpose of the Share Option Scheme is to attract and retain the best personnel, to provide incentives for any directors or employees of the Group or an affiliate of the Group (including nominees and/or trustees of any employee benefit trust established for them) who the Board considers, in its sole discretion, to have contributed or will contribute to the Group and to promote outstanding performance of the Group. Pursuant to the terms and conditions of the Share Option Scheme, the maximum number of Shares in respect of which options might be granted under the Share Option Scheme shall not exceed 10% of the issued Shares as at the Listing date. The Share Option Scheme shall be valid for the period of ten years commencing on the Listing date. Since the adoption of the Share Option Scheme on 11 September 2020, no options have been granted, exercised, cancelled or lapsed in accordance with the Share Option Scheme and there were no outstanding options as at 30 June 2020.

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

As the Shares of the Company were not listed on the Stock Exchange during the six months ended 30 June 2020, neither the Company nor its any subsidiaries purchased, sold or redeemed any listed securities of the Company during the period.

AUDIT COMMITTEE

The Company has established the audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. As at the date of this report, the audit committee is comprised of two independent non-executive Directors (Dr. LIU Shulian and Dr. QU Daokui) and one non-executive Director (Mr. RONG Xinjie). Dr. LIU Shulian is the chairperson of the audit committee.

The audit committee has reviewed the Company’s unaudited interim condensed consolidated financial information for the six months ended 30 June 2020, and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made. The interim financial information for the six months ended 30 June 2020 is unaudited, but has been reviewed by the auditor in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the International Auditing and Assurance Standards Board.

COMPLIANCE WITH THE CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

As the Shares were not listed on the Stock Exchange for the six months ended 30 June 2020, provisions regarding Directors' compliance with Model Code under the Listing Rules were not applicable to the Company for the six months ended 30 June 2020.

After the Listing, the Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by Directors. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code since the Listing Date up to the date of this report.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As the Shares were not listed on the Stock Exchange on 30 June 2020, the CG Code as set out in Appendix 14 to the Listing Rules were not applicable to the Company for the six months ended 30 June 2020.

After the Listing, the Company has complied with the applicable code provisions set out in the CG Code.

The Board will continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirms that the Company has maintained the prescribed minimum public float under the Listing Rules during the period from the Listing Date and up to the date of this report.

INTERIM DIVIDEND

The Board does not recommend any payment of interim dividend for the Reporting Period.

By order of the Board

Dr. LIU Jiren

Chairperson and non-executive Director

Hong Kong, 29 September 2020

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of NEUSOFT EDUCATION TECHNOLOGY CO. LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 30 to 83, which comprises the interim condensed consolidated statement of financial position of Neusoft Education Technology Co. Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2020 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

OTHER MATTER

The comparative information for the interim condensed consolidated statement of financial position is based on the audited financial statements as at 31 December 2019. The comparative information for the interim condensed consolidated statements of comprehensive income, changes in equity and cash flows, and related explanatory notes, for the period ended 30 June 2019 has not been audited or reviewed.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 17 September 2020

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	7	439,604	455,233
Cost of revenue	11	(282,639)	(293,412)
Gross profit		156,965	161,821
Selling expenses	11	(10,736)	(4,800)
Administrative expenses	11	(50,541)	(46,029)
Research and development expenses	11	(9,520)	(11,453)
Other income	8	40,897	34,658
Other expense	9	(8,252)	(9,292)
Other gains	10	1,783	592
Operating profit		120,596	125,497
Finance income	13	1,820	940
Finance expenses	13	(18,886)	(18,719)
Finance expenses-net	13	(17,066)	(17,779)
Profit before income tax		103,530	107,718
Income tax expense	14	(13,416)	(16,257)
Profit for the period		90,114	91,461
Profit attributable to:			
Owners of the Company		72,366	70,874
Non-controlling interests		17,748	20,587
		90,114	91,461
Other comprehensive income loss			
Items that will not be reclassified to profit or loss			
Exchange differences on translation		(47)	(16)
Total comprehensive income		90,067	91,445
Total comprehensive income attributable to:			
Owners of the Company		72,319	70,858
Non-controlling interests		17,748	20,587
		90,067	91,445
Earnings per share attributable to owners of the Company (RMB) – Basic and diluted	16	0.14	0.14

The notes on pages 35 to 83 form an integral part of this interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Note</i>	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
ASSETS			
Non-current assets			
Right-of-use assets	17	446,939	442,840
Property, plant and equipment	18	1,275,624	1,202,367
Investment in associate		711	–
Intangible assets	19	303,013	10,736
Deferred income tax assets	20	34,031	34,809
Prepayments, deposits and other receivables	23	237,368	237,157
Total non-current assets		2,297,686	1,927,909
Current assets			
Inventories		3,970	3,063
Trade and notes receivables	22	21,462	6,148
Prepayments, deposits and other receivables	23	39,280	45,909
Financial assets at fair value through profit or loss	24	76,376	50
Restricted cash	25	1,612	10,215
Cash and cash equivalents	25	262,298	562,882
Total current assets		404,998	628,267
Total assets		2,702,684	2,556,176
EQUITY			
Equity attributable to owners of the Company			
Share capital	26	88	88
Share premium	27	2,046,481	2,046,481
Reserves	27	(1,678,977)	(1,678,930)
Retained earnings		279,682	207,316
Subtotal		647,274	574,955
Non-controlling interest		184,487	137,972
Total equity		831,761	712,927



Interim Condensed Consolidated Statements of Financial Position

	<i>Note</i>	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Trade and other payables	30	675	–
Borrowings	31	487,306	525,634
Deferred tax liabilities	20	45,054	6,779
Lease liabilities	29	46,033	39,647
Deferred income	32	25,163	26,865
Total non-current liabilities		604,231	598,925
Current liabilities			
Trade and other payables	30	517,219	226,531
Current income tax liabilities		11,990	9,210
Contract liabilities	7	115,769	489,436
Borrowings	31	567,620	473,164
Lease liabilities	29	9,373	5,601
Deferred income	32	44,721	40,382
Total current liabilities		1,266,692	1,244,324
Total liabilities		1,870,923	1,843,249
Total equity and liabilities		2,702,684	2,556,176

The notes on pages 35 to 83 form an integral part of this interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company									Non-controlling interests RMB'000	Total RMB'000
		Share capital RMB'000	Share premium RMB'000	Combined share capital RMB'000	Merge reserve RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000		
(Unaudited)												
Balance at 1 January 2020		88	2,046,481	-	(1,756,337)	(64,145)	141,566	(14)	207,316	574,955	137,972	712,927
Comprehensive income/(loss)												
Profit for the period		-	-	-	-	-	-	-	72,366	72,366	17,748	90,114
Other comprehensive loss		-	-	-	-	-	-	(47)	-	(47)	-	(47)
Total comprehensive income		-	-	-	-	-	-	(47)	72,366	72,319	17,748	90,067
Transactions with owners												
Acquisition of a subsidiary	35	-	-	-	-	-	-	-	-	-	30,996	30,996
Deregistration or disposal of subsidiaries		-	-	-	-	-	-	-	-	-	(2,229)	(2,229)
		-	-	-	-	-	-	-	-	-	28,767	28,767
Balance at 30 June 2020		88	2,046,481	-	(1,756,337)	(64,145)	141,566	(61)	279,682	647,274	184,487	831,761

	Note	Attributable to owners of the Company									Non-controlling interests RMB'000	Total RMB'000
		Share capital RMB'000	Share premium RMB'000	Combined share capital RMB'000	Merge reserve RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000		
(Unaudited)												
Balance at 1 January 2019		-	-	290,232	-	(63,807)	128,793	1	80,876	436,095	105,968	542,063
Comprehensive income/(loss)												
Profit for the period		-	-	-	-	-	-	-	70,874	70,874	20,587	91,461
Other comprehensive income		-	-	-	-	-	-	(16)	-	(16)	-	(16)
Total comprehensive income		-	-	-	-	-	-	(16)	70,874	70,858	20,587	91,445
Transactions with owners												
Completion of reorganisation		88	2,046,481	(290,232)	(1,756,337)	-	-	-	-	-	-	-
Dividends declared or paid		-	-	-	-	-	-	-	-	-	(3,536)	(3,536)
Transactions with non-controlling interests	27(d)	-	-	-	-	(338)	-	-	-	(338)	(262)	(600)
		88	2,046,481	(290,232)	(1,756,337)	(338)	-	-	-	(338)	(3,798)	(4,136)
Balance at 30 June 2019		88	2,046,481	-	(1,756,337)	(64,145)	128,793	(15)	151,750	506,615	122,757	629,372

The notes on pages 35 to 83 form an integral part of this interim condensed consolidated financial statements.



INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash used in operations		(165,758)	(161,958)
Income taxes paid		(11,123)	(10,865)
Net cash used in operating activities	33(a)	(176,881)	(172,823)
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash paid	35(b)	(73,736)	–
Purchases of property, plant and equipment		(121,555)	(69,079)
Payment for land use right	17,23	–	(255,536)
Proceeds from sale of property, plant and equipment	33(b)	1,772	16
Purchases of intangible assets	19	(2,474)	(801)
Purchases of financial assets measured at fair value through profit and loss	5.3	(310,436)	(221,200)
Settlement of financial assets measured at fair value through profit and loss	5.3	326,211	309,625
Decrease in restricted bank deposits		8,603	4,816
Interest received		1,820	993
Net cash used in investing activities		(169,795)	(231,166)
Cash flows from financing activities			
Transaction with non-controlling interests		(2,229)	(600)
Professional expense paid in connection with the issuance of new shares during the listing process		(1,091)	(2,729)
Proceeds from borrowings		496,200	414,124
Repayments of borrowings		(440,144)	(171,020)
Borrowings from related parties	37(a)	–	200,000
Borrowings from third parties		20,000	–
Dividends paid		–	(3,536)
Interest paid		(20,024)	(18,752)
Principal elements of lease payments		(6,645)	(1,532)
Net cash generated from financing activities		46,067	415,955
Net (decrease)/increase in cash and cash equivalents		(300,609)	11,966
Cash and cash equivalents at the beginning of the period	25	562,882	214,834
Exchange loss on cash and cash equivalent	13	25	1
Cash and cash equivalents at end of period	25	262,298	226,801

The notes on pages 35 to 83 form an integral part of this interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

1 GENERAL INFORMATION

Neusoft Education Technology Co. Limited (“the Company” or “Neusoft Education Technology”) was incorporated in the Cayman Islands on 20 August 2018 as an exempted company with limited liability under the Companies Law, (Cap.22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is at 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands.

The Company is an investment holding company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in providing full-time formal higher education services, continuing education services, and education resources and apprenticeship programme in the People’s Republic of China (the “PRC”)(collectively referred to as the “Listing Business”).

The Company has no ultimate holding company or ultimate controlling party.

The interim condensed consolidated financial statements are presented in Renminbi (“RMB”) and rounded to nearest thousand yuan, unless otherwise stated.

After COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country. The outbreak of COVID-19 have had a negative impact on the business operations in the short run. The Group continuously paid close attention to the development of the COVID-19 outbreak and evaluated its impact on the financial position and operating results of the Group. As at the date on which this set of interim condensed consolidated financial statements were authorised for issue, the Group reflected the adverse effects from refund certain amount of the boarding fee (“Refunded Boarding Fee”) to the students as disclosed in Note 7 on the financial statements as a result of the COVID-19 outbreak.

On 1 March 2020, Dalian Neusoft Education Technology Group Co., Ltd. (“Dalian Education”) acquired 90.91% equity interest in Tianjin Neusoft Ruidao Education Information Technology Co., Ltd. (“Tianjin Ruidao”) from Dalian Neusoft Holdings Co., Ltd. (“Neusoft Holdings”), at a consideration of approximately RMB362.8 million. Following the acquisition, Tianjin Ruidao has become a subsidiary of the Group and its financial results were consolidated into the Company’s financial statements since the acquisition date, 1 March 2020.

The unaudited interim condensed consolidated financial statements were approved for issue by the board of directors of the Company on 11 September 2020.

2 BASIS OF PREPARATION

This interim condensed consolidated financial statements for the six months ended 30 June 2020 has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”. The interim condensed consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements for the year ended 31 December 2019 (“Accountant’s Report”) included as appendix I contained in the prospectus issued by the Company on 17 September 2020 (“Prospectus”), which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

As at 30 June 2020, the Group’s current liabilities exceeded its current assets by RMB861,694,000. Included therein, the Group recorded contract liabilities of RMB115,769,000 at 30 June 2020, which represents the performance obligation the Group promise to deliver in the foreseeable future with insignificant future cash outflow being expected, and deferred income of RMB44,721,000 at 30 June 2020 which represents the government grants to be recognized as other income in the foreseeable future. In view of the net current liabilities position, the management of the Group have considered the cash inflow from operations by means of increasing revenue while controlling operating expense, renewing the existing bank borrowings and using available bank facilities. Taking into account aforementioned financial resources of the Group, the Directors are of the opinion that the Group will have sufficient cash flows in the foreseeable future to enable it to continue its operations and meet its liabilities as and when they fall due during next twelve months from the balance sheet. As such, the condensed consolidated interim financial statements have been prepared on a going concern basis.

Notes to the Interim Condensed Financial Information

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2019, as described in those financial statements set out in the Prospectus of the Company.

The following new standards and amendments to existing standards have been issued but are not yet effective for the annual period beginning from or after 1 June 2020 and which the Group has not early adopted.

		Effective from annual period beginning on or after
Amendment to IFRS 16	Covid-19 Related Rent Concessions	1 June 2020
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 37	Onerous contract – cost of fulfilling a contract	1 January 2022
Amendments to IAS 16	Property, plant and equipment: Proceeds before intended use	1 January 2022
Annual improvements to IFRS standards 2018-2020		1 January 2022
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
IFRS 17	Insurance contracts	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Directors of the Company have already commenced an assessment of the impact of these new or revised standard, certain of which is relevant to the Group's operation. According to the preliminary assessment made by the Directors, no significant impact on the financial performance and positions of the Group is expected when they become effective.

4 CRITICAL ESTIMATES AND JUDGMENTS

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial statements the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the Accountant's Report.



5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Accountant's Report.

There have been no changes in the risk management policies since 31 December 2019.

5.2 Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group expects to fund its future cash flow needs through internally generated cash flows from operations and bank borrowings.

The maturity analysis of borrowings that shows the remaining contractual maturities is disclosed in Note 31. Generally there is no specific credit period granted by the suppliers but the related payables are normally expected to be settled within three months after receipt of goods or services.

As at 30 June 2020, the Group has cash and cash equivalents and restricted cash of approximately RMB263,910,000 (31 December 2019: RMB573,097,000) (Note 25) and trade and other receivables excluding non-financial assets of approximately RMB46,162,000 (31 December 2019: RMB26,483,000) (Note 22 and 23) that are expected to readily generate cash inflows for managing liquidity risk.

Notes to the Interim Condensed Financial Information

5 FINANCIAL RISK MANAGEMENT (CONT'D)

5.2 Liquidity risk (cont'd)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount Liabilities RMB'000
(Unaudited)						
At 30 June 2020						
Borrowings (principal plus interests)	613,162	125,086	348,461	71,282	1,157,991	1,054,926
Trade and other payables (excluding non-financial liabilities)	487,111	-	-	-	487,111	487,111
Lease liabilities	11,068	9,302	28,858	16,342	65,570	55,406
	1,111,341	134,388	377,319	87,624	1,710,672	1,597,443
(Audited)						
At 31 December 2019						
Borrowings (principal plus interests)	510,588	223,745	272,106	88,799	1,095,238	998,798
Trade and other payables (excluding non-financial liabilities)	168,708	-	-	-	168,708	168,708
Lease liabilities	8,157	6,377	24,560	16,243	55,337	45,248
	687,453	230,122	296,666	105,042	1,319,283	1,212,754

5.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2020 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The carrying amounts of the Group's financial assets include cash and cash equivalents, trade and other receivables and financial liabilities including trade and other payables, approximate their fair values due to their short maturities. The carrying amount of the Group's non-current borrowing and lease liabilities approximate their fair values as they are carried at floating interest rates.

5 FINANCIAL RISK MANAGEMENT (CONT'D)

5.3 Fair value estimation (cont'd)

The following table presents the Group's financial assets that are required to be measured at fair value as at 31 December 2019 and 30 June 2020.

	Level 3 RMB'000
At 30 June 2020 (Unaudited)	
Financial assets at fair value through profit or loss	76,376
At 31 December 2019 (Audited)	
Financial assets at fair value through profit or loss	50

Level 3 instruments of the Group's assets include financial investments measured at fair value through profit or loss.

The following table presents the movement in level 3 instruments for the six months ended at 30 June 2020 and 2019.

	Financial products sponsored and managed by banks (Level 3) RMB'000
Balance at 1 January 2020 (Unaudited)	50
Acquisition of a subsidiary (Note 35)	90,540
Additions	310,436
Settlements	(326,211)
Gain and loss recognised in profit or loss (Note 10)	1,561
Balance at 30 June 2020	76,376
Total gains or losses for the period included in profit or loss, under "Other gains and losses" (Note 10)	1,561
Balance at 1 January 2019 (Unaudited)	87,794
Additions	221,200
Settlements	(309,625)
Gain and loss recognised in profit or loss (Note 10)	681
Balance at 30 June 2019	50
Total gains or losses for the period included in profit or loss, under "Other gains and losses" (Note 10)	681

Notes to the Interim Condensed Financial Information

5 FINANCIAL RISK MANAGEMENT (CONT'D)

5.3 Fair value estimation (cont'd)

The level 3 instruments represent bank wealth management products, measured at fair value through profit or loss (Note 24). These instruments are not traded in an active market and do not have observable market data. The main level 3 input used by the group is derived and evaluated as contingent consideration, by which the finance department of the group estimates the expected cash flows based on the terms of the contract and how the current economic environment is likely to impact it.

The finance department of the Group performs the valuation of level 3 financial instruments for financial reporting purposes. It manages the valuation exercise of the investments on a case by case basis. At least once a year, the finance department uses valuation techniques to determine the fair value of the Group's level 3 instruments and reports to senior management and the directors of the Company.

The valuation of the level 3 instruments mainly include financial assets at fair value through profit or loss (Note 24). The following table summarises the quantitative information about the significant unobservable inputs used in the recurring level 3 fair value measurements.

Description	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000	Unobservable inputs	As at 30 June 2020	As at 31 December 2019	Relationship of unobservable input to fair value
Financial assets at fair value through profit or loss	76,376	50	Expected rate of return	2%-3.2%	2%	The higher the expected rate of return, the higher the fair value

6 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Group. The Group is principally engaged in providing higher education services in the PRC. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM of the Company regards that there is only one segment which is used to make strategic decisions.

Geographical information

The Group operated within one geographical location because all of its revenue was generated in PRC and all of its long-term assets/capital expenditure were located/incurred in the PRC. Accordingly, no geographical information is presented.

Notes to the Interim Condensed Financial Information

6 SEGMENT INFORMATION (CONT'D)

Information and major customers

There is no customer contributed more than 10% of the total sales of the Group during the six months ended 30 June 2020. Shanghai Sirui Information Technology Company Limited ("Shanghai Sirui") with sales amount about 65,009,000 is the only customer contributed more than 10% of the total sales of the Group during the six months ended 30 June 2019.

7 REVENUE

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Full-time formal higher education services	343,226	348,628
– Tuition fees	331,433	316,415
– Boarding fees (i)	11,232	31,404
– Rental income of telecommunication device	561	809
Continuing education services (i)	46,123	32,587
Education resources and apprenticeship programme	50,255	74,018
– Education resources	13,173	8,980
– Apprenticeship programme	37,082	65,038
	439,604	455,233

- (i) Due to the outbreak of Coronavirus Disease 2019 in early 2020 ("COVID-19 outbreak"), the students of three universities and Dalian High-tech Zone Neusoft Training School Co., Ltd. ("Neusoft Training School") could not stay in the dormitories since the starting date of the second semester of the 2019/2020 school year. As at 30 June 2020, according to the local government policy, the Group would refund certain amount of the boarding fee to the students and reclassify the Refunded Boarding Fee from contract liabilities to refund liability (Note 30).

Notes to the Interim Condensed Financial Information

7 REVENUE (CONT'D)

(a) Revenue from contracts with customers

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue from the transfer of goods and services over time		
Full-time formal higher education services	342,665	347,819
– Tuition fees	331,433	316,415
– Boarding fees	11,232	31,404
Continuing education services	46,123	32,587
Education resources and apprenticeship programme	37,082	65,038
– Apprenticeship programme	37,082	65,038
Revenue from the transfer of goods and services at a point in time		
Education resources and apprenticeship programme	13,173	8,980
– Education resources	13,173	8,980
	439,043	454,424

(b) Revenue from other sources

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Full-time formal higher education services		
– Rental income of telecommunication device	561	809



Notes to the Interim Condensed Financial Information

7 REVENUE (CONT'D)

(c) Contract liabilities

The Group recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligation as at 31 December 2019 and 30 June 2020 and will be expected to be recognized within one year:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Full-time formal higher education services	79,586	445,530
– Tuition fees	75,066	400,600
– Boarding fees	4,520	44,930
Continuing education services	23,857	41,795
Education resources and apprenticeship programme	7,995	233
– Education resources	7,995	233
Development of software system technology	4,331	1,878
	115,769	489,436

The Group receives tuition fees, boarding fees, continuing education services fees, education resources and apprenticeship programme fee, and development of software system technology fees from customers in advance prior to the beginning of each school year or contract period. They are recognized over the relevant period of the applicable programme.

There were no contract assets at the end of each reporting period recognized in the Consolidated Statement of Financial Position.

Notes to the Interim Condensed Financial Information

7 REVENUE (CONT'D)

(c) Contract liabilities (cont'd)

(1) Revenue recognized in relation to contract liabilities

The following table shows the revenue recognized during the six months ended 30 June 2019 and 2020 related to brought-forward contract liabilities:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue recognized that was included in the contract liabilities balance at the beginning of the year/period		
Full-time formal higher education services	342,665	343,005
– Tuition fees	331,433	312,048
– Boarding fees	11,232	30,957
Continuing education services	38,429	28,939
Education resources and apprenticeship programme	510	534
– Education resources	510	534
Development of software system technology	967	1,390
	382,571	373,868

(2) Unsatisfied contracts

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
	Expected to be recognized within one year	
Full-time formal higher education services	79,586	445,530
– Tuition fees	75,066	400,600
– Boarding fees	4,520	44,930
Continuing education services	23,886	41,975
Education resources and apprenticeship programme	19,684	1,885
– Education resources	19,684	1,885
Development of software system technology	4,822	2,165
	127,978	491,555

Notes to the Interim Condensed Financial Information

8 OTHER INCOME

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Rental income from properties	14,928	13,354
Property service and management income	9,665	8,658
Government grants and subsidies (a)	13,952	8,942
Development of software system technology	2,320	2,367
Interest income from loan to related parties and third party	–	35
Others	32	1,302
	40,897	34,658

(a) Government grants and subsidies are related to the subsidies received from the government in connection with purchasing of teaching equipment, construction of certain buildings and for the purpose of compensation for expenses arising from research activities and software developments.

9 OTHER EXPENSE

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Depreciation of property, plant and equipment	3,308	2,907
Property maintenance and fire protection expenses	2,073	2,657
Development of software system technology expenses	1,853	2,245
Employee benefit expenses	256	260
Utilities expenses	311	241
Amortization of land use rights and intangible assets	359	359
Others	92	623
	8,252	9,292

Notes to the Interim Condensed Financial Information

10 OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Gains on financial assets at fair value through profit or loss	1,561	681
Donation received	139	158
Net (losses)/gains on disposal of property, plant and equipment	21	(16)
Others	62	(231)
	1,783	592

11 EXPENSES BY NATURE

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Employee benefit expenses	190,325	214,271
Depreciation and amortization expenses	63,507	49,743
Property management, landscaping and maintenance expenses	18,718	20,373
Office and utilities expenses	21,957	23,878
Rental expense	22,973	17,369
Cost of publication (a)	503	1,215
Subcontract cost (b)	13,416	9,219
Taxes and fees	3,063	2,652
Listing expenses	10,593	8,529
Others	8,381	8,445
	353,436	355,694

- (a) Cost of publication includes the cost of printing, the fees of using copyright and the cost of purchasing books.
- (b) Subcontract cost mainly includes the service fee paid by Guangdong University to Foshan Wentong Education Consulting Services Co., Ltd. ("Wentong Education") for the administration and training service provided for adult students under continuing education services in Guangdong University.

Notes to the Interim Condensed Financial Information

12 EMPLOYEE BENEFIT EXPENSE

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Wages and salaries	155,351	161,227
Contributions to pension plan (a)	10,757	20,928
Welfare and other expenses	24,473	32,376
	190,581	214,531

(a) Contributions to pension plan

The employees of the Group in the PRC are members of a state-managed pension obligations operated by the PRC Government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the pension obligations to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

13 FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Finance income		
Interest income from deposits	1,820	940

Notes to the Interim Condensed Financial Information

13 FINANCE INCOME AND COSTS (CONT'D)

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Finance costs		
Interest expenses from bank	(26,347)	(16,204)
Interest expenses from leasing	(1,313)	(1,283)
Interest expenses from related party	–	(4,690)
Other charges	(120)	(327)
Net foreign exchange losses	25	1
Amount capitalized (a)	8,869	3,784
	(18,886)	(18,719)
Net finance costs	(17,066)	(17,779)

(a) Finance costs have been capitalized on qualifying assets at an average interest rate of 4.88% per annum for the six months ended 30 June 2020 (for the year ended 31 December 2019: 4.80%).

14 INCOME TAX EXPENSE

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Current tax on profits for the period	14,405	18,404
Deferred income tax (<i>Note 20</i>)	(989)	(2,147)
	13,416	16,257



14 INCOME TAX EXPENSE (CONT'D)

(i) Cayman Islands profits tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(ii) British Virgin Islands profit tax

The Company's direct subsidiary in the British Virgin Islands was incorporated under the BVI Companies Act, 2004 and accordingly, is exempted from British Virgin Islands income tax.

(iii) Hong Kong profit tax

No provision for Hong Kong profit tax was provided as the Company and the Group did not have assessable profits in Hong Kong during the six months ended 30 June 2019 and 2020.

(iv) PRC corporate income tax ("CIT")

CIT is provided on assessable profits of entities incorporated in the PRC. Pursuant to the Corporate Income Tax Law of the PRC (the "CIT Law"), which was effective from 1 January 2008, the CIT was 25% during the six months ended 30 June 2019 and 2020.

(v) PRC Withholding Tax ("WHT")

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January, 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

During the six months ended 30 June 2019, the Group had distributed certain portion of its PRC subsidiaries' retained earnings to owners. However, in the foreseeable future, the Group does not have any plan to distribute their retained earnings and intends to retain them to operate and expand its business in the PRC. Accordingly, no deferred income tax liability on WHT was accrued as at the end of each reporting period.

Notes to the Interim Condensed Financial Information

14 INCOME TAX EXPENSE (CONT'D)

(vi) Preferential EIT rate

Certain subsidiaries are entitled to preferential tax rates ranging from 0% to 15%, which are:

- Dalian Yunguan is exempt from EIT for two years since 2015, followed by a 50% reduction in the statutory income tax rate of 25% for the next three years from 2017 to 2019. It is subject to an EIT rate 12.5% for the six months ended 30 June 2019.

For the period ended of 30 June 2020, Dalian Yunguan is qualified as a high-tech enterprise and entitled to a preferential tax rate of 15%.

- Shanghai Ruixiang is exempt from EIT for two years since 2017, followed by a 50% reduction in the statutory income tax rate of 25% for the next three years from 2019 to 2021. It is subject to an EIT rate of 12.5% and 12.5% for the six months ended 30 June 2019 and 2020.
- Dalian Education is exempt from EIT for two years since 2019, followed by a 50% reduction in the statutory income tax rate of 25% for the next three years from 2021 to 2023. It is subject to an EIT rate of 0% and 0% for the six months ended 30 June 2019 and 2020.
- The subsidiaries of Tianjin Ruidao are small low-profit enterprises, followed by a reduced tax rate of 20%.

(vii) Deferred tax assets not recognised

For the period ended 30 June 2020, the Group has unused tax losses RMB17,165,000 (for the year ended 31 December 2019: RMB10,003,000), which will expire in one to five years for offsetting against future profits. Deferred tax assets have not been recognised in respect of these tax losses as they have arisen in subsidiaries that have been loss-making for recent years and it is not considered probable that future taxable profits will be available against which the tax losses can be utilised.

15 DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation.

Dividends during the period ended of 30 June 2019 represented dividends declared by the companies now comprising the Group to the then equity holders of the companies for the period ended of 30 June 2019, after elimination of intra-group dividends. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

Each of the subsidiaries of the Company who had declared and paid dividends to its shareholders had sufficient retained earnings available for distribution when it declared and paid such dividends, which was in compliance with the PRC Company Law.

Chengdu Development and Foshan Development accrued dividends to their non-controlling interests, Yida Group Co.,Ltd. ("Yida Group"), amounting to approximately RMB467,000. This amount has not been paid as at 30 June 2020.

16 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company for the six months ended 30 June 2020 by the weighted average number of ordinary shares in issue during the six months ended 30 June 2019 and 2020.

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Profit attributable to owners of the Company (RMB'000)	72,366	70,874
Weighted average number of ordinary shares in issue (in thousands)	500,000	500,000
Basic earnings per share (in RMB)	0.14	0.14

(b) Diluted earnings per share

The Company did not have any potential dilutive shares for the six months ended 30 June 2019 and 2020. Accordingly, diluted earnings per share are the same as the basic earnings per share.

Notes to the Interim Condensed Financial Information

17 RIGHT-OF-USE ASSETS

	Land use right RMB'000	Leased Properties RMB'000	Total RMB'000
Six months ended 30 June 2020 (Unaudited)			
Opening net book amount	398,959	43,881	442,840
Acquisition of a subsidiary (Note 35)	–	10,441	10,441
Additions	–	5,459	5,459
Disposals	–	(738)	(738)
Depreciation	(5,596)	(5,467)	(11,063)
Closing net book amount	393,363	53,576	446,939
Six months ended 30 June 2019 (Unaudited)			
Opening net book amount	260,005	51,966	311,971
Additions	31,920	401	32,321
Depreciation	(4,125)	(4,307)	(8,432)
Closing net book amount	287,800	48,060	335,860

- (a) The Group's land use rights are purchased from the government and other enterprises. All the land use rights have proper title deeds.
- (b) As at 30 June 2020, five parcels of land owned by Guangdong University with a net book value of RMB13,124,000 (30 June 2019: RMB13,528,000) have not had substantial construction on them, of which the four parcels of land are in condition of currently have no plan to develop are not ready for development in according to the competent local government authority. The rest parcel of land is in condition of planning for construction. Our Directors are of the view that the risk that the five parcels of land are regarded as idle land is remote.



Notes to the Interim Condensed Financial Information

18 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Renovation RMB'000	Motor vehicles RMB'000	Electronic equipment RMB'000	Furniture and fixtures RMB'000	Others RMB'000	Construction in progress RMB'000	Total RMB'000
Six months ended 30 June 2020 (Unaudited)								
Opening net book amount	934,999	38,576	784	45,963	37,498	6,015	138,532	1,202,367
Acquisition of a subsidiary (Note 35)	-	4,983	-	14,447	1,081	608	-	21,119
Additions	-	157	-	7,196	106	181	98,463	106,103
Transfer upon completion	1,144	-	-	-	-	-	(1,144)	-
Disposals	-	-	-	(1,709)	(26)	(16)	-	(1,751)
Depreciation charge	(26,177)	(4,795)	(89)	(14,129)	(5,354)	(1,670)	-	(52,214)
Closing net book amount	909,966	38,921	695	51,768	33,305	5,118	235,851	1,275,624
At 30 June 2020								
Cost	1,403,848	64,032	4,795	232,450	144,938	18,967	235,851	2,104,881
Accumulated depreciation	(493,882)	(25,111)	(4,100)	(180,682)	(111,633)	(13,849)	-	(829,257)
Net book amount	909,966	38,921	695	51,768	33,305	5,118	235,851	1,275,624
Six months ended 30 June 2019 (Unaudited)								
Opening net book amount	942,139	11,256	522	43,043	40,763	6,074	32,400	1,076,197
Additions	-	4,232	-	7,147	730	250	52,662	65,021
Disposals	-	-	-	-	(32)	-	-	(32)
Depreciation charge	(26,161)	(1,510)	(99)	(10,006)	(4,101)	(1,531)	-	(43,408)
Closing net book amount	915,978	13,978	423	40,184	37,360	4,793	85,062	1,097,778
At 30 June 2019								
Cost	1,358,009	35,729	4,709	185,554	134,899	17,031	85,062	1,820,993
Accumulated depreciation	(442,031)	(21,751)	(4,286)	(145,370)	(97,539)	(12,238)	-	(723,215)
Net book amount	915,978	13,978	423	40,184	37,360	4,793	85,062	1,097,778

- (a) Construction in progress as at 30 June 2020 comprises buildings being constructed.
- (b) As at 30 June 2020, buildings with a net book value of RMB83,988,000 had been leases out (31 December 2019: RMB86,558,000).

Notes to the Interim Condensed Financial Information

19 INTANGIBLE ASSETS

	Goodwill RMB'000	Brand RMB'000	Customer relationship RMB'000	Software RMB'000	Total RMB'000
Six months ended 30 June 2020 (Unaudited)					
Opening net book amount	-	-	-	10,736	10,736
Acquisition of a subsidiary (Note 35)	134,937	89,499	66,907	2,357	293,700
Additions	-	-	-	2,474	2,474
Amortisation	-	-	(2,230)	(1,667)	(3,897)
Closing net book amount	134,937	89,499	64,677	13,900	303,013
At 30 June 2020					
Cost	134,937	89,499	66,907	30,067	321,410
Accumulated amortisation	-	-	(2,230)	(16,167)	(18,397)
Net book amount	134,937	89,499	64,677	13,900	303,013
Six months ended 30 June 2019 (Unaudited)					
Opening net book amount	-	-	-	10,224	10,224
Additions	-	-	-	801	801
Amortisation	-	-	-	(1,169)	(1,169)
Closing net book amount	-	-	-	9,856	9,856
At 30 June 2019					
Cost	-	-	-	21,944	21,944
Accumulated amortisation	-	-	-	(12,088)	(12,088)
Net book amount	-	-	-	9,856	9,856



Notes to the Interim Condensed Financial Information

20 DEFERRED INCOME TAX ASSETS AND LIABILITIES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Deferred income tax assets		
Deferred income tax assets to be recovered within 12 months	3,342	1,649
Deferred income tax assets to be recovered after more than 12 months	30,689	33,160
	34,031	34,809
Deferred income tax liabilities		
Deferred income tax liabilities to be settled within 12 months	(3,585)	(2,571)
Deferred income tax liabilities to be settled after more than 12 months	(41,469)	(4,208)
	(45,054)	(6,779)

The gross movement of the Group's deferred income tax assets is as follows:

	As at 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Beginning of the period	34,809	36,458
(Debited)/Credited to the consolidated statements of total comprehensive income	(778)	1,237
End of the period	34,031	37,695

Notes to the Interim Condensed Financial Information

20 DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONT'D)

The gross movement of the Group's deferred income tax liabilities is as follows:

	As at 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Beginning of the period (Debited)/Credited to the consolidated statements of total comprehensive income	(6,779)	(8,706)
Acquisition of a subsidiary (Note 35)	1,767 (40,042)	910 –
End of the period	(45,054)	(7,796)

The movements in deferred income tax assets and liabilities of the Group during the six months ended 30 June 2020 and 2019, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

(a) Deferred tax assets

	Unrealised gain on intra-group transactions RMB'000	Tax losses RMB'000	Total RMB'000
Balance at 1 January 2020 (Unaudited) (Debited)/Credited to the consolidated statements of total comprehensive income	34,809 (825)	– 47	34,809 (778)
Balance at 30 June 2020	33,984	47	34,031
Balance at 1 January 2019 (Unaudited) (Debited)/Credited to the consolidated statements of total comprehensive income	36,458 (825)	– 2,062	36,458 1,237
Balance at 30 June 2019	35,633	2,062	37,695

Notes to the Interim Condensed Financial Information

20 DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONT'D)

(b) Deferred tax liabilities

	Customer relationship RMB'000	Brand RMB'000	Property, plant and equipment RMB'000	Total RMB'000
Balance at 1 January 2020 (Unaudited)	–	–	(6,779)	(6,779)
Credited to the consolidated statements of total comprehensive income	557	–	1,210	1,767
Acquisition of a subsidiary (<i>Note 35</i>)	(16,727)	(22,374)	(941)	(40,042)
Balance at 30 June 2020	(16,170)	(22,374)	(6,510)	(45,054)
Balance at 1 January 2019 (Unaudited)	–	–	(8,706)	(8,706)
Credited to the consolidated statements of total comprehensive income	–	–	910	910
Balance at 30 June 2019	–	–	(7,796)	(7,796)

21 FINANCIAL INSTRUMENTS

	Financial assets measured at amortized cost RMB'000	Fair value through profit or loss RMB'000	Total RMB'000
At 30 June 2020 (Unaudited)			
Assets as per consolidated statement of financial position			
Trade and other receivables excluding non-financial assets	46,162	–	46,162
Financial products as designed by a financial institution (Note 24)	–	76,376	76,376
Cash and cash equivalents (Note 25)	262,298	–	262,298
Restricted cash (Note 25)	1,612	–	1,612
	310,072	76,376	386,448

	Amortised cost RMB'000
At 30 June 2020 (Unaudited)	
Liabilities as per consolidated statement of financial position	
Borrowings (Note 31)	1,054,926
Trade and other payables excluding non-financial liabilities (Note 30)	487,111
	1,542,037



Notes to the Interim Condensed Financial Information

21 FINANCIAL INSTRUMENTS (CONT'D)

	Financial assets measured at amortized cost RMB'000	Fair value through profit or loss RMB'000	Total RMB'000
At 31 December 2019 (Unaudited)			
Assets as per consolidated statement of financial position			
Trade and other receivables excluding non-financial assets	26,483	–	26,483
Financial products as designed by a financial institution (Note 24)	–	50	50
Cash and cash equivalents (Note 25)	562,882	–	562,882
Restricted cash (Note 25)	10,215	–	10,215
	599,580	50	599,630

	Amortised cost RMB'000
At 31 December 2019 (Unaudited)	
Liabilities as per consolidated statement of financial position	
Borrowings (Note 31)	998,798
Trade and other payables excluding non-financial liabilities (Note 30)	168,708
	1,167,506

Notes to the Interim Condensed Financial Information

22 TRADE AND NOTES RECEIVABLES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Due from related parties (Note 37 (b))	1,387	442
Receivables from continuing education services	1,434	1,293
Receivables from education resources services	13,984	4,145
Receivables from development of software system technology	985	131
Receivables from apprenticeship programme	474	–
Others	55	137
Trade receivables	18,319	6,148
Notes receivables	3,143	–
Trade and notes receivables	21,462	6,148

The Group's trade receivables were denominated in RMB and the carrying amounts approximated their fair values.

- (a) The credit terms of trade receivables granted by the Group are generally no more than 180 days after the invoice date. As at 31 December 2019 and 30 June 2020, the ageing analysis of the trade receivable was as follows:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Less than 6 months	14,191	5,803
6 months to 1 year	2,786	–
1 to 2 years	681	345
More than 2 years	661	–
	18,319	6,148

Notes to the Interim Condensed Financial Information

23 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Other receivables and deposits		
Loan receivable from third parties	1,500	1,500
Advance to staff	3,136	2,733
Advance to third parties	2,823	2,508
Deposits	17,201	13,549
Deductible VAT input and prepaid income tax fees	10,469	6,010
Others	40	45
Less: non-current portion		
– Deposits	(11,500)	(11,500)
– Loan receivable from third parties	(1,500)	(1,500)
Other receivables and deposits – current portion	22,169	13,345
Prepayment		
Prepayment for utilities	3,095	3,812
Prepayment for leases	6,486	23,737
Prepayment for property maintenance expenses	1,925	–
Prepayment to related parties (<i>Note 37 (b)</i>)	–	55
Prepayment in relation to the Listing (a)	5,217	4,126
Prepayment to others	224,756	224,991
Less: non-current portion		
– Prepayments for property, plant and equipment	(752)	(541)
– Prepayments for land use right	(223,616)	(223,616)
Prepayments – current portion	17,111	32,564
Total prepayments, deposits and other receivables	39,280	45,909

The Group's prepayments, deposits and other receivables were denominated in RMB and the carrying amounts approximated their fair values.

- (a) The listing expenses that are attributable to the issuance of new shares are accrued during the listing process and will be deducted from equity when issuing new shares.

Notes to the Interim Condensed Financial Information

24 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Financial products sponsored and managed by banks (Note 5.3)	76,376	50

25 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

(a) Cash and cash equivalents

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Cash on hand	153	109
Cash at banks	262,145	532,773
Short-term deposit with initial terms within three months	–	30,000
Cash and cash equivalents	262,298	562,882

(b) Restricted cash

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
For securing deposits	1,612	10,215



Notes to the Interim Condensed Financial Information

26 SHARE CAPITAL

On 31 August 2018, the Company issued 1,000,000,000 shares with par value of HK\$0.0001 each. As at 31 December 2018, the authorised shares and issued shares are 3,800,000,000 and 1,000,000,000 respectively. On 22 October 2019, the Company consolidated its shares on a two-to-one basis, so that as at 31 December 2019 and 30 June 2020, its authorised share capital becomes HK\$380,000 divided into 1,900,000,000 ordinary shares of HK\$0.0002 par value each, of which 500,000,000 ordinary shares are in issue.

27 SHARE PREMIUM AND RESERVES

	Combined share capital RMB'000	Share premium RMB'000	Merge reserve RMB'000	Capital reserve RMB'000	Statutory surplus reserves(a) RMB'000	Other reserves RMB'000	Total RMB'000
At 1 January 2020 (Unaudited)	-	2,046,481	(1,756,337)	(64,145)	141,566	(14)	367,551
Other comprehensive income	-	-	-	-	-	(47)	(47)
At 30 June 2020	-	2,046,481	(1,756,337)	(64,145)	141,566	(61)	367,504
At 1 January 2019 (Unaudited)	290,232	-	-	(63,807)	128,793	1	355,219
Transfer upon the completion of reorganisation	(290,232)	2,046,481	(1,756,337)	-	-	-	(88)
Transactions with non-controlling interests (b)	-	-	-	(338)	-	-	(338)
Other comprehensive income	-	-	-	-	-	(16)	(16)
At 30 June 2019	-	2,046,481	(1,756,337)	(64,145)	128,793	(15)	354,777

27 SHARE PREMIUM AND RESERVES (CONT'D)

(a) Statutory reserves

Pursuant to the relevant laws and regulations in the PRC, the Company's subsidiaries in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the boards of directors of the relevant PRC subsidiaries. These reserves include (1) statutory reserve fund of the limited liability companies, (2) general reserve fund of foreign invested enterprise and (3) the development fund of schools.

- (i) In accordance with the relevant laws and regulations in the PRC and Articles of Association of the companies incorporated in the PRC now comprising the Group (the "PRC Subsidiaries"), it is required to appropriate 10% of the annual statutory net profits of the PRC Subsidiaries, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory reserves fund before distributing the net profit. When the balance of the statutory reserves fund reaches 50% of the registered capital of the PRC Subsidiaries, any further appropriation is at the discretion of owners. The statutory reserves fund can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to owners in proportion to their existing shareholding, provided that the remaining balance of the statutory reserves fund after such issue is not less than 25% of registered capital.

Pursuant to the laws applicable to Sino-foreign joint venture, the operating subsidiary that is a Sino-foreign joint venture in China has to make appropriations from its after-tax profit (as determined under PRC GAAP) to reserve funds including (1) general reserve fund, (2) enterprise expansion fund and (3) staff bonus and welfare fund. Appropriations to the three reserve funds are at the respective companies' discretion.

- (ii) According to the relevant PRC laws and regulations, for a private school that does not require reasonable return, it is required to appropriate to development fund of not less than 25% of the annual increase of net profits of the relevant school as determined in accordance with generally accepted accounting principles in the PRC. The development fund is for the construction or maintenance of the school or procurement or upgrading of educational equipment.

(b) Transactions with non-controlling interests

On 17 June 2019, the Group purchase the interests of Dalian Education from non-controlling interests. The movement during the year 2019 represented the difference between the fair value of the consideration paid and the carrying amount of net assets attributable to the additional interest in subsidiaries acquired from non-controlling interests.

Notes to the Interim Condensed Financial Information

28 SHARE OPTION

The Company adopted a Pre-IPO share incentive scheme approved by the Board of Directors on 19 June 2019. The Pre-IPO share incentive scheme was subsequently amended, the amendment of which was approved by the authorized director on 10 June 2020 (the "Pre-IPO Share Incentive Scheme"). Under the Pre-IPO Share Incentive Scheme, each grant of options to individual participants will take effect upon receipt by the Company of that participant's option grant acceptance notice and remittance of RMB1.00 within ten business days from the date on which the grant notice is delivered. Under the Pre-IPO Share Incentive Scheme, options are exercisable once certain vesting conditions are met in accordance with the vesting schedule and grant documents (including the Pre-IPO Share Incentive Scheme). Pursuant to the Pre-IPO Share Incentive Scheme, the Company will grant Pre-IPO options to certain participants, including directors, employees or executives of our Group, to subscribe for an aggregate of 50,000,000 Shares, representing 10% of the total number of Shares in issue immediately before the initial public offering. Any grant of options under the Pre-IPO Share Incentive Scheme shall be subsequently made and approved by the Board of Directors (or any one director duly authorized by the Board of Directors), and effective from the Listing Date to ten years following the last vesting date for that grantee.

29 LEASES

(i) Amounts recognised in the consolidated statements of financial position

The consolidated statements of financial position shows the following amounts relating to leases:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Lease liabilities		
Current	9,373	5,601
Non-current	46,033	39,647
	55,406	45,248

Notes to the Interim Condensed Financial Information

29 LEASES (CONT'D)

(ii) Amounts recognised in the consolidated statement of total comprehensive income

The consolidated statements of total comprehensive income shows the following amounts relating to leases:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Interest expense (Note 13)	1,313	1,283
Expense relating to short-term leases (Note 11)	22,973	17,369

(iii) The total cash outflow for leases for the six months ended 30 June 2020 is RMB7,302,000 (for the year ended 30 June 2019: RMB3,507,000).

The group leases various properties. Rental contracts are typically made for fixed periods of 2 to 10 years with no extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The variable lease payments that do not depend on an index or a rate recognised as expense in the period on which the event or condition that triggers the payment occurs.



Notes to the Interim Condensed Financial Information

30 TRADE AND OTHER PAYABLES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Trade payables		
Amount due to third parties	191	972
Trade payables	191	972
Other payables		
Miscellaneous expenses received from students	51,839	52,008
Amount due to related parties (Note 37 (b))	250,453	3,016
Payables in relation to the Listing	15,180	8,419
Salary and welfare payables	23,122	49,374
Deposits	33,281	19,433
Government subsidies payable to students	6,200	2,214
Payables for purchases of property, plant and equipment	43,464	58,777
Payables for administrative cost	30,947	14,880
Refund liability (Note 7)	27,927	–
Borrowings from third parties	20,000	–
Tax payables	7,661	8,449
Interest payables to bank	2,205	3,438
Others	5,424	5,551
Less: non-current portion		
– Amount due to related parties (Note 37 (b))	(675)	–
Other payables – current portion	517,028	225,559
Total trade and other payables	517,219	226,531

The Group's trade payables were denominated in RMB and the carrying amounts approximated their fair values.

Notes to the Interim Condensed Financial Information

30 TRADE AND OTHER PAYABLES (CONT'D)

- (a) The credit terms of trade payables granted to the Group are generally no more than 180 days. As at 31 December 2019 and 30 June 2020, the aging analysis of the trade payable based on invoice dates was as follows:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Less than 6 months	152	933
6 months to 1 year	–	–
1 to 2 years	–	–
2 to 3 years	–	–
More than 3 years	39	39
	191	972

31 BORROWINGS

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Long-term borrowings		
Bank borrowings		
– secured	353,806	350,734
– unsecured	314,920	253,940
Current portion of		
– long term borrowings – secured	(22,500)	(52,000)
– long term borrowings – unsecured	(158,920)	(27,040)
	487,306	525,634
Short-term borrowings		
Bank borrowings		
– secured	–	200,000
– unsecured	386,200	194,124
Current portion of		
– long term borrowings – secured	22,500	52,000
– long term borrowings – unsecured	158,920	27,040
	567,620	473,164
Total borrowings	1,054,926	998,798

Notes to the Interim Condensed Financial Information

31 BORROWINGS (CONT'D)

(a) The weighted average effective interest rate (per annum) at the balance sheet dates are set out as follows:

	As at 30 June 2020	As at 31 December 2019
Bank borrowings	4.88%	4.91%

(b) The Group has the following undrawn bank borrowing facilities:

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Bank borrowing facilities	1,596,620	492,500

(c) The maturity date of the borrowing was analysed as follows:

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Within 1 year	567,620	473,164
Between 1 and 2 years	102,306	200,634
Between 2 and 5 years	317,000	241,000
More than 5 years	68,000	84,000
	1,054,926	998,798

Notes to the Interim Condensed Financial Information

31 BORROWINGS (CONT'D)

- (d) As at 30 June 2020, the Group's borrowings were denominated in RMB.
- (e) On 21 May 2010, Guangdong University entered into a loan agreement with a bank. As at 31 December 2019, the loan balances are RMB42,000,000. The loan bears a floating interest rate of PBOC interest rate. Guangdong University has pledged the tuition and accommodation fees collection rights from 4 March 2015 to 16 January 2020 to the bank. Guangdong University further pledged the collection rights of the tuition fee from 17 January 2020 to 3 March 2020 to the bank. The loan was fully repaid to the bank on 21 May 2020.
- (f) On 12 October 2017, Guangdong University entered into a loan agreement with a bank. On 5 January 2018, an additional RMB60,000,000 was borrowed under the contract. On 17 January 2020, Guangdong University entered into another a loan agreement with the bank. As at 30 June 2020, the loan balance is RMB155,000,000 (31 December 2019: RMB110,000,000). The loan bears a floating interest rate of PBOC interest rate. Guangdong University has pledged the collection rights of the tuition, accommodation and other service fees from 27 September 2017 to 16 January 2020 to the bank. Further, this loan is pledged by the collection rights of the tuition fee from 17 January 2020 to 31 December 2025.
- (g) As at 30 June 2020, the loan balance with RMB198,806,000 (31 December 2019: RMB198,734,000) was loaned from a bank by Dalian University since 28 March 2019. The loan bears a floating interest rate of PBOC interest rate. Dalian University has pledged the collection rights of the boarding fees from 26 April 2019 to 26 April 2034 to the bank.
- (h) As at 30 June 2020, in addition to the above loans, the other loan balances were RMB701,120,000 (31 December 2019: RMB648,064,000) with unsecured.



Notes to the Interim Condensed Financial Information

32 DEFERRED INCOME

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Non-current: Deferred government grants (a)	25,163	26,865
Current: Deferred government grants (a)	40,252	34,045
Rental	4,469	6,337
	44,721	40,382
	69,884	67,247

- (a) Deferred income includes grants related to income and grants related to assets. The grants related to income are the subsidies received from the government for the purpose of compensation for expenses arising from research activities and software developments. The grants related to assets are received for subsidies in connection with the purchasing of teaching equipment. These grants related to assets are released to profit or loss over the expected useful lives of the relevant assets.

Notes to the Interim Condensed Financial Information

33 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from/(used in) operations:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Profit before income tax	103,530	107,718
Adjustments for:		
– Amortisation of land use right (Note 17)	5,596	4,125
– Depreciation of property, plant and equipment (Note 18)	52,214	43,408
– Amortisation of intangible assets (Note 19)	3,897	1,169
– Depreciation of leased properties (Note 17)	5,467	4,307
– Net losses/(gain) on disposal of property, plant and equipment (Note 10)	(21)	16
– Gains in profit or loss on financial instrument (Note 10)	(1,561)	(681)
– Interest income (Note 8, Note 13)	(1,820)	(975)
– Finance expenses (Note 13)	18,766	18,392
Operating cash flows before movements in working capital	186,068	177,479
Changes in working capital:		
– Trade and notes receivables (Note 22)	(15,314)	8,200
– Prepayments, deposits and other receivables	7,720	13,639
– Increase in inventories	(907)	(192)
– Deferred income (Note 32)	2,637	3,423
– Contract liabilities (Note 7)	(373,667)	(363,506)
– Trade and other payables	27,705	(1,001)
Cash used in operations	(165,758)	(161,958)
Income taxes paid	(11,123)	(10,865)
Net cash used in operations	(176,881)	(172,823)



Notes to the Interim Condensed Financial Information

33 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

(b) In the statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Net book amount (<i>Note 18</i>)	1,751	32
(Loss)/gain on disposal of property, plant and equipment (<i>Note 10</i>)	21	(16)
Proceeds from disposal of property, plant and equipment	1,772	16

34 CONTINGENCIES

As at 31 December 2019 and 30 June 2020 there were no significant contingencies items for the Group and the Company.

35 BUSINESS COMBINATIONS

On 1 March 2020, the Group acquired 90.91% of the issued shares of Tianjin Ruidao for a cash consideration of RMB362,779,000 from Neusoft Holdings. The goodwill of RMB134,937,000 arising from the acquisition is attributable to acquired human resources and potential customer relationship from combining the operations of the Group and Tianjin Ruidao. None of the goodwill recognized is expected to be deductible for income tax purposes.

Notes to the Interim Condensed Financial Information

35 BUSINESS COMBINATIONS (CONT'D)

(a) Acquisition of a subsidiary

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value RMB'000
Cash and cash equivalents	42,043
Financial assets at fair value through profit or loss (Note 5.3)	90,540
Trade and notes receivables	6,825
Prepayments and other receivables	15,552
Inventory	251
Right of use assets (Note 17)	10,441
Property, plant and equipment (Note 18)	21,119
Investment in associate	711
Intangible asset – brand (Note 19)	89,499
Intangible asset – customer relationship (Note 19)	66,907
Intangible asset – software (Note 19)	2,357
Trade and other payables	(16,141)
Current income tax liabilities	(9)
Contract liabilities	(19,477)
Lease liability	(10,441)
Deferred income	(1,297)
Deferred tax liabilities (Note 20)	(40,042)
Net identifiable assets acquired	258,838
Less: non-controlling interests	(30,996)
Add: goodwill	134,937
Net assets acquired	362,779

The acquired business contributed revenue of RMB37,728,000 and net loss of RMB3,325,000 to the Group for the period from 1 March 2020 to 30 June 2020.

If the acquisition had occurred on 1 January 2020, consolidated pro-forma revenue and profit of the Group for the period ended 30 June 2020 would have been RMB452,568,000 and RMB71,249,000 respectively.

Non-controlling interests are recognized at its proportionate shares of the acquired net identifiable assets.



Notes to the Interim Condensed Financial Information

35 BUSINESS COMBINATIONS (CONT'D)

(b) Purchase consideration – cash outflow

	As at 30 June 2020 RMB'000
Outflow of cash to acquire subsidiary, net of cash acquired Cash consideration	115,779
Less: Balances acquired Cash	(42,043)
Net outflow of cash – investing activities	73,736

Note: The cash consideration was yet to be settled as at 30 June 2020.

36 COMMITMENTS

(a) Capital commitments

The following is the details of capital expenditure contracted but not provided for in the interim financial statement.

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Commitment for acquisition of property, plant and equipment and land use right	145,466	186,016

Notes to the Interim Condensed Financial Information

36 COMMITMENTS (CONT'D)

(b) Operating lease income

The Group leases certain buildings to related parties and third parties under operating lease agreements. The Group had future aggregate minimum lease income in respect of buildings under operating leases are as follows:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
No later than 1 year	13,376	19,067
Later than 1 year and no later than 5 years	10,780	17,872
	24,156	36,939

37 SIGNIFICANT RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, common significant influence or joint control.

The members of key management and their close family members of the Group are also considered as related parties. In the opinion of the Directors, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.



Notes to the Interim Condensed Financial Information

37 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

Name and relationship with related parties:

Name of the related parties	Nature of relationship
Neusoft Holdings	Owner who has significant influence over the Company
Neusoft Holdings International Inc. ("Neusoft International")	Owner who has significant influence over the Company
Dalian Neusoft Siwei Technology Development Co., Ltd.	A company controlled by Liu Jiren
Liaoning Neusoft Venture Capital Co., Ltd.	A company controlled by Neusoft Holdings
Tianjin Ruidao (a)	A company controlled by Neusoft Holdings
Beijing Neusoft Huiju Information Technology Co., Ltd.	A company controlled by Neusoft Holdings
Dalian Neusoft Ruichuang Technology Development Co., Ltd. (a)	A company controlled by Neusoft Holdings
Dalian SiRui Information Technology Co., Ltd.	A company controlled by Neusoft Holdings
Guangzhou Neusoft Software Talent Vocational Training School (a)	A company controlled by Neusoft Holdings
Nanjing Neusoft Talent Training Center (a)	A company controlled by Neusoft Holdings
Shenyang Neusoft Ruidao Education Service Co., Ltd. (a)	A company controlled by Neusoft Holdings
Guangzhou Neusoft Ruidao Educational Information Technologies Co.,Ltd. (a)	A company controlled by Neusoft Holdings
Chongqing Neusoft Ruidao Information Technology Co., Ltd. (a)	A company controlled by Neusoft Holdings
Dalian Neusoft Software Talent Training Center (a)	A company controlled by Neusoft Holdings
Dalian Neusoft Ruidao Education Information Service Co., Ltd. (a)	A company controlled by Neusoft Holdings
Neusoft YueTong Software Technology (Dalian) Co., Ltd	A company controlled by Neusoft Holdings
Shanghai Sirui	A company controlled by Neusoft Holdings
Guangzhou SiRui Information Technology Co., Ltd.	A company controlled by Neusoft Holdings
Guangdong Ruidao Gongchuang Technology Co., Ltd. (a)	A company controlled by Neusoft Holdings
Dongkong International Third Investment Inc.	A company controlled by Neusoft Holdings
Yida Group	Owner who has significant influence over the Group
Ningbo Neusoft Xinqiao Entrepreneurship Education Technology Co., Ltd	Associate of the Group

(a) These related parties became subsidiaries of the Group after the acquisition of Tianjin Ruidao on 1 March 2020.

37 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

(a) Transactions with related parties

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Borrowings from related parties		
Owner who has significant influence over the Company <i>(Note (i))</i>		
Balance at 1 January	-	-
Borrowings from related parties	-	200,000
Repayments of borrowings to related parties	-	-
Interest payable to related parties	-	4,690
Repayments of interest to related parties	-	-
Balance at 30 June	-	204,690
A company controlled by Neusoft Holdings <i>(Note (ii))</i>		
Balance at 1 January	-	40
Repayments of interest payables to related parties	-	(40)
Balance at 30 June	-	-

- (i) During the six months ended 30 June 2019, the Group received loans from Neusoft Holdings with a floating or fixed interest rate raised by 15% on the base of PBOC interest rate. The loans are unsecured and repayable on demand. The loan has been repaid on 26 September 2019.
- (ii) During the six months ended 30 June 2019, the Group received loans from Tianjin Ruidao with a floating interest rate based on PBOC interest rate. The loans are unsecured and repayable on demand. The loan has been repaid on 9 January 2019.



37 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

(a) Transactions with related parties (cont'd)

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Purchasing goods and receiving services		
Owner who has significant influence over the Company	33	121
Companies controlled by Neusoft Holdings	–	2,691
	33	2,812

Purchasing goods and receiving services were made at prices mutually agreed between the Group and its related parties and conducted in the normal course of business.

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Selling goods and providing services		
Owner who has significant influence over the Company	–	29
Companies controlled by Liu Jiren	727	707
Companies controlled by Neusoft Holdings	29,222	68,741
	29,949	69,477

Selling goods and providing services were made at prices mutually agreed between the Group and its related parties and conducted in the normal course of business.

Notes to the Interim Condensed Financial Information

37 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

(b) Balance with related parties

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Trade receivables due from related parties		
Companies controlled by Neusoft Holdings	1,387	442
Other payables due to related parties		
Trade		
Owner who has significant influence over the Company	21	51
A company controlled by Liu Jiren	238	238
Companies controlled by Neusoft Holdings	70	379
	329	668
Non-trade		
Owner who has significant influence over the Company	247,265	170
Owner who has significant influence over the Group	1,851	1,851
Companies controlled by Neusoft Holdings	333	327
Associate of the Group	675	–
	250,124	2,348



37 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

(b) Balance with related parties (cont'd)

The non-trade balances are interest free and repayable on demand.

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Amounts prepaid by related parties		
A company controlled by Liu Jiren	226	226
A company controlled by Neusoft Holdings	64	64
	290	290
Amounts prepaid to related parties		
Owner who has significant influence over the Company	-	55

As at 31 December 2019 and 30 June 2020, all balances with the owners and related companies are non-interest bearing. All balances due from and due to the owners and related parties are unsecured and repayable on demand.

(c) Key management compensation

Key management includes executive directors and certain executives who have important role in making operational and financial decisions.

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Wages, salaries and bonuses	4,337	4,073
Contributions to pension plans	82	200
Welfare and other expenses	116	213
	4,535	4,486

38 SUBSEQUENT EVENTS

Granted share options

The Company adopted a pre-IPO share option scheme approved by the Board of Directors on 19 June 2019. The Pre-IPO share incentive scheme was subsequently amended, the amendment of which was approved by the authorised director on 10 June 2020 (the “Pre-IPO Share Incentive Scheme”). Under the Pre-IPO Share Option Scheme, options are exercisable subject to the grantee’s continuous service and completion of the Company’s IPO and other terms. Pursuant to the Pre-IPO Share Option Scheme, the Company had granted pre-IPO options to 246 grantees on 31 August 2020, including Directors, senior managers, connected persons who are not Directors or senior managers, employees and supervisors of the Group, to subscribe for an aggregate of 50,000,000 shares. The subscription price of each share option granted under the Pre-IPO Share Incentive Scheme is 50% of the Offer Price.



DEFINITIONS

“Adjusted Net Profit”	a non-IFRS measure that eliminates the effect of certain non-recurring items from our profit for the year. See “Financial Review – Adjusted Net Profit”
“Board”	the board of directors of the Company
“CAETT”	China Education Think Tank (中國教育智庫)
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Chengdu University”	Chengdu Neusoft University (成都東軟學院), established in 2003, and one of the universities operated by our Group
“China” or “the PRC”	the People’s Republic of China, and for the purposes of this document only, except where the context requires otherwise, excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Company”, “our Company”, or “the Company”	Neusoft Education Technology Co. Limited (東軟教育科技有限公司)
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules, and unless the context otherwise requires, refer to the controlling shareholders of the Company, namely Dr. LIU Jiren and Neusoft Holdings (together with Neusoft Holdings’ wholly-owned subsidiaries Neusoft Holdings International Inc., Dongkong Education First Investment Inc., and Dongkong Education Second Investment Inc.)
“Dalian Education”	Dalian Neusoft Education Technology Group Co. Limited (大連東軟教育科技集團有限公司), established in August 2018, and a subsidiary of our Company
“Dalian University”	Dalian Neusoft University of Information (大連東軟信息學院), established in 2004, and one of the universities operated by our Group
“Director(s)”	the director(s) of the Company
“Guangdong University”	Neusoft Institute, Guangdong (廣東東軟學院), established in 2003, and one of the universities operated by our Group
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company
“Frost & Sullivan Report”	an industry report prepared by Frost & Sullivan which was commissioned by us in relation to, among other things, the private higher education industry in the PRC

Definitions

“Group”, “we”, “us”, or “our”	our Company and its subsidiaries (including our consolidated affiliated entities) from time to time or, where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK dollars” or “HK\$”	the current lawful currency of Hong Kong
“Laws”	all laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, directives, requests, orders, judgments, decrees, interpretations or rulings of any governmental authority (including the Stock Exchange and the SFC) of all relevant jurisdictions
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	29 September 2020, on which the Shares of the Company are listed and from which dealings therein are permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM of the Stock Exchange
“MHRSS”	Ministry of Human Resources and Social Security of the People’s Republic of China (中華人民共和國人力資源與社會保障部)
“MIIT”	Ministry of Industry and Information Technology of the People’s Republic of China (中華人民共和國工業和信息化部) (formerly known as Ministry of Information Industry)
“Ministry of Education” or “MOE”	Ministry of Education of the People’s Republic of China (中華人民共和國教育部)
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

Definitions

“NDRC”	National Development and Reform Commission (國家發展與改革委員會)
“Neusoft Holdings”	Dalian Neusoft Holdings Co., Ltd. (大連東軟控股有限公司), a Controlling Shareholder of our Company
“Neusoft Training School”	Dalian High-tech Zone Neusoft Training School Co., Ltd.
“Prospectus”	the prospectus of the Company dated 17 September 2020
“Reporting Period”	the six months ended 30 June 2020
“RMB” or “Renminbi”	Renminbi, the current lawful currency of China
“Securities and Futures Ordinance” or “SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
“SFC”	Securities and Futures Commission of Hong Kong
“Share Option Scheme”	the share option scheme conditionally adopted by the Company on 11 September 2020
“Share(s)”	ordinary share(s) in the share capital of our Company, currently with a par value of HK\$0.0002 each following the Share Consolidation
“Shareholder(s)”	holders of our Shares or any one or more of the holders
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it in the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Tianjin Ruidao”	Tianjin Neusoft Ruidao Education Information Technology Co., Ltd. (天津東軟睿道教育信息技術有限公司), a company incorporated under PRC Laws on 22 March 2012 and a non-wholly owned subsidiary of Dalian Education
“%”	per cent.