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China Beststudy Education Group

卓越教育集團*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3978)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL AND KEY OPERATING DATA HIGHLIGHTS

	For the six months ended 30 June		
	2023	2022	% Change
	<i>RMB'000</i>	<i>RMB'000</i>	
	(Unaudited)	(Unaudited)	
Revenue	188,860	268,445	(29.6%)
Gross Profit	69,780	121,671	(42.6%)
Net Profit	20,152	5,547	263.3%
Adjusted Net Profit	20,234	6,766	199.1%

* For identification purposes only

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

The board (the “**Board**”) of directors (the “**Directors**”) of China Beststudy Education Group (the “**Company**” or “**Beststudy**” and, together with its subsidiaries, collectively the “**Group**”) announces the unaudited interim condensed consolidated financial results of the Group for the six months ended 30 June 2023 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

		For the six months ended	
		30 June	
	NOTES	2023	2022
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	3&4	188,860	268,445
Cost of sales		(119,080)	(146,774)
Gross profit		69,780	121,671
Other income		9,326	18,671
Other gains and losses		23,162	364
Selling expenses		(6,990)	(30,452)
Administrative expenses		(28,640)	(44,397)
Other operating expenses		(14,254)	(41,332)
Fair value changes on financial assets at fair value through profit or loss (“FVTPL”)	9	(17,936)	(20,085)
Loss on disposal of property, plant and equipment		(868)	(218)
Impairment losses reversed (recognised) under expected credit loss model, net		(5,580)	21,415
Share of results of associates		206	(478)
Share of results of joint ventures		(402)	(607)
Finance costs		(4,566)	(7,737)
Profit before tax		23,238	16,815
Income tax expense	5	(3,086)	(11,268)
Profit for the period	6	<u>20,152</u>	<u>5,547</u>
Profit for the period attributable to:			
— owners of the Company		20,917	5,232
— non-controlling interests		(765)	315
		<u>20,152</u>	<u>5,547</u>
EARNINGS PER SHARE			
—Basic	8	<u>RMB2.78 cents</u>	<u>RMB0.7 cents</u>
—Diluted	8	<u>RMB2.78 cents</u>	<u>RMB0.7 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	For the six months ended	
	30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	<u>20,152</u>	<u>5,547</u>
Other comprehensive income		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<u>—</u>	<u>—</u>
Total comprehensive income for the period	<u>20,152</u>	<u>5,547</u>
Total comprehensive income attributable to:		
— owners of the Company	20,917	5,232
— non-controlling interests	(765)	315
	<u>20,152</u>	<u>5,547</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		30 June 2023	31 December 2022
	<i>NOTES</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		60,311	66,904
Right-of-use assets		152,349	185,193
Intangible assets		26,207	28,346
Investments in associates		17,337	17,131
Investments in joint ventures		5,822	6,224
Financial assets at fair value through profit or loss	9	8,100	18,146
Debt instruments measured at amortised cost	10	—	22,853
Long-term time deposits		130,000	50,000
Deferred tax assets		43,078	46,460
Prepayments for purchases of property, plant and equipment		13,862	13,862
		457,066	455,119
CURRENT ASSETS			
Financial assets at fair value through profit or loss	9	81,854	99,796
Debt instruments measured at amortised cost	10	39,021	23,205
Prepayments, deposits and other receivables		77,664	61,962
Amounts due from associates		519	130
Amounts due from related parties		4,884	4,789
Other current assets		528	1,498
Short-term time deposits		19,610	20,000
Restricted bank deposits		19,040	8,099
Bank balances and cash		164,537	195,084
		407,657	414,563
CURRENT LIABILITIES			
Other payables and accruals		90,559	93,455
Contract liabilities		161,507	151,196
Amounts due to related parties		227	737
Income tax liabilities		18,584	18,876
Lease liabilities		45,941	54,602
		316,818	318,866

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

As at 30 June 2023

		30 June 2023	31 December 2022
	<i>NOTES</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
NET CURRENT ASSETS		<u>90,839</u>	<u>95,697</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>547,905</u>	<u>550,816</u>
NON-CURRENT LIABILITY			
Lease liabilities		<u>119,756</u>	<u>144,926</u>
NET ASSETS		<u><u>428,149</u></u>	<u><u>405,890</u></u>
CAPITAL AND RESERVES			
Share capital	<i>11</i>	303	303
Reserves		<u>428,556</u>	<u>407,557</u>
Equity attributable to owners of the Company		<u>428,859</u>	407,860
Non-controlling interests		<u>(710)</u>	<u>(1,970)</u>
TOTAL EQUITY		<u><u>428,149</u></u>	<u><u>405,890</u></u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. GENERAL INFORMATION

China Beststudy Education Group (the “**Company**”) was incorporated in the Cayman Islands on 27 August 2010 as an exempted company with limited liability under the laws of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited. The ultimate controlling parties are Mr. Junjing Tang, Mr. Junying Tang and Mr. Gui Zhou, who have entered into an acting-in-concert agreement. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (the “**Group**”) are engaged in providing education-related courses, including full-time revision business (equivalent to full-time test preparation programs), talent education, self-study program, vocational education and after-school tutoring program for high school students.

2.1 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (“**IAS 34**”) “Interim Financial Reporting” issued by the International Accounting Standard Board (“**IASB**”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

2.2 PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards (“**IFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2022.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following new and amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from contracts with customers

	For the six months ended 30 June 2023			
	Full-time test preparation programs <i>RMB'000</i> (Unaudited)	Talent education <i>RMB'000</i> (Unaudited)	Tutoring programs <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Timing of revenue recognition				
Services transferred at a point in time	—	—	1,104	1,104
Services transferred over time	103,573	28,025	56,158	187,756
	<u>103,573</u>	<u>28,025</u>	<u>57,262</u>	<u>188,860</u>

	For the six months ended 30 June 2022			
	Full-time test preparation programs <i>RMB'000</i> (Unaudited)	Talent education <i>RMB'000</i> (Unaudited)	Tutoring programs <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Timing of revenue recognition				
Services transferred at a point in time	—	—	63,134	63,134
Services transferred over time	89,611	49,822	65,878	205,311
	<u>89,611</u>	<u>49,822</u>	<u>129,012</u>	<u>268,445</u>

4. OPERATING SEGMENTS

The following is an analysis of the Group's entity-wide revenue and results as the chief operating decision makers currently regularly review the consolidated financial results of the Group. Therefore, the Group has one single operating and reportable segment.

Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	For the six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Full-time test preparation programs	103,573	89,611
Talent education	28,025	49,822
Tutoring programs	57,262	129,012
	<u>188,860</u>	<u>268,445</u>

5. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax ("EIT")	(289)	8,968
Under provision in prior year	(7)	1,553
	<u>(296)</u>	<u>10,521</u>
Deferred tax expense	3,382	747
	<u>3,086</u>	<u>11,268</u>

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

Hong Kong Profits Tax

Hong Kong profits tax is calculated in accordance with the two-tiered Hong Kong profits tax rates regime for the six months ended 30 June 2023 and 2022.

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

PRC Enterprise Income Tax (“EIT”)

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% during the Reporting Period (2022: 25%).

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

6. PROFIT FOR THE REPORTING PERIOD

Profit for the reporting period has been arrived at after charging:

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Auditor's remuneration	<u>1,005</u>	<u>898</u>
Depreciation of property, plant and equipment	10,092	9,791
Depreciation of right-of-use assets	27,700	33,746
Amortisation of other intangible assets	<u>2,072</u>	<u>3,590</u>
Total depreciation and amortisation	<u><u>39,864</u></u>	<u><u>47,127</u></u>
Research and development costs recognised as an expense (included in other operating expenses)	12,673	35,315
Directors' and chief executive's emoluments	4,025	3,505
Staff salaries and benefits	73,509	136,142
Staff retirement benefits schemes contributions	7,133	8,114
Recognition of share-based payments	<u>82</u>	<u>1,219</u>
Total staff costs (note)	<u><u>84,749</u></u>	<u><u>148,980</u></u>

Note: The staff costs of RMB62,778,000 (six months ended 30 June 2022: RMB102,165,000) and the depreciation and amortisation of RMB33,678,000 (six months ended 30 June 2022: RMB20,187,000) are included in “Cost of sales” in the consolidated statement of profit or loss.

7. DIVIDEND

No dividends were paid, declared or proposed during the Reporting Period. The Directors have resolved that no dividend will be declared for the Reporting Period.

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per ordinary share attributable to owners of the Company is based on the following data:

	For the six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Earnings		
Profit for the purpose of basic earnings per share and dilutive earnings per share	<u>20,917</u>	<u>5,232</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	752,531,376	752,535,956
Effect of dilutive potential shares:		
Unvested share awards	<u>166,667</u>	<u>593,000</u>
Weighted average number of ordinary shares for the purpose of dilutive earnings per share	<u>752,698,043</u>	<u>753,128,956</u>
Basic earnings per share (<i>note</i>)	<u>RMB2.78 cents</u>	<u>RMB0.7 cents</u>
Diluted earnings per share (<i>note</i>)	<u>RMB2.78 cents</u>	<u>RMB0.7 cents</u>

Note: The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the shares held for the Company's restricted share unit scheme.

For the six months ended 30 June 2023, the computation of diluted loss per share has not taken into account the effects of share awards which are anti-dilutive.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Financial assets mandatory measured at FVTPL:		
Equity investments — unlisted equity investments	<u>8,100</u>	<u>8,099</u>
Financial assets designated at FVTPL:		
Equity investments — listed equity investments (i)	40,783	51,683
Debt instruments		
— funds (ii)	26,369	40,938
— unlisted trust plans and asset management plans (ii)	<u>14,702</u>	<u>17,222</u>
	<u>81,854</u>	<u>109,843</u>
	<u>89,954</u>	<u>117,942</u>
Analysed for reporting purposes as:		
— current assets	81,854	99,796
— non-current assets	<u>8,100</u>	<u>18,146</u>
	<u>89,954</u>	<u>117,942</u>

Notes:

- (i) The above listed equity investments represent ordinary shares of an entity listed in Hong Kong. The fair value of listed equity investments is determined based on the quoted market bid price (Level 1: quoted price (unadjusted) in active markets).
- (ii) Wealth management products issued by banks, unlisted trust plans, asset management plans and funds issued by financial institutions, were denominated in RMB at aggregate amounts of RMB41,071,000 (2022: RMB58,160,000), with rate of return ranging from 6% to 8% (2022: 6% to 8%) per annum. As at 30 June 2023, unlisted trust plans and funds pledged with collaterals of properties with a carrying amount of RMB41,071,000 (2022: RMB48,114,000) were overdue without being redeemed pursuant to the terms of the subscription agreements.

(iii) Amounts recognised in profit or loss:

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fair value changes in equity investments at FVTPL		
— unlisted equity investments	(6)	380
— listed equity investments	<u>(10,901)</u>	<u>(16,105)</u>
	<u>(10,907)</u>	<u>(15,725)</u>
Fair value changes in debt investments at FVTPL		
— unlisted trust plans and asset management plans	(2,520)	619
— wealth management products issued by banks	—	236
— funds	<u>(4,509)</u>	<u>(5,215)</u>
	<u>(7,029)</u>	<u>(4,360)</u>
	<u>(17,936)</u>	<u>(20,085)</u>

10. DEBT INSTRUMENTS MEASURED AT AMORTISED COST

	30 June	31 December
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Corporate debts	<u>39,021</u>	<u>46,058</u>
Analysed for reporting purposes as:		
— current assets	39,021	23,205
— non-current assets	<u>—</u>	<u>22,853</u>
	<u>39,021</u>	<u>46,058</u>

Debt instruments measured at amortised cost are debt assets with guaranteed returns using interest rates per annum ranging from 5% to 7% (2022: 5% to 7%). They are denominated in RMB.

As at 30 June 2023, debt instruments with principal amount of RMB68,200,000 (2022: RMB68,200,000) were past due and among which, RMB21,640,000 (2022: RMB21,640,000) were pledged with collaterals of equity instruments (2022: equity instruments). Included in the carrying amount of debt instruments measured at amortised cost as at 30 June 2023 is accumulated impairment losses of RMB59,077,000 (2022: RMB53,048,000).

11. SHARE CAPITAL OF THE COMPANY

Ordinary shares of United States dollars (“US\$”) 0.00005 each	Number of shares		Share capital	
	30 June 2023 ’000	31 December 2022 ’000	30 June 2023 RMB’000 (Unaudited)	31 December 2022 RMB’000 (Audited)
Authorised				
At the beginning of the year	3,000,000	3,000,000	1,070	1,070
Increase (decrease)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
As at 30 June 2023 and 31 December 2022	<u>3,000,000</u>	<u>3,000,000</u>	<u>1,070</u>	<u>1,070</u>
Issued and fully paid				
At the beginning of the year	847,221	847,221	303	303
Shares repurchased and cancelled	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
As at 30 June 2023 and 31 December 2022	<u>847,221</u>	<u>847,221</u>	<u>303</u>	<u>303</u>

Note:

None of the Company’s subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY PROFILE AND OVERVIEW

As a leading education service provider in South China, the Company has been consistently providing high-quality and diversified education products and services to students and parents since our establishment 26 years ago.

Our Group mainly offers education related products and services, including but not limited to full-time revision business (equivalent to full-time test preparation programs), talent education, self-study program, vocational education, and after-school tutoring program. Our full-time revision business aims to help Zhongkao's (中考) and Gaokao's (高考) graduates to be admitted to their preferred schools. Our talent education is designed to promote the all-round development of our students, allowing a more engaging and enjoyable learning process. Our self-study program aims to improve students' soft power of learning through self-study model, so that they can give full play in their study and daily life. Our vocational education is designed to cultivate talent with new vocational skills needed by the country and the society in an innovative model with the support of public vocational colleges. Our after-school tutoring program targets to help students establish a sound learning thinking and knowledge system and develop good learning habits.

The Group has been focusing on developing in South China and established business presence across the country. Through 26 years of efforts and development, our “Zhuoyue Education” (卓越教育) brand and reputation have also been recognised and welcomed by students, parents and all sectors of the community. During the Reporting Period, we actively participated in social welfare undertakings and the development of the Communist Party of China, and won the awards of “Guangzhou Party Organisation with Double Strength and Six Excellence — Non-public Economic Organization” (廣州市非公有制經濟組織“雙強六好”黨組織), “Guangzhou Model Base for Party Building” (廣州市黨建示範基地), “General Member of the Economic Association of Guangzhou Headquarters” (廣州市總部經濟協會一般會員), “King's Ark Award for Employer Cherishing Talents the Most” (王者之舟最愛人才僱主獎) and “Caring and Delighting Charity Entity” (以愛為盟，點亮星空，愛心慈善單位). The recognition from students, parents and all sectors of the community help us enlarge our student pool and further maintain and strengthen our market position in the industry.

PERFORMANCE REVIEW

To cope with impact of the “Double Reduction Policy” (雙減政策) on the education industry and the Group’s business, we have responded to the nation’s call by seeking breakthroughs by way of business transformation. With the reputation and education resources built over the past 26 years, together with the recognition and support from parents and students, we have come up with a new business model of “quality education + vocational education + full-time education”.

The Group empowers high-quality development of our full-time business segment with digitalisation. Utilizing cloud computing, big data, artificial intelligence and other information technologies to continuously optimize technology to empower our precise teaching system. Flexible application of diversified teaching scenarios realizes efficient and precise teaching and enhances students’ learning experience and effect. At the same time, with the support of the precise teaching system, the Group helps students major in art, music or sports to rapidly improve their cultural scores through the hourglass figure training program, so as to achieve accurate teaching, efficient learning and intelligent management, and help students continue to improve and surpass themselves. Through “Beststudy Intelligent Learning System” (卓越慧學系統) and “Beststudy Core Learning System” (生命成長體系), the Group provides Zhongkao (中考) and Gaokao (高考) candidates with the essential skills and better prepare themselves for the exams so they have a higher chance of getting into their dream education institutions. While meeting the needs of the growth of students in an all-round manner, an efficient, reliable and reputable and laid a solid foundation for the sustainable development of the Group.

The Group focuses on the cultivation of core qualities such as literature and scientific quality, and strives to improve and optimise quality education methods. Nine products of the Group, including “Beststudy Programming” (卓越編程), “Curious Young Reporter” (奇趣小記者), “Thinking Planet” (思考星球), “Di-Da Literature” (嘀嗒文學), “Literature and Aesthetic Education” (文學美育), “Practical Practice” (躬行實踐), “Bilingual Culture” (雙語文化), “Multiple Thinking” (多元思維) and “Social Science Literacy” (社會科學素養), has become the first batch of quality products for Guangdong Province to pass the non-academic accreditation by the education authorities. These nine products have gained huge popularity among the wider society and students and helped build our brand as an excellent quality education services provider and thus provided an important safeguard in the transformation of the Group.

During the Reporting Period, the Group partnered with 50 primary and secondary schools in Guangzhou to provide integrated after-class services on campus. We have won recognition from students and schools for providing high-quality services and experiences to students that meet the diversified needs in their growth through more than 86 quality education products, covering moral, intellectual, physical, aesthetic and labour, and including moral education programs, thinking and growth, language expression, aesthetic arts, science literacy, cooking and labour, sports, and study and practice.

The Group has actively responded to national policies by striving for progress on the track of vocational education leveraging the resources and educational experience gained over the years. We have established a comprehensive strategic cooperation relationship with secondary vocational schools and institutions. We have tailor-made a fully closed management program for secondary vocational school students, with the college entrance examination for vocational school students as the final destination, to secure the high-quality and efficient learning of secondary vocational school students through a full-swing, holistic and all-round education and services. Riding on the trend of higher vocational college's entrance examination, the Group has also launched the "Zhuoyue 3+Certificate Higher Vocational Studies" (卓越3+證書高職高考班). The course focuses on the learning styles of secondary vocational students, adopts a small class system, emphasises the elite teacher structure formed from years of experience in education practice, and the efficient use of interactive multimedia teaching aids, effectively improving students' learning efficiency and helping secondary vocational students achieve the goals of getting into their dream colleges.

In order to make progress in the exploration of our second growth curve, enhance organisational agility, and promote the incubation and development of innovative businesses, the Group has established the "Innovative Business Division". The Group aims to undertake the construction of sustainable development drive, closely cooperate with various business departments, focus on the innovative exploration of value under new trends observed, and constantly improve the industrial layout of the Group through research, incubation, investment and other measures.

The Group has consistently adhered to the mission of “cultivating excellent quality and contributing to China’s future” and has firmly stuck to the objective of becoming an “enthusiastic education services provider” for our public welfare actions. The Group has made its best efforts to carry out education public welfare, donated teaching equipment and materials to primary and secondary schools in remote areas and helped upgrade hardware facilities for a number of times helping to narrow down the gap between urban and rural areas in the level of educational attainment, and most importantly, passing on Beststudy’s love and care. As part of our joint effort with the community, we have initiated a number of public welfare activities and recruited volunteers as a team to “beautify the community and build a green home”, aiming to raise our staff and students’ awareness in public welfare so they are willing to take more social responsibilities. We also joined hands with certain private education services providers in Yuexiu District in hosting public welfare festivals to provide high-quality products and services to the general public, fulfilling social responsibility through actions and demonstrate the mission and commitment of the enterprises. Raising funds and goods through charity sales, we provided help to children in need in Yuexiu District. At the same time, the Group has actively participated in a series of summer public welfare activities called the “Future Youth” where we provided “free summer child care” services to children whose parents needed to work during daytime so they spent a more meaningful summer vacation. In addition, the Group also actively carried out a number of “Party building + public welfare” activities to consolidate the work foundation, explore the best mode of work, continue to improve its own party building work and social responsibility, demonstrate and drive high-quality party building, and help enterprises develop in a high-quality manner.

FUTURE PROSPECTS

The Group has closely followed the national policies, strictly implemented them and operated in accordance with the law, adhered to the original intention of “All for Children’s Healthy Development”, committed to the essence of education, facilitated construction in attaining educational prowess and contributed to the construction of a high-quality education system in China. Under the dual guidance of policy and market, the Group has focused on the core strategic system of “full-time revision + talent education + vocational education” and explored new business areas including talent education and vocational education, accelerated the development of its second growth curve and promoted the diversification of fields to provide students with more abundant and education services and products with higher quality.

Technology enables full-time education and leads high-quality development

The Group will focus on providing full-time revision business for the majority of students, promote the sustainable development of our existing business, and strive to expand to cover the entire national market while rapidly developing the provincial market, and exploring and opening up new market territory. In the future, the Group will be committed to the use of technology-enabled precision teaching system, which will be combined with our experience and expertise in teaching and scientific teaching system, so as to more accurately grasp the needs of students. Through continuous optimisation of the mode of teaching, we strive to ensure the high-quality output of teaching content, and accelerate the development of business segments.

The continuous upgrade of “Beststudy Intelligent Learning System” and “Beststudy Core Learning System” will further enhance the core competitiveness of the Group, inject continuous development capabilities into the Group under the new landscape, and take the Group’s business to another level.

Deepening the layout of quality-oriented education and injecting new momentum into all-round development

Talent education is the main theme of national education reform and development. Under the proper guidance of relevant national policies, quality education has gradually moved from an auxiliary role to the mainstream, from the traditional “moral, intellectual, physical, aesthetic and labour” evaluation to cultivating innovative and entrepreneurial spirit and ability. The Group has actively responded to the call of national policies, actively transformed and further deepened quality education by conducting a new round of research and development and upgrading its original quality education product. By these measures, the Group has continuously enriched the product categories of talent education in non-academic accreditation products building a comprehensive education system that embraces the “five educations” integration “moral, intellectual, physical, aesthetic and labour” incorporates. This has achieved the improvement of core literacy of primary and secondary school students, providing continued momentum for the transformation of the Group.

The Group will further cooperate with more primary and secondary schools, and strive to continuously provide customers with valuable products and services by exploiting its own localisation advantages, professional service operation system and teacher training team, innovating the use of internal and external resources and creating a rich variety of on-campus after-school quality courses. We also actively respond to the national concept of “integration of five-education”, assist the implementation of quality-oriented education in schools, create school-based programmes with talent education characteristics, and build a new pattern of after-school services in schools.

We will continue to enhance the model of “talent education + community” model, taking the community as the centre to radiate the surrounding areas, reorganise the diversified talent education sub-products, explore students’ interests and talent through “direct perception, practical operation and hands-on experience”, and create a comprehensive and multicategory one-stop talent education base to provide students with more diversified choices, thereby further enhancing our influence.

In the future, China Beststudy Education Group will continue to promote the innovation of quality education products and models, help the new development of quality education industry, escort the growth of children with enthusiastic education services, and inject more momentum for the improvement of the overall quality of the next generation.

Exploring vocational education and accelerating on the new track

As China enters a new stage of development, the importance of vocational education is becoming more and more prominent. Since the General Office of the State Council clarified the importance of modern vocational education as an integral part of the national education system in 2021, various state departments have successively issued policy documents to emphasise, guide and promote the reform and development of vocational education. On 8 June 2023, the Implementation Plan of the Action to Enhance the Integration of Production and Education in Vocational Education (2023–2025), promulgated by the National Development and Reform Commission and other departments, proposed the actions needed to enhance the integration of production and education in vocational education and accelerate the realization of the concept of integration of production and education in vocational education. The market for vocational education is set to grow further under the positive guidance of national policies.

With the support of public vocational colleges, riding on the unique native advantages of vocational education in Guangdong Province and leveraging on its years of accumulated resources and teaching and research experience, the Group has launched a comprehensive exploration of vocational education products. With the focus on developing its business in the new area, the Group will offer courses including vocational certificate training.

In addition, the Group will continue to strengthen its strategic cooperation relationships with private colleges and universities, and secondary vocational colleges, actively explore the innovative training models for vocational education, give full play to the respective advantages of all parties, and establish the consensus of “complementary advantages, resource sharing and cooperative development” on education, jointly cultivate high-quality and high-skilled applied talents, providing multi-level and diversified technical and skilled talents support to promote the high-quality development of modern vocational education, enhance the Group’s reputation in the field of vocational education, and help to accelerate the development of Beststudy in the new channels of vocational education.

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

In response to the requirements of national policies, the Group has built a self-learning space, providing students with learning systems or learning materials, creating a more comfortable and reassuring self-study environment, and helping children develop correct and good learning methods and habits in the self-study mode to improve the soft power of learning. It is the Group's intention to create an integrated learning and growth space through habit development, cultural edification, ability improvement, homework tutoring, etc., and to accompany children's growth in a high-quality and efficient manner in the rich learning practices and experience, so that Beststudy will become the place for study and growth most favoured by children and trusted by parents.

Abiding by the right path, bringing forth innovative ideas, and seizing the momentum

We persistently adhere to the mission and vision of the Group, closely follow the guidance of the national policy, comply with the national development needs, constantly optimise and improve the Group's strategy by comprehensively enhancing our core competitiveness, and promoting sustainable and high-quality development. We will also adhere to our mission of caring for children's growth, practicing the core values of "All for Children's Healthy Development" and taking children as our priority. Through technological innovation, we provide children with enthusiastic, aspirated, creative, technology-based diversified and comprehensive teaching services, stimulating children's internal motivation, promoting healthy and comprehensive growth. In terms of innovation, we will optimise the layout of our education business, and deepen cooperation with various higher education institutions leveraging our own advantages, deeply explore the vocational and technical training education area, and promote the Group's multi-field and multi-track development. We will also develop innovative educational products to continuously improve the quality and effectiveness of our existing products. At the same time, the Group will continue to create a better service and working platform for teachers and employees to help them realise their personal value. The Group will also deliver continuous and increasing investment returns to shareholders and investors through sustainable and healthy operation, so as to grow with hope and ride on the new trends.

We would like to express our sincere gratitude to our shareholders and investors who have grown with us hand in hand over the years.

FINANCIAL REVIEW

Revenue

The following table sets forth a breakdown of the Group's revenue by type of education services we provided during the Reporting Period and the first half of 2022:

	For the six months ended 30 June		
	2023	2022	% Change
	<i>RMB'000</i>	<i>RMB'000</i>	
	(Unaudited)	(Unaudited)	
Full-time test preparation programs	103,573	89,611	15.6%
Talent education	28,025	49,822	(43.7%)
Tutoring programs	57,262	129,012	(55.6%)
Total	188,860	268,445	(29.6%)

The Group's revenue is principally generated from the tuition fees collected from our students. During the Reporting Period, the Group's revenue generated from our principal business decreased by 29.6% to approximately RMB188.9 million from RMB268.4 million in the first half of 2022. Compared with the first half of 2022, the decrease in revenue was mainly due to the decrease in revenue from tutoring programs as a result of the adjustment of the Group's business.

Cost of Sales

Cost of sales decreased by 18.9% from RMB146.8 million in the first half of 2022 to RMB119.1 million for the Reporting Period.

Gross Profit and Gross Profit Margin

As a result of the above principal factors, the Group's gross profit decreased by 42.6% from RMB121.7 million in the first half of 2022 to RMB69.8 million for the Reporting Period. The gross profit margin of the Group in the first half of 2022 was 45.3%, whilst for the Reporting Period it was 36.9%.

Other Income

During the Reporting Period, the Group recorded other income in the amount of RMB9.3 million, representing a decrease of 50.1% as compared with the same period of last year. The other income during the Reporting Period mainly included interest income from demand deposit of RMB4.3 million, and interest income of debt instruments at amortised cost of RMB2.9 million.

Other Gains and Losses

During the Reporting Period, the Group recorded other gains and losses in the amount of RMB23.2 million. The other gains and losses during the Reporting Period mainly included gain on disposal of subsidiaries in the amount of RMB19.8 million and disposal of right-of-use assets of RMB2.6 million.

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

The change in fair value of investments recorded at fair value through profit or loss resulted in a loss of approximately RMB20.1 million in the first half of 2022, while a loss of approximately RMB17.9 million was recorded during the Reporting Period. The changes in fair value include gains and losses from changes in fair value of listed equity investments.

Selling Expenses

During the Reporting Period, the Group's total selling expenses decreased by approximately 77.1% to RMB7.0 million from RMB30.5 million in the first half of 2022.

Administrative Expenses

Administrative expenses included the compensation for administrative staff, office rentals and daily operational expenses. During the Reporting Period, the Group's total administrative expenses amounted to approximately RMB28.6 million, representing a decrease of 35.5% as compared to RMB44.4 million in the first half of 2022.

Other Operating Expenses

During the Reporting Period, the Group's other operating expenses amounted to RMB14.3 million, representing a decrease of approximately 65.5% from RMB41.3 million in the first half of 2022.

Finance Costs

During the Reporting Period, the Group recorded finance costs in the amount of approximately RMB4.6 million, representing a decrease of 41.0% approximately from RMB7.7 million in the first half of 2022, which were attributable to the interest on lease liabilities under IFRS 16.

Income Tax Expense

During the Reporting Period, the Group's income tax expense was RMB3.1 million, representing a decrease of 72.6% approximately from RMB11.3 million in the first half of 2022.

Profit for the Reporting Period

The Group's profit increased from RMB5.5 million in the first half of 2022 to RMB20.2 million for the Reporting Period, representing an increase of 263.3%.

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

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

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

Our adjusted net profit increased by 199.1% from RMB6.8 million in the first half of 2022 to RMB20.2 million for the Reporting Period.

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

	For the six months ended 30 June		
	2023	2022	% Change
	<i>RMB'000</i>	<i>RMB'000</i>	
	(Unaudited)	(Unaudited)	
Net profit	20,152	5,547	263.3%
Add:			
Equity-settled compensation costs	82	1,219	(93.3%)
Adjusted net profit	20,234	6,766	199.1%

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

Liquidity and Financial Resources

As at 30 June 2023, bank balances and cash of the Group amounted to RMB164.5 million.

Cash at banks bears interest at floating rates based on daily bank deposit rates. The bank balances and deposits are deposited in credit-worthy banks with no recent history of default.

Current and Gearing Ratio

As at 30 June 2023, the current ratio of the Group was approximately 1.29, representing a decrease as compared to 1.30 as at 31 December 2022. The current ratio is equal to total current assets divided by the total current liabilities.

As at 30 June 2023, the gearing ratio of the Group was 50%, representing a decrease as compared to 53% as at 31 December 2022. The gearing ratio is equal to total debts divided by the sum of total equity and total debts.

Future Plans for Significant Investment and Capital Assets

The Group did not have other concrete plans for future investment or capital assets as of the date of this announcement.

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

As at 30 June 2023, the Group held financial assets comprising (i) debt investments of RMB80.1 million (31 December 2022: RMB104.2 million), in aggregate accounted for 9.3% of the Group's total assets as at 30 June 2023, representing investments in unlisted trust plans, asset management plans, funds and corporate debts; and (ii) equity investments of RMB48.9 million (31 December 2022: RMB59.8 million), in aggregate accounted for 5.7% of the Group's total assets as at 30 June 2023, representing investment portfolio of unlisted companies and a listed company.

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

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

Save as disclosed above, there were no significant investments held, no material acquisitions of disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2023.

Contingent Liabilities

As at 30 June 2023, the Group did not have any unrecorded significant contingent liabilities, guarantees or any litigation against the Group.

Pledge of Assets

As at 30 June 2023, the Group did not have any unrecorded pledge of assets.

Foreign Exchange Exposure

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

Bank Borrowings

As at 30 June 2023, the Group did not have any bank loans nor any other borrowings (30 June 2022: RMB95,500,000).

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the Reporting Period and up to the date of this announcement, the Group has no material subsequent events which are required to be disclosed.

HUMAN RESOURCES

As at 30 June 2023, the Group had a total of 777 (31 December 2022: 1,022) employees. To ensure that the Group is able to attract and retain staff capable of attaining the best performance levels, remuneration packages are reviewed on a regular basis.

INTERIM DIVIDEND

The Board resolved not to declare the interim dividend for the six months ended 30 June 2023.

RSU SCHEME

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

As at 30 June 2023, the trustee of the Company, Ms. Shaoping Fu (the “**Trustee**”) has purchased 62,165,000 shares (representing approximately 7% of the total issued shares of the Company as at 30 June 2023) under the RSU Scheme. A total of 63,760,573 shares (representing approximately 8% of the total issued shares of the Company as at 30 June 2023) have been granted to grantees under the RSU Scheme.

CORPORATE GOVERNANCE PRACTICES

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

Save as disclosed below, in the opinion of the Directors, the Company has complied with the code provisions of the CG Code during the Reporting Period.

Under the code provision C.2.1, the roles of chairman and chief executive officer should be separate and performed by different individuals. Under the current organisation structure of the Company, Mr. Junjing Tang is the chairman and chief executive officer of the Company. With extensive experience in the education industry, Mr. Junjing Tang is responsible for overall development, operation and management of the Company and is instrumental to the growth and business expansion since the establishment of the Group. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprise experienced individuals. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the provisions of the CG Code.

The Board will continue to review and monitor the operation of the Company with an aim of maintaining a high standard of corporate governance.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding dealings in the securities of the Company by the Directors and the Group’s senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company or its securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the Reporting Period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the Reporting Period.

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

Other than the Shares purchased by the Trustee under the RSU scheme, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the Reporting Period.

AUDIT COMMITTEE

The Audit Committee currently comprises Mr. Jun Gan, Ms. Yu Long and Mr. Wenhui Xu with Mr. Jun Gan being the chairman of the Audit Committee. The Audit Committee had discussed with the management and reviewed the unaudited interim financial information of the Group for the Reporting Period, and considered that the Company had complied with all applicable accounting standards and requirements and made adequate disclosures.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

APPRECIATION

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

By Order of the Board
China Beststudy Education Group
Junjing Tang

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 30 August 2023

As at the date of this announcement, the executive directors are Mr. Junjing Tang, Mr. Junying Tang, Mr. Gui Zhou and Ms. Weiyang Guan, the non-executive directors are Mr. Wenhui Xu and Mr. Wai Ng, and the independent non-executive directors are Ms. Yu Long, Mr. Caihe Lin and Mr. Jun Gan.