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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

	For the year ended 31 December		
	2023	2022	Change
	RMB'000	RMB'000	%
Revenue	489,314	491,134	(0.4%)
Gross Profit	229,858	173,061	32.8%
Net Profit	89,880	54,073	66.2%
Unaudited Adjusted Net Profit	89,225	54,799	62.8%

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 “**Director(s)**”) of China Beststudy Education Group (the “**Company**” or “**Beststudy**” and, together with its subsidiaries, collectively the “**Group**”) announces the audited consolidated financial results of the Group for the year ended 31 December 2023 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2022 as follows:

* For identification purposes only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

		For the year ended 31 December	
	Notes	2023 RMB'000	2022 RMB'000
Revenue	4 & 5	489,314	491,134
Cost of sales		<u>(259,456)</u>	<u>(318,073)</u>
Gross profit		229,858	173,061
Other income		29,390	55,970
Other gains and losses		3,957	14,174
Selling expenses		(26,081)	(32,447)
Administrative expenses		(57,886)	(88,694)
Other operating expenses		(30,714)	(70,216)
Fair value changes on financial assets at fair value through profit or loss (“FVTPL”)	11	(38,912)	(12,403)
Gain (loss) on disposal of investment in subsidiaries		19,519	(366)
Impairment losses (recognised) reversed under expected credit loss model, net	6	(5,526)	18,735
Share of results of associates		(1,019)	(49)
Share of results of joint ventures		(858)	(1,153)
Finance costs		<u>(8,967)</u>	<u>(12,366)</u>
Profit before tax		112,761	44,246
Income tax (expense) credit	8	<u>(22,881)</u>	<u>9,827</u>
Profit and total comprehensive income for the year		<u>89,880</u>	<u>54,073</u>
Profit and total comprehensive income for the year attributable to			
— owners of the Company		91,246	56,287
— non-controlling interests		<u>(1,366)</u>	<u>(2,214)</u>
		<u>89,880</u>	<u>54,073</u>
EARNINGS PER SHARE			
— Basic	10	<u>RMB12.12 cents</u>	<u>RMB7.48 cents</u>
— Diluted	10	<u>RMB12.12 cents</u>	<u>RMB7.48 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

		As at 31 December	
		2023	2022
	Notes	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		57,523	66,904
Right-of-use assets		174,210	185,193
Intangible assets		24,285	28,346
Investments in associates		16,112	17,131
Investment in joint ventures		5,366	6,224
Financial assets at fair value through profit or loss	11	7,392	18,146
Debt instruments measured at amortised cost	12	—	22,853
Long-term time deposits		180,000	50,000
Deferred tax assets		45,797	46,460
Prepayments for purchases of property, plant and equipment		23,579	13,862
		534,264	455,119
CURRENT ASSETS			
Financial assets at fair value through profit or loss	11	61,585	99,796
Debt instruments measured at amortised cost	12	33,315	23,205
Prepayments, deposits and other receivables		92,174	61,962
Amounts due from associates		609	130
Amount due from related parties		4,352	4,789
Other current assets		505	1,498
Short-term time deposits		18,444	20,000
Restricted bank deposits		19,200	8,099
Cash and cash equivalents		281,928	195,084
		512,112	414,563

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2023

		As at 31 December	
		2023	2022
	Note	RMB'000	RMB'000
CURRENT LIABILITIES			
Other payables and accruals		106,170	93,455
Contract liabilities		211,784	151,196
Amounts due to related parties		473	737
Income tax liabilities		41,098	18,876
Lease liabilities		51,423	54,602
		410,948	318,866
NET CURRENT ASSETS			
		101,164	95,697
TOTAL ASSETS LESS CURRENT LIABILITIES			
		635,428	550,816
NON-CURRENT LIABILITY			
Lease liabilities		138,993	144,926
NET ASSETS			
		496,435	405,890
CAPITAL AND RESERVES			
Share capital	13	303	303
Reserves		497,705	407,557
Equity attributable to owners of the Company			
Non-controlling interests		(1,573)	(1,970)
TOTAL EQUITY			
		496,435	405,890

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in the Cayman Islands on 27 August 2010 as an exempted company with limited liability under the laws of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited. Prior to the termination of the acting in concert agreement among Mr. Junjing Tang, Mr. Junying Tang and Mr. Gui Zhou (the “**Concerted Parties**”) on 9 November 2023, the ultimate controlling parties of the Company were the Concerted Parties. As at 31 December 2023, the Company does not have any controlling shareholder nor ultimate controller as there was no shareholder who could control more than half of the voting rights of the Board or at the general meetings in accordance with the shareholding percentage, the articles of association of the Company or any agreements. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company is an investment holding company. The principal activities of 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standard Board (“**IASB**”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and by the Hong Kong Companies Ordinance.

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

3. APPLICATION OF AMENDMENTS TO IFRSs

New and Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the 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
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3.1 Impacts on application of Amendments to IAS 8 Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

3.2 Impacts on application of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

In accordance with the transition provision, and as disclosed in the Group's consolidated financial statements for the year ended 31 December 2022:

- (i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022; and
- (ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The application of the amendments has had no material impact on the Group's financial position and performance, except that the Group recognised deferred tax assets associated with lease liabilities of RMB43,110,000 and RMB49,881,000 as at 1 January 2022 and 31 December 2022 respectively and deferred tax liabilities associated with right-of-use assets of RMB37,444,000 and RMB46,298,000 as at 1 January 2022 and 31 December 2022 respectively on a gross basis but it has no impact on the retained profits at the earliest period presented.

3.3 Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2

Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. IAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 *Making Materiality Judgements* (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies.

Amendments to IFRSs in issue but not yet effective

The Group has not early applied the following amendments to IFRSs that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to IAS 1	Non-current Liabilities with Covenants ²
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements ³
Amendments to IAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of all other amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. OPERATING SEGMENTS

Information reported to directors of the Company, being the chief operating decision makers (“CODMs”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

The Group is principally engaged in the provision of full-time test preparation programs, talent education and tutoring programs for students.

The information reported to the CODMs does not contain discrete financial information by different types of business activities and the directors review the Group’s results and financial position as a whole. Therefore, only entity-wide disclosures are presented.

Revenue from major products and services

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

	For the year ended 31 December	
	2023	2022
	<i>RMB’000</i>	<i>RMB’000</i>
Full-time test preparation programs	204,761	163,520
Talent education	139,412	81,502
Tutoring programs	144,918	245,361
Others	223	751
	<u>489,314</u>	<u>491,134</u>

Geographical information

The Group’s operations are substantially located in Mainland China and all significant non-current assets of the Group are located in Mainland China. Therefore, no further geographical segment information is presented.

Information about major customers

No revenue from services provided to a single customer accounted for 10% or more of total revenue of the Group during the years ended 31 December 2023 and 2022.

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2023				
	Full-time test preparation programs RMB'000	Talent education RMB'000	Tutoring programs RMB'000	Others RMB'000	Total RMB'000
Timing of revenue recognition					
Services transferred at a point in time	—	—	1,310	223	1,533
Services transferred over time	204,761	139,412	143,608	—	487,781
	<u>204,761</u>	<u>139,412</u>	<u>144,918</u>	<u>223</u>	<u>489,314</u>
	For the year ended 31 December 2022				
	Full-time test preparation programs RMB'000	Talent education RMB'000	Tutoring programs RMB'000	Others RMB'000	Total RMB'000
Timing of revenue recognition					
Services transferred at a point in time	—	—	95,138	751	95,889
Services transferred over time	163,520	81,502	150,223	—	395,245
	<u>163,520</u>	<u>81,502</u>	<u>245,361</u>	<u>751</u>	<u>491,134</u>

(ii) Performance obligations for contracts with customers

a) *Revenue from full-time test preparation programs, talent education and tutoring programs*

The Group is providing full-time test preparation programs, talent education and tutoring programs for students, i.e., customers, in Mainland China. Full-time test preparation programs are provided to help middle school and high school graduates to be admitted to their preferred schools through Zhongkao (中考) and Gaokao (高考). Talent education is a non-academic training program to promote the all-round development of students. Tutoring programs include high-school academic class tutoring program and after-school tutoring program.

Revenue from provision of education services of full-time test preparation programs, talent education programs and small group tutoring programs is recognised as a performance obligation satisfied over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

Full-time test preparation programs, talent education programs and small group tutoring programs are usually conducted over a specific period of time, such as school terms. Revenue from these services is recognised based on the output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of the education services.

For individualised tutoring services that charge on a per class basis, revenue from these tutoring services is recognised at a point in time upon the completion of each.

The Group typically collects tuition fees from students in advance for the classes that they purchase, and records the tuition fees initially as contract liabilities. Revenue is recognised as tuition fee proportionally as the tuition services are delivered.

b) Revenue from others

The Group provides vocational education in an innovative model with the support of public vocational colleges.

Revenue from provision of vocational education is recognised at a point in time upon completion of each program, when performance obligation of the Group is fulfilled and the customer receives the service.

(iii) Transaction price allocated to remaining performance obligations for contracts with customers

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

6. IMPAIRMENT LOSSES (RECOGNISED) REVERSED UNDER EXPECTED CREDIT LOSS MODEL, NET

	For the year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Impairment loss (recognised) reversed in respect of		
— debt investments measured at amortised cost	(4,389)	23,049
— bank balances	450	(450)
— prepayments, deposits and other receivables	(1,587)	(3,864)
	<u>(5,526)</u>	<u>18,735</u>

7. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	For the year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Auditor's remuneration	<u>1,930</u>	<u>1,800</u>
Depreciation of property, plant and equipment	21,343	18,640
Depreciation of right-of-use assets	56,506	76,829
Amortisation of other intangible assets	<u>3,980</u>	<u>6,251</u>
Total depreciation and amortisation	<u>81,829</u>	<u>101,720</u>
Research and development costs recognised as an expense (included in other operating expenses)	11,541	55,725
Directors' and chief executive's emoluments	6,880	5,039
Staff salaries and benefits	163,461	248,263
Staff retirement benefits schemes contributions	7,464	16,460
(Reversal of) recognition of share-based payments	<u>(655)</u>	<u>726</u>
Total staff costs (<i>note</i>)	<u>177,150</u>	<u>270,488</u>

Note: The staff costs of RMB132,005,000 (2022: RMB191,586,000) and the depreciation and amortisation of RMB74,246,000 (2022: RMB82,833,000) are included in "Cost of sales" in the consolidated statement of profit or loss.

8. INCOME TAX

	For the year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax:		
PRC Enterprise Income Tax (“EIT”)	<u>22,225</u>	<u>—</u>
(Over) under provision in prior year	<u>(7)</u>	<u>1,553</u>
	22,218	1,553
Deferred tax expense (credit)	<u>663</u>	<u>(11,380)</u>
	<u>22,881</u>	<u>(9,827)</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 at 16.5% on the estimated assessable profit for the years ended 31 December 2023 and 2022.

No provision for taxation in Hong Kong has been made as the Group has no assessable profits in Hong Kong for the year ended 31 December 2023. For the year ended 31 December 2022, the assessable profits in Hong Kong were absorbed by tax losses carried forward.

PRC 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 was 25% during the Reporting Period (2022: 25%).

9. DIVIDEND

Subsequent to the end of the Reporting Period, a final dividend in respect of the year ended 31 December 2023 of RMB3.2 cents per share (equivalent to HK\$3.5 cents per share) amounting to RMB26,894,000 (equivalent to HK\$29,653,000), has been proposed by the Board and is subject to approval by shareholders of the Company in the forthcoming annual general meeting. No dividend was paid or proposed for shareholders of the Company during the year ended 31 December 2022.

10. 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 year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Earnings		
Profit for the purpose of basic earnings per share and dilutive earnings per share	<u>91,246</u>	<u>56,287</u>
	For the year ended 31 December	For the year ended 31 December
	2023	2022
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	752,918,298	752,427,225
Effect of dilutive potential shares:		
Unvested share awards	<u>115,067</u>	<u>277,626</u>
Weighted average number of ordinary shares for the purpose of dilutive earnings per share	<u>753,033,365</u>	<u>752,704,851</u>
Basic earnings per share	<u>RMB12.12 cents</u>	<u>RMB7.48 cents</u>
Diluted earnings per share	<u>RMB12.12 cents</u>	<u>RMB7.48 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 year ended 31 December 2023 and 2022.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		As at 31 December	
		2023	2022
	<i>Notes</i>	RMB'000	RMB'000
Financial assets mandatory measured at FVTPL:			
Equity investments — unlisted equity investments		<u>7,392</u>	<u>8,099</u>
Financial assets designated at FVTPL:			
Equity investments — listed equity investments	<i>(i)</i>	23,003	51,683
Debt instruments			
— funds	<i>(ii)</i>	24,772	40,938
— unlisted trust plans and asset management plans	<i>(ii)</i>	<u>13,810</u>	<u>17,222</u>
		<u>61,585</u>	<u>109,843</u>
		<u>68,977</u>	<u>117,942</u>
Analysed for reporting purposes as:			
— current assets		61,585	99,796
— non-current assets		<u>7,392</u>	<u>18,146</u>
		<u>68,977</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 investment is determined based on the quoted market bid price (Level 1: quoted price (unadjusted) in active markets).
- (ii) Unlisted trust plans, asset management plans and funds issued by financial institutions, were denominated in RMB at aggregate amounts of RMB38,582,000 (2022: RMB58,160,000), with rate of return ranging from 5% to 7% (2022: 5% to 7%) per annum. As at 31 December 2023, unlisted trust plans and funds pledged with collaterals of properties with a carrying amount of RMB38,582,000 (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 year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Fair value changes in equity investments at FVTPL		
— Unlisted equity investments	(712)	621
— Listed equity investments	<u>(28,681)</u>	<u>2,698</u>
	<u>(29,393)</u>	<u>3,319</u>
Fair value changes in debt investments at FVTPL		
— Funds	(6,107)	(12,784)
— Wealth management products issued by banks	—	236
— Unlisted trust plans and asset management plans	<u>(3,412)</u>	<u>(3,174)</u>
	<u>(9,519)</u>	<u>(15,722)</u>
	<u><u>(38,912)</u></u>	<u><u>(12,403)</u></u>

The management of the Group has engaged an external valuation specialist to assist in the valuation of the Level 3 debt instruments measured at FVTPL. Included in the debt instruments of RMB38,582,000 (2022: RMB48,114,000) are unlisted trust plans and funds with the underlying assets mainly being properties of hotels, commercial and office buildings, which is collateral. The fair value of the Level 3 debt instruments is determined by a complex proprietary model, on its proportionate shares of the estimated rapid realised value of the underlying assets. For the year ended 31 December 2023, the Group recognised fair value changes of RMB9,519,000 (2022: RMB15,722,000), respectively through profit or loss for the debt investments.

12. DEBT INSTRUMENTS MEASURED AT AMORTISED COST

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Corporate debts	<u>33,315</u>	<u>46,058</u>
Analysed for reporting purposes as:		
— current assets	33,315	23,205
— non-current assets	<u>—</u>	<u>22,853</u>
	<u>33,315</u>	<u>46,058</u>

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

At 31 December 2023, debt instruments with gross carrying amount of RMB68,059,000 (2022: RMB74,488,000) were past due and among which, RMB56,209,000 (2022: RMB56,209,000) were pledged with collaterals of equity instruments (2022: equity instruments). Included in the carrying amount of debt instruments measured at amortised cost as at 31 December 2023 is accumulated impairment losses of RMB57,437,000 (2022: RMB53,048,000).

The management of the Group has engaged an external valuation specialist to assist in the impairment assessment of debt instruments measured at amortised cost by adopting expected credit loss model. The probability of default is by reference to expected maturity date of the debt instruments and the debtors' ability to meet its debt obligations. The loss given default is by reference to internal credit rating assessed by the management with available financial information of the debtors, historical repayment and estimated recovery rate. For the year ended 31 December 2023, the Group recognised impairment losses of RMB14,125,000 and reversed impairment loss of RMB9,736,000 (2022: recognised impairment losses of RMB3,893,000 and reversed impairment loss of RMB26,942,000), respectively through profit or loss for the debt instruments.

13. SHARE CAPITAL OF THE COMPANY

Ordinary shares of United States dollars (“US\$”) 0.00005 each	Number of shares		Share capital	
	2023 '000	2022 '000	2023 RMB'000	2022 RMB'000
Authorised				
At beginning and the end of year	3,000,000	3,000,000	1,070	1,070
Issued and fully paid				
At beginning and the end of year	<u>847,221</u>	<u>847,221</u>	<u>303</u>	<u>303</u>

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the years ended 31 December 2023 and 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Company Profile and Overview

As a leading education technology service provider in South China, the Company has been consistently providing high-quality and diversified educational products and services to students and parents since our establishment 26 years ago. In recent years, the Group has actively embraced technology. While continuing to improve its innovation capabilities, the Group has also kept pace with the times by utilising information technology to improve product quality and services, thus promoting the transformation and upgrading of its products and services to high-quality development.

Our Group mainly offers education related products and services, including but not limited to full-time revision business, talent education, self-study program, vocational education, and after-school tutoring program. Our full-time revision business aims to help students to be admitted to their preferred schools through Zhongkao (中考) and Gaokao (高考). Our talent education is designed to promote the all-round development of our students, allowing a more engaging and enjoyable learning process. Our 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 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 mindset 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 and party building undertakings, 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), “2023 Word-of-mouth Influential Vocational Education Brand Award” (2023年度口碑影響力職業教育品牌獎), “2023 Influential Quality Education Brand” (2023年度影響力素質教育品牌), “2023 China Economic Innovation Enterprise in the New Era” (2023新時代中國經濟創新企業), “2023 Best Employer” (2023年度最佳僱主), “2023 Most Trustworthy Brand for Netizens” (2023年度最值得網民信賴品牌) and “Annual Socially Responsible Brand Award” (年度社會責任品牌獎). The recognition from students, parents and all sectors of the community will help us enlarge our student pool and further maintain and strengthen our market position in the industry.

Performance Review

To cope with the impact of the “Double Reduction Policy” (雙減政策) on the education industry and the Group’s business, we have proactively sought breakthroughs and actively transformed our operations in accordance with policy directives. As the policy gradually clarified the requirements for applying for a school license, we accelerated the progress of obtaining a “non-discipline profit-making license” (非學科盈利性牌照). 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 “talent education + vocational education + full-time education”.

The Group empowers high-quality development of our full-time education segment with digitalisation. Utilising cloud computing, big data, artificial intelligence and other advanced technologies to continuously iteratively upgrade our intelligent teaching system. Flexible application of diversified teaching scenarios realises efficient and precise teaching and enhances students’ learning experience and outcome. At the same time, with the support of the precise teaching system, the Group helps students majoring in art, music or sports to rapidly improve their cultural scores through the hourglass teaching, 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 can have a higher chance of getting into their desired schools. While meeting the needs of the growth of students in an all-round manner, the Group has built an efficient, reliable and reputable brand image, laying a solid foundation for the sustainable development.

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), have become the first batch of talent education 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 talent 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 selection of 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, and further implemented the "8 Hours of Charity for Everyone" scheme to better realise its social value and mission. The Group 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

enhance our staff and students' awareness in public welfare so that they can actively take more social responsibilities. 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 to cultivate the cultural self-confidence of young children and help them spend 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 national policies, strictly implemented them and operated in accordance with the law, adhered to the original intention of "All for Children's Healthy Development", safeguarded the essence of education, facilitated construction in attaining educational prowess and contributed to the construction of a high-quality education system in China. With the gradual implementation of industry policies and the recovery of the market, under normalised regulation in the future, the Group has focused on the core strategic system of "talent education + full-time revision + vocational education" and accelerated the development of talent education, enhanced the exploration of vocational education, accelerated the development of its second growth curve and promoted the diversification of fields to provide students with more abundant and higher quality education services and products. With the development and promotion of artificial intelligence (AI) technology, the Group will also conduct more explorations in the field of "AI + education" to keep up with the favorable trends brought by AI technology to the education industry.

Accelerating the layout of quality-oriented education to boost business growth in the Bay Area

Talent education is the main theme of China's education reform and development. Under the proper guidance of relevant national policies, talent 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 talent education. Our talent education products have achieved significant results in the development of the Guangdong-Hong Kong-Macao Greater Bay Area. In the future, we will continue to promote the stable and long-term development of the Guangdong-Hong Kong-Macao Greater Bay Area, especially in two economically active Greater Bay Area cities, Shenzhen and Foshan. By focusing on layout and expansion in these two cities, we will take advantage of the Group's advantages in deeply cultivating these local markets for many years and integrate into the new pattern of regional economic

development to enhance our business competitiveness and expand our market share. In addition, we will conduct in-depth research and development and constantly upgrade its existing talent education products. By these measures, the Group has enriched the product categories of talent education in non-academic-accredited talent education products, building an education system for all-round development that incorporates the five educations: ethical, intellectual, physical, aesthetics and technical labour. This has achieved the improvement of core qualities of primary and secondary school students, thereby injecting a new impetus for the growth of Group's business.

Through the multi-model of “on-campus after-school talent products” and “off-campus self-operated stores”, our services cover the after-school user groups and meet the diverse needs of users. The Group will further cooperate with more primary and secondary schools, strive to continuously provide customers with valuable products and services and further improve teaching satisfaction by exploiting its own localisation advantages, professional service operation system and teacher training team, innovating the use of internal and external resources and improving the on-campus after-school talent product system in science and technology, sports, art, humanities, labour, etc. At the same time, we will proactively deploy off-campus self-operated stores and create a “self-operated model for after-school talent education” through local pilot projects to meet the after-school talent improvement needs of users in the Greater Bay Area. We also actively respond to the national concept of “integration of five educations”, assist the implementation of talent-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 “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 conformity with the requirements of China's 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 and to accompany children's growth in a high-quality and efficient manner. 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, making Beststudy the place for study and growth most favoured by children and trusted by parents.

In the future, the Group will continue to build an ecology of talent education products and explore innovations in talent education and learning models, and deepen the layout of quality education, help the new development of quality education industry, escort the growth of children with enthusiastic education services, and inject momentum for the sustainable growth of the Group.

Technology empowering full-time education and continuously promoting high-quality development

The Group will focus on providing full-time revision business for the majority of students to promote the sustainable development of our existing business. The Group will rapidly expand the provincial market and consolidate its competitive position in South China. At the same time, we strive to move towards the national market and explore and open up new market landscape. In the future, the Group will keep abreast of the development trends of the global education industry and be committed to the use of technology-enabled precision teaching system to create a teaching ecosystem that integrates artificial intelligence and holistic education. The ecosystem will combine 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. We believe that by integrating AI technology, we can effectively promote personalised teaching and innovative learning methods, thereby improving comprehensive quality of students and cultivating their innovative thinking and practical ability.

The continuous upgrade of our two outer moats of “Beststudy Intelligent Learning System” (卓越慧學系統) and “Beststudy Core Learning System” (生命成長體系) 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 full-time education business to another level.

Cooperating and sharing to expand new track for vocational education

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.

Technology improving efficiency and accelerating the integration and growth of artificial intelligence and education

The arrival of the era of artificial intelligence has brought new opportunities to education. Under the wave of new technologies, the Group actively embraces technologies by increasing its investments in production and research, and self-researching and developing free AI tools such as the excellent “Educational AI Base” (教育AI基地) to further enhance the Group’s intelligent teaching and office performance. At present, the “Educational AI Base” system has five major functions, including AI assistant dialogue, PDF analysis, code annotation, creative drawing and prompt library. In particular, the AI assistant has a total of 37 assistant roles in seven major areas such as marketing, teaching, programming, English learning, workplace, prompt engineering and historical figures, which can satisfy the teaching needs of different business functions and positions, assist teachers or employees to disassemble, analyze and consolidate underlying data, and batch analyze student groups to form personalized curriculum and teaching plans for thousands of students, and intelligently generate and push colorful teaching pictures, articles or other educational content, which can greatly improve the Group’s human resources efficiency.

Adhering to our original aspirations and moving forward with the trend

We persistently adhere to the original 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 education innovation, we will continuously optimise the layout of our education business, and deepen and explore cooperation with various education resources by leveraging our own advantages, 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.

Within the Group, we will continue to create better services and working environments for teachers and employees to support them in realising their personal values, achieving their careers, and growing together with the Group. For shareholders and investors, the Group will continue to bring sustainable and increasing investment returns through sound operations.

We will always face challenges with a positive attitude, adhere to our original aspirations and move forward with the trend.

FINANCIAL REVIEW

Revenue

The following table sets forth a breakdown of the Group's revenue by type of education services we provided for in 2023 and 2022:

	For the year ended 31 December		
	2023	2022	Change
	RMB'000	RMB'000	%
Full-time test preparation programs	204,761	163,520	25.2%
Tutoring programs	144,918	245,361	(40.9%)
Talent education	139,412	81,502	71.1%
Others	223	751	(70.3%)
Total	489,314	491,134	(0.4%)

The Group's revenue principally represents the tuition fees collected from our students. During the Reporting Period, the Group's revenue generated from our principal business amounted to RMB489.3 million, which remained basically stable as compared with RMB491.1 million in 2022. Compared with 2022, the decrease in revenue was mainly due to the business adjustment in response to the change in educational policies.

Cost of Sales

Cost of sales decreased by 18.4% from RMB318.1 million in 2022 to RMB259.5 million for the Reporting Period. The change in cost of sales was mainly due to the significant enhancement in staff and operational efficiency, resulting in a reduction of labour and rental costs.

Gross Profit and Gross Profit Margin

As a result of the above principal factors, the Group's gross profit increased by 32.8% from RMB173.1 million in 2022 to RMB229.9 million for the Reporting Period.

The gross profit margin of the Group in 2022 was 35.2%, whilst for the Reporting Period was 47.0%.

Other Income

During the Reporting Period, the Group recorded other income in the amount of RMB29.4 million, representing a decrease of 47.5% year-on-year. Other income during the Reporting Period mainly included interest income from deposits of RMB9.8 million, interest income from wealth management products of RMB4.1 million, service fee income of RMB10.8 million, and dividends from equity investment of RMB1.0 million.

Other Gains and Losses

During the Reporting Period, the Group recorded other gains and losses in the amount of RMB4.0 million, representing a decrease of 72.1% year-on-year. The other gains and losses during the Reporting Period mainly included gains on lease modifications of RMB3.2 million.

Impairment Losses (Recognised) Reversed under Expected Credit Loss Model, Net

This item refers to the provision for impairment of financial assets or the reversal of provision. During the Reporting Period, the Group recognised impairment loss of RMB4.4 million as the overdue wealth management products were not yet recovered.

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 RMB12.4 million in 2022, while a loss of approximately RMB38.9 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.

Gain on Disposal of Investments in Subsidiaries

The Company recorded gains of RMB19.5 million from the disposal of investments in subsidiaries for the Reporting Period.

Selling Expenses

During the Reporting Period, the Group's total selling expenses decreased by 19.6% from RMB32.4 million in 2022 to RMB26.1 million.

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 RMB57.9 million, representing a decrease of 34.7% as compared to approximately RMB88.7 million in 2022.

Other Operating Expenses

Other operating expenses mainly include personnel compensation and rental expenses. During the Reporting Period, the Group recorded other operating expenses of RMB30.7 million, representing a decrease of 56.3% year-on-year.

Finance Costs

During the Reporting Period, the Group recorded finance costs in the amount of approximately RMB9.0 million, 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 RMB22.9 million.

Profit for the Year

The Group recorded a profit approximately RMB89.9 million for the Reporting Period, while a profit of approximately RMB54.1 million in 2022, representing an increase of 66.2%.

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 unaudited adjusted net profit as an additional financial measurement. We present such a financial measurement 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 unaudited adjusted net profit increased by 62.8% from RMB54.8 million in 2022 to RMB89.2 million for the Reporting Period.

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

	For the year ended 31 December		
	2023	2022	Change
	<i>RMB'000</i>	<i>RMB'000</i>	%
Net profit	89,880	54,073	66.2%
Add:			
Equity-settled compensation costs	(655)	726	(190.2%)
Unaudited adjusted net profit	<u>89,225</u>	<u>54,799</u>	<u>62.8%</u>

In light of the foregoing limitations for other financial measurements, when assessing our operating and financial performance, shareholders and investors should not consider unaudited adjusted profit and profit from core business in isolation or as a substitute for our profit for the Reporting Period, operating profit or any other operating performance measurement 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 31 December 2023, cash and cash equivalents of the Group amounted to RMB281.9 million.

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

Current and Gearing Ratio

As at 31 December 2023, the current ratio of the Group was approximately 1.25, 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 31 December 2023, the gearing ratio of the Group was 0.53, which remained stable as compared to 0.53 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 Investments and Capital Assets

The Group did not have any plans for significant investments or capital assets as at the date of this announcement.

Significant Investments, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

As at 31 December 2023, the Group held financial assets comprising (i) debt investments of RMB71.9 million (31 December 2022: RMB104.2 million), in aggregate accounted for 6.9% of the Group's total assets as at 31 December 2023, representing investments in various types of short-term wealth management products issued by licensed banks, unlisted trust plans, asset management plans, funds and corporate debts; and (ii) equity investments of RMB30.4 million (31 December 2022: RMB59.8 million), in aggregate accounted for 2.9% of the Group's total assets as at 31 December 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 in this announcement, the Group had not made any significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures during the Reporting Period.

Contingent Liabilities

As of 31 December 2023, the Group did not have material contingent liabilities, guarantees or litigations against the Group.

Pledge of Assets

As at 31 December 2023, the Group did not have any material pledge of assets.

Bank loans and other borrowings

As at 31 December 2023, the Group did not have any bank loans and other borrowings.

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.

EVENTS AFTER THE REPORTING PERIOD

The Group does not have any significant events after the Reporting Period.

HUMAN RESOURCES

As at 31 December 2023, the Group had a total of 846 (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.

We provide regular training to the employees in order to improve their skills and knowledge. We also provide on going training to our teachers so that they can stay abreast of changes in market needs, student demands and other key trends necessary to effectively teach their respective courses.

FINAL DIVIDEND

Based on the healthy and stable condition of operation and cash flow, the Board is pleased to recommend the payment of a final dividend of HK\$3.5 cents (2022: nil) per ordinary share for the year ended 31 December 2023, out of the share premium account of the Company, accounting for approximately 30.0% of profit and total comprehensive income for the year, with an aggregate amount of approximately RMB26.9 million (2022: nil). Subject to approval at the annual general meeting to be held on 16 May 2024, the said final dividend will be paid on or around 6 June 2024 to shareholders of the Company (the “**Shareholders**”) whose names appear on the register of members of the Company on 27 May 2024.

RSU SCHEME

The Company approved and adopted the RSU Scheme on 3 December 2018. The purpose of the RSU Scheme is to reward Directors, senior management and employees for their contribution to the Group and 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 31 December 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 31 December 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 31 December 2023) have been granted to grantees under the RSU Scheme. In January 2024, the Trustee purchased an aggregate of 819,000 shares on the open market for the purpose of the RSU Scheme. For details, please refer to the announcements of the Company dated 12 January, 24 January and 29 January 2024, respectively.

CORPORATE GOVERNANCE PRACTICES

The Company recognised the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the code provisions as set out in the Corporate Governance Code (the “**CG Code**”) as contained in Appendix C1 (formerly known as Appendix 14) to the Listing Rules, as its own code to govern its corporate governance practices.

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

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. Under the current organisational 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 in 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 comprises experienced individuals. The Board currently comprises four executive Directors (including Mr. Junjing Tang), two non-executive Directors and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

The Board will continue to review and monitor the practices of the Company with an aim to 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 C3 (formerly known as 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 Company has established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the CG Code. The audit committee of the Company (the “**Audit Committee**”) consists of Mr. Jun Gan, Ms. Yu Long and Mr. Wenhui Xu, with Mr. Jun Gan being the chairman of the Audit Committee.

The primary functions of the Audit Committee are to assist the Board in providing an independent view of our financial reporting process, internal control and risk management system, overseeing the audit process and performing other duties and responsibilities as assigned by our Board. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the consolidated financial statements of the Group for the Reporting Period and has opined that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made by the Company.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the Reporting Period as approved by the Board on 27 March 2024. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

ANNUAL GENERAL MEETING

The 2024 annual general meeting (the "AGM") will be held on 16 May 2024. Notice of the AGM and all other relevant documents will be published in due course.

CLOSURE OF REGISTER OF MEMBERS

(a) Attending the AGM

The register of members of the Company will be closed from 11 May 2024 to 16 May 2024, both days inclusive and during that period no share transfer will be effected, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 10 May 2024.

(b) Determining the entitlement to the proposed final dividend

The register of members of the Company will be closed from 22 May 2024 to 27 May 2024, both days inclusive and during which period no share transfer will be effected, for the purpose of determining the Shareholders' entitlement to the proposed final dividend for the year ended 31 December 2023. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 21 May 2024.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL 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 annual report of the Company for the Reporting Period containing all the information required by the Listing Rules will be 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, 27 March 2024

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.