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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 2024

	For the six months ended 30 June		
	2024	2023	Change
	<i>RMB'000</i>	<i>RMB'000</i>	%
	(Unaudited)	(Unaudited)	
Revenue	317,444	188,860	68.1%
Gross Profit	142,723	69,780	104.5%
Net Profit	54,415	20,152	170.0%
Adjusted Net Profit	54,415	20,234	168.9%

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**”, 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 2024 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2023 as follows:

* For identification purposes only

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	NOTES	For the six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	3&4	317,444	188,860
Cost of sales		(174,721)	(119,080)
Gross profit		142,723	69,780
Other income		10,347	9,326
Other gains and losses		1,902	2,540
Selling expenses		(22,724)	(6,990)
Administrative expenses		(40,946)	(28,640)
Other operating expenses		(14,231)	(14,254)
Fair value changes on financial assets at fair value through profit or loss (“FVTPL”)	9	2,889	(17,936)
Gain on disposal and deregistration of investments in subsidiaries		—	19,754
Impairment losses recognised under expected credit loss model, net		(530)	(5,580)
Share of results of associates		(74)	206
Share of results of joint ventures		—	(402)
Finance costs		(5,189)	(4,566)
Profit before tax		74,167	23,238
Income tax expense	5	(19,752)	(3,086)
Profit for the period		<u>54,415</u>	<u>20,152</u>
Profit for the period attributable to:			
— owners of the Company		54,527	20,917
— non-controlling interests		(112)	(765)
		<u>54,415</u>	<u>20,152</u>
EARNINGS PER SHARE			
—Basic	8	<u>RMB7.25 cents</u>	<u>RMB2.78 cents</u>
—Diluted	8	<u>RMB7.23 cents</u>	<u>RMB2.78 cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		30 June 2024	31 December 2023
	<i>NOTES</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		61,258	57,523
Right-of-use assets		259,059	174,210
Intangible assets		23,227	24,285
Investments in associates		16,338	16,112
Investments in joint ventures		5,366	5,366
Financial assets at fair value through profit or loss	9	7,392	7,392
Long-term time deposits		231,575	180,000
Deferred tax assets		45,877	45,797
Prepayments for purchases of property, plant and equipment		25,607	23,579
		675,699	534,264
CURRENT ASSETS			
Financial assets at fair value through profit or loss	9	64,474	61,585
Debt instruments measured at amortised cost	10	32,285	33,315
Prepayments, deposits and other receivables		112,307	92,174
Amounts due from associates		498	609
Amounts due from related parties		3,130	4,352
Other current assets		503	505
Short-term time deposits		—	18,444
Restricted bank deposits		23,641	19,200
Cash and cash equivalents		495,735	281,928
		732,573	512,112
CURRENT LIABILITIES			
Other payables and accruals		110,001	106,170
Contract liabilities		458,425	211,784
Amounts due to related parties		—	473
Income tax liabilities		41,506	41,098
Lease liabilities		63,894	51,423
		673,826	410,948

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2024

		30 June 2024	31 December 2023
	<i>NOTE</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
NET CURRENT ASSETS		<u>58,747</u>	<u>101,164</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>734,446</u>	<u>635,428</u>
NON-CURRENT LIABILITY			
Lease liabilities		<u>210,181</u>	<u>138,993</u>
NET ASSETS		<u><u>524,265</u></u>	<u><u>496,435</u></u>
CAPITAL AND RESERVES			
Share capital	<i>11</i>	303	303
Reserves		<u>523,962</u>	<u>497,705</u>
Equity attributable to owners of the Company		<u>524,265</u>	498,008
Non-controlling interests		<u>—</u>	<u>(1,573)</u>
TOTAL EQUITY		<u><u>524,265</u></u>	<u><u>496,435</u></u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1. GENERAL 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. As at 30 June 2024, the Company does not have any controlling shareholder or ultimate controller as there was no shareholder who could control more than half of the voting rights of the board of directors of the Company 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 2024 interim 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.

Due to regulatory restrictions on foreign ownership in the after-school education business in the Mainland China (“**Mainland China**”), the Group conducts a substantial portion of the business through 廣州市卓越里程教育科技有限公司 (Guangzhou Beststudy Enterprise Co., Ltd.) (“**Guangzhou Beststudy**”) and its subsidiaries (collectively referred to as the “**Consolidated Affiliated Entities**”) in the People’s Republic of China (the “**PRC**”). 廣州市卓學信息科技有限責任公司 (Guangzhou Zhuoxue Information Technology Co., Ltd.) (“**Zhuoxue Information**”), a wholly-owned subsidiary of the Company, has entered into the contractual arrangements with Guangzhou Beststudy and their respective equity holders, which enable Zhuoxue Information and the Group to:

- exercise effective financial and operational control over the Consolidated Affiliated Entities;
- exercise equity holders’ voting rights of the Consolidated Affiliated Entities;
- receive substantially all of the economic interest returns generated by the Consolidated Affiliated Entities in consideration for the corporate management and educational management consultancy services, intellectual property licensing services as well as technical and business support services provided by Zhuoxue Information. Such services include advisory services on asset and business operation, debt disposal, material contracts or mergers and acquisitions, educational software and course materials research and development, employee training, technology development, transfer and consulting services, public relation services, market survey, research and consulting services, market development and planning services, human resources and internal information management, network development, upgrade and ordinary maintenance services, sales of proprietary products, and software and trademark and know-how licensing and other additional services as the parties may mutually agree from time to time; and

- obtain an irrevocable and exclusive right to purchase all or part of equity interests in the Consolidated Affiliated Entities from the respective equity holders at nil consideration or a minimum purchase price permitted under PRC laws and regulations. Zhuoxue Information may exercise such options at any time until it has acquired all equity interests in and/or all assets of the Consolidated Affiliated Entities. In addition, the Consolidated Affiliated Entities are not allowed to sell, transfer, or dispose any assets, or make any distributions to their equity holders without prior consent of Zhuoxue Information.

The Company does not have any equity interest in the Consolidated Affiliated Entities. However, as a result of the contractual arrangements, the Company has power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities and therefore is considered to have control over the Consolidated Affiliated Entities. Consequently, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries. The Group has consolidated the financial position and results of Guangzhou Beststudy and its subsidiaries in the condensed consolidated financial statements of the Group during the six months ended 30 June 2024 and 2023.

From 1 January 2022, the functional currency of the Company was changed from United States dollars to Renminbi (“**RMB**”) upon the Company’s cessation of its treasury investment function. Subsequently, the Company mainly holds subsidiaries whose underlying operations are primarily in the Mainland China with RMB being the functional currency that mainly influences the Group’s underlying transactions, events and conditions. The directors of the Company have determined that RMB better reflects the economic substance of the Company and its business activity as an investment holding company primarily holding subsidiaries with primary economic environment in the Mainland China.

2.1 BASIS OF PREPARATION

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 the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

2.2 PRINCIPAL ACCOUNTING POLICIES

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

Other than change 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 2024 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2023.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

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

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from contracts with customers

	For the six months ended 30 June 2024			
	Full-time test preparation programs RMB'000 (Unaudited)	Talent education RMB'000 (Unaudited)	Tutoring programs RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Timing of revenue recognition				
Services transferred over time	<u>123,927</u>	<u>117,969</u>	<u>75,548</u>	<u>317,444</u>
	For the six months ended 30 June 2023			
	Full-time test preparation programs RMB'000 (Unaudited)	Talent education RMB'000 (Unaudited)	Tutoring programs RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Timing of revenue recognition				
Services transferred at a point in time	—	—	1,104	1,104
Services transferred over time	<u>103,573</u>	<u>28,025</u>	<u>56,158</u>	<u>187,756</u>
	<u>103,573</u>	<u>28,025</u>	<u>57,262</u>	<u>188,860</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	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Full-time test preparation programs	123,927	103,573
Talent education	117,969	28,025
Tutoring programs	75,548	57,262
	<u>317,444</u>	<u>188,860</u>

5. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax ("EIT")	19,949	(289)
Over provision in prior period	(117)	(7)
	<u>19,832</u>	<u>(296)</u>
Deferred tax (credit) expense	(80)	3,382
	<u>19,752</u>	<u>3,086</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 six months ended 30 June 2024 and 2023.

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 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 (2023: 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	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Auditor's remuneration	<u>1,076</u>	<u>1,005</u>
Depreciation of property, plant and equipment	10,151	10,092
Depreciation of right-of-use assets	32,824	27,700
Amortisation of other intangible assets	<u>1,796</u>	<u>2,072</u>
Total depreciation and amortisation	<u><u>44,771</u></u>	<u><u>39,864</u></u>
Research and development costs recognised as an expense (included in other operating expenses)	2,396	2,048
Directors' and chief executive's emoluments	5,438	4,025
Staff salaries and benefits	120,990	87,520
Staff retirement benefits schemes contributions	5,310	3,592
Recognition of share-based payments	<u>—</u>	<u>82</u>
Total staff costs (<i>note</i>)	<u><u>131,738</u></u>	<u><u>95,219</u></u>

Note: The staff costs included in “Cost of sales” in the consolidated statement of profit or loss was RMB87,801,000 (six months ended 30 June 2023: RMB57,653,000) and the depreciation and amortisation was RMB39,879,000 (six months ended 30 June 2023: RMB33,678,000).

7. DIVIDEND

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Final dividend declared and paid — RMB3.2 cents per ordinary share	<u>24,379</u>	<u>—</u>

On 27 March 2024, the Board proposed and the shareholders approved at the annual general meeting held on 16 May 2024 a final dividend of RMB3.2 cents per share (equivalent to HK\$3.5 cents per share) out of the share premium account of the Company for the year ended 31 December 2023. The dividend was paid on 6 June 2024.

No interim dividend was proposed during the Reporting Period (six months ended 30 June 2023: Nil).

Note: The final dividend for 2023 has been net of the dividend of approximately RMB2.7 million attributable to the shares held for the restricted share unit scheme.

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	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit for the purpose of basic earnings per share and dilutive earnings per share	<u>54,527</u>	<u>20,917</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	752,270,882	752,531,376
Effect of dilutive potential shares:		
Weighted average number of unvested share awards	<u>2,394,783</u>	<u>166,667</u>
Weighted average number of ordinary shares for the purpose of dilutive earnings per share	<u>754,665,665</u>	<u>752,698,043</u>
Basic earnings per share	<u>RMB7.25 cents</u>	<u>RMB2.78 cents</u>
Diluted earnings per share	<u>RMB7.23 cents</u>	<u>RMB2.78 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.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Financial assets mandatory measured at FVTPL:			
Equity investments — unlisted equity investments		<u>7,392</u>	<u>7,392</u>
Financial assets designated at FVTPL:			
Equity investments — listed equity investments	(i)	25,892	23,003
Debt instruments			
— funds	(ii)	24,772	24,772
— unlisted trust plans and asset management plans	(ii)	<u>13,810</u>	<u>13,810</u>
		<u>64,474</u>	<u>61,585</u>
		<u>71,866</u>	<u>68,977</u>
Analysed for reporting purposes as:			
— current assets		64,474	61,585
— non-current assets		<u>7,392</u>	<u>7,392</u>
		<u>71,866</u>	<u>68,977</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) Unlisted trust plans, asset management plans and funds issued by financial institutions, were denominated in RMB at aggregate amounts of RMB38,582,000 (2023: RMB38,582,000), with rate of return ranging from 5% to 7% (2023: 5% to 7%) per annum. As at 30 June 2024, unlisted trust plans and funds pledged with collaterals of properties with a carrying amount of RMB38,582,000 (2023: RMB38,582,000) 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	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fair value changes in equity investments at FVTPL		
— unlisted equity investments	—	(6)
— listed equity investments	<u>2,889</u>	<u>(10,901)</u>
	<u>2,889</u>	<u>(10,907)</u>
Fair value changes in debt investments at FVTPL		
— unlisted trust plans and asset management plans	—	(2,520)
— funds	<u>—</u>	<u>(4,509)</u>
	<u>—</u>	<u>(7,029)</u>
	<u>2,889</u>	<u>(17,936)</u>

10. DEBT INSTRUMENTS MEASURED AT AMORTISED COST

	As at	As at
	30 June	31 December
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Corporate debts	<u>32,285</u>	<u>33,315</u>
Analysed for reporting purposes as:		
— current assets	<u>32,285</u>	33,315
— non-current assets	<u>—</u>	<u>—</u>
	<u>32,285</u>	<u>33,315</u>

Debt instruments measured at amortised cost are debt assets with guaranteed returns using interest rates per annum ranging from 5% to 7% (2023: 5% to 7%). They are denominated in RMB.

As at 30 June 2024, debt instruments with gross carrying amount of RMB90,251,000 (2023: RMB68,059,000) were past due and among which, RMB56,209,000 (2023: RMB56,209,000) were pledged with collaterals of equity instruments (2023: equity instruments). Included in the carrying amount of debt instruments measured at amortised cost as at 30 June 2024 is accumulated impairment losses of RMB57,966,000 (2023: RMB57,437,000).

11. SHARE CAPITAL OF THE COMPANY

Ordinary shares of United States dollars (“US\$”) 0.00005 each	Number of shares		Share capital	
	30 June 2024 ’000	31 December 2023 ’000	30 June 2024 RMB’000 (Unaudited)	31 December 2023 RMB’000 (Audited)
Authorised				
At beginning and end of period	<u>3,000,000</u>	<u>3,000,000</u>	<u>1,070</u>	<u>1,070</u>
Issued and fully paid				
At beginning and end of period	<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

PERFORMANCE REVIEW

While adhering to compliance operations, the Group actively responded to changes in education policies, launched multiple talent products which have been certified as non-academic by the Education Authority of Guangdong Province, and launched the “Kunpeng Youth Growth Camp Project” (鯤鵬少年生長營項目), successfully transforming talent education and accelerating the acquisition of non-academic profit-making licence for running schools. Embracing the wave of AI technology, the Group has empowered organisational efficiency through AI, resulting in substantial improvements in the effectiveness of students, teachers, and management teams. In the first half of 2024, the Group also used equity incentives and other forms to motivate employees and stimulate their enthusiasm. At the same time, the Group has actively fulfilled its social responsibilities by fully implementing the “Party Building + Public Welfare” model, contributing to educational equity and community welfare.

Under the background of normalised regulation, the Group adhered to compliance operations and achieved excellent results in the first half of 2024. In the first half of 2024, the Group recorded revenue of approximately RMB317.4 million, representing an increase of 68.1% year-on-year, net profit of approximately RMB54.4 million, representing an increase of 170.0% year-on-year, and contract liabilities of approximately RMB458.4 million, representing an increase of 116.5% year-on-year. The significant performance growth is primarily attributed to the successful transformation of the Group’s products into quality education offerings under the guidance of education authorities, which have been well-received by parents and students. Secondly, the market demands recovered slowly, resulting in lower revenues in the first half of 2023.

Following the directions of national policies and adhering to the bottom line of compliance

The Group upholds its original mission of education, actively responds to and implements the spirit of the Double Reduction Policy, and adheres to the bottom line of compliance operations.

In terms of compliance in operation, we strictly comply with the Education Law of the People’s Republic of China (《中華人民共和國教育法》), the Law for Promoting Private Education of the People’s Republic of China (《中華人民共和國民辦教育促進法》), the Implementation Rules for the Law for Promoting Private Education of the People’s Republic of China (《中華人民共和國民辦教育促進法實施條例》) and the Opinions of the General Office of the State Council on Regulating the Development of After-school Tutoring Institutions (《國務院辦公廳關於規範校外培訓機構發展的意見》) and other relevant laws and regulations to standardise school-running behaviours and ensure that all operating activities are legal and compliant. Under the guidance of relevant competent authorities, we have carried out compliance upgrades in various aspects such as site fire protection, teaching material content, marketing methods and advance funds, established

and improved internal management systems, strengthened financial management and risk control, and ensured the transparency and standardisation of institutional operations. During the Reporting Period, the Group has undergone 65 inspections at various levels of ministry, province, municipality and district with zero penalties or warnings record, receiving high recognition for our compliance efforts. In the first half of 2024, we actively promoted the acquisition of non-academic profit-making licence for running schools in Guangzhou. Licenced and compliant operations allow the Group to develop its business in a more sustainable manner.

In terms of compliance in products, we thoroughly implement the “Double Reduction” Policy, optimise the curriculum, focus on the scientific nature and appropriateness of the course content, strictly prohibit advanced and excessive teaching, and ensure that the courses are in line with the students’ cognitive development. At the same time, we strengthen the review of teaching materials and teaching resources to ensure that the teaching content is healthy, positive and progressive. In 2022, under the guidance of the education authorities, multiple products achieved talent transformation, which were the first batch of talent products for Guangdong Province to pass the non-academic accreditation. In 2024, all products passed the review.

In terms of compliance in publicity, we strictly abide by the Advertising Law of the People’s Republic of China (《中華人民共和國廣告法》) and relevant publicity regulations, standardise publicity behaviour, and do not exaggerate publicity effects or mislead consumers. We pay attention to the compliance of publicity methods and the authenticity of publicity content, and do not engage in unfair competition. At the same time, we strengthen the review of publicity materials to ensure that publicity content conforms to the core socialist values.

Significant achievements in quality transformation

The Group continued to optimise quality products and services by focusing on the cultivation of core qualities such as literature and scientific quality, and has developed a diverse range of courses tailored to students’ interests and needs. Nine quality 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” (嗒嗒文學), “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 products for Guangdong Province to pass the non-academic accreditation by the education authorities. Based on continuous research on the talent education system, we have proposed the “Six Abilities Model” (六力模型) for children’s growth, i.e. learning ability, critical thinking ability, aesthetic ability, creativity, communication ability, and health ability. Our grand launch of the “Kunpeng Youth Growth Camp Project” (鯤鵬少年生長營項目), which adopts advanced teaching methods such as interactive and inquiry-based learning to stimulate students’ interest in learning, has been highly recognised by both society and students, helping to build the brand image of the Group in talent education and providing crucial support for the Group’s transformation.

The Group has launched three non-academic Chinese language products, namely “Curious Young Reporter” “Di-Da Literature” and “Literature and Aesthetic Education”. The “Compulsory Education Chinese Curriculum Standards (2022 Edition)” (《義務教育語文課程標準 (2022年版)》) highlights the need to enhance the contextual and practical aspects of Chinese curriculum and promotes changes in learning methods. This requires creating diverse learning contexts and designing challenging learning tasks based on students’ real-life experiences to stimulate curiosity, imagination, and a desire for knowledge, promoting autonomous, collaborative, and exploratory learning. Curious Young Reporter focuses on developing students’ abilities in observation, perception, inquiry, critical thinking, expression, and practice, thus enhancing their overall competence. Curious Young Reporter innovatively introduces multiple outdoor themed activities that break traditional teaching constraints by bringing children into nature, which serves as an authentic and lively classroom. This helps to build an expression platform filled with imagination and challenges, encouraging children to apply classroom knowledge in real-life situations and guiding them to transform their observations and experiences into quality language expressions based on practical experience and perception; Di-Da Literature is centred around three main themes of ancient literature, classic reading, and comprehensive practice, aiming to cultivate children’s reading interest, thinking, and ability, enhancing their cultural literacy; Literature and Aesthetic Education allows students to experience the beauty of literature through classic readings and film appreciation, improving their recognition and appreciation skills through interdisciplinary and task-based inquiry and situational communication, and ultimately enhancing their literary from experience, recognition and appreciation to creation and expression through creative design, literary criticism/creation.

In line with the national development strategy, we have launched “Beststudy Programming”, which has been well-received by parents and students. “Beststudy Programming” focuses on coding education for children aged 3 to 16. We continuously invest resources to build a professional team for independent research and development, establishing a comprehensive learning system that covers hardware technology to software programming and consists of robot construction, robot programming, graphical programming, Python programming, and C++ programming. Through heuristic teaching, we cultivate children’s interest in programming and nurture their talents. The coding learning process involves knowledge transfer, exercises in logical thinking, and the development of future-oriented exploratory learning abilities and problem-solving skills using dialogue tools. Our students have consistently achieved excellent results in national whitelist competitions.

The “Kunpeng Youth Growth Camp Project” continuously fosters the six major abilities of Kunpeng Youth by establishing a comprehensive cultivation system for Kunpeng Youth and conducting activities such as Kunpeng Youth Travels (鯤鵬少年行), Kunpeng Master Classes (鯤鵬大師課), Kunpeng Expert Talks (鯤鵬高手說), and Kunpeng Competitions (鯤鵬賽事), aiming to nurture future-ready Kunpeng Youth. “Kunpeng Youth Travels” integrates resources from high-tech enterprises and research institutions to help Kunpeng Youth broaden their horizons, discover interests, inspire dreams, and

enrich their qualities. “Kunpeng Master Classes” invites influential experts, scholars and outstanding representatives from various fields, such as scientists and literary figures, to impart knowledge and share unique life wisdom, inspiring children to strive for excellence. “Kunpeng Expert Talks” invites students from top domestic universities who embody the qualities of Kunpeng Youth to share their study experiences and growth insights, showcasing the power of role models and guiding young people in their development. “Kunpeng Competitions” provides platforms through Ministry of Education whitelist competitions and the Group-hosted competitions for children to unlock their potential and achieve self-improvement through challenges.

The “Study Tour” (研學遊) project is based on the basic principle and direction of holistic education, with the cultivation of a “well-rounded person” (全面發展的人) as the core, and the mindset and abilities that are prominently cultivated in children during the study tour are summarised into four major aspects, namely “physical fitness” (健體), “mental nourishment” (潤心), “intellectual enlightenment” (啟智) and “mind cultivation” (培根). These four aspects are also the process of self-improvement and perfection of each individual. They are comprehensively expressed as eight qualities: healthy living, positive attitude, friendliness and altruism, win-win cooperation, independent learning, in-depth learning, lifelong growth and value realisation, which are further refined into 16 basic points such as cherishing life. Based on this overall framework, specific scenarios focusing on training and specific performance requirements on students can be further proposed for study routes with different characteristics.

AI empowering the improvement of organisational effectiveness, and sharing the future with employees through equity incentives

AI technology has had a profound impact on the improvement of organisational effectiveness in the education industry. In the first half of 2024, we increased investment and exploration in the field of AI. We were invited to join the Guangdong Association of Artificial Intelligence Industry as a governing unit of the association, to further explore the application of artificial intelligence in the field of improving education quality and organisational effectiveness. The integration of AI provides students with personalised support, including adaptive error analysis, intelligent learning pathways, learning condition graphs, and leaderboard tracking, provides teachers with powerful teaching aids. By intelligently analysing students’ learning behaviours and achievements, AI assists teachers in accurately identifying the key points and difficulties of teaching and achieving personalised teaching, thus improving the quality and efficiency of teaching. Principals and operating staffs can conduct campus management more efficiently through AI-assisted decision-making systems, such as intelligent class scheduling, intelligent correction, teacher scheduling and risk warning, which greatly improves the intelligence level and response speed of management and ensures that educational activities are carried out in an orderly manner. The continuous deepening of the application of AI technology in the Company has greatly improved the overall organisational efficiency of the Group.

During the Reporting Period, the Group recruited talents through restarting school recruitment and expanding social recruitment, attracting a large number of talents to join the Group, and the proportion of employees with prestigious university backgrounds increased significantly. For new recruits, we paired experienced senior employees with new recruits through a mentorship system to provide personalised guidance and support to enable new recruits to quickly understand and adapt to the works of the Group. For senior employees, we have set up a clear promotion channel, allowing staff in each line to have the opportunity to become members of the management team of the campus or the Group. Under the value concept of “letting the results speak for themselves” (用結果說話), more young people have been promoted to core management positions and achieved the rejuvenation of the senior management team, stimulating corporate vitality.

On 30 April 2024, the Group granted certain employees restricted share units under the RSU Scheme, which not only enhanced employees’ sense of belonging and loyalty, but also stimulated their enthusiasm and creativity, effectively promoted the common growth of the Company and employees, and shared the Company’s development dividends, and promoted the long-term development of enterprises and the improvement of market competitiveness.

Actively fulfilling social responsibilities

The Group has always adhered to the public welfare philosophy of becoming an “enthusiastic education services provider” and is committed to in-depth participation in and active promotion of educational public welfare undertakings. We have actively launched charity activities to help weak schools in rural areas, so that more rural children can enjoy better education resources. By donating teaching materials and upgrading hardware facilities to primary and secondary schools in remote areas, we have strived to promote the balanced distribution of education resources between urban and rural areas, conveying our deep concern for educational equality.

In order to further strengthen the integration of party building work and social responsibility, the Group has actively carried out “Party Building + Public Welfare” activities to consolidate the work foundation and explore the best working model. The Group’s Party Committee and volunteer service team organised a number of public welfare activities to enhance the public welfare awareness of employees and students and actively fulfill social responsibilities. In addition, under the guidance of various government departments in Yuexiu District, we jointly organised the Second Charity Festival with private educational institutions in Yuexiu District to provide high-quality products and services to the general public, fulfill social responsibilities with practical actions, and demonstrate our corporate social commitment. We will continue to improve the quality of party building work and the fulfillment of social responsibilities, drive high-quality party building work with demonstration, and provide solid support for the high-quality development of enterprises.

FUTURE DEVELOPMENT

Adhering to compliance operations and promoting healthy development of the industry

In the context of normalised regulation in the future, we will strictly abide by the principles of compliance operations, closely follow the guidance of national education policies, continue to optimise the contents of our courses to ensure that the education services we provide not only comply with regulations, but also meet the needs of students and parents, and that we provide high-quality teaching resources. In terms of compliance training, we will strengthen education on regulations and policy research to ensure that every employee can deeply understand and realise the importance of compliance. We will improve the compliance awareness of all employees through regular training and assessment. In terms of internal control mechanism, we will establish strict quality control processes to ensure that teaching content, teaching methods and marketing and publicity are in compliance with the relevant regulations of the education department. At the same time, we will actively accept social supervision and demonstrate our compliance business results through open and transparent information disclosure. In terms of course research and development, we will adhere to scientific educational concepts, develop a course system that is in line with student growth patterns and educational policy orientations, so as to avoid superior education and excessive test-taking, and to truly achieve talent education. In addition, we will strengthen the standardisation of financial management to ensure the safety supervision and transparency of funds and prevent any form of economic irregularities.

Deepening talent education and helping students grow

Talent education is becoming the leading direction of China's education reform. The strong guidance of national policies has made it the mainstream trend of education to change from a single evaluation system of "moral, intellectual, physical, aesthetic and labour" to the cultivation of students' innovative spirit and entrepreneurial ability. We will strive to deepen the transformation of talent education and improve the teaching quality and effectiveness of talent products through a series of innovation and optimisation measures. We firmly believe that talent education is the key to cultivating students' comprehensive abilities, innovative spirit and social responsibility.

We will conduct in-depth research and development and continuous upgrading of existing talent education products. In the future, we will combine the latest educational concepts and student needs to design diversified and highly interactive talent courses, and build an education system covering the all-round development of "moral, intellectual, physical, aesthetic and labour". This system aims to comprehensively enhance the core quality of primary and secondary school students. It not only responds to the country's expectations for talent education, but also injects new vitality into the Group's sustainable development. At the same time, we will strengthen the construction of the teaching staff, introduce and train high-quality professional teachers, continuously improve the teachers' courses research

and development and teaching capabilities, and ensure that the teacher team can master advanced teaching methods and concepts through regular training and academic exchanges. We look forward to setting a new benchmark in the field of talent education and contributing to the growth of children and the future of the Group.

Focusing on developing in South China and providing high-quality services

According to relevant reports and data, Guangdong Province has always been a major province with an influx of immigrants, especially the Greater Bay Area cities such as Guangzhou, Shenzhen, Dongguan and Foshan, which have attracted a large influx of people. With the rapid development of the regional economy and the improvement of residents' income levels, parents are increasingly willing to invest in their children's education, and there is a growing demand for quality education resources and services. At the same time, the innovative atmosphere of the Greater Bay Area provides broad development space for the education industry.

We will focus on the Greater Bay Area, particularly the Shenzhen and Foshan markets, and deepen the localisation and innovation of our education services to meet the rapidly developing education needs in this region. Firstly, we will have an in-depth understanding of the educational environment and cultural characteristics of Shenzhen and Foshan, accurately grasp the needs of local students and parents through market research, and design a curriculum system that in line with the local culture and education policy. We are committed to providing high-quality teaching content that is consistent with local educational development to enhance the attractiveness and competitiveness of our courses. Secondly, we will increase investment in resources in the Shenzhen and Foshan markets, including the building of a team of outstanding teachers, the upgrading of teaching facilities and the optimisation of the teaching environment. By providing first-class teaching services, we will build our brand influence and win the trust and support of parents and students. We look forward to contributing to the development of education in South China through our deep commitment to the region, and helping to cultivate outstanding talents with international vision and local flavour.

Paying attention to talent development and strengthening organisational efficiency

We place talent development at the core of our strategy and are committed to strengthening organisational efficiency and competitiveness. Firstly, we will continue to optimise the talent selection mechanism and attract and select educational professionals with potential and enthusiasm through a precise evaluation system to ensure that each new employee can fit in with our educational concepts and goals. Secondly, we will increase investment in employees' career development paths and help employees identify career goals, improve professional skills, so that they can achieve sustainable growth in their individual careers through customised career planning and systematic skills training. In addition, we will strengthen our internal promotion mechanism, encourage employees to broaden their career

horizons through internal competition and job rotation, to allow more promising young people to join the management team. We will also promote a culture of cross-department collaboration and knowledge sharing to facilitate mutual learning and inspiration among different teams, enhance the efficiency of teamwork, and stimulate organisational innovation vitality. Finally, we will improve the performance management and incentive system to ensure that the efforts and contributions of our employees are fairly evaluated and rewarded in a timely manner, and to enhance their sense of belonging and loyalty through competitive remuneration, benefits and incentives.

Embracing the AI wave to improve office efficiency and teaching quality

We will continue to proactively embrace AI technology and strive to improve office efficiency and teaching quality to achieve upgrading and innovation in educational services. Firstly, we will personalise the teaching content by leveraging AI technology and provide customised learning resources and teaching plans to meet the learning needs of different students by analysing students' learning habits, abilities and progress. Secondly, we will continue to optimise our intelligent teaching support system, utilising natural language processing and machine learning technologies to develop intelligent tutoring tools and create an intelligent independent learning space to improve students' learning effects. In addition, we will optimise the teaching management process through AI technology, realising the automation and intelligence of teaching activities such as curriculum scheduling, student management, and performance tracking, so as to reduce the administrative burden on teachers and allow them to focus more on teaching. We will also explore the application of AI technology in teaching assessment and feedback, and provide students with timely and comprehensive learning feedback through data analysis and learning behaviour analysis to help them adjust learning strategies in a timely manner and improve their learning efficiency.

Adhering to compliance and following the trend

We persistently adhere to our mission, adhere to compliance, align with national policy, and keep up with the pace of national development. We are committed to continuously optimising our Group strategy to enhance our core competitiveness and pursue sustainable and high-quality development. Children's growth is the centre of our work. We uphold the core value of "All for Children's Healthy Development", and provide children with care, aspirated, creative and technology-based educational products and services through technological innovation, so as to stimulate their potential and promote their comprehensive development.

In the process of promoting education innovation, we will continuously optimise the layout of our education business, strengthen exchanges and cooperation with education partners by leveraging the Group's resource advantages, and promote our progress and development in multiple fields. We will also continue to innovate our educational products to continuously improve the quality and effectiveness of teaching and strive to bring a better educational experience to children.

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 2023:

	For the six months ended 30 June		
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)	Change (%)
Full-time test preparation programs	123,927	103,573	19.7%
Tutoring programs	75,548	57,262	31.9%
Talent education	117,969	28,025	320.9%
Total	317,444	188,860	68.1%

During the Reporting Period, the Group's revenue increased by 68.1% from approximately RMB188.9 million in the first half of 2023 to approximately RMB317.4 million. Compared to the first half of 2023, the increase in revenue was primarily attributed to the development of the talent education business.

Cost of Sales

Cost of sales increased by 46.7% from approximately RMB119.1 million in the first half of 2023 to approximately RMB174.7 million for the Reporting Period. The lower rate of increase in cost of sales relative to revenue growth was primarily attributed to improved operation efficiency.

Gross Profit and Gross Profit Margin

As a result of the above principal factors, the Group's gross profit increased by 104.5% from approximately RMB69.8 million in the first half of 2023 to approximately RMB142.7 million for the Reporting Period. The gross profit margin of the Group increased from 36.9% in the first half of 2023 to 45.0% during the Reporting Period.

Other Income

During the Reporting Period, the Group recorded other income in the amount of approximately RMB10.3 million, representing an increase of 10.9% as compared with the same period of last year. The other income during the Reporting Period was mainly interest income from demand deposits of approximately RMB7.3 million.

Other Gains and Losses

During the Reporting Period, the Group recorded other gains and losses in the amount of approximately RMB1.9 million. The other gains and losses during the Reporting Period was mainly gain on lease modifications of approximately RMB1.1 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 RMB17.9 million in the first half of 2023, while a gain of approximately RMB2.9 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 increased by approximately 225.1% to approximately RMB22.7 million from approximately RMB7.0 million in the first half of 2023. Compared to the first half of 2023, the increase in selling expenses was primarily due to a relatively low selling expenses during the first half of 2023 as a result of the slow recovery in market demand, while there is a corresponding increase in investment as market activity resumed during the Reporting Period.

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 RMB40.9 million, representing an increase of 43.0% as compared to approximately RMB28.6 million in the first half of 2023. Compared to the first half of 2023, the increase in administrative expenses was mainly attributed to the growth in the number of administrative staff in line with business expansion, leading to higher personnel compensation.

Other Operating Expenses

During the Reporting Period, the Group's other operating expenses amounted to approximately RMB14.2 million, which remained basically flat as compared with the first half of 2023.

Finance Costs

During the Reporting Period, the Group recorded finance costs in the amount of approximately RMB5.2 million, representing an increase of 13.6% from approximately RMB4.6 million in the first half of 2023, 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 approximately RMB19.8 million, representing an increase of 540.1% from approximately RMB3.1 million in the first half of 2023.

Profit for the Reporting Period

The Group's profit increased from approximately RMB20.2 million in the first half of 2023 to approximately RMB54.4 million for the Reporting Period, representing an increase of 170.0%.

Non-GAAP Measures 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 measure. We present such a 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 measures 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 measures 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 168.9% from approximately RMB20.2 million in the first half of 2023 to approximately RMB54.4 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		
	2024	2023	% Change
	<i>RMB'000</i>	<i>RMB'000</i>	
	(Unaudited)	(Unaudited)	
Net profit	54,415	20,152	170.0%
Add:			
Equity-settled compensation costs	—	82	(100.0%)
Adjusted net profit	54,415	20,234	168.9%

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 2024, cash and cash equivalents of the Group amounted to approximately RMB495.7 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 Ratios

As at 30 June 2024, the current ratio of the Group was approximately 1.09, representing a decrease as compared to 1.25 as at 31 December 2023. The current ratio is equal to total current assets divided by the total current liabilities.

As at 30 June 2024, the gearing ratio of the Group was 0.63, representing an increase as compared to 0.53 as at 31 December 2023. 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 concrete plans for future investment or capital assets as at the date of this announcement.

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

As at 30 June 2024, the Group held financial assets comprising (i) debt investments of approximately RMB70.9 million (31 December 2023: approximately RMB71.9 million), in aggregate accounted for 5.0% of the Group's total assets as at 30 June 2024, representing investments in unlisted trust plans, asset management plans, funds and corporate debts; and (ii) equity investments of approximately RMB33.3 million (31 December 2023: approximately RMB30.4 million), in aggregate accounted for 2.4% of the Group's total assets as at 30 June 2024, representing investment portfolio of unlisted companies and a listed company.

The Group adopts prudent and pragmatic investment strategies over its significant investments. The subscriptions of the significant investment as well as the investments in other financial products were made for treasury management purpose to 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 or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2024.

Contingent Liabilities

As at 30 June 2024, the Group did not have any unrecorded significant contingent liabilities, guarantees or any litigation against the Group.

Pledge of Assets

As at 30 June 2024, 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 2024, the Group did not have any bank loans nor any other borrowings.

EVENTS AFTER THE REPORTING PERIOD

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

HUMAN RESOURCES

As at 30 June 2024, the Group had a total of 1,785 (31 December 2023: 846) employees. To ensure that the Group is able to attract and retain employees 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 to effectively teach their respective courses.

The Company has also adopted the RSU Scheme and share option scheme.

OTHER INFORMATION

Interim Dividend

The Board resolved not to declare interim dividend for the six months ended 30 June 2024.

RSU Scheme

The Company approved and adopted the restricted share unit scheme (“**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 of the Group by providing them with the opportunity to own equity interests in the Company.

On 30 April 2024, the Board resolved to grant 58,000,000 restricted share units at a consideration of HK\$2.97 per share to 552 employees of the Group (the “**Grantees**”), subject to acceptance of the Grantees. The purpose of the grant is to provide our employees with an opportunity to own equity interests in the Company and to reward them for their contributions to the Group and to motivate them to strive for the future development and expansion of the Group in the coming two years. For details, please refer to the announcements of the Company dated 30 April 2024.

Due to the resignation or abandonment of some employees, as at the date of this announcement, the number of employees actually participated in the RSU Scheme is 542, and the number of shares granted is 55,138,000 shares (representing approximately 6.5% of the total issued shares of the Company as at 30 June 2024).

As at 30 June 2024, the trustee of the Company, Ms. Shaoping Fu (the “**Trustee**”) has purchased 63,396,000 shares (representing approximately 7.5% of the total issued shares of the Company as at 30 June 2024) under the RSU Scheme, among which, a total of 38,807,772 shares (representing approximately 4.6% of the total issued shares of the Company as at 30 June 2024) have been vested to grantees under the RSU Scheme.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a stringent corporate governance practices and recognised the importance of it 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 as set out in part 2 of the Corporate Governance Code (the “**CG Code**”) as contained in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The Company has complied with code provisions contained in the CG Code during the Reporting Period, save and except for code provision C.2.1 which states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Board believes that with extensive experience in the education industry, Mr. Junjing Tang is responsible for overall development, operation and management of the Company and has been playing an instrumental role in our growth and business expansion since the establishment of the Group. The Board considers that vesting the roles of chairman and chief executive officer of the Company in Mr. Junjing Tang is beneficial to the consistency of leadership within the Group and the efficiency of the overall strategic planning and execution 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 its corporate governance practices and strive to enhance its compatibility with its business operations and development to ensure compliance with the provisions of the CG Code and the latest development of business. The Board will continue to review and monitor the operation of the Company with an aim of maintaining a high standard of corporate governance.

NON-COMPLIANCE WITH RULES 3.10(1), 3.10A AND 3.27A OF THE LISTING RULES

On 31 July 2024, Mr. Caihe Lin (“**Mr. Lin**”) resigned as independent non-executive Director of the Company and ceased to be a member of the nomination committee of the Company. Following the resignation of Mr. Lin, the Company does not meet the following requirements: (i) the requirement under Rules 3.10(1) and 3.10A of the Listing Rules, which stipulate that the Board shall include at least three independent non-executive directors and the independent non-executive directors should represent at least one-third of the Board; and (ii) the requirement under Rule 3.27A of the Listing Rules, which stipulate that the nomination committee should comprise a majority of independent non-executive directors. To comply with the Listing Rules, the Company is endeavouring to identify suitable candidate(s) to fill the vacancy of Mr. Lin and in any event within three months from 31 July 2024 as required by the Listing Rules. Further announcement(s) will be made by the Company as and when appropriate.

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 to the Listing Rules as its own code of conduct regarding dealings in the securities by the Directors. The Company’s relevant employees who, because of his/her office or employment, are likely to possess inside information of the Company, are also subject to the Model Code.

Upon specific enquiry of the Company, all Directors confirmed that they have complied with the Model Code 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 of the Company (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.

The Audit Committee had reviewed the interim result and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made.

PUBLICATION OF 2024 INTERIM RESULTS 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.zy.com. The interim 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.

By Order of the Board
China Beststudy Education Group
Junjing Tang

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 8 August 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 and Mr. Jun Gan.