卓越教育

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 2020

FINANCIAL AND KEY OPERATING DATA HIGHLIGHTS

	For the year ended 31 December		
	2020	2019	% Change
	RMB'000	*RMB'000*	
Revenue	**1,687,798**	1,831,667	-7.9%
Gross Profit	**615,186**	767,623	-19.9%
Profit for the Year	**127,794**	134,881	-5.3%
Adjusted Profit	**143,657**	165,021	-12.9%
Proposed final dividend per ordinary share	**HK$5.5 cents**	HK$5.3 cents	3.8%
Proposed final special dividend per ordinary share	**–**	HK$2.0 cents	N/A
Number of Enrollments *(Note 1)*	**530,782**	551,060	-3.7%
Number of Tutoring Hours *(Note 1)*	**12,257,069**	13,695,534	-10.5%

Note 1: We adopted active strategies during COVID-19 epidemic, including the continuous introduction of more short-term courses apart from regular courses to attract customers during the Reporting Period (as defined hereafter), reducing the impact of COVID-19 epidemic and striving for more customers resources. For a better comparative understanding, the number of enrollments and the number of tutoring hours shown in the table above are all data from regular courses.

* *For identification purposes only*

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

The board (the "**Board**") of directors (the "**Directors**") of China Beststudy Education Group (the "**Company**" or "**Beststudy**" and, together with its subsidiaries, collectively the "**Group**") announces the consolidated financial results of the Group for the year ended 31 December 2020 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	**2020** *RMB'000*	2019 *RMB'000*
Revenue	*4*	**1,687,798**	1,831,667
Cost of sales		**(1,072,612)**	(1,064,044)
Gross profit		**615,186**	767,623
Other income and gains, net	*4*	**66,875**	18,818
Investment income	*9*	**8,260**	1
Selling expenses		**(195,051)**	(162,660)
Research and development expenses		**(165,570)**	(165,450)
Administrative expenses		**(214,092)**	(242,307)
Finance costs		**(53,039)**	(47,968)
Share of losses of associates		**(2,466)**	(3,587)
Share of profits of a joint venture		**107**	114
Fair value changes on investments at fair value through profit or loss	*9*	**92,565**	36,919
Other expenses		**(9,766)**	(44,678)
PROFIT BEFORE TAX		**143,009**	156,825
Income tax expense	*6*	**(15,215)**	(21,944)
PROFIT FOR THE YEAR		**127,794**	134,881
Attributable to:			
Owners of the parent		**129,675**	135,547
Non-controlling interests		**(1,881)**	(666)
		127,794	134,881

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

Year ended 31 December 2020

	Note	**2020** ***RMB'000***	2019 *RMB'000*
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic		**RMB16.4 cents**	RMB17.3 cents
Diluted		**RMB16.0 cents**	RMB17.1 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 *RMB'000*	2019 *RMB'000*
PROFIT FOR THE YEAR	**127,794**	134,881
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	**(17,460)**	5,517
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**(17,460)**	5,517
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(17,460)**	5,517
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**110,334**	140,398
Attributable to:		
Owners of the parent	**112,215**	141,064
Non-controlling interests	**(1,881)**	(666)
	110,334	140,398

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**206,217**	202,027
Right-of-use assets		**837,494**	893,785
Intangible assets		**33,427**	15,808
Investments in associates		**79,719**	70,239
Investment in a joint venture		**5,450**	5,718
Equity investments at fair value through profit or loss	9	**6,346**	3,827
Debt investments measured at amortised cost	9	**215,292**	–
Debt investments at fair value through profit or loss	9	**15,252**	203,589
Time deposits		**151,070**	50,270
Prepayments for purchases of property, plant and equipment		**4,467**	12,035
Deferred tax assets		**17,687**	18,999
Total non-current assets		**1,572,421**	1,476,297
CURRENT ASSETS			
Short-term equity investments measured at fair value through profit or loss	9	**84,825**	63,537
Short-term debt investments measured at amortised cost	9	**30,175**	–
Short-term debt investment measured at fair value through profit or loss	9	**682,299**	816,470
Prepayments, deposits and other receivables		**117,277**	139,838
Restricted cash		**2,631**	5,146
Cash and cash equivalents		**693,733**	196,406
Other current assets		**692**	1,236
Assets classified as held for sale		**–**	66,072
Total current assets		**1,611,632**	1,288,705

No ageing analysis has been prepared as there was no trade receivable as at 31 December 2020 (2019: Nil).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As at 31 December 2020

	Note	**2020** **RMB'000**	2019 *RMB'000*
CURRENT LIABILITIES			
Other payables and accruals		**291,535**	200,095
Interest-bearing bank loans		**204,000**	–
Lease liabilities		**211,546**	225,915
Contract liabilities		**797,078**	775,071
Tax payable		**22,703**	33,678
Liabilities directly associated with the assets classified as held for sale		**–**	111
Total current liabilities		**1,526,862**	1,234,870
NET CURRENT ASSETS		**84,770**	53,835
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,657,191**	1,530,132
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		**145,000**	–
Lease liabilities		**716,321**	733,470
Total non-current liabilities		**861,321**	733,470
Net assets		**795,870**	796,662
EQUITY			
Equity attributable to owners of the parent			
Share capital	*10*	**304**	304
Reserves		**798,039**	797,030
		798,343	797,334
Non-controlling interests		**(2,473)**	(672)
Total equity		**795,870**	796,662

No ageing analysis has been prepared as there was no trade payable as at 31 December 2020 (2019: Nil).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

1. CORPORATE AND GROUP INFORMATION

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

The Company is an investment holding company. During the Reporting Period, the Group was engaged in the provision of after-school education services for preparing kindergarten students for their transition into primary schools to Grade 12 ("**K-12**"), including small group tutoring courses and tutoring courses for individuals, talent education and full-time test preparation courses in Mainland China.

The ultimate controlling parties of the Group are Mr. Junjing Tang, Mr. Junying Tang and Mr. Gui Zhou, who have entered into an acting in concert agreement.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board ("**IASB**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain equity investments and debt investments which have been measured at fair value. Assets held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*COVID-19-Related Rent Concessions (early adopted)*
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and the impact of the Conceptual Framework for Financial Reporting 2018 and the revised IFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "**Conceptual Framework**") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

(d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 epidemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the epidemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's buildings have been reduced or waived by the lessors upon reducing the scale of production as a result of the epidemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the epidemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB18,563,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

(e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could 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 clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of K-12 after-school education services in Mainland China.

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the Directors, who are the chief operating decision makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the Directors review the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

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

Information about major customers

No 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 2020 and 2019.

4. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the value of services rendered, net of value-added tax ("**VAT**") and other sales tax, after allowances for refunds and discounts during the Reporting Period.

An analysis of revenue is as follows:

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Premium learning programs		
– Small group tutoring	**828,935**	918,459
– Individualised tutoring	**644,242**	698,850
Full-time test preparation programs	**161,764**	156,549
Talent education	**51,555**	56,104
Others	**1,302**	1,705
	1,687,798	1,831,667

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2020

Segments	**Small group tutoring** *RMB'000*	**Individualised tutoring** *RMB'000*	**Full-time test preparation programs** *RMB'000*	**Talent education** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Timing of revenue recognition						
Services transferred at a point in time	–	644,242	–	–	1,302	645,544
Services transferred over time	828,935	–	161,764	51,555	–	1,042,254
	828,935	644,242	161,764	51,555	1,302	1,687,798

For the year ended 31 December 2019

Segments	Small group tutoring *RMB'000*	Individualised tutoring *RMB'000*	Full-time test preparation programs *RMB'000*	Talent education *RMB'000*	Others *RMB'000*	Total *RMB'000*
Timing of revenue recognition						
Services transferred at a point in time	–	698,850	–	–	1,705	700,555
Services transferred over time	918,459	–	156,549	56,104	–	1,131,112
	918,459	698,850	156,549	56,104	1,705	1,831,667

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities

	2020 *RMB'000*	2019 *RMB'000*
At the beginning of the year	**775,071**	562,841
Cash refunded to customers that was included in contract liability at the beginning of the year	**(73,098)**	–
Revenue recognised that was included in contract liability at the beginning of the year	**(701,973)**	(562,841)
Increases due to cash received, excluding amounts recognised as revenue during the year	**797,078**	775,071
At the end of the year	**797,078**	775,071

(ii) *Performance obligations*

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

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.

Other income and gains, net

	Notes	**2020** *RMB'000*	2019 *RMB'000*
Interest income		**7,116**	5,383
VAT exemption	*(i)*	**48,464**	–
Subsidy income from the PRC government	*(ii)*	**5,122**	8,723
Gain on disposal of an associate		**–**	848
Foreign exchange gains, net		**639**	344
Gain on lease modifications		**3,648**	1,460
Gain on disposal of items of property, plant and equipment		**–**	46
Dividend income from an equity investment at fair value through profit or loss		**1,661**	1,633
Others		**225**	381
		66,875	18,818

Notes:

(i) The VAT exemption during the Reporting Period was tax concessions according to the taxation policy issued concerning the COVID-19 epidemic.

(ii) The subsidy income from the PRC government during the reporting period mainly represents subsidies granted by the local government as encouragement for its contribution to the local economy. There are no unfulfilled conditions or contingencies relating to such subsidies.

5. PROFIT BEFORE TAX

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

	Notes	**2020** *RMB'000*	2019 *RMB'000*
Employee benefit expense (excluding Directors' remuneration):			
Wages and salaries		**855,007**	813,064
Pension scheme contributions		**88,981**	100,927
Equity-settled compensation costs		**15,863**	30,140
		959,851	944,131
Cost of services provided*		**1,072,612**	1,064,044
Depreciation of property, plant and equipment		**73,615**	70,955
Depreciation of right-of-use assets		**207,366**	197,931
Amortisation of intangible assets		**4,631**	2,237
Lease payments not included in the measurement of lease liabilities		**6,616**	7,619
COVID-19-related rent concessions from lessors		**(18,563)**	–
Loss/(gain) on disposal of items of property, plant and equipment**		**6,348**	(46)
Loss on disposal of an intangible asset		**–**	63
Gain on lease modifications	*4*	**(3,648)**	(1,460)
Interest income	*4*	**(7,116)**	(5,383)
Interest on bank loans		**7,387**	–
Interest on lease liabilities		**45,652**	47,968
Subsidy income from the PRC government	*4*	**(5,122)**	(8,723)
Foreign exchange difference, net	*4*	**(639)**	(344)
Gain on disposal of an associate	*4*	**–**	(848)
Loss on disposal of subsidiaries		**45**	350
Fair value gains:			
Equity investments at fair value through profit or loss	*9*	**(28,211)**	(19,012)
Debt investments at fair value through profit or loss	*9*	**(64,354)**	(17,907)
Auditor's remuneration		**2,880**	2,830

* The staff costs of RMB708,393,000 (2019: RMB713,232,000) and the depreciation and amortisation of RMB255,913,000 (2019: RMB238,017,000) are included in "Cost of sales" in the consolidated statement of profit or loss.

** Included in "Other income and gains, net" or "Other expenses" in the consolidated statement of profit or loss.

6. INCOME TAX

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

Hong Kong profit tax

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

PRC Corporate Income Tax ("CIT")

Guangzhou Beststudy Enterprise Co., Ltd. was accredited as a High-tech Enterprise in 2019 and was entitled to a preferential tax rate of 15% from 2019 to 2021.

Beijing Qiaowen Education Technology Co., Ltd. 北京巧問教育科技有限公司, Dongguan Dongcheng Beststudy Training Centre 東莞市東城卓越培訓中心, Foshan Nanhai Beststudy Frontline Education and Training Centre 佛山市南海區卓越前線教育培訓中心, Zhongshan Xiaolan Zhuoye Boda Education and Training Centre 中山市小欖卓業博達教育培訓中心, Zhuhai Beststudy Education Training School 珠海市卓越教育培訓學校, Guangzhou Tianhe Beststudy Education and Training Centre Co., Ltd. 廣州市天河區卓越教育培訓中心有限公司, Nanning Qingxiu Zhuole Training School Co., Ltd. 南寧市青秀區卓樂培訓學校有限公司were certified as small and micro-sized enterprises ("**SMEs**") in 2020. Guangzhou Beststudy Wendao Travel Service Co., Ltd. 廣州卓越問道旅行社有限公司, Zhuhai Xiangzhou District Siqi Cultural Training Centre 珠海市香洲區思奇文化培訓中心, Guangzhou Qizuo Education Consulting Co., Ltd. 廣州奇作教育諮詢有限公司, Guangzhou Aiyuwen Technology Information Consulting Co., Ltd. 廣州市愛語文科技諮詢有限責任公司, Zhongshan West District Zhuoye Boda Huating Education and Training Centre 中山市西區卓業博達華庭教育培訓中心, Zhongshan Xiaolan Zhuoye Boda Education and Training Centre 中山市小欖卓業博達教育培訓中心 were certified as SMEs in 2019. They enjoyed a 75% reduction of the first RMB1,000,000 of taxable income, a 50% reduction of taxable income between RMB1,000,000 and RMB3,000,000 and the preferential CIT rate of 20%.

Pursuant to the CIT Law and the respective regulations, the other PRC subsidiaries were subject to income tax at a statutory rate of 25% for the year (2019: 25%).

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

	2020	2019
	RMB'000	*RMB'000*
Current – the PRC		
Charge for the year	**18,289**	34,831
Overprovision in prior years	**(4,386)**	(4,705)
Deferred	**1,312**	(8,182)
Total tax charge for the year	**15,215**	21,944

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rate of the majority of the Group's subsidiaries to the tax expense at the effective tax rate is as follows:

2020

	Hong Kong		Mainland China		Total	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Profit before tax	**49,077**		**93,932**		**143,009**	
Tax at the statutory tax rate	**8,098**	**16.5**	**23,483**	**25.0**	**31,581**	**22.1**
Lower tax rates enacted by local authority	**–**	**–**	**(9,487)**	**(10.1)**	**(9,487)**	**(6.6)**
Adjustments in respect of current tax in prior years	**–**	**–**	**(4,386)**	**(4.7)**	**(4,386)**	**(3.1)**
Profits and losses attributable to a joint venture and associates	**(18)**	**–**	**460**	**0.5**	**442**	**0.3**
Additional deduction of research and development expenses	**–**	**–**	**(4,293)**	**(4.6)**	**(4,293)**	**(3.0)**
Income not subject to tax	**(8,355)**	**(17.1)**	**–**	**–**	**(8,355)**	**(5.9)**
Expenses not deductible for tax	**–**	**–**	**855**	**0.9**	**855**	**0.6**
Tax losses utilised from previous periods	**–**	**–**	**(1,158)**	**(1.2)**	**(1,158)**	**(0.8)**
Tax losses not recognised	**275**	**0.6**	**9,741**	**10.4**	**10,016**	**7.0**
	–	**–**	**15,215**	**16.2**	**15,215**	**10.6**
Tax charge at the Group's effective rate	**–**	**–**	**15,215**	**16.2**	**15,215**	**10.6**

2019

	Hong Kong		Mainland China		Total	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Profit before tax	29,274		127,551		156,825	
Tax at the statutory tax rate	4,830	16.5	31,888	25.0	36,718	23.4
Lower tax rates enacted by local authority	–	–	(14,114)	(11.1)	(14,114)	(9.0)
Effect on opening deferred tax of decrease in rates	–	–	(19)	–	(19)	–
Adjustments in respect of current tax in prior years	–	–	(4,705)	(3.7)	(4,705)	(3.0)
Profits and losses attributable to a joint venture and associates	(19)	(0.1)	806	0.6	787	0.5
Additional deduction of research and development expenses	–	–	(4,618)	(3.6)	(4,618)	(2.9)
Income not subject to tax	(5,037)	(17.2)	(2,846)	(2.2)	(7,883)	(5.0)
Expenses not deductible for tax	–	–	5,877	4.6	5,877	3.7
Tax losses utilised from previous periods	–	–	(1,132)	(0.9)	(1,132)	(0.7)
Tax losses not recognised	226	0.8	10,807	8.5	11,033	7.0
	–	–	21,944	17.2	21,944	14.0
Tax charge at the Group's effective rate	–	–	21,944	17.2	21,944	14.0

7. DIVIDENDS

	2020	2019
	RMB'000	*RMB'000*
Proposed final dividend per ordinary share – HK$5.5 cents (2019: HK$5.3 cents)	**39,272**	41,090
Proposed final special dividend per ordinary share – nil (2019: HK$2.0 cents)	**–**	15,506
	39,272	56,596

The proposed final dividend, out of the share premium account of the Company for the year ended 31 December 2020, are subject to the approval of the Company's shareholders at the forthcoming annual general meeting to be held on 14 May 2021 and compliance with the Companies Law of the Cayman Islands.

On 21 May 2020, the Board declared final dividend and final special dividend, out of the share premium account of the Company for the year ended 31 December 2019.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the adjusted weighted average number of ordinary shares of 790,624,444 (2019: 784,460,207) in issue during the year.

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

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

	2020	2019
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**129,675**	135,547

	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue	**849,720,000**	849,650,959
Weighted average number of shares held for the RSU Scheme	**(59,095,556)**	(65,190,752)
Adjusted weighted average number of ordinary shares in issue used in the basic earnings per share calculation	**790,624,444**	784,460,207
Effect of dilution – weighted average number of ordinary shares: RSU Scheme	**21,312,659**	8,126,698
Adjusted weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	**811,937,103**	792,586,905

9. OTHER INVESTMENTS

		31 December 2020	31 December 2019
		RMB'000	*RMB'000*
Non-current assets			
Equity investments at fair value through profit or loss			
– Unlisted equity investments	*(i)*	**6,346**	3,827
Debt investments measured at amortised cost			
– Corporate debts	*(ii)*	**215,292**	–
Debt investments at fair value through profit or loss			
– Unlisted trust plan and asset management plan	*(iii)*	**–**	203,589
– Fund	*(iii)*	**15,252**	–
		15,252	203,589
		236,890	207,416
Current assets			
Short-term equity investments measured at fair value through profit or loss			
– Listed equity investments	*(iv)*	**84,825**	63,537
Short-term debt investment measured at amortised cost			
– Corporate debt	*(ii)*	**30,175**	–
Short-term debt investments measured at fair value through profit or loss			
– Wealth management products issued by banks	*(iii)*	**304,414**	370,282
– Unlisted trust plans and asset management plans	*(iii)*	**200,228**	274,447
– Funds	*(iii)*	**177,657**	171,741
		682,299	816,470
		797,299	880,007

(i) The fair values of the unlisted equity investments are measured using a valuation technique with unobservable inputs and hence categorised within Level 3 of the fair value hierarchy.

(ii) Debt investments measured at amortised cost are debt assets and a financing plan with guaranteed returns. They are denominated in RMB. None of these investments are past due.

(iii) Wealth management products issued by banks, unlisted trust plans, asset management plans and funds issued by financial institutions, were denominated in RMB and US$ at aggregate amounts of RMB571,938,000 and RMB125,613,000 (2019: RMB773,489,000 and RMB246,570,000), with an expected rate of return ranging from 3.3% to 10.0% (2019: 3.5% to 8.0%) per annum for the period. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. The fair values are based on cash flows discounted using the expected return based on management judgement and are within Level 2 of fair value hierarchy.

(iv) The fair values of listed equity investments are determined based on the closing prices quoted in active markets. They are accounted for using their fair values based on the quoted market prices (Level 1: quoted price (unadjusted) in active markets) without deduction for transaction costs.

(v) Amounts recognised in profit or loss

	2020	2019
	RMB'000	*RMB'000*
Investment income from debt investments measured at amortised cost		
– Corporate debts	**8,106**	–
– Structured deposit	**153**	–
– National debt	**1**	1
	8,260	1
Fair value changes on equity investments		
– Unlisted equity investments	**834**	(3,055)
– Listed equity investments	**27,377**	22,067
Fair value changes on debt investments		
– Unlisted trust plans and asset management plans	**37,573**	10,052
– Wealth management products issued by banks	**6,719**	5,199
– Funds	**20,062**	2,656
	92,565	36,919

10. SHARE CAPITAL

Shares

	2020	2019
	RMB'000	*RMB'000*
Authorised:		
3,000,000,000 ordinary shares of US$0.00005 each as at 31 December 2020 (2019: 3,000,000,000 ordinary shares)	**1,070**	1,070
Issued and fully paid:		
849,720,000 ordinary shares as at 31 December 2020 (2019: 849,720,000 ordinary shares)	**304**	304

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital
		RMB'000
At 1 January 2019	848,040,000	303
Exercise of over-allotment options	1,680,000	1
At 31 December 2019 and 31 December 2020	849,720,000	304

On 16 January 2019, the Company issued 1,680,000 new ordinary shares at a price of HK$2.40 per share upon the exercise of over-allotment share options granted to the relevant underwriters in connection with the global offering.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

As the largest K-12 after-school education service provider in southern China and the fifth largest nationwide[1], the Company has been providing quality and diversified education products and services to students and parents since our establishment 23 years ago. Our Group mainly offers after-school education-related courses, including Small Group Tutoring, Individualised Tutoring, Talent Education and Full-time Test Preparation Program.

As at 31 December 2020, the Group had a total of 268 education centres nationwide, which are located in Guangzhou, Shenzhen, Zhongshan, Foshan, Zhuhai, Shanghai, Dongguan, Nanning and Beijing, mainly distributed in the Guangdong-Hong Kong-Macau Greater Bay Area. The main education products and services provided by our Group are Small Group Tutoring, Individualised Tutoring, Talent Education and Full-Time Test Preparation Program. Our Small Group Tutoring and Individualised Tutoring are designed to improve students' academic performance, covering all key academic subjects taught in primary schools, middle schools, and high schools in China. Our Talent Education is designed to cultivate the all-round development of our students, allowing a more engaging and enjoyable process. Our Full-time Test Preparation Program aims to help middle school and high school graduates achieve admission to their preferred schools through Zhongkao (中考) and Gaokao (高考).

The Group has been deeply plowing the South China area and radiating across the country. Through 23 years of effort and development, our "Zhuoyue Education" (卓越教育) brand and reputation have also been recognised and welcomed by students, parents and all social sectors. In 2020, Beststudy was awarded the title of "Outstanding Contribution Institution for the 40th Anniversary of Guangdong Private Education" (廣東民辦教育四十周年突出貢獻機構) and our public welfare project "Candle Protection Plan • Caring Rural Teachers" (護燭 • 關愛鄉村教師計劃) won the "2020 Southern Public Welfare Communication Award – Innovation Award" (2020南方公益傳播獎 • 創新獎). We also made a breakthrough in enhancing the brand image of the Group as employer who broadens brand building, and won awards such as "Innovating Extraordinary Employer" (全國創新非凡僱主) and "2020 Best Employer in the Greater Bay Area" (2020年大灣區最佳僱主). The recognition of students, parents and all social sectors will help us enlarge our student pool and further strengthen our market position in the K-12 after-school education training industry in China.

1 According to an industry report prepared by Frost & Sullivan based on 2017 statistics

Business Review

During the Reporting Period, as affected by the COVID-19 epidemic, our Group had a revenue of RMB1,687.8 million, representing a decrease of approximately 7.9% compared to 2019. In particular, the Group's revenue in the first half of the year decreased by 11.3% year-on-year. With COVID-19 epidemic fading away and the joint efforts of all staff, the decline in revenue dramatically narrowed down in the second half of the year in conjunction with gradual recovery of our business. Revenue in the second half of 2020 decreased by 4.7% as compared to the same period in 2019.

During the Reporting Period, the student enrollment number was 530,782[1], representing a year-on-year decrease of approximately 3.7% as compared with the year ended 31 December 2019. The total tutoring hours were 12,257,069 hours[1], decreasing by approximately 10.5% as compared with 2019.

Despite the COVID-19 epidemic, the Group reported an adjusted profit of RMB143.7 million for the Reporting Period, delivering an overall profit as the Group's businesses developed.

Operation under COVID-19 epidemic

After the outbreak of COVID-19 epidemic in early 2020, we quickly shifted from offline courses to online platform in accordance with the plan of "Three-Original Course", and the offline to online conversion rate of winter courses was 85%, owing to the strong execution of thousands of staff and the strong support from the middle platform we have invested in for many years, as well as our early entry into online education.

The Group has leveraged on its strong operational capabilities after shifting our courses from offline to online platform. Our services under the new situation are more meticulous and focused on top of our high quality teaching, which in turn has increased our overall rate of student renewal subscription, with an overall retention rate of 87.5% for the year 2020, representing an increase of 4.5% as compared to the same period in 2019. Once again, it demonstrates the effectiveness of our teaching and course experience, which are well accepted by parents and students, even under the setting of online teaching. This in turn creates word-of-mouth for our OMO teaching model.

In response to the unavailability of offline enrollment in spring, we adopted more active marketing strategies in summer. With an improved situation of COVID-19 epidemic in June 2020, we quickly introduced Summer One Program[2] targeted at different markets. The number of students under Shenzhen Summer One Program grew by 17.1% year-on-year, while that under Summer One Program in regional markets outside Guangzhou and Shenzhen increased by 64.4% year-on-year, which boosted enrollment for summer and autumn courses. In general, our business has rapidly recovered in the second half of 2020, with revenue growth and enrollment accelerating back on track.

1 We adopted active strategies during COVID-19 epidemic, including the continuous introduction of more short-term courses apart from regular courses to attract customers during the Reporting Period, reducing the impact of COVID-19 epidemic and striving for more customers resources. For a better comparative understanding, the number of enrollments and the number of tutoring hours are all data from regular courses.

2 Summer One Program refers to the promotional referral courses that charge RMB0 or RMB1.

In terms of individualised tutoring, after the offline one-to-one course resumes, our teachers have strengthened communication with students and parents with effective COVID-19 epidemic prevention and control. Specifically, we helped students recover their pre-epidemic learning status and made up for missed lessons as soon as possible by intergrating weekend offline and weekday online OMO course. Individualised tutoring hours in the second half of 2020 increased by 7.2% as compared to the same period in 2019.

Expansion Strategies

As at 31 December 2020, the number of our education centres was 268. We adjusted the number of existing campuses under COVID-19 epidemic, including consolidating and managing the original 12 campuses that were affected by the COVID-19 epidemic, in poor condition, and had high rents or low revenue; and converting 3 campuses for full-time education business, in order to improve their efficiency. During the Reporting Period, we opened 18 new training centres, which were primarily located in major cities of the Guangdong-Hong Kong-Macao Greater Bay Area. We strengthened our position in Guangzhou while enhancing our presence in regional cities such as Shenzhen and Nanning. During the COVID-19 epidemic, we adopted a flexible shop opening strategy and controlled the pace of shop openings in a moderate manner, thereby ensuring a healthy development of business operations.

The Shenzhen campus showed an increase against the impact of COVID-19 epidemic, opening 9 new training centres during the year to further enhance the coverage in the Shenzhen market. In the tutoring class business, high conversion rate of Summer One Program led to a new round of growth in student enrollment. These students were further converted to regular courses students through our high quality course content and improvement in teaching services, with the number of students for regular courses during the year increasing year-on-year by 9.1% compared to the same period in 2019. In terms of individualised tutoring, with an improved situation of COVID-19 epidemic in the second half of the year, class hours consumed for the year increased by 6.3% as compared to the same period in 2019. Overall, the total revenue of the Shenzhen market grew by 9.6% year-on-year in 2020, reflecting the Group's rapid growth in regional strategic markets.

COVID-19 epidemic has also promoted the transformation of offline education institutions where our teachers started their journey towards online teaching through using screens of different sizes during the COVID-19 epidemic outbreak. In addition, the Group took this opportunity to cultivate and enhance the organisation's online teaching capabilities.

Our online one-to-one business saw a continued high growth in 2020, with revenue 3 times that of the same period in 2019. Through our independently developed online one-to-one Niu Shi Bang system, we have leveraged our years of experience in standardised assessment and teaching systems to adopt a "fly-on-the-ground" (貼地飛行) approach for expansion. We set up offline experience shops in several cities, matched with marketing and enrollment operations staff responsible for product promotion, course experience and enrollment services, which further strengthened our regional coverage with unique product advantages. We have also set up teacher bases in Wuhan and Baoding to deliver quality teachers across regions through centralised teacher training and offline teaching and research, providing sufficient and stable quality teachers for our online expansion.

Since the launch of our self-developed Beststudy Online system in March 2020, we have constructed two sets of teaching platforms for large and small group tutoring courses, allowing students to freely choose and switch between different learning styles and scenarios at any time to achieve their learning goals. Beststudy Online thorough integration of online and offline platforms have enabled the Group to increase the rate of renewing subscription; besides, the Group reached out to price-sensitive people through online low-cost promotional referral courses to effectively increase inflows. We hope to cultivate our customers' awareness of Beststudy Online education, hence achieving its sustainable and competitive online growth objective by "putting students as our focus".

Incentives and Team Culture

As at 31 December 2020, the Group had 3,947 full-time teachers. During the times of COVID-19 epidemic, all of our teachers and staff actively carried forward the core principles of "Team Culture". All staff from different departments worked towards the same goal and achieved rapid shift from offline to online teaching, as well as actively participated in the newly created "all staff enrollment" promotion activities, reflecting the cultural concept of "winning" and adaptability and executive ability for a chance in crisis.

We continue to offer more incentives to high quality principals for operations and outstanding teachers by improving the Group's four-tier partnership and introducing and improving ancillary motivating incentive to support our footprint expansion strategy. Meantime, despite the impact of the COVID-19 epidemic, we continued with our existing recruitment strategy while giving priority to remuneration packages of frontline teachers, launching school-enterprise partnership programs with several universities selected for the Chinese "Double First-Class" initiative to recruit young and talented teachers for the Group's development.

Systematic Input and Digital Transformation

Beststudy's business philosophy is to carry out operations for a long term, doing the right things in the right way. We firmly believe that the continuous research and development investment is the key to ensure teaching quality and the core driver of education industry, and will help the Group to stand out in the fierce race.

As at 31 December 2020, we had an in-house research and development team of 528 employees to continuously develop, update and improve our courses, teaching materials and information technology system. During the Reporting Period, our research and development expenses amounted to approximately RMB165.6 million, and we continued to maintain a relatively higher input in research and development.

Benefiting from the Group's intense inputs in research and development, we have established three major information technology-based teaching platforms: E-Education System (EES), the individualised teaching system and the full-time smart classroom system. At the same time, the class-assisted large class, class-assisted small class and one-to-one Niushibang live broadcast system have been developed and put into use. Through the construction of the above system, we have achieved standard teaching activities and informatised and digitalised teaching management, so as to effectively improved our teaching quality and learning efficiency and strongly supported the teaching front end, thus providing a strong systematic support for implementing the OMO strategy.

In line with the Group's digital transformation strategy, in 2020 we built a number of digital foundation layers, such as a data middle platform and a marketing middle platform. At the same time, the Group constructed a marketing automation platform in the digitally empowered business-end scenario to precisely reach our target customers, and comprehensively improved the flows and quality of our omni-channel enrollment portal.

FUTURE PROSPECTS

Footprint Expansion

The construction and development of the Greater Bay Area not only introduces net population inflows to first and second-tier cities within the region, but also generates growing education demands. After the epidemic, some small K-12 tutoring institutions have been forced to withdraw from the market, the landscape of supply side of the industry has changed, and the market will witness continuous consolidation and concentration in the future; tutoring institutions with standardised teaching products, high-quality teaching teams and positive attitudes will outperform from the competition. To meet the increasing demands for K-12 after-school education services, we plan to operate more education centres in the Guangdong-Hong Kong-Macao Greater Bay Area, to improve our market shares in the Greater Bay Area. Guangzhou and Shenzhen are both core engines of the Guangdong-Hong Kong-Macau Greater Bay Area. We will continue to consolidate our market position in Guangzhou and increase our share of the existing market through expansion, as well as expanding into the surrounding areas. In the Shenzhen market as a key strategic region for the Group, we will accelerate network deployment and market penetration against the COVID-19 epidemic. In the future, the Group will further strengthen inputs and the faculty in key cities outside Guangzhou, such as Shenzhen and Nanning, to construct more education centres. All business divisions will continue to enhance their capabilities of replicating effective model to other locations and accelerate the pace of "dominating southern China and moving nationwide".

Based on the education OMO strategic layout, we will improve the penetration within the region through online education, satisfy education demands of second and third-tier cities, make online development as a part of footprint expansion and accelerate footprint expansion by means of "setting up physical education centers + online education". In the future, the Group will make use of the OMO approach to increase share and efficiency of existing markets in line with the needs of students. In addition, the Group will explore new modes of online expansion and enter new cities that are not yet covered, in order to promote footprint expansion.

To cope with rapid footprint expansion, we build an efficient talent supply chain, improve the capability and effectiveness of teachers, and continuously export strong teams of teachers to different regional campuses. We continue to offer more incentives to high quality principals for operations and outstanding teachers by improving the Group's four-tier partnership, and promote the partnership to more regional cities to gather quality talents to expand presence for the Group.

In addition, the epidemic also leads to new changes of the industry landscape. Accordingly, we will speed up mergers and acquisitions and explore new opportunities and incentives for the Group's footprint expansion strategy.

Chinese Dominance

Recent education and examination reforms have led to a shift in Chinese education from exam-oriented to competencies, and new curriculum, unified textbooks and new college entrance examinations have brought unprecedented opportunities for the development of the Chinese subject. We will continue to focus on the "Chinese Dominance" strategy and further increase the influence of Beststudy Chinese in southern China and across the country through improving the product system, developing new courses and enhancing the incentive mechanism.

Macro Chinese products witness growth amid the epidemic and report increasing student enthusiasm. All of these reflect that parents are paying high attention to the cultivation of Chinese quality and recognise the quality of Beststudy's Chinese teaching. We will continue to polish and update our "dual Chinese" product system, positioning Beststudy Chinese Subject as "Chinese Dominance's brand for placement", which is closely integrated with the examination system to effectively form an immediate product and achieve rapid growth. Beststudy Macro Chinese will build up its own system by establishing two teaching models, namely offline face-to-face teaching and online large-group live teaching, and provide students with multi-scenario and comprehensive education services in line with the education OMO development idea to achieve exponential growth.

A stable and quality teaching team is one of the core drivers of our Chinese Dominance strategy. In the future, we will increase the build-up and training of our teaching team, increase the number of high quality teachers, strengthen the incentive mechanism for talents and enhance the sense of recognition and pride of our Beststudy Chinese Subject teachers. We expect parents and students to regard Beststudy Chinese Subject as their preferred brand for Chinese learning, and that we will develop a strong reputation of "learning Chinese in Beststudy" (好語文，來卓越), so that we can become a national teaching and training institution along with the opportunities presented by the development of Chinese discipline.

Digital Transformation

The outbreak of COVID-19 epidemic has led to changes in consumer demand at the user end, and we need to improve our products and services system, improve organisational effectiveness, and develop and optimise our business model in order to capture market opportunities. We believe that offline education will last for long, because education is not only about imparting knowledge, but also about leading students to develop holistically, and the mission of education is to awaken, inspire and motivate every heart. In addition, we believe that individualised learning is the ultimate model of education. As each individual has different interests, specialties and knowledge structures, we need to provide students with the most appropriate teaching methods, services and products in order to realise individualised learning models for different individuals.

Based on the above understanding, we believe that purely online or offline education will not exist on its own, and that OMO is an important way to realise individualised learning models for different individuals. In the digital era, OMO is only a symptom of the user interface (a language of the user interface), and the underlying layer is digital construction of enterprises. We are focusing on building a strong technical infrastructure to enhance frontend digital marketing platform and three systems of research, teaching and service at the backend. We will leverage digital capabilities such as big data and cloud computing to record and analyse students' learning trajectories and use those data to feed back into students' learning behaviours, thereby better improving learning efficiency and laying a solid foundation for the successful implementation of OMO.

The construction of the underlying digital platform has helped Beststudy become the first education and training institution in China to build a "5G+Education" ecology. We will use 5G technology as the basis and integrate it with AI and other new generation IT technologies to develop multi-disciplinary 5G holographic courses. The new teaching scenario of virtuality and reality overlay will improve the interactivity and fun in the classroom, as well as help solve the problems of "reduced student concentration, poor independent learning ability and difficult teacher-student interaction" in online courses, making it a breakthrough for OMO in education. As to teaching services, the construction of digital platform helps us collect and analyse students' learning behaviours from all endpoints of the teaching process. With digital teaching tools, we provide customersized products and services to students, and optimise cost rates while breaking the bottleneck of enrollment and renewing subscription, thereby empowering the organisation and improving its efficiency.

After years of accumulation of experience, we have completed the construction of the OMO digital infrastructure. We build the whole process chain from promotion, enrollment, preview, teaching, tutoring to service, and find the best combination of efficiency riding on the advantages of online and offline teaching, thus improving the efficiency and effectiveness of teaching services. We hope to reach more students and parents through our integrated online and offline products and services in the future, bringing them better products and service experience.

In the future, we will realise "334 Plan[1]" under the direction of the Group's strategies to deliver a higher level of development, create a platform for teachers and staff to better realise their personal values in their work and bring a sustainable and increasing return on investment for our Shareholders and investors.

[1] "334 Plan" means that the Group will reach revenue of RMB4 billion with an annual compound growth rate of 30% in the next three years (2021-2023).

FINANCIAL REVIEW

Revenue

The following table sets forth a breakdown of the Group's revenue by type of education services we provided for the years 2020 and 2019:

	For the year ended 31 December		
	2020	2019	% Change
	RMB'000	*RMB'000*	
Small Group Tutoring	**828,935**	918,459	-9.7%
Individualised Tutoring	**644,242**	698,850	-7.8%
Full-time Test Preparation Program	**161,764**	156,549	3.3%
Talent Education	**51,555**	56,104	-8.1%
Others	**1,302**	1,705	-23.6%
Total	**1,687,798**	1,831,667	-7.9%

The Group's revenue is principally generated from the tuition fees we collect from our students. During the Reporting Period, the Group's revenue generated from our principal business decreased by 7.9% to approximately RMB1,687.8 million from RMB1,831.7 million in 2019. As compared to 2019, the decrease in revenue generated from our principal business was mainly attributable to the decrease in tutoring hours due to the shortened class scheduling time available for the COVID-19 epidemic impact and the impact on enrollment during the COVID-19 epidemic.

(i) Number of enrollments

	For the year ended 31 December		
	2020	2019	% Change
Small Group Tutoring (Regular courses)	**356,952**	382,065	-6.6%
Individualised Tutoring	**149,739**	142,415	5.1%
Full-time Test Preparation Program	**6,089**	6,059	0.5%
Talent Education	**18,002**	20,521	-12.3%

(ii) Tutoring hours

	For the year ended 31 December		
	2020	2019	% Change
Small Group Tutoring (Regular courses)	**8,985,928**	10,174,304	-11.7%
Individualised Tutoring	**2,550,582**	2,753,945	-7.4%
Full-time Test Preparation Program	**N/A**	N/A	
Talent Education	**720,559**	767,285	-6.1%

(iii) Per-hour charges

	For the year ended 31 December		
	2020	2019	% Change
	RMB	*RMB*	
Small Group Tutoring (Regular courses)	**90**	87	3.4%
Individualised Tutoring	**253**	254	-0.4%
Full-time Test Preparation Program	**N/A**	N/A	N/A
Talent Education	**72**	73	-1.4%

COST OF SALES

Cost of sales increased by 0.8% from RMB1,064.0 million as at 2019 to RMB1,072.6 million for the Reporting Period, attributable to: (i) the increase in teacher labor cost for promotional referral courses, and (ii) additional expenses during COVID-19 epidemic, such as 1) additional expenses arising from online classes, 2) expenses put in the prevention and control of COVID-19 epidemic, and 3) the one-off expenses for resuming normal classes.

GROSS PROFIT AND GROSS PROFIT MARGIN

As a result of the above principal factors, the Group's gross profit decreased by 19.9% from RMB767.6 million as at 2019 to RMB615.2 million for the Reporting Period.

The gross profit margin of the Group as at 2019 was 41.9%, whilst for the Reporting Period it was 36.4%. The decrease in gross profit margin was primarily due to (i) the decrease in the revenue, (ii) the increase in teacher labor cost for promotional referral courses, and (iii) additional expenses during COVID-19 epidemic, such as 1) additional expenses arising from online classes, 2) expenses put in the prevention and control of COVID-19 epidemic, 3) the one-off expenses for resuming normal classes, and 4) the depreciation and amortisation of right-of-use assets not declining with revenue.

OTHER INCOME AND GAINS

During the Reporting Period, the Group recorded other income and gains in the amount of RMB66.9 million, representing an increase of RMB48.1 million year-on-year. The other income and gains include VAT exemption, government grants, interest income of current deposit and time deposit and gain on disposal of right-of-use assets.

FAIR VALUE CHANGES ON INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The fair value changes on investments at fair value through profit or loss increased by RMB55.7 million from approximately RMB36.9 million in 2019 to approximately RMB92.6 million for the Reporting Period. The fair value changes included fair value changes on unlisted equity investments, listed equity investments, wealth-management products issued by banks and unlisted trust plans.

SELLING EXPENSES

During the Reporting Period, the Group's total selling expenses amounted to RMB195.1 million, representing an increase of approximately 19.9% from RMB162.7 million in 2019. The increase was mainly due to the higher cost of attracting and acquiring customers online during the COVID-19 epidemic, resulting in increased investment in online advertising.

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 RMB214.1 million, representing an decrease of 11.6% as compared to RMB242.3 million in 2019.

The main reason for such a decrease was due to (i) decrease in equity-settled compensation costs, and (ii) decrease in the number of consulting projects.

RESEARCH AND DEVELOPMENT EXPENSES

During the Reporting Period, the Group's research and development expenses amounted to RMB165.6 million, representing an increase of approximately RMB0.1 million from RMB165.5 million in 2019.

OTHER EXPENSES

The Group's other expenses during the Reporting Period amounted to RMB9.8 million, and mainly consisted of losses on disposal of fixed assets, net losses on other items and public donations.

FINANCE COSTS

During the Reporting Period, the Group recorded finance costs in the amount of approximately RMB53.0 million as a result of the interest expenses in relation to leases in the amount of RMB45.7 million and the interest expenses of bank loans in the amount of RMB7.3 million.

INCOME TAX EXPENSES

During the Reporting Period, the Group's income tax expenses were RMB15.2 million, decreased by approximately RMB6.7 million from RMB21.9 million for the corresponding period last year.

PROFIT FOR THE REPORTING PERIOD

The Group's profit for the Reporting Period decreased from RMB134.9 million in 2019 to RMB127.8 million for the Reporting Period, representing a decrease of 5.3%. The special factors impacting profit for the Reporting Period were mainly: (i) the decrease in revenue, (ii) the increase in teacher labor cost for promotional referral courses, and (iii) additional expenses during COVID-19 epidemic, such as 1) additional expenses arising from online classes, 2) expenses put in the prevention and control of COVID-19 epidemic, and 3) the one-off expenses for resuming normal classes.

NON-GAAP MEASUREMENTS RELATED TO THE PROFIT FOR THE REPORTING PERIOD

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

The term of adjusted 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 profit for the 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 profit decreased by 12.9% from RMB165.0 million for 2019 to RMB143.7 million for the Reporting Period. Adjusted profit eliminates the effect of nonrecurring items and certain items that were not incurred in relation to the Group's principal business, such as equity-settled compensation costs.

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

	For the year ended 31 December		
	2020	2019	% Change
	RMB'000	*RMB'000*	
Profit for the year	**127,794**	134,881	-5.3%
Add:			
Equity-settled compensation costs	**15,863**	30,140	-47.4%
Adjusted Profit	**143,657**	165,021	-12.9%

In light of the foregoing limitations for other financial measurements, when assessing our operating and financial performance, shareholders and investors should not consider adjusted profit and profit from core business in isolation or as a substitute for our profit for the 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 titled measurements by other companies.

At the beginning of the year, the Group disposed of one subsidiary and some unlisted equity investments were disposal off accordingly. As such, the profit from core business will not be disclosed as from the Reporting Period due to the adjusted factors are no longer material.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, cash and cash equivalents of the Group amounted to RMB693.7 million.

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

CURRENT AND GEARING RATIO

As at 31 December 2020, the current ratio of the Group was approximately 1.06, representing an increase from 1.04 as at 31 December 2019. The current ratio is equal to total current assets divided by the total current liabilities.

As at 31 December 2020, the gearing ratio of the Group was 75.0%, as compared to 71.2% as at 31 December 2019. The gearing ratio is equal to total debts divided by the sum of total equity and total debts.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the Reporting Period, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies.

FUTURE PLANS FOR SIGNIFICANT INVESTMENT AND CAPITAL ASSETS

The Group does not have other plans for significant investment or capital assets as at the date of this announcement.

SIGNIFICANT INVESTMENTS

As at 31 December 2020, the Group held financial assets comprising (i) debt investments of RMB943.0 million (2019: RMB1,020.1 million), in aggregate accounted for 29.6% of the Group's total assets as at 31 December 2020, representing investments in various types of short-term wealth management products issued by licensed banks, unlisted trust plans and asset management plan and funds and corporate debts; and (ii) equity investments of RMB91.2 million (2019: RMB67.4 million), in aggregate accounted for 2.9% of the Group's total assets as at 31 December 2020, representing investment portfolio of unlisted companies and a listed company.

The Group adopts prudent and pragmatic investment strategies over its significant investments. The subscription of the significant investments as well as the investments in other financial products were made for treasury management purpose to maximize 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 Company 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.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any unrecorded significant contingent liabilities, guarantees or any litigation against the Group.

PLEDGE OF ASSETS

As at 31 December 2020, bank balances amounting to RMB2.6 million were restricted, including bank balances amounting to RMB2.3 million restricted in accordance with requirements of some local education bureaus on launching the private education business and RMB0.3 million restricted for capital verification purpose upon setting up some of the Group's subsidiaries.

BANK LOANS AND OTHER BORROWINGS

During the Reporting Period, the additional loans which enjoyed policy-based interest subsidies amounted to RMB349 million.

FOREIGN EXCHANGE EXPOSURE

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

On 5 March 2021, Tibet Zhouyue Venture Capital Investment Management Co., Ltd, an indirect wholly owned subsidiary, has completed the transfer of its equity interests held in Guangzhou Grow Education Technology Co., Ltd. (廣州市果肉教育科技有限公司) to an independent third party at a consideration of RMB20.5 million. As each of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of this transaction is less than 5%, the transaction is not subject to the notification and disclosure requirement under the Listing Rules.

In January 2021, an aggregate of 2,499,000 shares were repurchased by the Company, at a total consideration of HK$6,807,270. All these shares are to be cancelled.

Save as disclosed above, as at the date of this announcement, the Group has no material subsequent events after 31 December 2020 which are required to be disclosed.

HUMAN RESOURCES

As at 31 December 2020, the Group had a total of 7,097 (31 December 2019: 6,902) employees. To ensure that the Group is able to attract and retain staff capable of attaining the best performance levels, remuneration packages are reviewed on a regular basis. The Restricted Share Units Scheme ("**RSU Scheme**") is employed by the Group. The total cost of the equity-settled compensation granted to employees for the Reporting Period amounted to RMB15.9 million. In addition, discretionary bonus is offered to eligible employees by reference to the Group's results and individual performance.

FINAL DIVIDEND

Based on the healthy and stable condition of operation and cash flow, the Board of the Company is pleased to recommend the payment of a final dividend of HK$5.5 cents (2019: HK$5.3 cents) per ordinary share for the year ended 31 December 2020, out of the share premium account of the Company, accounting for approximately 30.2% of profit for the year attributed to owners of the parent during the year, with an aggregate amount of approximately HK$46.73 million (2019: HK$62.03 million). Subject to approval at the forthcoming annual general meeting on 14 May 2021 and compliance with the Companies Law of the Cayman Islands, the said final dividend will be paid on or around 3 June 2021 to shareholders of the Company (the "**Shareholders**") whose names appear on the register of members of the Company on 20 May 2021.

USE OF PROCEEDS FROM THE LISTING

The net proceeds from the listing (including from the partial exercise of the over-allotment option) amounted to HK$299.5 million, after deducting the underwriting fees and other listing expenses borne by the Company. As known to the Directors, there is no material change to the planned use of the proceeds as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 12 December 2018 (the "**Prospectus**").

An analysis of the planned use of net proceeds as stated in the Prospectus and the actual use of the net proceeds from 27 December 2018 (being the date of the listing (the "**Listing Date**")) up to 31 December 2020 and the intended use of the proceeds and the expected timeline are set out as below:

Business objective as stated in the Prospectus	**Percentage of use of proceeds as stated in the Prospectus**	**Unused net proceeds as at 1 January 2020** *HK$'million*	**Actual use of net proceeds during the period from the Listing Date to 31 December 2020[(1)]** *HK$'million*	**Proceeds unused[(2)]** *HK$'million*	**Expected timeline[(3)]**
For footprint expansion	50%		–	–	Completed
For seeking strategic alliances and acquisitions to support and expand the operations	30%	24.7	16.8	7.9	As at the date of this announcement, we had no finalised or definitive investment or memorandum of understanding on acquisition, commitment or agreement, and has not engaged in any negotiation.
For investments to improve the teaching quality	20%		–	–	Completed

Notes:

1. The actual proceeds allocated to each business objective stated in the table have been adjusted and recalculated with reference to (i) the actual net proceeds of HK$299.5 million received by the Company from the listing (including from the partial exercise of the over-allotment option and after deducting the underwriting fees and other listing expenses borne by the Company); and (ii) the percentage of use of proceeds allocated to each business objective as disclosed in the Prospectus.

2. As at 31 December 2020, the unused net proceeds were deposited into current deposits and low-risk short-term debt investment products.

3. The expected timeline to use the remaining proceeds is prepared based on the best estimate made by the Group, which is subject to change according to the current and future development of the market condition.

RSU SCHEME

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

As at 31 December 2020, the trustee of the Company, Ms. Shaoping Fu (the "**Trustee**") has purchased an aggregate of 28,321,000 shares (representing approximately 3.33%[1] of the total issued shares of the Company) under the RSU Scheme. A total of 52,717,173 shares (representing approximately 6.20%[1] of the total issued shares of the Company) have been granted to employees of the Group under the RSU Scheme.

CORPORATE GOVERNANCE PRACTICES

The Company recognised the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders 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 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), as its own code to govern its corporate governance practices. Save as disclosed below, in the opinion of the Directors, the Company has complied with the relevant code provisions contained in the CG Code during the Reporting Period.

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. Under the current organisation structure of the Company, Mr. Junjing Tang is the chairman and chief executive officer of the Company. With extensive experience in the education industry, Mr. Junjing Tang is responsible for overall development, operation and management of the Company and is instrumental to the growth and business expansion since the establishment of the Group. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprise experienced individuals. The Board currently comprises three executive directors (including Mr. Junjing Tang), one non-executive director and three independent non-executive directors and therefore has a fairly strong independence element in its composition. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

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

1. The percentage represents the number of shares divided by the number of the Company's issued shares as at 31 December 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

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

Other than the shares purchased (as employee incentive which will create value for the Shareholders) through the Trustee as mentioned in the paragraph headed "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 C.3 of the CG Code. The audit committee consists of Mr. Peng Xue, Ms. Yu Long and Mr. Wenhui Xu, with Mr. Peng Xue being the chairman of the committee.

The primary function of the audit committee is 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. On 25 March 2021, the audit committee of the Company has in conjunction with management 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 year ended 31 December 2020.

SCOPE OF WORK OF THE COMPANY'S AUDITOR IN RESPECT OF THIS ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2020, consolidated statement of profit or loss and consolidated statement of comprehensive income for the year then ended and the related notes thereto as set out in the preliminary announcement have been agreed by the Company's auditor to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditor, Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards in Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

ANNUAL GENERAL MEETING

The 2021 annual general meeting (the "**AGM**") is scheduled to be held on 14 May 2021. Notice of the 2021 AGM and all other relevant documents will be published and despatched to the Shareholders 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 2021 to 14 May 2021, both days inclusive and during which 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 2021.

(b) Determining the entitlement to the proposed final dividend

The register of members of the Company will be closed from 21 May 2021 to 25 May 2021, 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 2020. 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 20 May 2021.

PUBLICATION OF 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 year ended 31 December 2020 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the above websites in due course.

APPRECIATION

On behalf of the Board, I would like to thank all our colleagues for their diligence, dedication, loyalty and integrity. I would also like to thank all the parents, shareholders and business partners 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, 25 March 2021

As at the date of this announcement, the executive directors are Mr. Junjing Tang, Mr. Junying Tang and Mr. Gui Zhou, the non-executive director is Mr. Wenhui Xu, and the independent non-executive directors are Mr. Yingmin Wu, Ms. Yu Long and Mr. Peng Xue.