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China Beststudy Education Group

卓越教育集團*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3978)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2024	2023	Change
	RMB'000	RMB'000	%
Revenue	1,102,001	489,314	125.2
Gross Profit	510,118	229,858	121.9
Net Profit	192,339	89,880	114.0
Adjusted Net Profit	192,787	89,225	116.1

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

The board (the “**Board**”) of directors (the “**Director(s)**”) of China Beststudy Education Group (the “**Company**” or “**Beststudy**” and, together with its subsidiaries, collectively the “**Group**”) announces the audited consolidated financial results of the Group for the year ended 31 December 2024 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2023 as follows:

* For identification purposes only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

		2024	2023
	NOTES	RMB'000	RMB'000
Revenue	4 & 5	1,102,001	489,314
Cost of sales		(591,883)	(259,456)
Gross profit		510,118	229,858
Other income		32,413	29,390
Other gains and losses		(10,658)	3,957
Selling expenses		(76,005)	(26,081)
Administrative expenses		(140,285)	(57,886)
Other operating expenses		(47,494)	(30,714)
Fair value changes on financial assets at fair value through profit or loss ("FVTPL")	11	(878)	(38,912)
Gain on disposal and deregistration of investments in subsidiaries		581	19,519
Impairment losses recognised under expected credit loss ("ECL") model, net	6	(7,411)	(5,526)
Share of results of associates		(171)	(1,019)
Share of results of joint ventures		–	(858)
Finance costs		(11,737)	(8,967)
Profit before tax		248,473	112,761
Income tax expense	7	(56,134)	(22,881)
Profit and total comprehensive income for the year	8	192,339	89,880
Profit and total comprehensive income for the year attributable to			
– owners of the Company		192,451	91,246
– non-controlling interests		(112)	(1,366)
		192,339	89,880
EARNINGS PER SHARE			
– Basic	10	RMB25.61 cents	RMB12.12 cents
– Diluted	10	RMB25.56 cents	RMB12.12 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

		2024	2023
	NOTES	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		78,426	57,523
Right-of-use assets		265,976	174,210
Intangible assets		22,407	24,285
Investments in associates		16,042	16,112
Investments in joint ventures		5,366	5,366
Financial assets at FVTPL	11	9,043	7,392
Long-term time deposits		483,000	180,000
Deferred tax assets		46,096	45,797
Prepayments for purchases of property, plant and equipment		30,340	23,579
		<u>956,696</u>	<u>534,264</u>
CURRENT ASSETS			
Financial assets at FVTPL	11	108,876	61,585
Debt instruments measured at amortised cost	12	19,386	33,315
Prepayments, deposits and other receivables		113,777	92,174
Amounts due from associates		363	609
Amounts due from joint ventures		1,450	–
Amounts due from related parties		1,964	4,352
Other current assets		489	505
Short-term time deposits		100,000	18,444
Restricted bank deposits		22,396	19,200
Cash and cash equivalents		512,011	281,928
		<u>880,712</u>	<u>512,112</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2024

	NOTE	2024 RMB'000	2023 RMB'000
CURRENT LIABILITIES			
Other payables and accruals		221,604	106,170
Contract liabilities		602,017	211,784
Amounts due to related parties		200	473
Income tax liabilities		69,768	41,098
Lease liabilities		75,163	51,423
		<u>968,752</u>	<u>410,948</u>
NET CURRENT (LIABILITIES) ASSETS		<u>(88,040)</u>	<u>101,164</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>868,656</u>	<u>635,428</u>
NON-CURRENT LIABILITY			
Deferred tax liabilities		4,813	–
Lease liabilities		210,134	138,993
		<u>214,947</u>	<u>138,993</u>
NET ASSETS		<u>653,709</u>	<u>496,435</u>
CAPITAL AND RESERVES			
Share capital	13	303	303
Reserves		653,406	497,705
		<u>653,709</u>	<u>498,008</u>
Equity attributable to owners of the Company		653,709	498,008
Non-controlling interests		–	(1,573)
TOTAL EQUITY		<u>653,709</u>	<u>496,435</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

1. GENERAL INFORMATION

China Beststudy Education Group (the “**Company**”) was incorporated in the Cayman Islands on 27 August 2010 as an exempted company with limited liability under the laws of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited. Prior to the termination of the acting in concert agreement among Mr. Junjing Tang, Mr. Junying Tang and Mr. Gui Zhou (the “**Concerted Parties**”) on 9 November 2023, the ultimate controlling parties are the Concerted Parties. As at 31 December 2024, the Company does not have any controlling shareholder or ultimate controlling shareholder 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 annual report.

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

As at 31 December 2024, the Group recorded net current liabilities of RMB88,040,000 (2023: net current assets of RMB101,164,000). Certain plan and measure has been taken to mitigate the liquidity position and improve the financial position. As at 31 December 2024, the Group has RMB602,017,000 of contract liabilities with customers and the directors of the Company determines that those contract liabilities will not have any significant future cash outflow. In addition, tuition fees from students will generate adequate cash inflow from operating activities in expected timeline.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the next twelve months by taking into account the Group’s cash flow projection as at 31 December 2024 and the Group’s future capital expenditure in respect of its non-cancellable capital commitments and adequate resources to continue in operational existence for the foreseeable future. Thus the Group continues to adopt the going concern basis of accounting in preparing the consolidated financial statements.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

Amendments to IFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRS Accounting Standards 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 consolidated financial statements:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to International Accounting Standard 1 (“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

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

3.1 Impacts on application of Amendments to IAS 1 Classification of Liabilities as Current or Non-current (the “2020 Amendments”) and Amendments to IAS 1 Non-current Liabilities with Covenants (the “2022 Amendments”)

The Group has applied the amendments for the first time in the current year.

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the classification should not be affected by management intentions or expectations to settle the liability within twelve months.
- clarify that the settlement of a liability can be a transfer of cash, goods or services, or the entity's own equity instruments to the counterparty. If a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 Financial Instruments: Presentation.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the 2022 Amendments specifically clarify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date, even if compliance with the covenant is assessed only after the reporting date. The 2022 Amendments also specify that covenants with which an entity must comply after the reporting date (i.e. future covenants) do not affect the classification of a liability as current or non-current at the reporting date. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants, the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

In accordance with the transition provision, the Group has applied the new accounting policy to the classification of liability as current or non-current retrospectively. The application of the amendments in the current year had no material impact on the consolidated financial statements.

New and amendments to IFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following new and amendments to IFRS Accounting Standards that have been issued but are not yet effective:

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ³
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity ³
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards – Volume 11 ³
Amendments to IAS 21	Lack of Exchangeability ²
IFRS 18	Presentation and Disclosure in Financial Statements ⁴

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

² Effective for annual periods beginning on or after 1 January 2025.

³ Effective for annual periods beginning on or after 1 January 2026.

⁴ Effective for annual periods beginning on or after 1 January 2027.

Except for the new and amendments to IFRS Accounting Standards mentioned below, the directors of the Company anticipate that the application of all new and amendments to IFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

3.2 IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 Presentation and Disclosure in Financial Statements, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 *Presentation of Financial Statements*. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Minor amendments to IAS 7 *Statement of Cash Flows* and IAS 33 *Earnings per Share* are also made.

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of IFRS 18 on the Group's consolidated financial statements.

4. REVENUE

(i) Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2024				
	Full-time test preparation programs RMB'000	Talent education RMB'000	Tutoring programs RMB'000	Others RMB'000	Total RMB'000
Timing of revenue recognition					
Services transferred at a point in time	-	-	-	363	363
Services transferred over time	<u>206,761</u>	<u>713,434</u>	<u>181,443</u>	<u>-</u>	<u>1,101,638</u>
	<u><u>206,761</u></u>	<u><u>713,434</u></u>	<u><u>181,443</u></u>	<u><u>363</u></u>	<u><u>1,102,001</u></u>
	For the year ended 31 December 2023				
	Full-time test preparation programs RMB'000	Talent education RMB'000	Tutoring programs RMB'000	Others RMB'000	Total RMB'000
Timing of revenue recognition					
Services transferred at a point in time	-	-	1,310	223	1,533
Services transferred over time	<u>204,761</u>	<u>139,412</u>	<u>143,608</u>	<u>-</u>	<u>487,781</u>
	<u><u>204,761</u></u>	<u><u>139,412</u></u>	<u><u>144,918</u></u>	<u><u>223</u></u>	<u><u>489,314</u></u>

(ii) Performance obligations for contracts with customers

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

The Group is providing full-time test preparation programs, talent education and tutoring programs for students, i.e., customers, in the Mainland China. Full-time test preparation programs are provided to help middle school and high school graduates to be admitted to their preferred schools through Junior High School Academic Proficiency Examination (“**Zhongkao**”) and National College Entrance Examination (“**Gaokao**”). Talent education includes a diverse range of training programs to promote the all-round development of students. Tutoring programs include high-school academic class tutoring program and after-school tutoring program.

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

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

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

b) *Revenue from others*

The Group provides vocational education in an innovative model with the support of public vocational colleges. Revenue from provision of vocational education is recognised at a point in time upon completion of each program, when performance obligation of the Group is fulfilled and the customer receives the service.

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

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

5. OPERATING SEGMENTS

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

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

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

Revenue from major products and services

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

	2024 RMB’000	2023 RMB’000
Talent education	713,434	139,412
Full-time test preparation programs	206,761	204,761
Tutoring programs	181,443	144,918
Others	363	223
	<u>1,102,001</u>	<u>489,314</u>

Geographical information

The Group’s operations are substantially located in the Mainland China and all significant non-current assets of the Group are located in the Mainland China. Over 99% of total revenue of the Group is contributed from the subsidiaries located in the Mainland China. Therefore, no further geographical segment information is presented.

Information about major customers

No revenue from services provided to a single customer accounted for 10% or more of total revenue of the Group during the years ended 31 December 2024 and 2023.

6. IMPAIRMENT LOSSES RECOGNISED UNDER ECL MODEL, NET

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Impairment loss (recognised) reversed in respect of		
– debt instruments measured at amortised cost	(8,361)	(4,389)
– bank balances	–	450
– loan receivables, deposits and other receivables	950	(1,587)
	<u>(7,411)</u>	<u>(5,526)</u>

7. INCOME TAX EXPENSE

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Current tax:		
PRC Enterprise Income Tax (“EIT”)	56,048	22,225
PRC withholding income tax on profits earned from PRC subsidiaries	2,250	–
Over-provision in prior year	(6,536)	(7)
	<u>51,762</u>	<u>22,218</u>
Deferred tax expense	4,372	663
	<u>56,134</u>	<u>22,881</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 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 both years.

For the year ended 31 December 2024, the assessable profits in Hong Kong were absorbed by tax losses carried forward. No provision for taxation in Hong Kong has been made as the Group has no assessable profits in Hong Kong for the year ended 31 December 2023.

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 group entities in the Mainland China is 25% (2023: 25%) during the Reporting Period.

The group entities operating in the Mainland China are eligible for certain tax concessions and were entitled to reduce partial PRC income taxes for the year. During the year ended 31 December 2024, 18 group entities in the Mainland China (2023: 10) were certified as small and micro-sized enterprises (“SMEs”).

From 1 January 2023 to 31 December 2027, the group entities certified as SMEs enjoy a 75% reduction of taxable income and the preferential EIT rate of 20%.

EIT of the group entities in Mainland China has been provided at the applicable tax rates on the estimated taxable profits of the group entities during the year.

8. PROFIT FOR THE YEAR

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

	2024 RMB'000	2023 RMB'000
Auditor's remuneration	<u>2,020</u>	<u>1,930</u>
Depreciation of property, plant and equipment	20,786	21,343
Depreciation of right-of-use assets	67,223	56,506
Amortisation of intangible assets	<u>3,620</u>	<u>3,980</u>
Total depreciation and amortisation (<i>note a</i>)	<u>91,629</u>	<u>81,829</u>
Research and development costs recognised as an expense (included in other operating expenses) (<i>note b</i>)	46,987	28,740
Directors' and chief executive's emoluments	8,046	6,880
Staff salaries and benefits	491,408	163,461
Staff retirement benefits schemes contributions	19,723	7,464
Recognition (reversal of) of share-based payments	<u>448</u>	<u>(655)</u>
Total staff costs (<i>note a</i>)	<u>519,625</u>	<u>177,150</u>

Notes:

- (a) The staff costs of RMB387,307,000 (2023: RMB132,005,000) and depreciation and amortisation expense of RMB81,908,000 (2023: RMB74,246,000) are included in “Cost of sales” in the consolidated statement of profit or loss.
- (b) Included in the research and development costs are staff costs of RMB36,519,000 (2023: RMB20,172,000) and depreciation and amortisation expense of RMB1,603,000 (2023: RMB2,414,000).

9. DIVIDEND

The board of directors has approved dividend distribution plan for the three financial years 2024, 2025 and 2026 (the “**Three-Year Dividend Distribution Plan**”) on 3 January 2025. Under the Three-Year Dividend Distribution Plan, 50% of the net profit attributable to the Company’s owners in respect of the year ended 31 December 2024 of RMB11.4 cents per share (equivalent to HK\$12.3 cents per share) amounting to RMB96,226,000 (equivalent to HK\$104,227,000) will be distributed, subject to the approval at the forthcoming annual general meeting.

A final dividend in respect of the year ended 31 December 2023 of RMB3.2 cents per share (equivalent to HK\$3.5 cents per share) amounting to RMB26,894,000 (equivalent to HK\$29,653,000), has been approved by the shareholders at the annual general meeting held on 16 May 2024. For the year ended 31 December 2024, the Group distributed dividends amounting to RMB24,398,000 (2023: nil). The difference between dividends recognised as a distribution disclosed in consolidated statement of changes in equity represented the dividends paid to the Group’s restricted share unit scheme, which was adapted to hold the shares held for the RSU scheme in the consolidated statement of changes in equity.

10. EARNINGS PER SHARE

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

	2024 <i>RMB’000</i>	2023 <i>RMB’000</i>
Earnings		
Profit for the purpose of basic earnings per share and dilutive earnings per share	<u>192,451</u>	<u>91,246</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	751,415,651	752,918,298
Effect of dilutive potential shares:		
Unvested share awards	<u>1,443,559</u>	<u>115,067</u>
Weighted average number of ordinary shares for the purpose of dilutive earnings per share	<u>752,859,210</u>	<u>753,033,365</u>
Basic earnings per share	<u>RMB25.61 cents</u>	<u>RMB12.12 cents</u>
Diluted earnings per share	<u>RMB25.56 cents</u>	<u>RMB12.12 cents</u>

Note: The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the shares held for the Company’s restricted share unit scheme for the year ended 31 December 2024 and 2023.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Financial assets mandatory measured at FVTPL:			
Equity investments – unlisted equity investments		<u>9,043</u>	<u>7,392</u>
Financial assets designated at FVTPL:			
Equity investments – listed equity investments	(i)	23,333	23,003
Debt instruments			
– funds	(ii)	22,445	24,772
– wealth management products issued by banks	(ii)	50,585	–
– unlisted trust plans and asset management plans	(ii)	<u>12,513</u>	<u>13,810</u>
		<u>108,876</u>	<u>61,585</u>
		<u>117,919</u>	<u>68,977</u>
Analysed for reporting purposes as:			
– current assets		108,876	61,585
– non-current assets		<u>9,043</u>	<u>7,392</u>
		<u>117,919</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 investment is determined based on the quoted market bid price (Level 1: quoted price (unadjusted) in active markets).
- (ii) Wealth management products issued by banks, unlisted trust plans, asset management plans and funds issued by financial institutions, were denominated in RMB at aggregate amounts of RMB85,543,000 (2023: RMB38,582,000), with rate of return ranging from 3% to 7% (2023: 5% to 7%) per annum. As at 31 December 2024, unlisted trust plans and asset management plans and funds pledged with collaterals of properties with a carrying amount of RMB34,958,000 (2023: RMB38,582,000) were overdue without being redeemed pursuant to the terms of the subscription agreements.

(iii) Amounts recognised in profit or loss:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Fair value changes in equity instruments at FVTPL		
– Unlisted equity investments	1,349	(712)
– Listed equity investments	<u>330</u>	<u>(28,681)</u>
	<u>1,679</u>	<u>(29,393)</u>
Fair value changes in debt instruments at FVTPL		
– Funds (<i>note</i>)	(2,327)	(6,107)
– Wealth management products issued by banks	585	–
– Unlisted trust plans and asset management plans (<i>note</i>)	<u>(815)</u>	<u>(3,412)</u>
	<u>(2,557)</u>	<u>(9,519)</u>
	<u>(878)</u>	<u>(38,912)</u>

Note: The management of the Group has engaged an external valuation specialist to assist in the valuation of the Level 3 debt instruments measured at FVTPL. Included in the debt instruments of RMB34,958,000 (2023: RMB38,582,000) are unlisted trust plans and asset management plans and funds with the underlying assets mainly being properties of hotels, commercial and office buildings, as collateral. The fair value of the Level 3 debt instruments is determined by a complex proprietary model, on its proportionate shares of the estimated rapid realised value of the underlying assets. For the year ended 31 December 2024, the Group recognised fair value losses of RMB3,142,000 (2023: RMB9,519,000), respectively through profit or loss for these level 3 debt instruments.

12. DEBT INSTRUMENTS MEASURED AT AMORTISED COST

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Corporate debts	<u>19,386</u>	<u>33,315</u>
Analysed for reporting purposes as:		
– current assets	<u>19,386</u>	<u>33,315</u>

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

At 31 December 2024, debt instruments with gross carrying amount of RMB85,184,000 (2023: RMB68,059,000) are past due and among which, RMB56,209,000 (2023: RMB56,209,000) are pledged with collaterals of equity instruments (2023: equity instruments). Included in the carrying amount of debt instruments measured at amortised cost as at 31 December 2024 is accumulated impairment losses of RMB65,798,000 (2023: RMB57,437,000).

The management of the Group has engaged an external valuation specialist to assist in the impairment assessment of debt instruments measured at amortised cost by adopting ECL model. The PD is by reference to expected maturity date of the instruments and the debtors' ability to meet its debt obligations. The LGD is by reference to internal credit rating assessed by the management with available financial information of the debtors, historical repayment and estimated recovery rate. For the year ended 31 December 2024, the Group recognised impairment losses of RMB8,361,000 (2023: recognised impairment losses of RMB14,125,000 and reversed impairment loss of RMB9,736,000), respectively through profit or loss for the debt instruments.

13. SHARE CAPITAL OF THE COMPANY

Ordinary shares of United States dollars ("US\$") 0.00005 each	Number of shares		Share capital	
	2024 <i>'000</i>	2023 <i>'000</i>	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Authorised				
At beginning and end of year	<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 year	<u>847,221</u>	<u>847,221</u>	<u>303</u>	<u>303</u>

During the year ended 31 December 2024, the Company repurchased 4,507,000 of its own ordinary shares through the Stock Exchange of Hong Kong Limited with an aggregate consideration of HK\$12,138,000 (approximately RMB11,115,000) (2023: HK\$8,000 (approximately RMB7,000)) paid under the RSU scheme. 4,507,000 (2023: 9,000) shares repurchased during the reporting period were not cancelled and will be used as share awards. None of the Company's subsidiaries sold or redeemed any of the Company's listed securities during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Company Profile and Overview

As a leading education technology service provider in South China, the Group has been consistently providing high-quality and diversified educational products and services to students and parents since our establishment 27 years ago. In recent years, the Group has actively embraced technology. While continuing to improve its innovation capabilities, the Group has also kept pace with the times by utilising artificial intelligence technology to improve product quality and services, thus promoting the transformation and upgrading of its products and services to high-quality development.

Our Group mainly offers education related products and services, including but not limited to full-time test preparation business, talent education, after-school tutoring program and vocational education. Our full-time test preparation business aims to help students to be admitted to their preferred schools through Zhongkao (中考) and Gaokao (高考) upon their failed first attempt. Our talent education is designed to promote the all-round development of our students, allowing a more engaging and enjoyable learning process. Our after-school tutoring program targets to help students establish a sound learning mindset and knowledge system and develop good learning habits. Our vocational education is designed to cultivate talents with new vocational skills needed by the country and society in an innovative model with the support of public vocational colleges.

The Group has been focusing on developing in South China and established business presence across the country. Through 27 years of efforts and development, our “Zhuoyue Education” (卓越教育) brand and reputation have also been recognised and welcomed by students, parents and all sectors of the community. In 2024, we actively participated in social welfare and party building undertakings, and won the awards and honours of “Guangzhou Party Organisation with Double Strength and Six Excellence – Non-public Economic Organisation” (廣州市非公有制經濟組織“雙強六好”黨組織), “Guangzhou Model Base for Party Building” (廣州市黨建示範基地), “General Member of the Economic Association of Guangzhou Headquarters” (廣州市總部經濟協會一般會員), “Best Employer in Guangzhou in 2024” (2024年度廣州最佳僱主), “Annual AI-piloted Practising Employer Brand” (年度AI引航實踐僱主品牌), “Most Favoured Employer Among Fresh Graduates in 2024” (2024大學生最喜愛僱主), “2024 Influential Education Brand” (2024年度影響力教育品牌) and “2024 Reputable Leadership Brand in Talent-oriented Education” (2024年口碑素質教育領導力品牌). The recognition from students, parents and all sectors of the community will help us enlarge our student pool and further maintain and strengthen our market position in the industry.

RESULTS OVERVIEW

During the year ended 31 December 2024 (the “**Reporting Period**”), the Company achieved significant progress in the transformation into talent-oriented education. Our talent-oriented education products were well appreciated among parents and students, leading to record highs of course renewal rate and significantly improved revenue from these offerings. Keeping abreast of the rapidly evolving AI technologies, the Company timely introduced the “All in AI” strategy. We independently developed vertical applications suitable for educational scenarios, to empower students, teachers and management teams and provide more efficient and higher-quality teaching and learning scenarios for teachers and students. We also successfully launched a number of AI intelligent agents, establishing an initial internal AI intelligent agent ecosystem. On talent development, the Company continued to provide high-quality training programs and a promotion system for employees to help them grow rapidly. The Company granted restricted share units under the restricted share unit scheme adopted by the Company (the “**RSU Scheme**”), as an equity incentive to core employees. On shareholder returns, the Company declared dividends and actively purchased its shares for the purpose of the RSU Scheme, while taking investor relations initiatives to proactively maintain sound communication with investors. As an enthusiastic practitioner of social responsibility, the Company forged ahead through difficulties with an unchanged aspiration to “All for the sake of children’s healthy growth”.

During the Reporting Period, the Company recorded revenue of approximately RMB1,102.0 million, representing an increase of 125.2% year-on-year, net profit of approximately RMB192.3 million, representing an increase of 114.0% year-on-year, and contract liabilities of approximately RMB602.0 million, representing an increase of 184.3% year-on-year. These results were mainly attributable to our successful completion of the transformation into talent-oriented education, whereby we launched various talent-oriented education products that were precisely aligned with the talent cultivation direction under the new curriculum standards and were highly appreciated among parents and students.

PERFORMANCE REVIEW

Significant progress in talent-oriented transformation with products well recognised in market

Upholding the core value of “All for the sake of children’s healthy growth”, the Company continued to optimise its talent-oriented education products and services to fuel its business growth. With a focus on cultivation of core competencies such as literature and science literacy, the Company developed a diverse range of talent-oriented courses tailored to students’ interests and needs, including “i01 Programming” (i01 編程), “Curious Young Reporter” (奇趣小記者), “Thinking Planet” (思考星球), “Di-Da Literature” (嘀嗒文學), “Literature and Aesthetic Education” (文學美育), “Practical Practice” (躬行實踐), “Bilingual Culture” (雙語文化), “Multiple Thinking” (多元思維) and “Social Science Literacy” (社會科學素養). The renewal rate of our non-academic offerings showed a positive trend of healthy growth, demonstrating our significant progress in continuously optimising our talent-oriented education products and serving as a strong testament to the high recognition of our teaching achievements among users. Laying great emphasis on multifaceted growth of children, we launched a variety of activities to develop their mathematical and logical thinking, speech and presentation skills, humanistic literacy, reading interest and skills, and physical fitness. These activities attracted more than 10,000 students to participate, allowing the children to find their own stages in various fields, keep growing up against challenges, and establish the competitive edges that will enable them to embrace the future.

During the talent-oriented transformation, we launched a wide array of key programs successively. In particular, “i01 Programming” (i01 編程) as a brand new sub-brand of our programming education for adolescents adopts heuristic teaching methods to stimulate students’ interest in programming, with an aim to cultivate their logical thinking and innovative practical skills, help them explore and pursue knowledge in programming, and build up a talent pool for future technological progress. Our students achieved excellent results in a number of whitelist competitions. Our award-winning rate in the CSP-J/S intermediary contest of the 2024 Informatics Olympiad reached 92.5%, and our award-winning rate in the ENJOY AI event of the final of the 2024 World Robot Competition (China) reached 100%. In the Adolescent Robot Design and Informatics Literacy Competition at the World Robot Conference (the final of Guangdong Division) and the final of the Information Technology Innovation and Practice Competition for Primary and Secondary Schools in Guangdong Province, more than 1,000 students of i01 Programming won prizes in the province-level finals. Meanwhile, our AI picture book course has completed user tests and will be launched to the market soon. Furthermore, we rolled out the “Beststudy Kunpeng Youth Growth Camp Project” (卓越教育鯤鵬少年生長營項目). The project adopts advanced teaching methods such as interactive and inquiry-based learning to build the core driver by stimulating students’ interest in learning, seeking to create a dynamic and inspiring learning environment for students. Through a diverse range of teaching methods, we guided students to pursue knowledge actively, think about problems critically, practise and innovate bravely, thereby improving their competencies comprehensively. Since its launch, the project has been highly appreciated and recognised by the society and students.

The renewal rate of our talent-oriented offerings showed a positive trend of healthy growth, demonstrating our significant progress in continuously optimising our talent-oriented education products and serving as a strong testament to the high recognition of our teaching achievements among users. In addition, the Company won a long list of awards in 2024, including the “2024 Influential Education Brand” (2024 年度影響力教育品牌), the “2024 Reputable Leadership Brand in Talent-oriented Education” (2024 年度口碑素質教育領導力品牌), and the “2024 Leadership Brand in Children’s Education” (2024 年度兒童教育領導力品牌).

Leveraging AI as a quality and efficiency enabler to tap into intelligent teaching scenarios

We continued to tap into application scenarios of “AI + education”, to provide students with better teaching services. We established the AI Technology Department to comprehensively upgrade the Whale Education System (鯨准教系統), seeking to build a personalised, efficient and scalable learning and growth system. Having been used and upgraded iteratively in our full-time education division for five years, the system allows us to construct a data-driven learning behaviour relationship model based on abundant teaching cases and learning trajectories. On that basis, we adopted deep learning algorithms to predict learning outcomes of students and provide personalised learning paths, thereby improving their learning efficiency and academic performance in a targeted manner through a student-specific, personalised and accurate learning methodology. An intelligent essay correction system has been stably applied in our junior high school offerings, and the Green Pepper AI Teaching Assistant (青椒AI助教) helped to improve teachers’ lesson preparation efficiency and the quality of teaching content. Teachers can have more time and dedication to studying their presentation in classrooms, allowing them to pay more attention to students’ physical and mental health and development, adjust teaching strategies in a timely manner, and optimise personalised teaching dynamically. We also kept optimising the AI-empowered collaborative teaching solutions, making AI application in classrooms more effective and laying a foundation for large-scale application of AI-empowered education in the future. Our efforts in exploring AI during the talent-oriented transformation were also recognised by social organisations. The Company was invited to join Guangdong Association of Artificial Intelligence Industry, allowing it to further strengthen communication and cooperation with enterprises and institutions in the industry and jointly explore innovative application of artificial intelligence in improving education quality and organisational efficiency.

Keeping pace with the times in talent cultivation, the Company actively fostered a culture of “All In AI” within the organisation, and motivated employees to proactively explore AI applications. Through our first AI Festival, the AIGC All-staff Learning Festival, AI application knowledge competitions and other activities, we helped employees quickly master AI basic knowledge and application skills, and built up a talent team of AI pioneers with professional skills. We also provided employees with an AI intelligent application creation platform, encouraging them to accelerate the application of AI technologies through innovation experiments with intelligent agent. A number of intelligent agents independently developed by our employees have been launched, establishing an initial internal AI intelligent agent ecosystem to help employees boost efficiency and capability in their work.

Stimulating vitality through talent development to improve organisational capabilities continuously

On talent development, the Company places great emphasis on cultivation and development of employees across its business segments. Content-rich training and growth systems specific to teaching, operations, marketing and functional business lines were designed, to help the employees improve their professional skills respectively and enhance retention rate of outstanding talents. At the same time, the Company always gives high priority to the growth of teachers, in order to ensure the quality of educational services. The Company successfully held the 13th Micro Course Competition under the concept of “promoting research and teaching through competition” (以賽促研，以賽促教). We organised thousands of teachers to compete with each other and showcase their teaching styles from teaching content to classroom format, providing a stage for teachers to learn from each other, exchange ideas and grow together. We also held the second X Factor Competition to explore personalised education patterns and solutions suitable for children. We continued to polish teaching and research quality and upgrade teaching level of teachers through competitions, allowing them to showcase their educational aspirations and providing them a platform for growth. On corporate culture, the Company actively maintained a diversity of communication mechanisms, such as “CEO Face to Face” (總裁面對面), “President Please Answer” (校長請回答), “Outstanding Young CEO Fashion” (卓越青年總裁“範”局) and other employee communication activities, allowing employees to express their thoughts and suggestions. Such mechanisms not only enhanced employees’ sense of participation and ownership, but also promoted harmony and stability within the Company, laying a solid foundation for our sustainable development.

The Company published the announcements “Grant of Restricted Share Units under Restricted Share Unit Scheme” on 30 April 2024 and 28 October 2024, pursuant to which an equity incentive scheme covering core management, technical backbones and business elites of the Company is adopted. By closely linking long-term corporate growth to employee interests, the scheme helped to stimulate employees’ work enthusiasm and creativity and improve the Company’s operational efficiency and profitability, thus enhancing the Company’s investment value. In recognition of its outstanding performance in talent strategy, AI application and employer brand building, the Company won a string of accolades including the “2024 Extraordinary Employer in Guangdong” (2024廣東年度非凡僱主), the “2024 Best Employer in Guangzhou City” (2024年廣州最佳城市僱主), the “2024 AIGC Human Resources Pathfinder Award” (2024年度AIGC人力資源探路者獎), the “2024 AI-piloted Practising Employer Brand” (2024年度AI引航實踐僱主品牌), the “2024 Most Influential Employer” (2024年度最具影響力僱主), and the “2024 Enterprise Super Employer Award” (2024年度企業超級僱主獎).

Staying committed to shareholder returns by steadily enhancing investment value

The Company recognises the importance of enhancing shareholder returns and investment value. According to its development plan and financial position, the Board recommended the payment of final dividend of HK\$3.5 cents per share for the year ended 31 December 2023 and approved by the shareholders of the Company. The Company highly values investor relations management and information disclosure, maintaining close dialogues with investors through diversified means and continuously improving timeliness and readability of its announcements. By holding results conferences, investor seminars, online conference calls, offline campus surveys and other investor relations activities, we earnestly listened to opinions and suggestions of shareholders. Based on our actual conditions, we actively responded to reasonable expectations of investors, and disclosed corporate events to investors in a timely and accurate manner to improve transparency and credibility of the Company. The Company proactively repurchased its shares for the purpose of the RSU Scheme, which stabilised its stock price and further boosted investor confidence, conveying its firm confidence in its business prospects to the market. Meanwhile, through the WeChat official account of “Beststudy Investor Relations”, the Company timely updated investors with its announcements, research reports, surveys, investor relations activities and corporate information, keeping investors fully informed of the Company through multiple channels. In 2024, the Company’s investor relations work was highly recognised by investors and analysts, as witnessed by awards such as the “Best Investor Relations Company” (最佳投資者關係公司), the “Best IR Team” (最佳IR團隊), and the “Transformation Pioneering Enterprise of the Year” (年度轉型先鋒企業).

Exemplary compliance operations well recognised by competent authorities

The Company always attaches great importance to compliant operations, and has delivered outstanding work outcomes that are highly recognised by competent authorities. Under the guidance of education authorities, a range of our products completed the talent-oriented transformation and became the first batch of talent-oriented products in Guangdong Province that passed non-academic appraisals in 2022, which all passed the review and obtained for-profit non-academic education licenses in all districts of Guangzhou in 2024. The Company was invited to assist regional authorities in providing certification guides and on-site guidance to other institutions, contributing to healthy industry development and code-compliant education services. We were also invited to participate in online training sessions as a lecturer, to provide online training for regional guidance centers and institutions.

Earnestly fulfilling social responsibility to help children grow up healthily

Upholding the mission of “cultivating excellent quality and contributing to the future of the country”, the Company carried out public welfare activities to support areas in lack of educational resources, illustrating the warmth of education through concrete actions. Marking a charity milestone across 1,000 kilometers, we donated teaching materials to Wanfenghu Town Ethnic Primary School in Guizhou Province. We donated money to support mental health services for adolescents in western Guangdong; provided aids to the children in need in Yuexiu District, Guangzhou, offering them free talent-oriented courses to help them grow up; and established a volunteer service team to carry out cultural public welfare activities. We organised charity sale at flower market to help the groups requiring special care in the community; continuously donated teaching materials and helped upgrade hardware facilities at primary and secondary schools in remote areas; and organised excellent teachers to engage in education support activities, delivering high-quality educational resources to rural children to narrow down the gap between urban and rural areas in the level of educational attainment. We co-held a public welfare festival with private educational institutions in Yuexiu District, offering high-quality educational products and services to the public while enhancing the public welfare awareness of our employees and students, with an aim to fulfill social responsibility through concrete actions and demonstrate our commitment as a responsible corporate citizen. The Company’s social responsibility efforts were well recognised by relevant authorities. The Beststudy Party Committee has won the title of the “Benchmark Party Organisation with Double Strength and Six Excellence” (“雙強六好”標桿黨組織) and the “Party Building Innovation Case Excellence Award” (黨建創新案例優勝獎) for consecutive years.

FUTURE PROSPECTS

Tapping into intelligent teaching scenarios through AI as a quality and efficiency enabler

Looking ahead, we will delve deeper into AI applications in the education sector. Our AI Technology Department will innovatively combine multiple mature foundation models and classic algorithms to create a series of technologically strong AI products in a rational teaching system. We will also officially roll out personalised exercises for multiple disciplines, refine the hierarchical learning system based on AI data analysis and ability modelling, and recommend exercises that meet students' actual needs and are furnished with walkthroughs based on their daily learning progress, to help children find the best learning path. To further provide emotional value to students and help them build a strong and stable spiritual core, the Company's AI Technology Department will also focus on AI-inspired learning and energy systems, pay attention to healthy growth of every child, and create AI learning companions that fit with their psychological characteristics and age groups. Meanwhile, we will empower teachers by reducing their burden in homework correction and dedication to home-school communication, while providing the access to mature foundation models and upgrading the application of Green Pepper Teaching Assistant (青椒助教) to better assist teachers in lesson preparation. In addition to improving teaching service quality, our teachers will be encouraged to pay more attention to the growth of children and give them warmer companionship.

Mature AI models have demonstrated admirable efficiency improvements in various scenarios for integration into education services and enterprise management, such as inquiry handling by customer service representatives and biography analysis. We will unswervingly embrace the "All in AI" strategy to deepen our AI applications. According to application needs from our business scenarios, the AI Technology Department will accelerate AI deployment in various business and management processes and develop AI products tailored for teachers, seeking to further improve teaching quality and bring more changes and progresses to the education sector.

Rooting ourselves in the Greater Bay Area to pursue cross-regional expansion

Driven by continuous net population inflows, an annual birth rate ranking ahead in China and strong willingness of families for education investment, the Greater Bay Area has seen the increasing demand for high-quality educational resources, especially in cities such as Guangzhou, Shenzhen and Foshan, implying significant education market potential ahead. While deeply rooting ourselves in Guangzhou market, we will vigorously expand into Shenzhen and Foshan, combining local cultural characteristics and educational policies to design a curriculum system with local characteristics and provide high-quality talent-oriented products that better cater for the needs of local markets. We will expand our resource investment in Shenzhen and Foshan including setting up new outlets, introducing excellent teachers, optimising teaching facilities and improving teaching environment, aiming to continuously enhance our brand awareness and market competitiveness, gain recognition from more students and parents through high-quality education services, and contribute to the local education cause.

Consolidating the foundation of compliance operations to enhance investment value

In a climate of normalised regulation, the Company always regards compliant operations as the lifeline of corporate development, strictly following national education policies and guidelines to comprehensively improve its education service quality. We will draw upon the latest AI technologies to continuously optimise our existing course products and services, seeking to offer high-quality teaching services and learning experience. Our goal is to ensure that these resources not only meet national policy requirements and the cultivation standards on innovative talents, but also accurately cater to the diverse needs of students and parents.

On compliance practices in capital market, the Company will strengthen corporate governance, regularly organise senior executives to participate in compliance training to continuously enhance their compliance awareness, and prevent occurrence of compliance risk events on an ongoing basis. We will further optimise our information disclosure mechanism to ensure openness and transparency of information disclosure, and enhance readability and accuracy of the disclosed information to provide investors with a more valuable decision-making basis. We will also take initiatives to enhance shareholder returns and investment value sustainably. According to the announcement regarding the three-year dividend distribution plan published on 3 January 2025, the Company plans to gradually increase its dividend payout ratio to 50%, 60% and 70% respectively for each of the next three years based on the net profit attributable to the Company's owners for the previous financial year, and distribute the dividends twice a year through final and interim dividends. Addressing potential market fluctuations in the future, we will continue to take initiatives to stabilise stock price, and efficiently press ahead with our investor relations work to safeguard shareholder interests.

FINANCIAL REVIEW

Revenue

The following table sets forth a breakdown of the Group's revenue by type of education services we provided in 2024 and 2023:

	For the year ended 31 December		
	2024	2023	Change
	<i>RMB'000</i>	<i>RMB'000</i>	%
Talent education	713,434	139,412	411.7
Tutoring programs	181,443	144,918	25.2
Full-time test preparation programs	206,761	204,761	1.0
Others	363	223	62.8
Total	<u>1,102,001</u>	<u>489,314</u>	<u>125.2</u>

The Group's revenue principally represents the tutoring fees collected from our students. During the Reporting Period, the Group's revenue generated from our principal business amounted to approximately RMB1,102.0 million, representing an increase of 125.2% from approximately RMB489.3 million in 2023. Such increase was primarily attributed to the fact that the Group performed impressively in its pivot towards the talent-based business in 2024, and its talent-related products were highly recognised among parents and students, leading to a significant year-on-year increase in the number of newly recruited students and tutoring hours.

Cost of Sales

Cost of sales primarily consists of salary and cost of benefits, rentals and utilities management expense, depreciation and amortisation and others. Cost of sales increased by 128.1% from approximately RMB259.5 million in 2023 to approximately RMB591.9 million for the Reporting Period, which moved upwards mainly in line with business expansion.

Gross Profit and Gross Profit Margin

As a result of the above factors, the Group recorded gross profit of approximately RMB510.1 million during the Reporting Period, representing an increase of RMB280.2 million from approximately RMB229.9 million in 2023. The Group's gross profit margin in 2023 and during the Reporting Period was 47.0% and 46.3%, respectively.

Other Income

During the Reporting Period, the Group recorded other income in the amount of approximately RMB32.4 million, representing an increase of 10.3% year-on-year. Other income during the Reporting Period mainly included interest income on bank deposits of approximately RMB17.1 million, service fee income of approximately RMB12.0 million, income from selling of educational materials of approximately RMB1.5 million and dividend income from a financial instrument at FVTPL of approximately RMB1.2 million.

Other Gains and Losses

During the Reporting Period, the Group recorded other gains and losses in the amount of approximately RMB-10.7 million, as compared with approximately RMB4.0 million in 2023. Other gains and losses during the Reporting Period mainly represented loss on property, plant and equipment of approximately RMB6.2 million due to change of premise of our full-time test preparation programs and commercial rental compensation.

Selling Expenses

The Group's total selling expenses increased by 191.4% from approximately RMB26.1 million in 2023 to approximately RMB76.0 million during the Reporting Period, primarily attributable to the increase in students recruitment expenses following business expansion.

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 RMB140.3 million, representing an increase of 142.3% as compared to approximately RMB57.9 million in 2023, principally due to the increase in remuneration of the administrative staff and office overheads to cater to our business expansion.

Other Operating Expenses

During the Reporting Period, the Group recorded other operating expenses of approximately RMB47.5 million, representing a year-on-year increase of 54.6%, primarily due to an increase in remuneration of research and development as well as teaching staff with our business expansion.

Impairment Losses Recognised under ECL Model, Net

Such accounting item represents impairment provided for or reversed on financial assets. During the Reporting Period, the Group recognised impairment loss of approximately RMB7.4 million because the recovery of overdue debt instruments fell short of our expectations.

Gain on Disposal and Deregistration of Investments in Subsidiaries

During the Reporting Period, the Company recorded gain on disposal and deregistration of investments in subsidiaries of approximately RMB0.6 million.

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

During the Reporting Period, the Company recorded loss arising from fair value change on investments at fair value through profit or loss of approximately RMB0.9 million. Such accounting item mainly represented gains and losses from fair value change on debt and equity investments.

Finance Costs

During the Reporting Period, the Group recorded finance costs in the amount of approximately RMB11.7 million, which were primarily attributable to the interest expenses under International Financial Reporting Standards (IFRSs) 16 – Lease.

Income Tax Expense

During the Reporting Period, the Group's income tax expense was approximately RMB56.1 million.

Profit for the Reporting Period

The Group's profit increased from approximately RMB89.9 million in 2023 to approximately RMB192.3 million for the Reporting Period, representing an increase of 114.0%.

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

To supplement our consolidated financial statements, which are presented in accordance with IFRS Accounting Standards, 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 IFRS Accounting Standards. 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 IFRS Accounting Standards performance measure, which should be considered when evaluating the Group's performance.

Our adjusted net profit increased by 116.1% from approximately RMB89.2 million in 2023 to approximately RMB192.8 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 year ended 31 December		
	2024	2023	Change
	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>
Net profit	192,339	89,880	114.0
Add:			
Equity-settled share-based compensation costs	448	(655)	168.3
Adjusted net profit	192,787	89,225	116.1

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

Liquidity and Financial Resources

As at 31 December 2024, cash and cash equivalents of the Group amounted to approximately RMB512.0 million. Cash at banks bears interest at floating rates based on daily bank deposit rates. Cash and cash equivalents are deposited in creditworthy banks with no recent history of default.

As at 31 December 2024, the Group recorded net current liabilities of RMB88,040,000 (2023: net current assets of RMB101,164,000). Certain plan and measure has been taken to mitigate the liquidity position and improve the financial position. As at 31 December 2024, the Group has RMB602,017,000 of contract liabilities with customers and the directors of the Company determines that those contract liabilities will not have any significant future cash outflow. In addition, tuition fees from students will generate adequate cash inflow from operating activities in expected timeline.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the next twelve months by taking into account the Group's cash flow projection as at 31 December 2024 and the Group's future capital expenditure in respect of its non-cancellable capital commitments and adequate resources to continue in operational existence for the foreseeable future. Thus the Group continues to adopt the going concern basis of accounting in preparing the consolidated financial statements.

Current and Gearing Ratios

As at 31 December 2024, the current ratio of the Group was approximately 0.91, representing a decrease as compared to 1.25 as at 31 December 2023, which was mainly due to an increase in contract liabilities. Current ratio is calculated as total current assets divided by total current liabilities.

As at 31 December 2024, the gearing ratio of the Group was 0.64, representing an increase from 0.53 as at 31 December 2023. Gearing ratio is calculated as total liabilities divided by the sum of total equity and total liabilities.

Future Plans for Significant Investments or Capital Assets

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

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

As at 31 December 2024, the Group held financial assets comprising (i) debt investments of approximately RMB104.9 million (31 December 2023: approximately RMB71.9 million), in aggregate accounting for 5.7% of the Group's total assets as at 31 December 2024, representing investments in various types of short-term wealth management products issued by licensed banks, unlisted trust plans, asset management plans, funds and corporate debts; and (ii) equity investments of approximately RMB32.4 million (31 December 2023: approximately RMB30.4 million), in aggregate accounting for 1.8% of the Group's total assets as at 31 December 2024, representing investment portfolio of unlisted companies and a listed company.

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

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

Prior to making an investment, the Group had also ensured that there remains sufficient working capital for the requirements of the Group's business, operating activities and capital expenditures even after making the significant investments.

Save as disclosed in this announcement, the Group had not made any significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures during the Reporting Period.

Contingent Liabilities

As at 31 December 2024, the Group did not have material contingent liabilities, guarantees or litigations against the Group.

Pledge of Assets

As at 31 December 2024, the Group did not have any material pledge of assets.

Bank Loans and Other Borrowings

As at 31 December 2024, the Group did not have any bank loans and other borrowings.

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 short-term equity investments 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

As at 31 December 2024, the Group successfully completed its negotiations with related parties for the acquisition of 100% equity interests of Shenzhen Beststudy Education and Training Center (深圳市卓越教育培訓中心) and Shenzhen Wandie Education and Training Center (深圳萬蝶教育培訓中心) to further expand professional education training business and lay the foundation for sustainable business growth. The transaction was completed on 1 January 2025 at a cash consideration of RMB1.

HUMAN RESOURCES

As at 31 December 2024, the Group had a total of 3,072 (31 December 2023: 846) employees. To ensure that the Group is able to attract and retain staff capable of attaining the best performance levels, remuneration packages are reviewed on a regular basis.

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

FINAL DIVIDEND

Based on the healthy and stable condition of operation and cash flow, the Board is pleased to recommend the payment of a final dividend of HK\$12.3 cents (2023: HK\$3.5 cents) per ordinary share for the year ended 31 December 2024, accounting for approximately 50.0% of the profit and total comprehensive income for the year, with an aggregate amount of approximately RMB96.2 million (2023: approximately RMB26.9 million). Subject to approval at the annual general meeting to be held on 16 May 2025, the said final dividend will be paid on or around 16 June 2025 to shareholders of the Company (the “**Shareholders**”) whose names appear on the register of members of the Company on 30 May 2025.

RESTRICTED SHARE UNIT (“RSU(S)”) SCHEME

The Company approved and adopted the RSU Scheme on 3 December 2018. The purpose of the RSU Scheme is to reward Directors, senior management and employees for their contributions 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.

During the Reporting Period, Ms. Shaoping Fu (the “**Trustee**”) of the Company purchased a total of 4,507,000 shares in the open market under the RSU Scheme, representing approximately 0.53% of the total issued shares of the Company as at 31 December 2024, at an average consideration of approximately HK\$2.69 per share, totalling approximately HK\$12,138,000 (equivalent to RMB11,115,000). As at 31 December 2024, the Trustee has held 110,004,559 shares (representing approximately 12.98% of the total issued shares of the Company as at 31 December 2024) under the RSU Scheme.

During the Reporting Period, the Board resolved to grant 60,767,390 RSUs, representing approximately 7.17% of the total issued shares of the Company as at 31 December 2024, at a consideration of HK\$2.97 per share to a total of 621 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 and 28 October 2024.

Due to the resignation or abandonment of some employees, for the year ended 31 December 2024, the number of employees who actually participated in the RSU Scheme is 584, and the number of shares unvested is 57,005,790 shares (representing approximately 6.73% of the total issued shares of the Company as at 31 December 2024).

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a stringent corporate governance standard 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 the 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 THE LISTING RULES

On 31 July 2024, Mr. Caihe Lin (“**Mr. Lin**”) resigned as independent non-executive Director and ceased to be a member of the nomination committee of the Company (“**Nomination Committee**”). 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. Following the appointment of Mr. Haipeng Shen as an independent non-executive Director on 16 October 2024, the Company re-complied with Rules 3.10(1), 3.10A and 3.27A of the Listing Rules.

On 22 October 2024, Mr. Wenhui Xu (“**Mr. Xu**”) resigned as a non-executive Director and ceased to be a member of the audit committee of the Company (“**Audit Committee**”). Following the resignation of Mr. Xu, the Audit Committee consists of only two members, thus the number of members falls below the minimum number as required under Rule 3.21 of the Listing Rules. Following the appointment of Mr. Wai Ng as a member of the Audit Committee on 12 November 2024, the Company re-complied with Rule 3.21 of the Listing Rules.

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 of the Company by the Directors and the Group’s senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company or its securities.

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

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

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

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the CG Code. The Audit Committee consists of Mr. Jun Gan, Ms. Yu Long and Mr. Wai Ng, with Mr. Jun Gan being the chairman of the Audit Committee.

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

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the Reporting Period as approved by the Board on 20 March 2025. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

ANNUAL GENERAL MEETING

The 2025 annual general meeting (the "AGM") will be held on 16 May 2025. Notice of the AGM and all other relevant documents will be published in due course.

CLOSURE OF REGISTER OF MEMBERS

(a) Attending the AGM

The register of members of the Company will be closed from 12 May 2025 to 16 May 2025, both days inclusive, during which period no share transfer will be effected, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the AGM. The record date is 16 May 2025. 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 9 May 2025.

(b) Determining the entitlement to the proposed final dividend

The register of members of the Company will be closed from 27 May 2025 to 30 May 2025, both days inclusive, 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 2024. The record date is 30 May 2025. 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 26 May 2025.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

APPRECIATION

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

By order of the Board
China Beststudy Education Group
Junjing Tang

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 20 March 2025

As at the date of this announcement, the executive Directors are Mr. Junjing Tang, Mr. Junying Tang, Mr. Gui Zhou and Ms. Weiying Guan, the non-executive Director is Mr. Wai Ng, and the independent non-executive Directors are Ms. Yu Long, Mr. Jun Gan and Mr. Haipeng Shen.