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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 2021

	For the year ended 31 December		
	2021	2020	% Change
	<i>RMB'000</i>	<i>RMB'000</i>	
Revenue	1,898,627	1,687,798	12.5%
Gross Profit	729,347	615,186	18.6%
Net Profit	(325,593)	127,794	-354.8%
Adjusted Profit	(331,507)	143,657	-330.8%

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

Reference is made to the announcement of China Beststudy Education Group (the “**Company**” or “**Beststudy Education**”) dated 31 March 2022 (the “**2021 Unaudited Annual Results Announcement**”) in relation to the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021 (the “**Reporting Period**”) (the “**2021 Unaudited Annual Results**”). As certain changes have been made to the 2021 Unaudited Annual Results, according to Rule 13.49(3)(ii)(b) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the differences between the 2021 Unaudited Annual Results and the consolidated financial results of the Group for the Reporting Period (the “**2021 Annual Results**”) are set out in the section headed “**MATERIAL DIFFERENCES BETWEEN THE UNAUDITED ANNUAL RESULTS AND THE ANNUAL RESULTS**” in this announcement.

* For identification purposes only

As stated in the 2021 Unaudited Annual Results Announcement, due to the restrictions on a pause in work and travel, logistics and others restrictions in Mainland China and Hong Kong as a result of the recent COVID-19 pandemic, the audit of the financial statements of the Group were not yet completed as at the date of the 2021 Unaudited Annual Results Announcement and the annual results of the Group for the year ended 31 December 2021 contained therein were not yet agreed with the Company’s auditor as required under Rule 13.49(2) of the Listing Rules.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that the audit process has been completed. The 2021 Annual Results together with the comparative figures for the corresponding period of 2020 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	<i>Notes</i>	2021 RMB'000	2020 RMB'000
Revenue	4	1,898,627	1,687,798
Cost of sales		(1,169,280)	(1,072,612)
Gross profit		729,347	615,186
Other income and gains, net	4	73,554	66,875
Investment income	9	16,096	8,260
Selling expenses		(180,984)	(195,051)
Research and development expenses		(142,310)	(165,570)
Administrative expenses		(222,961)	(214,092)
Finance costs		(57,795)	(53,039)
Share of losses of associates		(7,532)	(2,466)
Share of (losses)/profits of joint ventures		(698)	107
Fair value changes on investments at fair value through profit or loss	9	(144,438)	92,565
Loss on disposal of property, plant and equipment and intangible assets	5	(140,178)	(6,348)
Impairment loss on property, plant and equipment and intangible assets	5	(18,228)	—
Impairment loss on associates	5	(56,054)	—
Impairment loss on financial assets	5	(100,288)	—
Other expenses		(20,986)	(3,418)
(LOSS)/PROFIT BEFORE TAX		(273,455)	143,009
Income tax expense	6	(52,138)	(15,215)
(LOSS)/PROFIT FOR THE YEAR		<u>(325,593)</u>	<u>127,794</u>
Attributable to:			
Owners of the parent		(325,031)	129,675
Non-controlling interests		(562)	(1,881)
		<u>(325,593)</u>	<u>127,794</u>
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		<u>RMB(43.2) cents</u>	<u>RMB16.4 cents</u>
Diluted		<u>RMB(43.2) cents</u>	<u>RMB16.0 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
(LOSS)/PROFIT FOR THE YEAR	<u>(325,593)</u>	<u>127,794</u>
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	<u>(4,134)</u>	<u>(17,460)</u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	<u>(4,134)</u>	<u>(17,460)</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	<u>(4,134)</u>	<u>(17,460)</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	<u>(329,727)</u>	<u>110,334</u>
Attributable to:		
Owners of the parent	<u>(329,165)</u>	112,215
Non-controlling interests	<u>(562)</u>	<u>(1,881)</u>
	<u>(329,727)</u>	<u>110,334</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		51,858	206,217
Right-of-use assets		192,166	837,494
Intangible assets		33,642	33,427
Investments in associates		17,492	79,719
Investment in joint ventures		7,377	5,450
Equity investments at fair value through profit or loss	9	7,227	6,346
Debt investments measured at amortised cost	9	186,047	215,292
Debt investments at fair value through profit or loss	9	15,248	15,252
Time deposits		—	151,070
Prepayments for purchases of property, plant and equipment		552	4,467
Deferred tax assets		35,080	17,687
		<hr/>	<hr/>
Total non-current assets		546,689	1,572,421
CURRENT ASSETS			
Short-term equity investments measured at fair value through profit or loss	9	48,986	84,825
Short-term debt investments measured at amortised cost	9	130,000	30,175
Short-term debt investments measured at fair value through profit or loss	9	245,989	682,299
Prepayments, deposits and other receivables		72,765	117,277
Restricted cash		12,135	2,631
Cash and cash equivalents		211,180	693,733
Other current assets		778	692
Short-term time deposits		50,130	—
		<hr/>	<hr/>
Total current assets		771,963	1,611,632

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2021

	<i>Note</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
CURRENT LIABILITIES			
Other payables and accruals		171,846	291,535
Interest-bearing bank loans		333,218	204,000
Lease liabilities		87,163	211,546
Contract liabilities		191,725	797,078
Tax payable		33,874	22,703
		<hr/>	<hr/>
Total current liabilities		817,826	1,526,862
		<hr/>	<hr/>
NET CURRENT (LIABILITIES)/ASSETS		(45,863)	84,770
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		500,826	1,657,191
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		—	145,000
Lease liabilities		150,222	716,321
		<hr/>	<hr/>
Total non-current liabilities		150,222	861,321
		<hr/>	<hr/>
Net assets		350,604	795,870
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>10</i>	303	304
Reserves		350,547	798,039
		<hr/>	<hr/>
		350,850	798,343
Non-controlling interests		(246)	(2,473)
		<hr/>	<hr/>
Total equity		350,604	795,870
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

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 year, the Company and its subsidiaries were engaged in the provision of after-school education (the “ASE”) 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. 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 2021. 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.

Going concern basis

The Group recorded net current liabilities of RMB45,863,000 as at 31 December 2021, included therein were contract liabilities of RMB191,725,000.

The Directors believe that the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in foreseeable future. As such, they are of the opinion that it is appropriate to prepare the consolidated financial statements of the Company on a going concern basis.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7,
IFRS 4 and IFRS 16
Amendment to IFRS 16

Interest Rate Benchmark Reform — Phase 2

*Covid-19-Related Rent Concessions beyond
30 June 2021 (early adopted)*

The nature and the impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“**RFR**”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

During the year, the interest rates of certain interest-bearing bank borrowings and an interest rate swap denominated in foreign currencies were changed from the London Interbank Offered Rate (“**LIBOR**”) to RFRs. The Group applied the above-mentioned practical expedient upon modification of these borrowings and replacement of this interest rate swap as the “economically equivalent” criterion was met. No significant modification gain or loss has arisen as a result of applying the amendments to these changes. The amendments did not have any impact on the financial position and performance of the Group.

- (b) Amendment to IFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the year ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the COVID-19 pandemic. A reduction in the lease payments arising from the rent concessions of RMB6,093,000 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 2021. There was no impact on the opening balance of equity as at 1 January 2021.

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 2021 and 2020.

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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue from contracts with customers		
Premium learning programs		
— Small group tutoring	915,368	828,935
— Individualised tutoring	747,193	644,242
Full-time test preparation programs	161,639	161,764
Talent education	73,956	51,555
Others	471	1,302
	<u>1,898,627</u>	<u>1,687,798</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2021

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	—	747,193	—	—	471	747,664
Services transferred over time	915,368	—	161,639	73,956	—	1,150,963
	<u>915,368</u>	<u>747,193</u>	<u>161,639</u>	<u>73,956</u>	<u>471</u>	<u>1,898,627</u>

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
	<u>828,935</u>	<u>644,242</u>	<u>161,764</u>	<u>51,555</u>	<u>1,302</u>	<u>1,687,798</u>

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

	2021 RMB'000	2020 RMB'000
At the beginning of the year	797,078	775,071
Cash refunded to customers that was included in contract liability at the beginning of the year	(22,610)	(73,098)
Revenue recognised that was included in contract liability at the beginning of the year	(774,468)	(701,973)
Increases due to cash received, excluding amounts recognised as revenue during the year	438,612	797,078
Contract liabilities included in subsidiaries disposed of	(246,887)	—
At the end of the year	<u>191,725</u>	<u>797,078</u>

(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

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest income		11,615	7,116
VAT exemption	<i>(i)</i>	20,113	48,464
Subsidy income from the PRC government	<i>(ii)</i>	8,567	5,122
Foreign exchange gains, net		—	639
Gain on lease modifications, net of deposits losses		10,270	3,648
Gain on disposal of an associate		20,511	—
Dividend income from an equity investment at fair value through profit or loss		1,863	1,661
Others		615	225
		73,554	66,875

Notes:

- (i) The VAT exemption during the Reporting Period was tax concessions according to the taxation policy issued concerning the Covid-19 pandemic.
- (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. (LOSS)/PROFIT BEFORE TAX

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

	<i>Notes</i>	2021 RMB'000	2020 RMB'000
Employee benefit expense (excluding Directors' remuneration):			
Wages and salaries		835,775	855,007
Pension scheme contributions		110,568	88,981
Equity-settled compensation costs		(5,914)	15,863
		940,429	959,851
Cost of sales*		1,187,750	1,072,612
Depreciation of property, plant and equipment		75,012	73,615
Depreciation of right-of-use assets		221,663	207,366
Amortisation of intangible assets		8,314	4,631
Lease payments not included in the measurement of lease liabilities		10,869	6,616
COVID-19-related rent concessions from lessors		(6,093)	(18,563)
Loss on disposal of property, plant and equipment		140,132	6,348
Loss on disposal of intangible assets		46	—
Impairment of property, plant and equipment**		11,758	—
Impairment of intangible assets**		6,470	—
Impairment of associates		56,054	—
Impairment of debt investments measured at amortised cost***	9	76,097	—
Impairment of financial assets included in prepayments, deposits and other receivables***		24,191	—
Gain on lease modifications, net of deposits losses	4	(10,270)	(3,648)
Interest income	4	(11,615)	(7,116)
Interest on bank loans		12,758	7,387
Interest on lease liabilities		45,037	45,652
Subsidy income from the PRC government	4	(8,567)	(5,122)
Foreign exchange difference, net		321	(639)
Gain on disposal of an associate	4	(20,511)	—
Loss on disposal of subsidiaries		14,453	45
Fair value losses (gains):			
Equity investments at fair value through profit or loss	9	33,502	(28,211)
Debt investments at fair value through profit or loss	9	110,936	(64,354)
Auditor's remuneration		3,980	2,880

* The staff costs of RMB747,143,000 (2020: RMB708,393,000) and the depreciation and amortisation of RMB270,636,000 (2020: RMB255,913,000) are included in "Cost of sales" in the consolidated statements of profit or loss.

** Included in "Impairment loss on property, plant and equipment and intangible assets" in the consolidated statement of profit or loss.

*** Included in "Impairment loss on financial assets" 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 Act of the Cayman Islands and accordingly is not subject to income tax.

Hong Kong profits 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 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 2021 and 2020. 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 (2020: 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.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current — the PRC		
Charge for the year	28,757	18,289
Underprovision/(overprovision) in prior years	40,774	(4,386)
Deferred	(17,393)	1,312
	<hr/>	<hr/>
Total tax charge for the year	<u>52,138</u>	<u>15,215</u>

A reconciliation of the tax expense applicable to profit/loss 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:

2021

	Hong Kong		Mainland China		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Loss before tax	<u>(44,887)</u>		<u>(228,568)</u>		<u>(273,455)</u>	
Tax at the statutory tax rate	(7,406)	16.5	(57,142)	25.0	(64,548)	23.6
Lower tax rates enacted by local authorities	—	—	17,661	(7.7)	17,661	(6.5)
Adjustments in respect of current tax in prior years	—	—	23,210	(10.2)	23,210	(8.5)
Profits and losses attributable to a joint venture and associates	(7)	—	653	(0.3)	646	(0.2)
Additional deduction of research and development expenses	—	—	(2,530)	1.1	(2,530)	0.9
Income not subject to tax	5,190	(11.7)	—	—	5,190	(1.9)
Expenses not deductible for tax	—	—	4,349	(1.9)	4,349	(1.6)
Tax losses utilised from previous periods	—	—	(1,242)	0.5	(1,242)	0.5
Tax losses not recognised	2,223	(5.0)	67,179	(29.4)	69,402	(25.4)
	<u>—</u>	<u>—</u>	<u>52,138</u>	<u>(22.8)</u>	<u>52,138</u>	<u>(19.1)</u>
Tax charge at the Group's effective rate	<u>—</u>	<u>—</u>	<u>52,138</u>	<u>(22.8)</u>	<u>52,138</u>	<u>(19.1)</u>

2020

	Hong Kong		Mainland China		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit before tax	<u>49,077</u>		<u>93,932</u>		<u>143,009</u>	
Tax at the statutory tax rate	8,098	16.5	23,483	25.0	31,581	22.1
Lower tax rates enacted by local authorities	—	—	(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)	(17.0)	—	—	(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
	<u>—</u>	<u>—</u>	<u>15,215</u>	<u>16.2</u>	<u>15,215</u>	<u>10.6</u>
Tax charge at the Group's effective rate	<u>—</u>	<u>—</u>	<u>15,215</u>	<u>16.2</u>	<u>15,215</u>	<u>10.6</u>

7. DIVIDENDS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Proposed final dividend per ordinary share — nil (2020: HK5.5 cents)	—	39,272

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent, and the adjusted weighted average number of ordinary shares of 753,199,077 (2020: 790,624,444) in issue during the year.

The calculation of the diluted earnings per share amount for the year ended 31 December 2021 and 2020 is based on the (loss)/profit for the year ended 31 December 2021 and 2020 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 ended 31 December 2021 and 2020, 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.

No adjustment has been made to the basic loss per share amounts presented for the year ended 31 December 2021 in respect of a dilution as the impact of the share award outstanding had no dilutive effect on the basic loss per share amount presented.

The calculations of basic and diluted (loss)/earnings per share are based on:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic (loss)/earnings per share calculation	<u>(325,031)</u>	<u>129,675</u>
	Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue	847,348,800	849,720,000
Weighted average number of shares held for the RSU Scheme	<u>(94,149,723)</u>	<u>(59,095,556)</u>
Adjusted weighted average number of ordinary shares in issue used in the basic (loss)/earnings per share calculation	<u>753,199,077</u>	<u>790,624,444</u>
Effect of dilution — weighted average number of ordinary shares:		
RSU Scheme	<u>—</u>	<u>21,312,659</u>
Adjusted weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	<u><u>—</u></u>	<u><u>811,937,103</u></u>

9. OTHER INVESTMENTS

		31 December 2021 RMB'000	31 December 2020 RMB'000
Non-current assets			
Equity investments at fair value through profit or loss			
— Unlisted equity investments		<u>7,227</u>	<u>6,346</u>
Debt investments measured at amortised cost			
— Corporate debts	(i)	<u>186,047</u>	<u>215,292</u>
Debt investments at fair value through profit or loss			
— Fund	(ii)	<u>15,248</u>	<u>15,252</u>
		<u>208,522</u>	<u>236,890</u>
Current assets			
Short-term equity investments measured at fair value through profit or loss			
— Listed equity investment	(iii)	<u>48,986</u>	<u>84,825</u>
Short-term debt investment measured at amortised cost			
— Corporate debts	(i)	<u>130,000</u>	<u>30,175</u>
Short-term debt investments measured at fair value through profit or loss			
— Wealth management products issued by banks	(ii)	<u>41,048</u>	304,414
— Unlisted trust plans and asset management plans	(ii)	<u>20,396</u>	200,228
— Funds	(ii)	<u>184,545</u>	<u>177,657</u>
		245,989	682,299
		<u>424,975</u>	<u>797,299</u>

- (i) Debt investments measured at amortised cost are debt assets with guaranteed returns. They are denominated in RMB. For the year ended 31 December 2021, impairment of RMB76,097,000 (2020: nil) was recognised through profit or loss for certain past due investments.

- (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 RMB261,237,000 (2020: RMB571,938,000), with an expected rate of return ranging from 4.0% to 14.0% (2020: 3.3% to 10.0%) 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 and are within Level 2 and Level 3 of fair value hierarchy.
- (iii) The fair values of listed equity investment is determined based on the closing prices quoted in active markets. It is accounted for using its fair values based on the quoted market prices (Level 1: quoted price (unadjusted) in active markets) without deduction for transaction costs.
- (iv) Amounts recognised in profit or loss

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Investment income from debt investments measured at amortised cost		
— Corporate debts	16,096	8,106
— Structured deposit	—	153
— National debt	—	1
	<u>16,096</u>	<u>8,260</u>
Impairment of debt investments measured at amortised cost	<u>(76,097)</u>	—
Fair value changes on equity investments		
— Unlisted equity investments	801	834
— Listed equity investments	(34,303)	27,377
Fair value changes on debt investments		
— Unlisted trust plans and asset management plans	(88,792)	37,573
— Wealth management products issued by banks	3,205	6,719
— Funds	(25,349)	20,062
	<u>(144,438)</u>	<u>92,565</u>

10. SHARE CAPITAL

Shares

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Authorised: 3,000,000,000 ordinary shares of US\$0.00005 each as at 31 December 2021 (2020: 3,000,000,000 ordinary shares)	<u>1,070</u>	<u>1,070</u>
Issued and fully paid: 847,221,000 ordinary shares as at 31 December 2021 (2020: 849,720,000 ordinary shares)	<u>303</u>	<u>304</u>

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

	Number of shares in issue	Share capital <i>RMB'000</i>
At 1 December 2020, 31 December 2020 and 1 January 2021	849,720,000	304
Shares repurchased and cancelled	<u>(2,499,000)</u>	<u>(1)</u>
At 31 December 2021	<u>847,221,000</u>	<u>303</u>

The Company repurchased 2,499,000 of its ordinary shares on the Hong Kong Stock Exchange at a total consideration of HK\$6,807,270, approximately RMB5,603,000. These shares were cancelled during the year ended 31 December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

As a leading education service provider in South China, the Company has been consistently providing high-quality and diversified education products and services to students and parents since our establishment 24 years ago.

Our Group mainly offers education related courses including full-time test preparation programs, talent education, self-study program, vocational education, after-school tutoring program and other education related products and services. Our full-time test preparation programs aim to help middle school and high school graduates to be admitted to their preferred schools through Zhongkao (中考) and Gaokao (高考). Our talent education is designed to promote the all-round development of our students, allowing a more engaging and enjoyable learning process. Our after-school tutoring program targets to help students establish a sound learning thinking and knowledge system and develop good learning habits. Our self-study program aims to improve students' soft power of learning through self-study model, so that they can give full play in their study and daily life. Our vocational education is designed to cultivate new types of vocational and technical talents 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 the South China region and established business presence across the country. Through 24 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 social sectors. During the outbreak of the pandemic, we actively participated in social welfare undertakings and won the awards of “Advanced Anti-epidemic Collective of Private Education in Yuexiu District” (越秀區民辦教育抗疫先進集體) and “Golden Spike Partner of Educational Charity” (教育公益金穗夥伴). We have also made a breakthrough in enhancing the brand image of the Group as an employer who broadens brand building, and won various awards such as “King’s Ark Award for Employer Cherishing Talents the Most” (王者之舟最愛人才僱主獎), “2021 Most Influential Employer” (2021年最具影響力僱主), “2021 China Best Employer — Campus Recruitment Case Award” (2021中國年度最佳僱主 — 校招案例獎) as well as the “College Student Education Practice Base of the College of Liberal Arts of Jinan University” (暨南大學文學院大學生教育實踐基地) granted by Jinan University. The recognition from students, parents and people from all walks of life will help us enlarge our student pool and further strengthen our market position in the industry.

Performance Review

The industry was greatly affected by Opinion on Further Reducing the Burden of Homework and off-campus Training for compulsory Education Students (the “**Double Reduction Policy**”). During the Reporting Period, the Group’s total Revenue increased by 12.5% compared to 2020 to RMB1,898.6 million, with its gross profit of RMB729.3 million, representing a year-on-year increase of 18.6%, and its adjusted loss was RMB331.5 million.

Due to the combined impact of the Double Reduction Policy and the COVID-19 pandemic, the industry and the Group's business have been greatly affected. However, the Group has always responded to various challenges with a positive attitude, strived to turn challenges into opportunities, and turned opportunities into the driving force for continuous development. The Group mainly provides project-related products and services including full-time revision, talent education, independent learning and vocational education.

The Group's full-time business segment accelerated its development and actively pursued new breakthroughs. With our technology-empowered teaching system, we accurately provided teaching services through smart classroom system, and achieved individualised teaching in classes. With the accumulation of data, we have established a rich teaching content. The content of the database keeps pace with the times, combined with unique experience and technology, further accurately grasps the practical needs of students at different stages and levels, and provides sufficient support for high-quality teaching. Meanwhile, we established a three-in-one life growth system for students, parents and teachers based on the psychological characteristics of students. Through a series of courses, activities and cultural establishment, we stimulated children's internal drive for learning and helped them realize their dreams. The perfection of curriculum system and the improvement of teaching and research capabilities have formed a solid barrier for the healthy and sustainable development of the Group.

Beststudy Education always adheres to our original intention of "All for Children's Healthy Development", and has been actively responding to national policies and implementing rapid business transformation. The Group has further strengthened the layout of the talent education sector by offering eight talent education products, namely "Beststudy Programming, Fun-filled Go Chess, Thinking Planet, Cantonese Language and Culture, Eloquence Training, Concentration Enhancement, Beststudy Calligraphy and Telling Chinese Stories to the World", in order to meet the needs of students' all around development of moral, intellectual, physical, aesthetic and labour education, and equip them with the necessary characters and critical abilities that they can adapt themselves to lifelong development and social development.

The Group has always adhered to the mission of "cultivating excellent quality and contributing to the country's future" and has firmly stuck to the objective of "do warm education" for our public welfare action. We have carried out public welfare and charitable student aid projects, such as donating teaching equipment and materials to primary and secondary schools in remote mountainous areas many times, and continued to carry out the "Candle Care Program" to help the revitalization of rural education. The Group continues to adhere to the educational philosophy of cultivating people by virtue, actively undertakes social responsibilities, continuously improves corporate credibility and brand influence, and interprets the original intention of public welfare with practical actions.

FUTURE PROSPECTS

To deepen the comprehensive reform in the field of education and promote the building of a strong education nation, the education industry has embraced new development opportunities and challenges under the regulation of the Double Reduction Policy. In this regard, the Group actively responds to the national policy, and always adheres to the original intention of “All for Children’s Healthy Development”, sticks to the essence of education, builds a quality educational system, strictly implements the relevant regulations and requirements, and under the law. Under the dual guidance of policy and market, our core strategy is to establish an education system of “full-time revision + talent education + vocational education + self-study”, under which we shall actively promote the layout of full-time revision, talent education, vocational education and self-study and other fields, providing students with a full range of diversified teaching services, and promoting all-round development and healthy growth of children.

Committed to providing precise teaching services on full-time basis and creating a solid development barrier

Facing the new situation and new opportunities, the Group will continue to provide full-time revision business for students, promote the continual development of its existing businesses. The Group will expand the provincial market in a steady pace while putting efforts in promoting, exploring and developing the national market. In addition, we are committed to using high-tech technologies to continuously improve the quality of precise teaching services. We applied AIPT — a technology-empowered precise teaching system in our “smart classes”. We combined the scientific teaching system with our rich teaching experience, helping us to better understand the students’ needs and thus continuously optimizing the teaching methods. Our full-time precise teaching services will provide us higher and stronger development drive, helping us to build a solid development barrier for the Group in the context of the Double Reduction Policy, so that the Group will be able to overcome the difficulties it faces.

Accelerating the development of talent education to build a one-stop talent education base

With the increase in the supply of higher education talents, the transformation of the economy towards high-quality development, and the continuous upgrading of the educational concepts and consumption level of the new generation’s parents, the talent education industry is gradually moving towards a new stage of standardization and maturity. The Group expects to continuously refine its eight talent education products through scientific and professional education approach, build an all-round development education system that embraces the “five educations” integration “moral, intellectual, physical, aesthetic and labor”, to achieve the improvement of core literacy of primary and secondary school students, laying a solid foundation for the enhancement of the overall quality of China’s new generation of citizens and the cultivation of professional talents.

At present, the Group has further cooperated with multiple public schools in Guangzhou to provide quality courses and on-campus childcare services to meet the learning needs of students for individualized quality courses. Leveraging on its own localization advantages, the Group has established a service operation system and built a diversified learning platform through the talent education product systems, i.e. moral education, thinking growth, language expression, aesthetic arts, technological literacy, labor education, physical education and research practices, endeavouring to assist the implementation of talent education in schools, and create school-based curriculums with the talent education characteristics.

To enhance the new model of “talent education + community”, the Group has continued to establish the “Di-Da Growth Center” (嗒嗒成長中心), taking the community as the center to radiate the surrounding area, creating a one-stop talent education base for students and parents, and exploring students’ interests and talents through “direct perception, practical operation, and hands-on experience”. By establishing a one-stop talent education base and introducing diversified talent education courses, students’ comprehensive abilities are further improved.

Looking ahead, Beststudy Education will swiftly enter a brand-new track by offering diversified talent education courses. Given the Company’s accumulated customer base and business scale advantages over the years, it will make every effort to develop the new business of talent education.

Exploring vocational education and opening up a new course of development

Since China’s reform and opening-up, vocational education has provided sufficient impetus for economic development. As China enters a new stage of development, the market space for vocational education will further grow.

Leveraging on its years of accumulated resources and teaching and research experience, the Group has launched a comprehensive exploration of vocational education products. The Group focus on developing its business in the new arena, and will cater to the practical needs of the market by offering courses for further education at home and abroad, civil service examination training, and vocational certificate, in order to support Beststudy Education to accelerate its progress in the new arena of vocational education, and to increase the Group’s market awareness.

In addition, the Group will continue to strengthen its strategic cooperation relationship with private colleges and universities, and secondary vocational colleges, actively exploring the innovative training models for vocational education with the goal of cultivating talents empowered with technical skills required by the industry. The Group will give full play to the respective advantages of all parties, integrate and build a talent training consortium to establish the consensus of “complementary advantages, resource sharing and cooperative development” on education, jointly cultivate high-quality and high-skilled application-oriented talents, providing multi-level and diversified technical and skilled talent support to promote the high-quality development of modern vocational education, thereby driving the Group’s accelerated transformation.

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

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

Forge ahead and live up to the expectations

Looking ahead, the Group will continue to follow the guidance of national policies and the Group’s strategy to explore the provision of more diversified and comprehensive teaching services for students, so as to promote the overall development of children while growing healthily; we cooperated with colleges and universities to explore the development of vocational technical training and education, and promote the development of the Group in multiple fields and tracks. The Group will continue to create a better service and working platform for teachers and employees to help them realize their personal value. The Group will also deliver continuous and increasing investment returns to shareholders and investors through sustainable and healthy operation, so as to achieve a new level of success for Beststudy Education.

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 ended 31 December 2021 and 2020:

	For the year ended 31 December		
	2021	2020	% Change
	<i>RMB'000</i>	<i>RMB'000</i>	
Full-time test preparation programs	161,639	161,764	(0.1)%
Talent education	73,956	51,555	43.5%
Tutoring programs	1,663,032	1,474,479	12.8%
Total	<u>1,898,627</u>	<u>1,687,798</u>	<u>12.5%</u>

- (i) Due to the Double Deduction Policy, small group tutoring, individualized tutoring and other businesses are combined into tutoring programs according to the nature of the business during the Reporting Period.

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 increased by RMB210.8 million to approximately RMB1,898.6 million from RMB1,687.8 million in 2020. As compared to 2020, the increase in revenue was mainly attributable to: (i) the increase in revenue of tutoring programs attributable to the increase in tutoring hours and number of students during the first half of 2021; and (ii) the increase in revenue of talent education due to the increase in number of students of admission programs.

COST OF SALES

Cost of sales increased by 9.0% from RMB1,072.6 million as at 2020 to RMB1,169.3 million for the Reporting Period. The increase in cost of sales was mainly attributable to: (i) the increase in various costs of sales, such as teacher labor cost, due to the increase in tutoring hours; and (ii) the conceded rent related to the COVID-19 pandemic in 2020 had recovered to normal level in 2021.

GROSS PROFIT AND GROSS PROFIT MARGIN

As a result of the above principal factors, the Group's gross profit increased by 18.6% from RMB615.2 million as at 2020 to RMB729.3 million for the Reporting Period.

The gross profit margin of the Group as at 2020 was 36.4%, whilst for the Reporting Period it was 38.4%.

OTHER INCOME AND GAINS

During the Reporting Period, the Group recorded other income and gains in the amount of RMB73.5 million, representing an increase of 10% year-on-year. The other income and gains during the Reporting Period mainly include gain on disposal of right-of-use assets in the amount of RMB10.3 million, gain on disposal of an associate in the amount of RMB20.5 million, government tax relief in the amount of RMB20.1 million, interest income of current deposit in the amount of RMB11.6 million and time deposit and government grants in the amount of RMB8.6 million.

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 decreased by RMB237.0 million from approximately RMB92.6 million in 2020 to approximately RMB-144.4 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, unlisted trust plans and fund products.

SELLING EXPENSES

During the Reporting Period, the Group's total selling expenses amounted to RMB181.0 million, representing a decrease of approximately 7.2% from RMB195.1 million in 2020, which was mainly attributable to a reduction in promotion activities.

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 RMB223.0 million, representing an increase of 4.1% as compared to RMB214.1 million in 2020.

RESEARCH AND DEVELOPMENT EXPENSES

During the Reporting Period, the Group's research and development expenses amounted to RMB142.3 million, representing a decrease of approximately RMB23.3 million from RMB165.6 million in 2020.

LOSS ON DISPOSAL OF ITEMS OF PROPERTY, PLANT AND EQUIPMENT AND IMPAIRMENT LOSS

During the Reporting Period, the Group incurred a loss on disposal of assets of RMB140.2 million due to the closure of campuses, and an impairment loss of RMB18.2 million. Based on the assessment of impact of the policy change, provision for an impairment loss of RMB56.1 million was made on associates. Due to the fluctuation of the current economic cycle, some financial assets were exposed to the risk of overdue redemption. The Company has conducted impairment assessments and provision of RMB100.3 million was made.

OTHER EXPENSES

The Group's other expenses during the Reporting Period amounted to RMB21.0 million, and mainly consisted of a loss on the Group's disposal of equity interests in 22 Target Entities on 31 December 2021 (please refer to the announcement headed "(I) Discloseable Transaction and Connected Transaction in Relation to the Disposal of the Equity Interest in the Target Entities and (II) Breach of the Listing Rules and Remedial Actions" and issued by the Company on 30 March 2022, and the supplemental announcements dated 4 April 2022 and 14 April 2022 respectively) and penalty expenses incurred by the Group during the Reporting Period.

FINANCE COSTS

During the Reporting Period, the Group recorded finance costs in the amount of approximately RMB57.8 million as a result of the interest expenses in relation to leases in the amount of RMB45.0 million and the interest expenses of loans in the amount of RMB12.8 million.

INCOME TAX EXPENSES

During the Reporting Period, the Group's income tax expenses were RMB52.1 million.

PROFIT FOR THE REPORTING PERIOD

The Group's profit for the Reporting Period decreased from RMB127.8 million in 2020 to RMB-325.6 million for the Reporting Period, representing a decrease of 354.8%. The decrease in profit for the Reporting Period were mainly attributable to the changes in the industry as a result of the implementation of the Double Reduction Policy, which led to the changes in business operations, the closure of schools, the provision of compensation for personnels and the losses on the impairment of external investments.

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 from RMB143.7 million for 2020 to RMB-331.5 million for the Reporting Period. Adjusted profit eliminates the effect of non-recurring 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		
	2021	2020	% Change
	<i>RMB'000</i>	<i>RMB'000</i>	
(Loss)/profit for the year	(325,593)	127,794	(354.8%)
Add:			
Equity-settled compensation costs	(5,914)	15,863	(137.3%)
Adjusted (loss)/profit	<u>(331,507)</u>	<u>143,657</u>	<u>(330.8%)</u>

In light of the foregoing limitations for other financial measurements, when assessing our operating and financial performance, shareholders and investors should not consider 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.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, cash and cash equivalents of the Group amounted to RMB211.2 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 2021, the current ratio of the Group was approximately 0.94, representing an decrease from 1.06 as at 31 December 2020. The current ratio is equal to total current assets divided by the total current liabilities.

As at 31 December 2021, the gearing ratio of the Group was 73.4%, representing an increase from 75.0% as at 31 December 2020. The gearing ratio is equal to total debts divided by the sum of total equity and total debts.

FUTURE PLANS FOR SIGNIFICANT INVESTMENT AND CAPITAL ASSETS

As at the date of this announcement, the Group does not have any plans for significant investment or capital assets.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

As at 31 December 2021, the Group held financial assets comprising (i) debt investments of RMB577.3 million (31 December 2020: RMB943.0 million), in aggregate accounted for 43.8% of the Group's total assets as at 31 December 2021, 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 RMB56.2 million (31 December 2020: RMB91.2 million), in aggregate accounted for 4.3% of the Group's total assets as at 31 December 2021, representing investment portfolio of an unlisted company and a listed company.

Due to the current fluctuation of the economic cycle, some of the financial assets is facing the risk of overdue redemption, the Company has conducted fair value assessment on the financial assets and has made provision on impairments.

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 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.

During the Reporting Period, the Group had entered into the following disposal:

On 31 December 2021, Guangzhou Beststudy Educational Co., Ltd.* (廣州市卓越里程教育科技有限公司) (an operating entity controlled by the Company via the VIE Structure and the financial results of which were consolidated into the financial results of the Company) entered into an equity transfer agreement with Huoerguos Lexue Venture Investment Co., Ltd.* (霍爾果斯樂學創業投資有限公司), pursuant to which Guangzhou Beststudy Educational Co., Ltd.* agreed to transfer 100% of the equity interests in 22 entities (the “**Target Entities**”), including the Foshan Beststudy Culture Communication Co., Ltd.* (佛山市卓越里程文化傳播有限公司) to Huoerguos Lexue Venture Investment Co., Ltd.* (霍爾果斯樂學創業投資有限公司) or a subsidiary to be designated by Huoerguos Lexue Venture Investment Co., Ltd.* (霍爾果斯樂學創業投資有限公司) at a consideration of RMB1.00. Upon completion of the transaction, the Target Entities will cease to be a subsidiary of Guangzhou Beststudy Educational Co., Ltd.* (廣州市卓越里程教育科技有限公司) and the Company. For more information on this transaction, please refer to the Company’s announcement dated 30 March 2022 titled “(I) Discloseable Transaction and Connected Transaction In Relation to the Disposal of Equity Interest in the Target Entities and (II) Breach of the Listing Rules and Remedial Actions” and the supplemental announcements dated 4 April 2022 and 14 April 2022 respectively.

Save as disclosed in this announcement, the Group had not made any significant investments, major acquisitions or disposals of subsidiaries and affiliated companies during the Reporting Period.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any unrecorded significant contingent liabilities, guarantees or any litigation against the Group.

PLEDGE OF ASSETS

As at 31 December 2021, bank balances amounting to RMB12.1 million were restricted, which was primarily deposits of RMB8.8 million pledged for external borrowings.

BANK LOANS AND OTHER BORROWINGS

As at 31 December 2021, the balance of bank loans was RMB333.2 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

As at the date of this announcement, the Group has no material subsequent events after 31 December 2021 which are required to be disclosed.

HUMAN RESOURCES

As at 31 December 2021, the Group had a total of 3,043 (31 December 2020: 7,097) 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 decrease in the number of staff was mainly attributable to the loss of staff as affected by the Double Reduction Policy.

FINAL DIVIDEND

The Board does not recommend the distribution of dividend for the Reporting Period.

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 2021 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 2021 <i>HK\$'million</i>	Actual use of net proceeds during the period from the Listing Date to 31 December 2021 <i>HK\$'million</i>		Proceeds unused <i>HK\$'million</i>	Expected timeline
For footprint expansion	50%		—	—	—	Completed
For seeking strategic alliances and acquisitions to support and expand the operations	30%	7.9	7.9	—	—	Completed
For investments to improve the teaching quality	20%		—	—	—	Completed

Note:

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.

RSU SCHEME

The Company approved and adopted the Restricted Share Units (“**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 of the Group by providing them with the opportunity to own equity interests in the Company.

As at 31 December 2021, the trustee of the Company, Ms. Shaoping Fu (the “**Trustee**”) has purchased an aggregate of 62,156,000 shares (representing approximately 7% of the total issued shares of the Company). A total of 63,560,573 shares (representing approximately 8%¹ of the total issued shares of the Company) have been granted to the grantees under the RSU Scheme.

The Company noted that as at March 3, 2021, the consideration for the Trustee to purchase the Company’s shares based on the RSU Scheme has approached HK\$150,000,000. Therefore, the meeting of the Board was held on March 4, 2021. After careful and prudent consideration, resolved that it was in the best interests of the Company to increase the allocation amount to the Trustee of the RSU to purchase the existing shares of the Company in the market. Accordingly, on the basis of the resolution of the Board on November 19, 2019, an additional provision up to HK\$80,000,000 was made available to the RSU Trustee to purchase shares in the Company available in the market.

CORPORATE GOVERNANCE PRACTICES

The Company recognised the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders of the Company (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 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.

¹ The percentage represents the number of shares divided by the number of the Company’s issued shares as at 31 December 2021.

Under the code provision A.2.1 (which has been re-numbered as C.2.1 since 1 January 2022) 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 four 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.

On 24 December 2021, Mr. Yingmin Wu resigned as an independent non-executive Director and ceased to be a member of the nomination committee of the Company (the “**Nomination Committee**”). On 23 March 2022, Mr. Caihe Lin was appointed as an independent non-executive Director and a member of the Nomination Committee. Upon the appointment of Mr. Lin as an independent non-executive Director and a member of the Nomination Committee as at the date of this announcement:

- (a) The Board has a total of eight Directors, three of whom are independent non-executive Directors. Accordingly, the Company complies with the requirements of Rule 3.10(1) of the Listing Rules.
- (b) The Nomination Committee has three members, two of whom are independent non-executive Directors, being the majority of the Nomination Committee. The Company therefore complies with the requirements of the code provision A.5.1 of the then CG Code (which has been amended as Rule 3.27A of the Listing Rules since 1 January 2022).

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

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

As at January 2021, the Company repurchased a total of 2,499,000 Shares, using a total amount of approximately HK\$6,807,270, which were all cancelled as at April 2021.

Save as disclosed in this announcement, 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 (which has been re-numbered as D.3 since 1 January 2022) of the CG Code. The audit committee of the Company (the "**Audit Committee**") consists of Mr. Peng Xue, Ms. Yu Long and Mr. Wenhui Xu, with Mr. Peng Xue being the chairman of the Audit Committee.

The primary functions 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. 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.

MATERIAL DIFFERENCES BETWEEN THE UNAUDITED ANNUAL RESULTS AND THE ANNUAL RESULTS

Since financial information contained in the 2021 Unaudited Annual Results Announcement was neither audited nor agreed with the Company's auditors as at the date of the publication and subsequent adjustments have been made to such information, shareholders and potential investors of the Company are advised to pay attention to the differences between financial information of the 2021 Unaudited Annual Results and the 2021 Annual Results. In this regard, the Company hereby sets forth details and reasons for the differences in such financial information in accordance with Rule 13.49(3)(ii)(b) of the Listing Rules.

Consolidated Statement of Profit or Loss

Year ended 31 December 2021

	Disclosure in this announcement <i>RMB'000</i>	Disclosure in the Unaudited Annual Results Announcement <i>RMB'000</i>	Difference <i>RMB'000</i>
Cost of sales*	(1,169,280)	(1,187,750)	18,470
Selling expenses*	(180,984)	(181,884)	900
Research and development expenses*	(142,310)	(146,909)	4,599
Administrative expenses*	(222,961)	(215,088)	(7,873)
Fair value changes on investments at fair value through profit or loss**	(144,438)	(79,308)	(65,130)
Loss on disposal of property, plant and equipment and intangible assets**	(140,178)	—	(140,178)
Impairment loss on property, plant and equipment and intangible assets**	(18,228)	—	(18,228)
Impairment loss on associates**	(56,054)	—	(56,054)
Impairment loss on financial assets**	(100,288)	—	(100,288)
Other expenses**	(20,986)	(494,432)	473,446
Income tax expense***	(52,138)	(22,763)	(29,375)

Consolidated Statement of Financial Position

As at 31 December 2021

	Disclosure in this announcement <i>RMB'000</i>	Disclosure in the Unaudited Annual Results Announcement <i>RMB'000</i>	Difference <i>RMB'000</i>
Investments in associates**	17,492	20,318	(2,826)
Deferred tax assets***	35,080	60,187	(25,107)
Short-term debt investments measured at amortised cost**	130,000	107,663	22,337
Short-term debt investments measured at fair value through profit or loss**	245,989	185,703	60,286
Restricted cash****	12,135	9,470	2,665
Cash and cash equivalents****	211,180	213,845	(2,665)
Other payables and accruals*	171,846	202,072	(30,226)
Tax payable***	33,874	29,607	4,267

*: The above adjustments were made upon completion of the audit, primarily based on the amount of employees' performance bonus which is calculated based on the latest remuneration payment plan.

** : The above adjustments were made upon the completion of the audit, primarily based on the impairment amounts of certain equity investments and financial products which are calculated based on the newly acquired supporting documents.

***: The above adjustments were made upon the completion of the audit, primarily based on the final determination of deferred income tax assets and the calculation of current income tax expenses.

****: The above adjustments were made due to the reclassification of bank balances in the custody of funds account to restricted funds upon the completion of the audit.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2021, consolidated statement of profit or loss and consolidated statement of comprehensive income for the Reporting Period and the related notes thereto as set out in this results announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the Reporting Period. The work performed by 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 this results announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.beststudy.com. The annual report of the Company for the Reporting Period containing all the information required by the Listing Rules will be 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 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, 29 April 2022

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