卓越教育集团

China Beststudy Education Group

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3978

ANNUAL REPORT 2023

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Junjing Tang (Chairman of the board of directors)
Mr. Junying Tang
Mr. Gui Zhou
Ms. Weiying Guan

Non-executive Directors

Mr. Wenhui Xu
Mr. Wai Ng

Independent Non-executive Directors

Ms. Yu Long
Mr. Caihe Lin
Mr. Jun Gan

AUDIT COMMITTEE

Mr. Jun Gan (Chairman)
Ms. Yu Long
Mr. Wenhui Xu

REMUNERATION COMMITTEE

Ms. Yu Long (Chairlady)
Mr. Junjing Tang
Mr. Jun Gan

NOMINATION COMMITTEE

Mr. Junjing Tang (Chairman)
Ms. Yu Long
Mr. Caihe Lin

COMPANY SECRETARY

Ms. Chau Hing Ling (LLM, FCG, HKFCG)

AUTHORISED REPRESENTATIVES

Mr. Junjing Tang
Ms. Chau Hing Ling (LLM, FCG, HKFCG)

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Tahota (Beijing) Law Firm
Tian Yuan Law Firm LLP

PRINCIPAL BANKS

China Citic Bank Guangzhou Huangpu Branch
China Guangfa Bank Guangzhou Tianhe Branch
Industrial and Commercial Bank of China Guangzhou Nanfang Branch

REGISTERED OFFICE

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4th Floor, Harbour Place
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Grand Cayman, KY1–1002
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Guangdong, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
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Hong Kong

STOCK CODE

3978

COMPANY'S WEBSITE

www.beststudy.com

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LISTING DATE

27 December 2018

Company Profile

COMPANY PROFILE AND OVERVIEW

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

Our Group mainly offers education related products and services, including but not limited to full-time revision business, talent education, self-study program, vocational education, and after-school tutoring program. Our full-time revision business aims to help students to be admitted to their preferred schools through Zhongkao (中考) and Gaokao (高考). Our talent education is designed to promote the all-round development of our students, allowing a more engaging and enjoyable learning process. Our self-study program aims to improve students' soft power of learning through self-study model, so that they can give full play in their study and daily life. Our vocational education is designed to cultivate talent with new vocational skills needed by the country and society in an innovative model with the support of public vocational colleges. Our after-school tutoring program targets to help students establish a sound learning mindset and knowledge system and develop good learning habits.

The Group has been focusing on developing in South China and established business presence across the country. Through 26 years of efforts and development, our "Zhuoyue Education" (卓越教育) brand and reputation have also been recognised and welcomed by students, parents and all sectors of the community. In 2023, we actively participated in social welfare and party building undertakings, and won the awards of "Guangzhou Party Organisation with Double Strength and Six Excellence — Non-public Economic Organization" (廣州市非公有制經濟組織"雙強六好"黨組織), "Guangzhou Model Base for Party Building" (廣州市黨建示範基地), "General Member of the Economic Association of Guangzhou Headquarters" (廣州市總部經濟協會一般會員), "King's Ark Award for Employer Cherishing Talents the Most" (王者之舟最愛人才僱主獎), "2023 Word-of-mouth Influential Vocational Education Brand Award" (2023年度口碑影響力職業教育品牌獎), "2023 Influential Quality Education Brand" (2023年度影響力素質教育品牌), "2023 China Economic Innovation Enterprise in the New Era" (2023新時代中國經濟創新企業), "2023 Best Employer" (2023年度最佳僱主), "2023 Most Trustworthy Brand for Netizens" (2023年度最值得網民信賴品牌) and "Annual Socially Responsible Brand Award" (年度社會責任品牌獎). The recognition from students, parents and all sectors of the community will help us enlarge our student pool and further maintain and strengthen our market position in the industry.

Financial and Key Operating Data Highlights

FINANCIAL AND KEY OPERATING DATA HIGHLIGHTS

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

Chairman's Statement

Dear Shareholders,

On behalf of the Board (the "**Board**") of directors (the "**Directors**") of the Group, I am pleased to present the annual report of the Group for the year ended 31 December 2023 (the "**Reporting Period**").

PERFORMANCE REVIEW

To cope with the impact of the "Double Reduction Policy" (雙減政策) on the education industry and the Group's business, we have proactively sought breakthroughs and actively transformed our operations in accordance with policy directives. As the policy gradually clarified the requirements for applying for a school license, we accelerated the progress of obtaining a "non-discipline profit-making license" (非學科盈利性牌照). With the reputation and education resources built over the past 26 years, together with the recognition and support from parents and students, we have come up with a new business model of "talent education + vocational education + full-time education".

The Group empowers high-quality development of our full-time education segment with digitalisation. Utilising cloud computing, big data, artificial intelligence and other advanced technologies to continuously iteratively upgrade our intelligent teaching system. Flexible application of diversified teaching scenarios realises efficient and precise teaching and enhances students' learning experience and outcome. At the same time, with the support of the precise teaching system, the Group helps students majoring in art, music or sports to rapidly improve their cultural scores through the hourglass teaching, so as to achieve accurate teaching, efficient learning and intelligent management, and help students continue to improve and surpass themselves. Through "Beststudy Intelligent Learning System" (卓越慧學系統) and "Beststudy Core Learning System" (生命成長體系), the Group provides Zhongkao (中考) and Gaokao (高考) candidates with the essential skills and better prepare themselves for the exams so they can have a higher chance of getting into their desired schools. While meeting the needs of the growth of students in an all-round manner, the Group has built an efficient, reliable and reputable brand image, laying a solid foundation for the sustainable development.

The Group focuses on the cultivation of core qualities such as literature and scientific quality, and strives to improve and optimise quality education methods. Nine products of the Group, including "Beststudy Programming" (卓越編程), "Curious Young Reporter" (奇趣小記者), "Thinking Planet" (思考星球), "Di-Da Literature" (嘀嗒文學), "Literature and Aesthetic Education" (文學美育), "Practical Practice" (躬行實踐), "Bilingual Culture" (雙語文化), "Multiple Thinking" (多元思維) and "Social Science Literacy" (社會科學素養), have become the first batch of talent education products for Guangdong Province to pass the non-academic accreditation by the education authorities. These nine products have gained huge popularity among the wider society and students and helped build our brand as an excellent quality education services provider and thus provided an important safeguard in the transformation of the Group.

During the Reporting Period, the Group partnered with 50 primary and secondary schools in Guangzhou to provide integrated after-class services on campus. We have won recognition from students and schools for providing high-quality services and experiences to students that meet the diversified needs in their growth through more than 86 talent education products, covering moral, intellectual, physical, aesthetic and labour, and including moral education programs, thinking and growth, language expression, aesthetic arts, science literacy, cooking and labour, sports, and study and practice.

The Group has actively responded to national policies by striving for progress on the track of vocational education leveraging the resources and educational experience gained over the years. We have established a comprehensive strategic cooperation relationship with secondary vocational schools and institutions. We have tailor-made a fully-closed management program for secondary vocational school students, with the college entrance examination for vocational school students as the final destination, to secure the high-quality and efficient learning of secondary vocational school students through a full-swing, holistic and all-round education and services. Riding on the trend of higher vocational college's entrance examination, the Group has also launched the "Zhuoyue 3+ Certificate Higher Vocational Studies" (卓越3+證書高職高考班). The course focuses on the learning styles of secondary vocational students, adopts a small class system, emphasises the selection of elite teacher structure formed from years of experience in education practice, and the efficient use of interactive multimedia teaching aids, effectively improving students' learning efficiency and helping secondary vocational students achieve the goals of getting into their dream colleges.

In order to make progress in the exploration of our second growth curve, enhance organisational agility, and promote the incubation and development of innovative businesses, the Group has established the "Innovative Business Division". The Group aims to undertake the construction of sustainable development drive, closely cooperate with various business departments, focus on the innovative exploration of value under new trends observed, and constantly improve the industrial layout of the Group through research, incubation, investment and other measures.

The Group has consistently adhered to the mission of "cultivating excellent quality and contributing to China's future" and has firmly stuck to the objective of becoming an "enthusiastic education services provider" for our public welfare actions. The Group has made its best efforts to carry out education public welfare, and further implemented the "8 Hours of Charity for Everyone" scheme to better realise its social value and mission. The Group donated teaching equipment and materials to primary and secondary schools in remote areas and helped upgrade hardware facilities for a number of times helping to narrow down the gap between urban and rural areas in the level of educational attainment, and most importantly, passing on Beststudy's love and care. As part of our joint effort with the community, we have initiated a number of public welfare activities and recruited volunteers as a team to "beautify the community and build a green home", aiming to enhance our staff and students' awareness in public welfare so that they can actively take more social responsibilities. Raising funds and goods through charity sales, we provided help to children in need in Yuexiu District. At the same time, the Group has actively participated in a series of summer public welfare activities called the "Future Youth" where we provided "free summer child care" services to children whose parents needed to work during daytime to cultivate the cultural self-confidence of young children and help them spend a more meaningful summer vacation. In addition, the Group also actively carried out a number of "Party building + Public welfare" activities to consolidate the work foundation, explore the best mode of work, continue to improve its own party building work and social responsibility, demonstrate and drive high-quality party building, and help enterprises develop in a high-quality manner.

FUTURE PROSPECTS

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

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

Talent education is the main theme of China's education reform and development. Under the proper guidance of relevant national policies, talent education has gradually moved from an auxiliary role to the mainstream, from the traditional "moral, intellectual, physical, aesthetic and labour" evaluation to cultivating innovative and entrepreneurial spirit and ability. The Group has actively responded to the call of national policies, actively transformed and further deepened talent education. Our talent education products have achieved significant results in the development of the Guangdong-Hong Kong-Macao Greater Bay Area. In the future, we will continue to promote the stable and long-term development of the Guangdong-Hong Kong-Macao Greater Bay Area, especially in two economically active Greater Bay Area cities, Shenzhen and Foshan. By focusing on layout and expansion in these two cities, we will take advantage of the Group's advantages in deeply cultivating these local markets for many years and integrate into the new pattern of regional economic development to enhance our business competitiveness and expand our market share. In addition, we will conduct in-depth research and development and constantly upgrade its existing talent education products. By these measures, the Group has enriched the product categories of talent education in non-academic-accredited talent education products, building an education system for all-round development that incorporates the five educations: ethical, intellectual, physical, aesthetics and technical labour. This has achieved the improvement of core qualities of primary and secondary school students, thereby injecting a new impetus for the growth of Group's business.

Through the multi-model of "on-campus after-school talent products" and "off-campus self-operated stores", our services cover the after-school user groups and meet the diverse needs of users. The Group will further cooperate with more primary and secondary schools, strive to continuously provide customers with valuable products and services and further improve teaching satisfaction by exploiting its own localisation advantages, professional service operation system and teacher training team, innovating the use of internal and external resources and improving the on-campus after-school talent product system in science and technology, sports, art, humanities, labour, etc. At the same time, we will proactively deploy off-campus self-operated stores and create a "self-operated model for after-school talent education" through local pilot projects to meet the after-school talent improvement needs of users in the Greater Bay Area. We also actively respond to the national concept of "integration of five educations", assist the implementation of talent-oriented education in schools, create school-based programmes with talent education characteristics, and build a new pattern of after-school services in schools.

We will continue to enhance the "talent education + community" model, taking the community as the centre to radiate the surrounding areas, reorganise the diversified talent education sub-products, explore students' interests and talent through "direct perception, practical operation and hands-on experience", and create a comprehensive and multicategory one-stop talent education base to provide students with more diversified choices, thereby further enhancing our influence.

In conformity with the requirements of China's policies, the Group has built a self-learning space, providing students with learning systems or learning materials, creating a more comfortable and reassuring self-study environment, and helping children develop correct and good learning methods and habits in the self-study mode to improve the soft power of learning and to accompany children's growth in a high-quality and efficient manner. It is the Group's intention to create an integrated learning and growth space through habit development, cultural edification, ability improvement, homework tutoring, etc., and to accompany children's growth in a high-quality and efficient manner in the rich learning practices and experience, making Beststudy the place for study and growth most favoured by children and trusted by parents.

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

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

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

The continuous upgrade of our two outer moats of "Beststudy Intelligent Learning System" (卓越慧學系統) and "Beststudy Core Learning System" (生命成長體系) will further enhance the core competitiveness of the Group, inject continuous development capabilities into the Group under the new landscape, and take the Group's full-time education business to another level.

Cooperating and sharing to expand new track for vocational education

As China enters a new stage of development, the importance of vocational education is becoming more and more prominent. Since the General Office of the State Council clarified the importance of modern vocational education as an integral part of the national education system in 2021, various state departments have successively issued policy documents to emphasise, guide and promote the reform and development of vocational education. On 8 June 2023, the Implementation Plan of the Action to Enhance the Integration of Production and Education in Vocational Education (2023–2025), promulgated by the National Development and Reform Commission and other departments, proposed the actions needed to enhance the integration of production and education in vocational education and accelerate the realization of the concept of integration of production and education in vocational education. The market for vocational education is set to grow further under the positive guidance of national policies.

With the support of public vocational colleges, riding on the unique native advantages of vocational education in Guangdong Province and leveraging on its years of accumulated resources and teaching and research experience, the Group has launched a comprehensive exploration of vocational education products. With the focus on developing its business in the new area, the Group will offer courses including vocational certificate training.

In addition, the Group will continue to strengthen its strategic cooperation relationships with private colleges and universities, and secondary vocational colleges, actively explore the innovative training models for vocational education, give full play to the respective advantages of all parties, and establish the consensus of "complementary advantages, resource sharing and cooperative development" on education, jointly cultivate high-quality and high-skilled applied talents, providing multi-level and diversified technical and skilled talents support to promote the high-quality development of modern vocational education, enhance the Group's reputation in the field of vocational education, and help to accelerate the development of Beststudy in the new channels of vocational education.

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

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

Adhering to our original aspirations and moving forward with the trend

We persistently adhere to the original mission and vision of the Group, closely follow the guidance of the national policy, comply with the national development needs, constantly optimise and improve the Group's strategy by comprehensively enhancing our core competitiveness, and promoting sustainable and high-quality development. We will also adhere to our mission of caring for children's growth, practicing the core values of "All for Children's Healthy Development" and taking children as our priority. Through technological innovation, we provide children with enthusiastic, aspirated, creative, technology-based diversified and comprehensive teaching services, stimulating children's internal motivation, promoting healthy and comprehensive growth.

In terms of education innovation, we will continuously optimise the layout of our education business, and deepen and explore cooperation with various education resources by leveraging our own advantages, and promote the Group's multi-field and multi-track development. We will also develop innovative educational products to continuously improve the quality and effectiveness of our existing products.

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

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

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.

Junjing Tang
Chairman, Chief Executive Officer and Executive Director

27 March 2024

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

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

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

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

Cost of Sales

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

Gross Profit and Gross Profit Margin

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

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

Other Income

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

Other Gains and Losses

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

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

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

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

The change in fair value of investments recorded at fair value through profit or loss resulted in a loss of approximately RMB12.4 million in 2022, while a loss of approximately RMB38.9 million was recorded during the Reporting Period. The changes in fair value include gains and losses from changes in fair value of listed equity investments.

Gain on Disposal of Investments in Subsidiaries

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

Selling Expenses

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

Administrative Expenses

Administrative expenses included the compensation for administrative staff, office rentals and daily operational expenses. During the Reporting Period, the Group's total administrative expenses amounted to approximately RMB57.9 million, representing a decrease of 34.7% as compared to approximately RMB88.7 million in 2022.

Other Operating Expenses

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

Finance Costs

During the Reporting Period, the Group recorded finance costs in the amount of approximately RMB9.0 million, which were attributable to the interest on lease liabilities under IFRS 16.

Income Tax Expense

During the Reporting Period, the Group's income tax expense was RMB22.9 million.

Profit for the Year

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

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

To supplement our consolidated financial statements, which are presented in accordance with IFRSs, we also use unaudited adjusted net profit as an additional financial measurement. We present such a financial measurement because it is used by our management to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business. We also believe these non-GAAP measurements provide additional information to investors and others in understanding and evaluating our results of operations. The term of adjusted net profit is not defined under IFRSs. The use of these non-GAAP measurements has material limitations as an analytical tool, as they do not include all items that impact our net profit for the Reporting Period. We compensate for these limitations by reconciling these financial measures to the nearest IFRSs performance measure, which should be considered when evaluating the Group's performance.

Our unaudited adjusted net profit increased by 62.8% from RMB54.8 million in 2022 to RMB89.2 million for the Reporting Period.

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

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

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

Liquidity and Financial Resources

As at 31 December 2023, cash and cash equivalents of the Group amounted to RMB281.9 million.

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

Current and Gearing Ratio

As at 31 December 2023, the current ratio of the Group was approximately 1.25, representing a decrease as compared to 1.30 as at 31 December 2022. The current ratio is equal to total current assets divided by the total current liabilities.

As at 31 December 2023, the gearing ratio of the Group was 0.53, which remained stable as compared to 0.53 as at 31 December 2022. The gearing ratio is equal to total debts divided by the sum of total equity and total debts.

Future Plans for Significant Investments and Capital Assets

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

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

As at 31 December 2023, the Group held financial assets comprising (i) debt investments of RMB71.9 million (31 December 2022: RMB104.2 million), in aggregate accounted for 6.9% of the Group's total assets as at 31 December 2023, representing investments in various types of short-term wealth management products issued by licensed banks, unlisted trust plans, asset management plans, funds and corporate debts; and (ii) equity investments of RMB30.4 million (31 December 2022: RMB59.8 million), in aggregate accounted for 2.9% of the Group's total assets as at 31 December 2023, representing investment portfolio of unlisted companies and a listed company.

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

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

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

Financial assets held by the Group as at 31 December 2023

Set forth below is a breakdown of the financial assets held by the Group as at 31 December 2023, of which individual investments are separately disclosed if its carrying amount is of 5% or more of the Group's total assets, including the carrying amount of such investment as at 31 December 2023 and its size as compared to the Group's total assets, and its performance during the Reporting Period.

	As at 31 December 2023		For the year ended 31 December 2023	
	Fair value/ carrying amount RMB'000	Approximate percentage as compared to the Group's total assets %	Fair value loss RMB'000	Dividend income RMB'000
Equity investments at FVTPL:				
— unlisted equity investments	7,392	0.7	(712)	—
— listed equity investments	23,003	2.2	(28,681)	1,025
Sub-total	**30,395**	**2.9**	**(29,393)**	**1,025**
Debt instruments at FVTPL:				
— funds	24,772	2.4	(6,107)	N/A
— unlisted trust plans and asset management plans	13,810	1.3	(3,412)	N/A
Sub-total	**38,582**	**3.7**	**(9,519)**	

	As at 31 December 2023		For the year ended 31 December 2023	
	Carrying amount RMB'000	Approximate percentage as compared to the Group's total assets %	Impairment losses reversed (recognised) under expected credit loss model, net RMB'000	Interest income RMB'000
Debt instruments at amortised cost:				
— Corporate debts	33,315	3.2	(4,389)	4,084
Sub-total	**33,315**	**3.2**	**(4,389)**	**4,084**

Information on the listed equity investment is stated as follows:

Name of listed shares	China Kepei Education Group Limited (01890.HK)
Date of investment	January 2019
Number of shares	18,664,000
Initial amount of investment (RMB'000)	40,094
The fair value as at 31 December 2023 (RMB'000)	23,003
Loss on fair value changes recognised during the Reporting Period (RMB'000)	(28,681)

The fair value of listed equity investment is determined based on the quoted market bid price (Level 1: quoted price (unadjusted) in active markets).

Apart from the listed equity investment as set out above, investments held by the Group do not constitute discloseable transactions as all the highest applicable percentage ratios are less than 5%, and none of them constituted connected transaction under Chapter 14A of the Listing Rules nor significant investments under 32(4) of Appendix D2 of the Listing Rules.

Contingent Liabilities

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

Pledge of Assets

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

Bank loans and other borrowings

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

Foreign Exchange Exposure

Our Group's sales and purchases during the Reporting Period were mostly denominated in RMB. Therefore, foreign exchange exposures mainly arise from short-term equity investment at fair value through profit or loss denominated in HK$. During the Reporting Period, the Group did not experience any significant difficulties in or impacts on its operations or liquidity due to fluctuations in currency exchange rates. The Group did not enter into any financial instrument for hedging purpose.

EVENTS AFTER THE REPORTING PERIOD

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

HUMAN RESOURCES

As at 31 December 2023, the Group had a total of 846 (31 December 2022: 1,022) employees. To ensure that the Group is able to attract and retain staff capable of attaining the best performance levels, remuneration packages are reviewed on a regular basis.

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

FINAL DIVIDEND

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

Directors and Senior Management

BOARD OF DIRECTORS

The Board currently comprises nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors. The powers and duties of our Board include managing our business, convening general meetings and reporting our Board's work at our Shareholders' meetings, preparing financial budgets and financial reports, formulating proposals for profit distributions as well as exercising other powers, functions and duties as conferred by the articles of association of the Company (the "**Articles**"). We have entered into a service contract with each of our executive Directors. We have also entered into a letter of appointment with each of our non-executive Directors and our independent non-executive Directors.

Executive Directors

Mr. Junjing Tang (唐俊京), aged 54, is an executive Director, the chairman of the Board and our chief executive officer, being responsible for the overall development, operation and management of our Company. Mr. Junjing Tang co-founded our Group as a key senior management member of Guangzhou Beststudy Training Centre (廣州卓越教育培訓中心) (formerly known as "Guangzhou Beststudy Tuition Centre (廣州卓越教育補習中心)" from June 1998 to September 2000) in October 1997. He was appointed as a Director on 27 August 2010 and designated as an executive Director on 13 June 2018, and was appointed as the chairman of the Board and our chief executive officer on 13 June 2018. He has served as a director and the chairman of the board of directors of Guangzhou Beststudy Educational Co., Ltd. (廣州市卓越里程教育科技有限公司) (the "**Guangzhou Beststudy**") since July 2000 and served as the principal of Guangzhou Beststudy Training Centre from October 1997 to June 2000. Mr. Junjing Tang has over 26 years' experience in the PRC education industry.

Mr. Junjing Tang has also served as the chairman of the board of directors of Huoerguosi Lexue Venture Capital Investment Co., Ltd. (霍爾果斯樂學創業投資有限公司) since December 2016. Prior to founding our Group, Mr. Junjing Tang served as the manager of Guangzhou Riya Advertising Co., Ltd. (廣州市瑞雅廣告有限公司), which was primarily engaged in advertisement business from July 1994 to September 1997.

Mr. Junjing Tang obtained a master's degree in business administration from China Europe International Business School (中歐國際工商學院) and a bachelor's degree in international finance from Shenzhen University (深圳大學) in October 2011 and June 1993, respectively.

Mr. Junjing Tang is the brother of Mr. Junying Tang.

Mr. Junying Tang (唐俊膺), aged 54, is an executive Director and a senior vice president, being responsible for the overall management of our Company and for the overall operation and management of the Innovative Business Division. Mr. Junying Tang was appointed as a Director on 21 January 2011 and designated as an executive Director on 13 June 2018. Mr. Junying Tang co-founded our Group as a key senior management member of Guangzhou Beststudy Training Centre in October 1997. He was the legal representative of Guangzhou Beststudy Training Centre from March 1999 to March 2000. Mr. Junying Tang has over 26 years' experience in the PRC education industry.

Mr. Junying Tang has also served as a director of Huoerguosi Lexue Venture Capital Investment Co., Ltd. since December 2016. Prior to co-founding our Group, Mr. Junying Tang served as a deputy manager of Guangzhou Riya Advertising Co., Ltd. from July 1994 to September 1997.

Mr. Junying Tang obtained an executive master's degree in business administration from Peking University (北京大學) and a bachelor's degree in international trade from Sun Yat-Sen University (中山大學) in July 2012 and July 1993, respectively.

Mr. Junying Tang is the brother of Mr. Junjing Tang.

Mr. Gui Zhou (周貴), aged 52, is an executive Director and a senior vice president, being responsible for the overall management of our Company, administrative management, talent education and strategic cooperation. Mr. Zhou co-founded our Group as a senior management member of Guangzhou Beststudy Training Centre in October 1997. He was appointed as a Director on 21 January 2011 and designated as an executive Director on 13 June 2018. Mr. Zhou has over 26 years' experience in the PRC education industry.

Mr. Zhou has also served as a director of Huoerguosi Lexue Venture Capital Investment Co., Ltd. since December 2016. From July 1994 to September 1997, he served as a deputy manager of Guangzhou Ruiya Advertisement Co., Ltd.

Mr. Zhou obtained an executive master's degree in business administration from Cheung Kong Graduate School of Business (長江商學院) and a bachelor's degree in international trade from Sun Yat-Sen University in October 2012 and June 1994, respectively.

Ms. Weiying Guan (關瑋瑩), aged 54, is an executive Director and a senior vice president, being responsible for the overall operation and management of the business division of elegant learning program. Ms. Guan joined our Group in February 2009 and was appointed as a senior vice president of the Company on 1 March 2023. Since September 2017, she has been served as the vice president of Guangzhou Beststudy. From February 2009 to August 2017, she served as the marketing director of the Group, as well as the principal of our Dongguan school and Guangzhou school.

Prior to joining our Group, from July 1993 to October 2005, Ms. Guan worked in Akzo Nobel Swire Paints (Guangzhou) Limited (阿克蘇諾貝爾太古漆油（廣州）有限公司), which is primarily engaged in paints production, and was its marketing director for Thailand region when she left the company. From February 2006 to December 2007, she served as a marketing manager of Taikoo Hui (Guangzhou) Development Co., Ltd. (太古匯（廣州）發展有限公司), a real property developer.

Ms. Guan obtained a master's degree in business administration from Jinan University (暨南大學) in June 2001 and a bachelor's degree in international trade from Sun Yat-sen University in July 1993.

Non-executive Directors

Mr. Wenhui Xu (徐文輝), aged 54, is a non-executive Director, being responsible for overseeing the corporate development and strategic planning of our Group. Mr. Xu joined our Group in January 2011, serving as a director of Guangzhou Beststudy since then. He was appointed as a Director on 21 January 2011 and re-designated as a non-executive Director on 13 June 2018. Mr. Xu has over 20 years' experience in corporate finance and corporate management.

Mr. Xu has served as an executive director and the general manager of Tibet Zhuohe Chuangye Equity Investment Management Co., Ltd. (西藏卓合創業投資管理有限公司) since June 2016. He has served as a director of Sichuan Great Wall Software Technology Co., LTD (四川長城軟件科技股份有限公司), a company quoted on NEEQ (stock code: 430426), which is primarily engaged in software development and system integration since January 2012. He has served as a director of Laoniangjiu Catering Co., Ltd. (老娘舅餐飲有限公司), a Chinese style fast-food chain restaurants operator, since March 2008. He has also served as a director of Shenzhen Daxin Investment Consulting Co., Ltd. (深圳市達鑫投資諮詢有限公司), which is primarily engaged in investment consultation, since June 2006. He served as an executive director of Kingdee International Software Group Company Limited (金蝶國際軟件集團有限公司), a company currently listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 268) and primarily engaged in software development, from the listing of the company on GEM from February 2001 to March 2004.

Mr. Xu obtained a master's degree in business administration from China Europe International Business School and a bachelor's degree in economics from Shenzhen University in September 2010 and June 1992, respectively. Mr. Xu passed the certified public accountant national unified examination (註冊會計師全國統一考試) organised by the Ministry of Finance of the PRC in April 1997. Mr. Xu became a member of the Shenzhen Institute of Certified Public Accountants (non-practising) in December 2009.

Mr. Wai Ng (吳煒), aged 50, is a non-executive Director, being responsible for overseeing the corporate development and strategic planning of our Group. Mr. Ng was appointed as a non-executive Director on 28 March 2023.

Mr. Ng served as a manager for Dao Heng Securities Limited (道亨證券有限公司) (subsequently renamed as GuocoCapital Limited (國浩資本有限公司)) from 2006 to 2009; he served as a deputy general manager of research department in Guosen Securities (HK) Financial Holdings Company Limited (國信證券（香港）金融控股有限公司) from 2009 to 2013; he served as an executive director of China Securities (International) Finance Holding Company Limited (中信建投（國際）金融控股有限公司) from 2013 to 2019; and he has served as the chief executive officer, director and partner in Hung Sing Securities Limited (鴻昇證券有限公司) and Hung Sing Asset Management Limited (鴻昇資產管理有限公司) since 2019.

Mr. Ng obtained a degree of master of philosophy from The Chinese University of Hong Kong (香港中文大學) in December 2003 and obtained a bachelor's degree in economics from University of International Business and Economics (對外經濟貿易大學) in July 1994.

Independent Non-executive Directors

Ms. Yu Long (隆雨), aged 48, is an independent non-executive Director, being responsible for supervising and providing independent judgement to our Board. Ms. Long was appointed as an independent non-executive Director on 3 December 2018 and served as an independent director of Guangzhou Beststudy from May 2017 to March 2018.

Ms. Long has been a director of JD.com International (Singapore) Pte. Limited and the head of the CHO&GC system of Beijing Jingdong Century Trade Co., Ltd. (北京京東世紀貿易有限公司), both of which are subsidiaries of JD.com, Inc., a company listed on NASDAQ (stock code: JD) and on the Main Board of the Stock Exchange (stock code: 9618) respectively and primarily engaged in e-commerce, from November 2014 and August 2012 to April 2019, respectively. Since February 2023, she has been the chief executive and human resources officer of the Hashkey Group.

Ms. Long obtained a master's degree in business administration from China Europe International Business School and a bachelor's degree in economic law from Southwest University of Political Science and Law (西南政法大學) in October 2011 and July 1998, respectively.

Mr. Caihe Lin (林才合), aged 53, is an independent non-executive Director and is responsible for overseeing and providing independent judgement to the Board. Mr. Lin was appointed as an independent non-executive Director on 23 March 2022.

From 1994 to 2000, Mr. Lin worked as a department manager in Guangdong Pharmaceutical and Health Products Import and Export Company; from 2003 to 2010, he worked as a practicing lawyer in Guangdong Haiyuntian Law Firm; from 2011 to 2016, he worked as the director of investment cooperation department of Guangzhou Beststudy Enterprise Co. Ltd., which is currently known as Guangzhou Beststudy Education Technology Co., Ltd., a subsidiary of the Company; from 2017 to 2020, he worked as a practicing lawyer in GoldSun Xinyang Law Firm (國信信揚律師事務所); from 2018 to December 2019, he worked as a director in Guangzhou Xinbaihe Hotel Management Service Co. Ltd. (廣州市新佰合酒店管理服務有限公司). He has been a practicing lawyer in Guangdong Yiyue Law Firm*（廣東一粵律師事務所）since June 2022.

Mr. Lin obtained a master's degree in law and a bachelor's degree in international trade from Sun Yat-sen University in 2006 and 1994, respectively.

Mr. Jun Gan (甘軍), aged 55, is an independent non-executive Director, being responsible for supervising and providing independent judgement to our Board. Mr. Gan is a certified public accountant and registered tax adviser in the PRC and has over 32 years of experience in accounting and taxation. From October 2004 to February 2006, he worked as a financial manager and an assistant to the general manager in Guangdong Gentle Technology Company Limited* (廣東正道科技有限公司); from September 2007 to October 2016, he worked as an assistant to the chief executive officer in Chiho Environmental Group Limited (齊合環保集團有限公司*), formerly known as Chiho-Tiande Group Limited (齊合天地集團有限公司*), a company listed on the Main Board of the Stock Exchange (stock code: 0976), and a director of its subsidiary; from November 2016 to September 2018, he worked as an audit manager in Morison Heng CPA Limited (華利信會計師事務所有限公司); from June 2021 to March 2022, he worked as the chairman and the chief financial officer in a subsidiary of Huazhang Technology Holding Limited (華章科技控股有限公司*), a company listed on the Main Board of the Stock Exchange (stock code: 1673); and from December 2021 to March 2022, he also served as an executive director of Huazhang Technology Holding Limited.

Mr. Jun Gan obtained a bachelor's degree in accountancy from Southwestern University of Finance and Economics (西南財經大學) in December 1996.

* For identification purposes only

Other disclosure pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed above, each of our Directors confirms with respect to himself or herself that he or she (1) had no other relationships with any Directors, senior management or substantial or controlling Shareholders of our Company as at the date of this annual report; (2) did not hold any other directorships in the three years prior to this annual report in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas; and (3) there are no other matters concerning our Directors that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

SENIOR MANAGEMENT

Mr. Hongzhang Zheng (鄭洪章), aged 51, is the senior general manager of the financial management centre of our Company, being responsible for financial management of our Company. Mr. Zheng joined our Group in February 2017 and was appointed as the chief financial officer of our Company on 13 June 2018. He has served as the chief financial officer of Guangzhou Beststudy since February 2017. Mr. Zheng has over 19 years' experience in financial management.

Prior to joining our Group, Mr. Zheng served as the chief financial officer of Guangzhou Bright Dairy Co., Ltd. (廣州光明乳品有限公司), a subsidiary of Bright Dairy & Food Co., Ltd. (光明乳業股份有限公司), a company listed on Shanghai Stock Exchange (stock code: 600597), from July 2006 to January 2017. Guangzhou Bright Dairy Co., Ltd. is primarily engaged in dairy products manufacturing. From July 2004 to July 2006, he served as a finance manager of the business department of Robust (Guangdong) Food Beverage Co., Ltd. (樂百氏(廣東)食品飲料有限公司).

Mr. Zheng obtained a master's degree in business administration in June 2008 from Sun Yat-sen University. He attended the international MBA program co-developed by Sloan School of Management of Massachusetts Institute of Technology and Lingnan (University) College of Sun Yat-sen University (中山大學嶺南(大學)學院) from September 2005 to June 2008.

Mr. Zheng confirms with respect to himself that he did not hold any other directorships in the three years prior to the date of this annual report in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas.

COMPANY SECRETARY

Ms. Chau Hing Ling (周慶齡), aged 49, is a company secretary of our Company.

Ms. Chau has over 20 years of experience in the corporate services industry. She joined Vistra Corporate Services (HK) Limited in June 2013 and now serves as an executive director of corporate services, where she leads a team of professional staff to provide a full range of corporate services and listed company secretary services. She is currently the company secretary or joint company secretary of several companies listed on the Stock Exchange. She received a master of law majoring in corporate and financial law from The University of Hong Kong (香港大學) in November 2007. She has been a fellow member of the Chartered Governance Institute in the United Kingdom and the Hong Kong Chartered Governance Institute since May 2013.

Directors' Report

The Board is pleased to present this annual report together with the audited consolidated financial statements of the Group for the Reporting Period.

GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on 27 August 2010 as an exempted company with limited liability under the Companies Act of the Cayman Islands. The Company's ordinary shares (the "**Shares**") were listed on the Stock Exchange on 27 December 2018 (the "**Listing Date**").

PRINCIPAL ACTIVITIES

The Group mainly offers education related products and services, including but not limited to full-time revision business, talent education, self-study program, vocational education, and after-school tutoring program.

The activities and particulars of the Company's subsidiaries are shown under Note 1 to the consolidated financial statements. An analysis of the Group's revenue and net results for the year by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report.

BUSINESS REVIEW

A review of the Group's business during the year, which includes a fair view of the Company's business, particulars of important events affecting the Group that has occurred since 31 December 2023, an analysis of the Group's performance using financial key performance indicators and an indication of likely future developments in the Group's business, could be found in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" in this annual report. In addition, a discussion on relationships with its key stakeholders is included in the section headed "ESG Report". These review and discussion form part of this directors' report.

PRINCIPAL RISKS AND UNCERTAINTIES

Save as disclosed in other sections in this annual report, the following list is a summary of certain principal risks and uncertainties faced by the Group:

- Our business and prospects may be materially and adversely affected, if we are unable to continue attracting students to enroll in our education programs at reasonable costs;

- We depend on our dedicated and capable faculty, and if we are not able to continue to hire, train and retain qualified teachers, we may not be able to maintain consistent teaching quality throughout our school network and our brand, business and operating results may be materially and adversely affected;

- We face intense competition in the PRC education industry which could lead to adverse pricing pressure, reduced operating margins, loss of market share, departure of qualified employees and increased capital expenditures;

- We are exposed to geographical concentration risks as our operations are heavily concentrated in Guangzhou;
- Our business is subject to seasonal fluctuations, which may cause our results of operations to fluctuate from time to time. This may result in volatility and adversely affect the price of our Shares;
- Our business and results of operations depend on the level of tuition fees we are able to charge and our ability to maintain and raise tuition levels;
- Failure to adequately and promptly respond to changes in examination systems, admission standards, test materials, teaching methods and regulation changes in China could render our courses and services less attractive to students;
- Our debt investments may be subject to certain counterparty risks and market risks; and
- We are exposed to risks related to natural disasters, pandemic or other conditions in China, which could result in significant impact on our operations.

In compliance with the Double Reduction Policy and the related implementation rules, regulations and measures promulgated by competent authorities, the Company has ceased its tutoring services business related to academic subjects at compulsory education stage with effect from January 2022. The above laws and policies have had a material and adverse impact on the Company's pre-existing business and revenue. The Company will continue to monitor the regulatory environment and make timely adjustments to its business plan.

However, the above is not an exhaustive list. Investors are advised to make their own judgement or consult their own investment advisers before making any investment in the Shares.

The Company has implemented various measures to mitigate these risks and uncertainties. Further reviews are set out in the section headed "Corporate Governance Report — Risk Management and Internal Control" in this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Details of the Group's environmental policies and performance are included in the section headed "ESG Report". The report forms part of this directors' report.

RESULTS

The consolidated results of the Group for the Reporting Period are set out on page 135 of this annual report.

DIVIDEND POLICY

The Company adopted a dividend policy (the "**Dividend Policy**") on 12 March 2019, details of which are disclosed as follows:

1. When deciding whether to distribute dividends and determine the amount of dividends, the Board will consider the following:

    a) The financial position of our Group;

    b) The actual and future operation and the liquidity of our Group;

    c) The operating liquidity, capital expenditure demand and the future development of our Group;

    d) The reserves of our Company and the subsidiaries of our Group and the distributable reserve;

    e) The overall economic condition, the business cycle of the business of our Group, and any other internal or external conditions that might impact this Group's business or financial performance; and

    f) Any other factors deemed reasonable by the Board.

2. Our Company shall comply with the Companies Act of the Cayman Islands, the Articles and any restrictions under any applicable laws, rules and regulations.

3. Our Company will continuously examine this policy, but we have no promise that we shall recommend or announce the distribution of dividends in any specific period.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 240 of this annual report.

PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries of the Company are set out in Note 42 to the consolidated financial statements from pages 232 to 237 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property and equipment of the Group during the Reporting Period are set out in Note 17 to the consolidated financial statements from pages 189 to 190 of this annual report.

SHARE CAPITAL

Details of the movements in share capital of the Company during the Reporting Period are set out in Note 28 to the consolidated financial statements on page 205 of this annual report.

RESERVES

Details of the movement in the reserves of the Group and of the Company during the Reporting Period are set out in Note 29 to the consolidated financial statements on page 205 and Note 43 to the consolidated financial statements on page 238 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company's distributable reserves were RMB335.2 million.

LOAN AND GUARANTEE

During the Reporting Period, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, senior management of the Company, the controlling Shareholders or their respective associates (as defined in the Listing Rules).

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

Other than the shares purchased by the trustee pursuant to the RSU scheme of the Company, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to its existing Shareholders.

DIRECTORS

The Board currently consists of nine Directors. The Directors during the Reporting Period and as at the date of this annual report are:

Executive Directors

Mr. Junjing Tang *(Chairman)*
Mr. Junying Tang
Mr. Gui Zhou
Ms. Weiying Guan

Non-executive Directors

Mr. Wenhui Xu
Mr. Wai Ng *(appointed on 28 March 2023)*

Independent Non-executive Directors

Ms. Yu Long
Mr. Caihe Lin
Mr. Jun Gan

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group as at the date of this annual report are set out on pages 19 to 23 in the section headed "Directors and Senior Management" to this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of our executive Directors has entered into a service contract with our Company. For the executive Directors with appointment dates before the Listing Date, their service contracts were renewed on 1 April 2024 for a period of three years. For the executive Director with an appointment date after the Listing Date, the initial term of her service contract shall be a period of three years commencing from the date of her appointment. Each of our executive Directors is always subject to re-election as and when required under the Articles until termination in accordance with the terms and conditions of the service contract or by either party giving to the other not less than three months' prior notice in writing.

Each of our non-executive Directors has entered into an appointment letter with our Company. For the non-executive Director with an appointment date before the Listing Date, his appointment letter was renewed on 1 April 2024 for a period of three years. For the non-executive Director with an appointment date after the Listing Date, the initial term of his appointment letter shall be a period of three years commencing from the date of his appointment. Each of our non-executive Directors is always subject to re-election as and when required under the Articles until termination in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

Each of our independent non-executive Directors has entered into an appointment letter with our Company. For the independent non-executive Director with an appointment date before the Listing Date, her appointment letter was renewed on 1 April 2024 for a period of three years. For the independent non-executive Directors with appointment dates after the Listing Date, the initial terms of their appointment letters shall be a period of three years commencing from the dates of their appointments. Each of our independent non-executive Directors is always subject to re-election as and when required under the Articles until termination in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

CONTRACT WITH CONTROLLING SHAREHOLDERS

Other than disclosed in the sections headed "Connected Transaction", "Related Party Transactions" and "Management Discussion and Analysis" and Note 42 to the consolidated financial statements contained in this annual report, no contract of significance was entered into between the Company or any of its subsidiaries and the Controlling Shareholders or any of its subsidiaries during the Reporting Period or subsisted at the end of the year and no contract of significance for the provision of services to the Company or any of its subsidiaries by a Controlling Shareholder or any of its subsidiaries was entered into during the Reporting Period or subsisted at the end of the year.

DIRECTOR'S INTEREST IN TRANSACTIONS, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Other than disclosed in the sections headed "Connected Transaction", "Related Party Transactions" and "Management Discussion and Analysis" and Note 42 to the consolidated financial statements contained in this annual report, no transaction, arrangement or contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, and in which a Director or any entity connected with such a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Reporting Period.

EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the Directors and senior management of the Group are decided by the Board with reference to the recommendation given by the remuneration committee of the Company (the "**Remuneration Committee**"), having regard to the Group's operating results, individual performance and comparable market statistics.

Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in Note 13 and Note 14 to the consolidated financial statements from pages 184 to 187 of this annual report.

During the Reporting Period, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived or agreed to waive any emoluments for the Reporting Period.

The Company has also adopted the Restricted Share Units Scheme (the "**RSU Scheme**") and the Share Option Scheme as incentive for Directors and eligible employees. Details of the said schemes are set out under the section headed "Restricted Share Units Scheme and Share Option Scheme" in this annual report and in Note 32 to the consolidated financial statements on pages 209 to 211 of this annual report.

Except as disclosed above, no other payments have been made or are payable, for the Reporting Period, by the Group to or on behalf of any of the Directors.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Reporting Period, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this annual report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

DEED OF NON-COMPETITION

On 3 December 2018, each of the controlling Shareholders entered into the deed of non-competition in favour of the Company (for itself and as trustee for the Group), pursuant to which, among other things, each of the controlling Shareholders jointly and severally, irrevocably and unconditionally given certain non-competition undertakings to the Company. Details of the deed of non-competition are set out in the section headed "Relationship with the controlling Shareholders — deed of non-competition" in the Prospectus.

The controlling Shareholders confirmed that they have complied with the deed of non-competition for the Reporting Period. The independent non-executive Directors have conducted such review for the Reporting Period and also reviewed the relevant undertakings and are satisfied that the deed of non-competition has been fully complied with.

The Company does not have any controlling shareholder from 9 November 2023. As Mr. Junjing Tang, Mr. Junying Tang and Mr. Gui Zhou, being the parties to the Concert Party Confirmation dated 18 June 2018, executed the Termination Deed on 9 November 2023, there is no any person (including a holder of depositary receipts) who is or group of persons (including any holder of depositary receipts) who are together entitled to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the voting power at general meetings of the Company or who is or are in a position to control the composition of a majority of the board of directors of the Company. For details, please refer to the announcement of the Company dated 9 November 2023.

MANAGEMENT CONTRACTS

Other than the Directors' service contracts and appointment letters as disclosed in the section headed "Directors' Service Contracts" in this annual report, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at the end of the year or at any time during the Reporting Period.

MATERIAL LEGAL PROCEEDINGS

The Group has the following litigations with some issuers of wealth management products:

(1) China Minsheng Trust Co., Ltd.* (中國民生信託有限公司) ("Minsheng Trust")

In 2021, Guangzhou Beststudy subscribed to the Zhongmin Huifeng No. 1 Pooled Fund Trust Plan* (中民滙豐1號集合資金信託計劃) issued by Minsheng Trust in the amount of RMB90.0 million, which has become mostly overdue and remains unredeemed. As a result, the Company has recorded fair value losses on financial assets at fair value through profit or loss as at 31 December 2023 of approximately RMB84.9 million. Guangzhou Beststudy filed a lawsuit against Minsheng Trust and obtained a legally binding favourable judgment in May 2023. However, Minsheng Trust failed to fulfill its payment obligations according to the judgment. In July 2023, Guangzhou Beststudy applied for enforcement of the judgment, attempting to recover the principal and overdue interest. As at the date of this annual report, Minsheng Trust has not made the payment to Guangzhou Beststudy.

(2) Zhongchengxingjian Group Co., Ltd.* (中城興建集團有限公司) ("Zhongchengxingjian", formerly known as Zhongchengxingjian (Beijing) Investment Limited (中城興建(北京)投資有限公司))

In 2021, Guangzhou Beststudy subscribed to the Junzheng Series Zhongcheng Construction Financing Plan No. 4* (君政系列中城興建融資計劃4號) and Junzheng Series Zhongcheng Construction Financing Plan No. 8* (君政系列中城興建融資計劃8號) issued by Zhongchengxingjian in the amount of RMB90.0 million, which has become partially overdue and remains unredeemed. As a result, the Company has recognised net impairment losses under expected credit loss model as at 31 December 2023 of approximately RMB35.6 million. Guangzhou Beststudy has filed a lawsuit against Zhongchengxingjian and obtained a legally binding favourable judgment in January 2024. However, Zhongchengxingjian failed to fulfill its payment obligations according to the judgment. Subsequent to the end of the Reporting Period, Guangzhou Beststudy applied for enforcement of the judgment in March 2024, attempting to recover the principal and overdue interest. As at the date of this annual report, Zhongchengxingjian and its guarantors have not made the payment to Guangzhou Beststudy.

Save as disclosed above, the Group was not involved in any material legal proceeding during the Reporting Period.

* For identification purposes only

RESTRICTED SHARE UNITS SCHEME AND SHARE OPTION SCHEME

RSU Scheme

The Company approved and adopted the RSU Scheme on 3 December 2018, details of the RSU Scheme as below:

a. Purpose

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

b. Participants

Persons eligible to receive RSUs under the RSU Scheme are existing employees, directors (whether executive or non-executive, but excluding independent non-executive directors) or officers of our Company or any member of our Group (the "**RSU Eligible Persons**"). Our Board selects the RSU Eligible Persons to receive RSUs under the RSU Scheme at its discretion. There is no specific limit on the maximum entitlement of each participant under the RSU scheme.

c. Terms

The RSU Scheme will be valid and effective for a period of ten (10) years, commencing from the date of the first grant of the RSUs, being December 3, 2018 (unless it is terminated earlier in accordance with its terms) and the remaining life of the RSU Scheme is 4 years and 8 months.

d. Grant and Acceptance

(a) Making an offer

An offer to grant a RSU will be made to a RSU Eligible Person selected by our Board (the "**RSU Selected Person**") by a letter, in such form as our Board may determine (the "**RSU Grant Letter**"). The RSU Grant Letter will specify the RSU Selected Person's name, the manner of acceptance of the RSU, the number of RSUs granted and the number of underlying Shares represented by the RSUs, the vesting criteria and conditions, the vesting schedule, the exercise price of the RSUs (where applicable) and such other details as our Board considers necessary and are not inconsistent with the RSU Scheme, and will require the RSU Selected Person to undertake to hold the RSU on the terms on which it is granted and to be bound by the provisions of the RSU Scheme.

(b) *Acceptance of an offer*

A RSU Selected Person may accept an offer of the grant of RSUs in such manner as set out in the RSU Grant Letter. Once accepted, the RSUs are deemed granted from the date of the RSU Grant Letter (the "**RSU Grant Date**").

(c) *Restrictions on Grants*

Our Board may not grant any RSUs to any RSU Selected Persons in any of the following circumstances:

- the securities laws or regulations require that a prospectus or other offering documents be issued in respect of the grant of the RSUs or in respect of the RSU Scheme, unless our Board determines otherwise;

- where granting the RSUs would result in a breach by our Company, any member of our Group or any of their directors of any applicable laws, rules or regulations; or

- where such grant of any RSUs would result in a breach of the limits of the RSU Scheme.

e. Maximum number of Shares pursuant to RSUs

The maximum number of RSUs that may be granted under the RSU Scheme in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the rules of the RSU Scheme) shall be such number of shares held or to be held by a trustee (the "**RSU Trustee**") who is an employee of the Group for the purpose of the RSU Scheme from time to time.

f. Vesting of RSUs

Our Board can determine the vesting criteria, conditions and the time schedule when the RSUs will vest and such criteria, conditions and time schedule shall be stated in the RSU Grant Letter.

Within a reasonable time after the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, our Board will send a vesting notice (the "**Vesting Notice**") to each of the relevant RSU participants (the "**RSU Participant(s)**"). The Vesting Notice will confirm the extent to which the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, and the number of shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those shares) involved.

g. *Exercise of RSUs*

RSUs held by a RSU Participant that are vested as evidenced by the Vesting Notice may be exercised (in whole or in part) by the RSU Participant serving an exercise notice in writing on the RSU Trustee and copied to our Company. Any exercise of RSUs must be in respect of a board lot of 1,000 Shares each or an integral multiple thereof (except where the number of RSUs which remains unexercised is less than one board lot).

In an exercise notice, the RSU Participant shall request the RSU Trustee to, and the Board shall direct and procure the RSU Trustee to, within five (5) business days, transfer the shares underlying the RSUs exercised (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those shares) to the RSU Participant which our Company has allotted and issued to the RSU Trustee as fully paid up shares or which the RSU Trustee has either acquired by purchasing existing Shares or by receiving existing Shares from any Shareholder, subject to the RSU Participant paying the exercise price (where applicable) and all tax, stamp duty, levies and charges applicable to such transfer to the RSU Trustee or as the RSU Trustee directs.

The Participant shall serve the exercise notice within three (3) months after receiving the Vesting Notice. The trustee will not hold the shares underlying the RSUs vested for the RSU Participant after this three (3) months period. If the exercise notice is not served during this three (3) months period or the shares underlying the RSUs exercised cannot be transferred to the RSU Participant pursuant to the preceding paragraph due to the Participant not being able to provide sufficient information to effect the transfer, the RSUs vested or exercised (as the case may be) shall lapse unless otherwise agreed by the Board at its absolute discretion.

Details of the RSU Scheme are set out in Note 32 to the consolidated financial statements from pages 209 to 211 of this annual report.

As at 31 December 2023, the trustee of the RSU Scheme, Ms. Shaoping Fu has purchased an aggregate of 62,165,000 shares (representing approximately 7% of the total issued shares of the Company as at the date of this annual report). A total of 63,760,573 shares (representing approximately 8%[1] of the total issued shares of the Company) have been granted to the grantees under the RSU Scheme.

A summary of the principal terms has been set out in the section headed "Statutory and General Information — D. Share Incentive Schemes — 1. RSU Scheme" in Appendix IV of the Prospectus.

1 The percentage represents the number of shares divided by the number of the Company's issued shares as at 31 December 2023.

Share Option Scheme

On 3 December 2018, the Company adopted the Share Option Scheme. The purpose of the Share Option Scheme is to attract, retain and motivate employees, Directors and such other participants, (collectively the "**Eligible Persons**"), and to provide a means of compensating them through the grant of options pursuant to the terms of the Share Option Scheme for their contribution to the growth and profits of the Group, and to allow the Eligible Persons to participate in the growth and profitability of the Group.

On and subject to the terms of the Share Option Scheme, the Board shall be entitled at any time to offer to grant to any non-executive Director or independent non-executive Director of our Company appointed or proposed to be appointed prior to the Listing Date, or any director of any of the subsidiaries, or any employee (whether full-time or part-time) of our Company or its subsidiaries, including any executive Director ("**Participants**") as the Board may in its absolute discretion select, and subject to such conditions as the Board may think fit, an option to subscribe for such number of Shares as the Board may determine at the Subscription Price. The basis of eligibility of any of the class of Participants to the grant of any options shall be determined by the Board from time to time on the basis of their contribution to the development and growth of the Group.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period to be determined by our Board at its absolute discretion and notified by our Board to each grantee as being the period during which an option may be exercised and in any event, such period shall not be longer than 10 years from the date upon which any particular option is granted in accordance with the Share Option Scheme ("**Option Period**").

Options may be vested over such period(s) as determined by the Board in its absolute discretion subject to compliance with the requirements under any applicable laws, regulations or rules to which the Share Option Scheme may be subject, including the Listing Rules or regulations of any stock exchange on which the Shares may be listed and quoted. Furthermore, the Shares to be allotted and issued to a grantee pursuant to the exercise of any option under the Share Option Scheme may or may not, at the discretion of the Board, be subject to any retention period.

The Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other share option schemes of the Company (and to which the provisions of the Listing Rules are applicable) shall not exceed 84,804,000 Shares (i.e. 10% of the aggregate of the Shares in issue on the Listing Date and approximate 10% as at the date of this annual report) ("**Scheme Mandate Limit**"). Options lapsed in accordance with the terms of the Share Option Scheme shall not be counted for the purpose of calculating this Scheme Mandate Limit.

The total number of Shares issued and to be issued upon the exercise of the options granted to or to be granted to each Eligible Person under the Share Option Scheme (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue.

The Share Option Scheme will remain in force for a period of 10 years from 3 December 2018 and the options granted have a 10-year exercise period. The remaining life of the Share Option Scheme is 6 years and 8 months. Options may be vested over such period(s) as determined by the Board in its absolute discretion subject to compliance with the requirements under any applicable laws, regulations or rules.

The exercise price of the option shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option), but in any case the subscription price shall not be less than the higher of (a) the closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a business day; (b) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five (5) business days immediately preceding the date of grant; and (c) the nominal value of a Share.

No options were granted, exercised, cancelled or lapsed by the Company under the Share Option Scheme during the Reporting Period and there were no outstanding share options under the Share Option Scheme as at 31 December 2023 and up to the date of this annual report.

A summary of the terms of the Share Option Scheme has been set out in the section headed "D. Share Incentive Schemes – 2. Share Option Scheme" in Appendix IV of the Prospectus.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at 31 December 2023, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long position in ordinary Shares

Name of Director	Capacity	Number of ordinary shares interested(1)	Approximate percentage+ of the Company's issued shares
Mr. Junjing Tang(2)	Beneficial owner	1,532,000 (L)	20.38%
	Founder of a discretionary trust	171,165,101 (L)	
Mr. Junying Tang(3)	Beneficial owner	50,000 (L)	16.94%
	Founder of a discretionary trust	143,510,888 (L)	
Mr. Gui Zhou(4)	Beneficial owner	891,000 (L)	16.89%
	Founder of a discretionary trust	142,258,242 (L)	
Mr. Wenhui Xu(5)	Beneficial owner	235,000 (L)	1.18%
	Interest in a controlled corporation	9,826,527 (L)	
Ms. Weiying Guan(6)	Beneficial owner	70,000 (L)	1.11%
	Interest in a controlled corporation	9,319,751 (L)	

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Under the SFO, Mr. Junjing Tang is deemed to be interested in 171,165,101 Shares held by JTC Trustees (BVI) Limited, a trust which he is a founder.

(3) Under the SFO, Mr. Junying Tang is deemed to be interested in 143,510,888 Shares held by JTC Trustees (BVI) Limited, a trust which he is a founder.

(4) Under the SFO, Mr. Gui Zhou is deemed to be interested in 142,258,242 Shares held by JTC Trustees (BVI) Limited, a trust which he is a founder.

(5) Under the SFO, Mr. Wenhui Xu is deemed to be interested in 9,826,527 Shares held by Commqua Holding Co. Ltd., a company which is wholly-owned by him.

(6) Under the SFO, Ms. Weiying Guan is deemed to be interested in 9,319,751 Shares held by Crouching Tiger Holdings Limited, a company which is wholly-owned by her.

\+ The percentage represents the number of ordinary Shares interested divided by the number of the issued Shares as at 31 December 2023.

Save as disclosed in this annual report and to the best knowledge of the Directors, as at 31 December 2023, none of the Directors or the chief executive of the Company has any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

So far as is known to any Director or chief executive of the Company, as at 31 December 2023, the following corporations/persons (other than Directors or the chief executive of the Company) had interests of 5% or more in the issued shares of the Company according to the register of interests required to be kept by the Company under section 336 of the SFO:

Name	Capacity	Number of ordinary shares interested[1]	Approximate percentage+ of the Company's issued shares
Ms. Yanyun Huang[2]	Spouse interest	172,697,101	20.38
Ms. Hua Yu[3]	Spouse interest	143,560,888	16.94
Ms. Xiaoying Zhang[4]	Spouse interest	143,149,242	16.89
Elite Education Investment Co. Ltd.	Beneficial owner	171,165,101	20.20
Jameson Ying Industrial Co. Ltd.	Beneficial owner	142,258,242	16.79
Texcellence Holding Company Limited	Beneficial owner	143,510,888	16.93
JTC TRUSTEES (BVI) LIMITED[5]	Trustee	456,934,231	53.93
Soarise Bulex Limited[6]	Nominee for another person (other than a bare trustee)	107,622,685	12.70
Ms. Shaoping Fu[6]	Trustee	107,622,685	12.70

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Ms. Yanyun Huang is the spouse of Mr. Junjing Tang and she is therefore deemed to be interested in the Shares in which Mr. Junjing Tang is interested by the virtue of the SFO.

(3) Ms. Hua Yu is the spouse of Mr. Junying Tang and she is therefore deemed to be interested in the Shares in which Mr. Junying Tang is interested by the virtue of the SFO.

(4) Ms. Xiaoying Zhang is the spouse of Mr. Gui Zhou and she is therefore deemed to be interested in the Shares in which Mr. Gui Zhou is interested by the virtue of the SFO.

(5) JTC Trustees (BVI) Limited (in its capacity as the trustee of the trust) is the legal owner of all the shares in issued share capital of Elite Education Investment Co. Ltd., Texcellence Holding Company Limited and Jameson Ying Industrial Co. Ltd. respectively and the trustee of each of the family trust where Mr. Junjing Tang, Mr. Junying Tang and Mr. Gui Zhou are the settlors respectively.

(6) Pursuant to the RSU Scheme, (i) 27,292,396 existing Shares were reserved; (ii) 43,540,000 new Shares were allotted and issued at par value to Soarise Bulex Limited on the Listing Date will be reserved for the vesting of RSUs granted under the RSU Scheme; and (iii) 62,165,000 Shares were purchased by the trustee pursuant to the RSU Scheme as at 31 December 2023. Ms. Shaoping Fu has been appointed as the trustee of the RSU Scheme and Soarise Bulex Limited has been appointed as the nominee of the RSU Scheme. To the extent permitted under applicable laws and regulations, the trustee shall procure the nominee to exercise the voting rights attached to the underlying Shares in accordance with the instructions of the Board. Out of the 107,622,685 shares held by Soarise, 13,433,061 shares have been vested, pending transfer to the relevant grantees.

\+ The percentage represents the number of ordinary Shares interested divided by the number of the issued Shares as at 31 December 2023.

Save as disclosed above and to the best knowledge of the Directors, as at 31 December 2023, no person (other than the Directors or chief executives of the Company) had registered an interest or a short position in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the RSU Scheme and the Share Option Scheme as disclosed under the section headed "RSU Scheme and Share Option Scheme" in this annual report, at no time during the Reporting Period was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debt securities including debentures of, the Company or any other body corporate.

MAJOR SUPPLIERS AND CUSTOMERS

During the Reporting Period, the respective percentage of purchases attributable to the Group's five largest suppliers combined and the revenue from sales of goods or rendering of services attributable to the Group's five largest customers combined was less than 30% of the total value of Group purchases and total Group revenue.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the Shareholders of the Company by reason of their respective holding of the Company's securities.

HUMAN RESOURCES

As at 31 December 2023, the Group had a total of 846 (31 December 2022: 1,022) employees. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination.

Remuneration of the Group's employees includes basic salaries, remuneration, pension, discretionary bonus and other welfares, and is determined with reference to their experience, qualifications and general market conditions. We adopt a market and incentive-based employee emolument structure and implement a multi-layered evaluation system which focuses on performance and management goals. 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.

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

RETIREMENT BENEFITS SCHEME

The Group does not have any employee who is required to participate in the Mandatory Provident Fund in Hong Kong. The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The employees of the PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme.

Details of the pension obligations of the Company are set out in Note 36 to the consolidated financial statements in this annual report.

EQUITY-LINKED AGREEMENTS

During the Reporting Period, other than the RSU Scheme and the Share Option Scheme as set out in the section under "Restricted Share Units Scheme and Share Option Scheme" and Note 32 to the consolidated financial statements, the Company has not entered into any equity-linked agreement.

STRUCTURED CONTRACTS

Reference is made to the section headed "Structured Contracts" in the Prospectus in relation to the structured contracts (the "**Structured Contracts**"), through which the Company obtains control over and derives the economic benefits from its PRC Operating Entities. All capitalised terms used herein below shall have the same meanings as those defined in the Prospectus unless otherwise stated in this annual report.

The Board hereby provides updated information in relation to the business operations of the PRC Operating Entities through the Structured Contracts and the implications thereof as follows:

(a) Particulars and principal activities of the PRC Operating Entities:

The Company conducted its K-12 after-school education business through its PRC Operating Entities in the PRC as PRC laws and regulations generally restrict foreign ownership in the K-12 education industry in the PRC.

In compliance with the Double Reduction Policy and the related implementation rules, regulations and measures promulgated by competent authorities, the Company divested its K-12 after-school education business related to academic subjects at the compulsory education stage through the connected transaction with its associates (as defined in the Listing Rules) which is set out in the section headed "Connected Transactions" in annual report 2021. The Company confirms that our Structured Contracts as a whole do not change as a result of such connected transaction.

(b) Summary of material terms of the Structured Contracts:

(1) Exclusive Management Consultancy and Business Cooperation Agreement (dated 18 June 2018):

(i) Parties: Wholly Foreign Owned Enterprise (the "**WFOE**"); Guangzhou Beststudy; Foshan Beststudy Culture Communication Co., Ltd, Shenzhen Zhuoyue Education Training Co., Ltd., Dongguan Zhuoye Education Consulting Services Co., Ltd., and Zhongshan Beststudy Education Training Centre Co., Ltd., being the four important PRC Operating Entities of the Company given their importance in terms of revenue contribution; and the shareholders of Guangzhou Beststudy (including the Registered Shareholders and Mr. Hua Wang).

(ii) WFOE has the exclusive right to provide each of the PRC Operating Entities with corporate and education management consulting services, intellectual property licensing services as well as technical and business support services. All of the existing PRC Operating Entities are listed as the service recipients to receive such services provided by WFOE, and Guangzhou Beststudy and its shareholders are obligated to cause all the PRC Operating Entities to appoint WFOE as the exclusive services provider under the Exclusive Management Consultancy and Business Cooperation Agreement.

A summary of the material terms of the Exclusive Management Consultancy and Business Cooperation Agreement has been set out in the section headed "Structured Contracts" in the Prospectus.

(2) Exclusive Call Option Agreement I and the Exclusive Call Option Agreement II (collectively, the "**Exclusive Call Option Agreements**") (dated 18 June 2018):

(i) Parties (Exclusive Call Option Agreement I): WFOE, Guangzhou Beststudy and the Registered Shareholders

(ii) Parties (Exclusive Call Option Agreement II): WFOE, Guangzhou Beststudy and the wholly-owned subsidiaries of Guangzhou Beststudy

(iii) Under the Exclusive Call Option Agreement I, the Registered Shareholders irrevocably agreed to grant WFOE or its designated third party an exclusive option to purchase all or part of the equity interests in Guangzhou Beststudy held by Registered Shareholders, for nil consideration or the minimum amount of consideration permitted by the applicable PRC laws and regulations, under circumstances in which WFOE or its designated third party is permitted under PRC laws and regulations to own all or part of the equity interests of Guangzhou Beststudy. Where the purchase price is required by the relevant PRC laws and regulations to be an amount other than nil consideration, the Registered Shareholders shall, according to the instruction of WFOE, return the amount of purchase price they have received to WFOE or its designated third party, or Guangzhou Beststudy.

Under the Exclusive Call Option Agreement II, Guangzhou Beststudy unconditionally and irrevocably agreed to grant WFOE or its designated third party an exclusive option to purchase all or part of the equity interests, as applicable, in the subsidiaries directly-wholly-owned by Guangzhou Beststudy, for nil consideration or the minimum amount of consideration permitted by applicable PRC laws and regulations, under circumstances in which WFOE or its designated third party is permitted under PRC laws and regulations to own all or part of the equity interests, as applicable, of the subsidiaries directly-wholly-owned by Guangzhou Beststudy. Where the purchase price is required by the relevant PRC laws and regulations to be an amount other than nil consideration, Guangzhou Beststudy shall, according to the instruction of WFOE, return the amount of purchase price they have received to WFOE or its designated third party or the subsidiaries directly-wholly-owned by Guangzhou Beststudy.

A summary of the material terms of the Exclusive Call Option Agreements has been set out in the section headed "Structured Contracts" in the Prospectus.

(3) Equity Pledge Agreement (dated 18 June 2018):

(i) Parties: WFOE, Guangzhou Beststudy, and the Registered Shareholders

(ii) Assets pledged: All of the equity interests in Guangzhou Beststudy to WFOE as security.

(iii) Under the Equity Pledge Agreement, the Registered Shareholders have agreed that, without the prior written consent of WFOE, they will not transfer or dispose of the pledged equity interests or create or allow any third party to create any encumbrance on the pledged equity interests that would prejudice WFOE's interest.

The Equity Pledge Agreement shall remain valid until (i) the satisfaction of all the contractual obligations of Guangzhou Beststudy and their respective subsidiaries and the Registered Shareholders in full under the Exclusive Management Consultancy and Business Cooperation Agreement, Exclusive Call Option Agreements and the Powers of Attorney, or (ii) the nullification or termination of the Exclusive Management Consultancy and Business Cooperation Agreement, the Exclusive Call Option Agreements and the Powers of Attorney, whichever is later.

A summary of the material terms of the Equity Pledge Agreement has been set out in the section headed "Structured Contracts" in the Prospectus.

(4) Powers of Attorney (dated 18 June 2018):

(i) Parties: Registered Shareholders; and WFOE

(ii) It is an irrevocable power of attorney under which WFOE shall be the sole attorney of the Registered Shareholders. Each of the Registered Shareholders has exclusively appointing WFOE, or any person designated by WFOE or their successors or liquidators (excluding the Registered Shareholders or persons who may give rise to conflicts of interests), as his or her attorney-in-fact to appoint directors and vote on his or her behalf on all matters of Guangzhou Beststudy requiring shareholders' approval under its articles of associations and under the relevant PRC laws and regulations. These Powers of Attorney remain effective until the nullification or termination of the Exclusive Management Consultancy and Business Cooperation Agreement.

A summary of the material terms of the Powers of Attorney has been set out in the section headed "Structured Contracts" in the Prospectus.

(5) Spouse Undertakings (dated 6 June 2018 or 18 June 2018):

(i) Parties: Spouse of each of the Registered Shareholders

(ii) The spouse of each of the Registered Shareholders, has full knowledge of and has consented unconditionally and irrevocably to the entering into of the Structured Contracts by the respective Registered Shareholders, and in particular, the arrangement as set out in the Structured Contracts in relation to the restrictions imposed on the direct or indirect equity interest in the Group, pledge or transfer the direct or indirect equity interest in the Group, or the disposal of the direct or indirect equity interest in the Group in any other forms. The spouse shall not take any actions to prevent the performances under Structured Contracts. The terms that are not stated in the Spouse Undertakings such as governing law and dispute resolution shall be interpreted pursuant to the terms of the Exclusive Management Consultancy and Business Cooperation Agreement.

A summary of the material terms of the Spouse Undertakings has been set out in the section headed "Structured Contracts" in the Prospectus.

(c) Significance of business activities of the PRC Operating Entities to the Group:

- According to the Structured Contract, the Group has obtained control of the PRC Operating Entities and obtained economic benefits from it.

(d) Financial impact of the Structured Contracts on the Group:

- The following table sets forth the financial contributions of the PRC Operating Entities to the Group：

	Financial Contribution to the Group		
	Revenue for the year ended 31 December 2023	Profit for the year ended 31 December 2023	Total Asset as at 31 December 2023
PRC Operating Entities	95%	119%	88%

(e) Extent to which the Structured Contracts relate to requirement of applicable laws, rules and regulations other than the foreign ownership restriction:

- the Structured Contracts as a whole and each of the agreements comprising the Structured Contracts are legal, valid and binding on the parties thereto, enforceable under PRC laws and regulations, and in particular, the Structured Contracts do not violate the provisions of the PRC Civil Code (中華人民共和國民法典) and other applicable PRC laws and regulations; upon signing, the Structured Contracts will be valid and effective under PRC laws and regulations; each of the Structured Contracts is not in violation of provisions of the articles of association of our PRC Operating Entities; entering into and the performance of the Structured Contracts are not required to obtain any approvals or authorisations from the PRC governmental authorities except that (1) the pledge of any equity interest in company in favour of WFOE is subject to registration requirements with relevant Administration of Industry and Commerce; (2) the transfer of the equity interests in the Company contemplated under the Structured Contracts is subject to applicable approval and/or registration requirements under the then applicable PRC laws; and (3) any arbitral awards in relation to the performance of the Structured Contracts are subject to application to competent PRC courts for recognition and enforcement.

(f) Reasons for using the Structured Contracts and the risks associated therewith including actions taken to mitigate such risks:

- We currently conduct our K-12 after-school education business through our PRC Operating Entities in the PRC as PRC laws and regulations generally restrict foreign ownership in the K-12 education industry in the PRC. PRC laws and regulations currently restrict the operation of education institutions that provides K-12 after-school education to sino-foreign cooperation ownership, in addition to imposing qualification requirements on the foreign owners.

For the risks associated with structured contracts, please refer to the Prospectus "Risk factors — Risks relating to our structured contracts"

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Structured Contracts and our compliance with the Structured Contracts:

(a) major issues arising from the implementation and compliance with the Structured Contracts or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;

(b) our Board will review the overall performance of and compliance with the Structured Contracts at least once a year;

(c) our Company will disclose the overall performance and compliance with the Structured Contracts in its annual and interim reports to update the Shareholders and potential investors;

(d) our Company and our Directors undertake to provide periodic updates in our annual and interim reports regarding the Qualification Requirement and our status of compliance with the Foreign Investment Law and its accompanying explanatory notes as stipulated under the section headed "Structured Contracts — Background of the Structured Contracts" and the latest development of the Foreign Investment Law and its accompanying explanatory notes as disclosed under the section headed "Structured Contracts — Development in the PRC Legislation on Foreign Investment" of the Prospectus, including the latest relevant regulatory development as well as our plan and progress in acquiring the relevant experience to meet the Qualification Requirement;

(e) our Company will disclose, as soon as possible (i) any updates of changes to the Foreign Investment Law that will materially and adversely affect our Company as and when they occur; and (ii) a clear description and analysis of the Foreign Investment Law as implemented, specific measures taken by us to fully comply with the Foreign Investment Law supported by a PRC legal opinion and any material impact of the Foreign Investment Law on our operations and financial position; and

(f) our Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Structured Contracts, review the legal compliance of WFOE and our PRC Operating Entities to deal with specific issues or matters arising from the Structured Contracts.

(g) Material change in the Structured Contracts:

On 30 January 2024, in order to enhance and optimise the internal control and operational efficiency of the Group, the parties detailed below entered into the following agreements to change the Registered Shareholders of Guangzhou Beststudy:

(1) Equity Transfer Agreement

Ningbo Meishan Bonded Port Area Zhuofu Investment Management Partnership (Limited Partnership) (寧波梅山保稅港區卓扶投資合夥企業(有限合夥)), Ningbo Meishan Bonded Port Area Zhuoqian Investment Management Partnership (Limited Partnership) (寧波梅山保稅港區卓前投資管理合夥企業(有限合夥)), Ningbo Meishan Bonded Port Area Zhuosi Investment Management Partnership (Limited Partnership) (寧波梅山保稅港區卓似投資管理合夥企業(有限合夥)), Ningbo Meishan Bonded Port Area Zhuoqing Investment Management Partnership (Limited Partnership) (寧波梅山保稅港區卓磬投資管理合夥企業(有限合夥)), and Ningbo Meishan Bonded Port Area Zhuoqi Investment Management Partnership (Limited Partnership) (寧波梅山保稅港區卓祁投資管理合夥企業(有限合夥)) (together, the "**Ningbo Shareholding Platforms**") entered into an equity transfer agreement with Tibet Zhuoben Equity Investment Co., Ltd. (西藏卓犇股權投資有限公司), Tibet Zhuomiao Equity Investment Co., Ltd. (西藏卓淼股權投資有限公司) and Tibet Zhuoyan Equity Investment Co., Ltd. (西藏卓焱股權投資有限公司) (together, the "**Tibet Companies**"). Accordingly, the Ningbo Shareholding Platforms are no longer Registered Shareholders of Guangzhou Beststudy.

(2) Supplemented Amendments

Considering the changes in the Registered Shareholders of Guangzhou Beststudy, WFOE has entered into a series of supplementary agreements, including the First Amendment to the Exclusive Management Consultancy and Business Cooperation Agreement, First Amendment to the Exclusive Call Option Agreements, the Powers of Attorney of Tibet Companies, and First Amendment to the Equity Pledge Agreement with relevant parties. Save for the above changes in the shareholders of Guangzhou Beststudy and their shareholdings, as well as the alteration in the important PRC Operating Entities of the Company, the terms and conditions of the existing Structured Contracts will remain unchanged, still valid and in force.

(h) Unwinding of the Structured Contracts:

No Structured Contract has been unwound since the date of execution all such Structured Contracts. None of the Structured Contract is to be unwound until and unless the PRC regulatory environment changes and all of the Qualification Requirement, the Foreign Ownership Restriction and the Foreign Control Restriction are removed (and assuming there are no other changes in the relevant PRC laws and regulations), the WFOE will exercise the call option granted under the Exclusive Call Option Agreements in full to hold all of the interest except for the 0.07% portion held by Mr. Wang Hua in the PRC Operating Entities and unwind the Structured Contracts accordingly.

CONNECTED TRANSACTION

Non-exempted Continuing Connected Transaction

Structured Contracts

As disclosed above and in the section headed "Structured Contracts — Background of the Structured Contracts" in the Prospectus, the PRC laws and regulations currently restrict the operation of formal K-12 after-school education to sino-foreign ownership, in addition to imposing a qualification requirement on the foreign owners. Further, no government approval for establishing and operating a K-12 after-school education centre in the PRC by way of sino-foreign ownership was granted. As a result, the Group, through its wholly-owned subsidiary, Zhuoxue Information Technology, its PRC Operating Entities and the Registered Shareholders have entered into the Structured Contracts such that the Company can conduct its business operations indirectly in the PRC through its PRC Operating Entities while complying with applicable PRC laws and regulations. The Structured Contracts, as a whole, are designed to provide the Group with effective control over the financial and operational policies of the PRC Operating Entities, to the extent permitted by PRC laws and regulations, the right to acquire the equity interest in the PRC Operating Entities. As the Company operates its education business through its PRC Operating Entities, which are controlled by the Registered Shareholders and the Company does not hold any direct equity interest in its PRC Operating Entities, the Structured Contracts were entered into on 18 June 2018 and supplemented on 30 January 2024, pursuant to which all material business activities of the PRC Operating Entities are instructed and supervised by the Group, through WFOE, and all economic benefits arising from such business of the PRC Operating Entities are transferred to the Group.

The Structured Contracts consist of a series of agreements, including the Exclusive Management Consultancy and Business Cooperation Agreement (including the joined agreements signed by each of our PRC Operating Entities), the Exclusive Call Option Agreements, the Powers of Attorney, the Equity Pledge Agreement and the Spouse Undertakings, each of which is an integral part of the Structured Contracts. See "Structured Contracts" in the Prospectus for details of these agreements.

The table below sets forth the connected persons of the Company involved in the Structured Contracts and the nature of their connection with the Group. The transactions contemplated under the Structured Contracts, as a whole, constitute continuing connected transactions of the Company under the Listing Rules upon the Listing.

Name	Connected Relationships
Mr. Junjing Tang, Mr. Junying Tang, Mr. Gui Zhou, Mr. Wenhui Xu, and Ms. Huojuan Zhou	Mr. Junjing Tang, Mr. Junying Tang, Mr. Gui Zhou and Mr. Wenhui Xu are Directors of the Company, and therefore connected persons of the Company under Rule 14A.07(1) of the Listing Rules. Ms. Huojuan Zhou, who is a sister of Mr. Gui Zhou and the general partner of the ESOP Platforms, is a connected person of the Company under Rule 14A.12 of the Listing Rules.

The Directors are of the view that the Structured Contracts and the transactions contemplated under the Structured Contracts are necessary in term of the Group's legal structure and business operations, and such transactions are and will be entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Structured Contracts and any new transactions, contracts and agreements or renewal of existing agreements to be entered into between any of our PRC Operating Entities and any member of our Group constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transaction rules under the Structured Contracts, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement and independent Shareholders' approval requirements.

In view of the Structured Contracts, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (1) the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Structured Contracts pursuant to Rule 14A.105 of the Listing Rules, (2) the requirement of setting an annual cap for the transactions under the Structured Contracts under Rule 14A.53 of the Listing Rules, and (3) the requirement of limiting the term of the Structured Contracts to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Shares are listed on the Stock Exchange subject however to the following conditions:

(a) No change without independent non-executive Directors' approval

No change to the Structured Contracts will be made without the approval of the independent non-executive Directors.

(b) No change without independent Shareholders' approval

Save as described in paragraph (d) below, no change to the agreements governing the Structured Contracts will be made without the approval of the independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Structured Contracts in the annual reports of the Company (as set out in paragraph (e) below) will however continue to be applicable.

(c) Economic benefits flexibility

The Structured Contracts shall continue to enable the Group to receive the economic benefits derived from the PRC Operating Entities through (1) the Group's option, to the extent permitted under PRC laws and regulations to acquire, all or part of the equity interest of Guangzhou Beststudy at the lowest possible amount of consideration permissible under the applicable PRC laws and regulations, (2) the business structure under which the net profit generated by the PRC Operating Entities is substantially retained by the Group, such that no annual cap shall be set on the amount of service fees payable to WFOE by the PRC Operating Entities under the Exclusive Management Consultancy and Business Cooperation Agreement, and (3) the Group's right to control the management and operation of, as well as, in substance, all of the voting rights of the PRC Operating Entities as appointed by the Registered Shareholders in the PRC Operating Entities.

(d) Renewal and reproduction

On the basis that the Structured Contracts provide an acceptable framework for the relationship between the Company and the subsidiaries in which the Company has direct shareholding, on one hand, and the PRC Operating Entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of the Group which the Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Structured Contracts. The directors, chief executive or substantial Shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which the Group may establish will, upon renewal and, or reproduction of the Structured Contracts, however be treated as connected persons of the Company and transactions between these connected persons and the Company other than those under similar Structured Contracts shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

(e) Ongoing reporting and approvals

The Group will disclose details relating to the Structured Contracts on an ongoing basis as follows:

- the Structured Contracts in place during each financial period will be disclosed in the annual report in accordance with relevant provisions of the Listing Rules;

- the independent non-executive Directors will review the Structured Contracts annually and confirm in the annual report for the relevant year that (1) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Structured Contracts, have been operated so that the profit generated by the PRC Operating Entities has been substantially retained by the Group, (2) no dividends or other distributions have been made by the PRC Operating Entities to the Registered Shareholders which are not otherwise subsequently assigned or transferred to the Group, and (3) the Structured Contracts and if any, any new contracts entered into, renewed or reproduced between the Group and the PRC Operating Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous to the Shareholders, so far as the Group is concerned and in the interests of the Shareholders as a whole;

- the auditors of the Company will carry out procedures annually on the transactions carried out pursuant to the Structured Contracts and will provide a letter to the Directors with a copy to the Stock Exchange;

- for the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person," each of the PRC Operating Entities will be treated as the subsidiary of the Company, but at the same time, the directors, chief executives or substantial Shareholders of each of the PRC Operating Entities and their respective associates will be treated as the connected persons of the Company, and transactions between these connected persons and the Group, other than those under the Structured Contracts, will be subject to requirements under Chapter 14A of the Listing Rules; and

- each of the PRC Operating Entities will undertake that, for so long as the Shares are listed on the Stock Exchange, each of the PRC Operating Entities will provide the Group's management full access to its relevant records.

The independent non-executive Directors and the audit committee of the Company (the "**Audit Committee**") have reviewed the Structured Contracts for the Reporting Period and have confirmed that:

(1) the transactions carried out have been entered into in accordance with the relevant provisions of the Structured Contracts, have been operated so that the profit generated by the PRC Operating Entities has been substantially retained by the Group;

(2) no dividends or other distributions have been made by the PRC Operating Entities to the Registered Shareholders which are not otherwise subsequently assigned or transferred to the Group; and

(3) the Structured Contracts and if any, any new contracts entered into, renewed or reproduced between the Group and the PRC Operating Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous to the Shareholders, so far as the Group is concerned and in the interests of the Shareholders as a whole.

Deloitte Touche Tohmatsu, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Deloitte Touche Tohmatsu has issued the unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules.

Save as disclosed above, during the Reporting Period, the Group has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Rule 14A.71 of the Listing Rules.

Save as disclosed under the section headed "Related Party Transactions" stated in Note 41 to the consolidated financial statements contained in this annual report, no contract of significance in relation to the Group's business to which the Group was a party and in which a Director had a material interest, whether directly or indirectly, subsisted during the Reporting Period.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the Reporting Period are set out in Note 41 to the consolidated financial statements contained herein.

None of the related party transactions constitutes a connected transaction or continuing connected transaction subject to independent shareholders' approval, annual review and all disclosure requirements in Chapter 14A of the Listing Rules.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code for securities transaction by directors of listed issuers as set out in Appendix C3 of the Listing Rules (the "**Model Code**") as its code of conduct regarding dealings in the securities of the Company by the Directors and our Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to our Group or our Company's securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code for the Reporting Period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of our Group during the period from the Listing Date to 31 December 2023.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this annual report, the Company has maintained the public float as required under the Listing Rules.

INDEMNITY OF DIRECTORS

During the Reporting Period, the Company has arranged Directors' and officers' liability insurance for all Directors and senior management. These insurances provided protection against the liability incurred from related costs, fees, expenses and legal actions resulting from corporate activities. Pursuant to article 192 of the Articles, the Directors, managing Directors, alternate Directors, Auditors, Secretary and other officers for the time being of the Company and the trustees (if any) for the time being acting in relation to any of the affairs of the Company, and their respective executors or administrators, shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their executors or administrators, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty, and none of them shall be answerable for the acts, receipts, neglects or defaults of any other of them, or for joining in any receipt for the sake of conformity, or for any bankers or other persons with whom any moneys or effects of the Company shall be lodged or deposited for safe custody, or for the insufficiency or deficiency of any security upon which any moneys of the Company shall be placed out or invested, or for any other loss, misfortune or damage which may arise in the execution of their respective offices or trusts, or in relation thereto, except as the same shall happen by or through their own fraud, dishonesty or recklessness. The Company may take out and pay the premium and other moneys for the maintenance of insurance, bonds and other instruments for the benefit either of the Company or the Directors (and/or other officers) or any of them to indemnify the Company and/or Directors (and/or other officers) named therein for this purpose against any loss, damage, liability and claim which they may suffer or sustain in connection with any breach by the Directors (and/or other officers) or any of them of their duties to the Company.

DONATIONS

During the Reporting Period, the Group made an external donation of RMB0.17 million.

AUDITOR

Deloitte Touche Tohmatsu was appointed as auditor of the Company at the annual general meeting held on 30 June 2022 to fill the vacancy following the retirement of Ernst & Young. The consolidated financial statements for the Reporting Period have been audited by Deloitte Touche Tohmatsu, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. Save as disclosed above, there has been no change in the Company's auditor in any of the preceding three years.

COMPLIANCE WITH LAWS AND REGULATIONS

For the Reporting Period, the Company is in compliance with the relevant laws and regulations that have a significant impact on the Company.

CHANGES IN THE BOARD AND DIRECTORS' INFORMATION

There are no changes in the Board and Directors' information since the date of the Company's 2023 interim report.

Details of Directors are set out in section headed "Directors and Senior Management" of this annual report. Save as disclosed in that section, up to the date of this annual report, there are no changes to information which are required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

On behalf of the Board

Junjing Tang
Chairman

Hong Kong, 27 March 2024

Corporate Governance Report

The Board is pleased to present this corporate governance report in the annual report of the Company for the Reporting Period.

COMPANY'S CULTURE

The Board believes that corporate culture underpins the long-term business, economic success and sustainable growth of the Group. A strong culture enables the Company to deliver long-term sustainable performance and fulfil its role as a responsible corporate citizen. The Company is committed to developing a positive and progressive culture that is built on its mission, vision and core values.

During 2023, the Company continued to strengthen its cultural framework by focusing on the following:

Our Mission: Cultivating excellent quality and contributing to the future of the country

Each child's individual attributes are nurtured to equip him or her with holistic abilities in preparation for future challenges.

Our Vision: Becoming the place for study and growth most favoured by children and trusted by parents

"Education is growth," said the educator Dewey. Each child is like a seed with its unique growth path and pattern. Growth means respecting the attributes of each child and helping them achieve their ideals.

Our Four Core Values

01 All for the sake of children's healthy growth

The healthy growth of each child is fundamental to our work. We regard each and every child as our own, and help them maximise their potential, keeping their promising future in mind.

02 Growth with challenges

We are self-motivated and resourceful individuals; we take the bull by the horns by tackling numerous challenges head-on.

03 Being open and innovative to create extraordinary value

We remain young, break the shackles of thinking with an open mind, and constantly create new ideas and models that lead the industry.

04 Result-oriented

Determined to fulfil our mission, we benchmark our performance against key indicators; a result-oriented culture helps foster the development of high-performance professionals.

The Board sets and promotes corporate culture and expects and requires all employees to reinforce. All of our new employees are required to attend orientation and training programs so that they may better understand our corporate culture, structure and policies, learn relevant laws and regulations, and raise their quality awareness. In addition, from time to time, the Company will invite external experts to provide training to our management personnel to improve their relevant knowledge and management skills.

The Board considers that the corporate culture and the purpose, values and strategy of the Group are aligned.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company has adopted the code provisions as set out in Part 2 of Appendix C1 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**CG Code**"), as its own code to govern its corporate governance practices.

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

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. Under the current 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), two non-executive Directors and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

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

THE BOARD

(1) Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three board committees including the Audit Committee, the Remuneration Committee and the nomination committee (the "**Nomination Committee**"). The Board has delegated to the board committees responsibilities as set out in their respective terms of reference. All board committees are provided with sufficient resources to perform their duties.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

(2) Directors' and Senior Management's Liability Insurance and Indemnity

The Company has arranged appropriate liability insurance to indemnify the Directors and senior management of the Company for their liabilities arising out of corporate activities. The insurance coverage will be reviewed on an annual basis.

(3) Board Composition

The Board currently comprises four executive Directors, two non-executive Directors and three independent non-executive Directors. The Directors for the Reporting Period and up to the date of this annual report are as follows:

Executive Directors

Mr. Junjing Tang *(Chairman)*
Mr. Junying Tang
Mr. Gui Zhou
Ms. Weiying Guan

Non-Executive Directors

Mr. Wenhui Xu
Mr. Wai Ng *(appointed on 28 March 2023)*

Independent Non-Executive Directors

Ms. Yu Long
Mr. Caihe Lin
Mr. Jun Gan

Except that Mr. Junying Tang and Mr. Junjing Tang are brothers, there is no other relationship (including financial, business, family or other material/relevant relationship(s)) between the Board members.

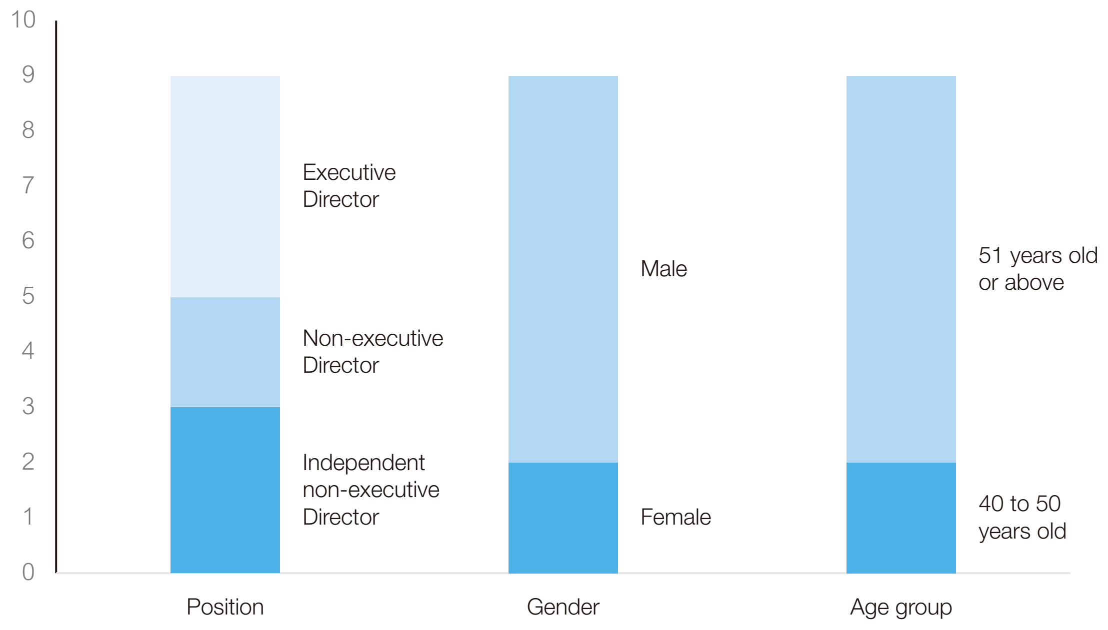
(4) Board Diversity Policy

Pursuant to Rule 13.92 of the Listing Rules, the nomination committee (or the board) shall have a policy concerning diversity of board members, and shall disclose the policy on diversity or a summary of the policy in the corporate governance report. The policy specifies that in designing the composition of the board, board diversity shall be considered from a number of aspects, including but not limited to age, gender, cultural and educational background, professional experience, skills and knowledge. The appointment of directors will be based on meritocracy, and candidates will be evaluated against objective criteria as aforementioned, having due regard for the benefits of diversity of the board.

The composition of the Board will be disclosed in the Corporate Governance Report every year and the Nomination Committee will supervise the implementation of this policy. The Nomination Committee will review the effectiveness of this policy, as appropriate, discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The Board currently comprises of nine Directors, of which four are executive Directors, two are non-executive Directors and three are independent non-executive Directors. Among which, two Directors are female and seven Directors are male. The Board has an appropriate mix of skills, experience and diversity that are relevant to the Company's strategy, governance and business. The Board targets to maintain at least the current level of female representation, with the ultimate goal of achieving gender parity.

As at the date of this annual report, the diversity of the Board is illustrated as below. Further details on the biographies and experience of the Directors are set out from page 19 to 23 of this annual report.



The Nomination Committee has reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable the Company to maintain high standard of operation.

As at 31 December 2023, we had 846 full-time employees, of which 335 were male and 511 were female. The gender ratio in the workforce (including senior management) was approximately 1 male to 1.53 females. The total gender diversity of the Group is balanced and the Group will continue to maintain the gender diversity in workforce. For further details of gender ratio and initiatives taken to improve gender diversity together with the relevant data, please refer to the disclosure in the ESG report.

(5) Measurable Objectives

	Measurable Objectives	Progress for Achieving Objectives
Objective 1	Consider candidates for appointment as independent wide pool of backgrounds, skills, experience and perspectives that would complement the existing Board	1. On-going search for appropriate candidates to be appointed as independent non-executive directors; 2. In the ordinary course of the Board succession process.
Objective 2	Report annually against the objectives and other initiatives taking place within the Company which promote diversity	1. The Board evaluation process includes an assessment of the Board's diversity helping to objectively consider the Board composition and effectiveness; 2. 2023 and ongoing.
Objective 3	Report annually on the outcome of the composition and structure of the Board as well as any issues and challenges the Board is facing when considering the diverse make-up of the Company	1. Make use of the Board evaluation process as an important means of monitoring the progress; 2. Remain committed to getting the right balance of the composition of the Board and work towards understanding and managing some of the challenges we face in the management of corporate development strategy sector, particularly in online education, offline expansion and merger and acquisition areas; 3. 2023 and ongoing.

The Nomination Committee has reviewed the board diversity policy to ensure its effectiveness and considered that the Group achieved the objectives of its board diversity policy for the Reporting Period.

(6) Board Independence

The Company recognises that Board independence is key to good corporate governance. The Company has in place effective mechanisms that underpin an independent Board and that independent views. The current composition of the Board, comprising one-third of the of the independent non-executive Directors. The Remuneration Committee and the Audit Committee are both chaired by independent non-executive Directors. The remuneration of independent non-executive Directors are subject to a regular review to maintain competitiveness and commensurate with their responsibilities and workload. The independence of each independent non-executive Directors is assessed upon his/her appointment and annually.

Directors are requested to declare their direct or indirect interests, if any, in proposals or transactions to be considered by the Board at the Board meetings and abstain from voting, where appropriate. External independent professional advice is available to all Directors, including independent non-executive Directors, whenever deemed necessary. The independent non-executive Directors have consistently demonstrated strong commitment and the ability to devote sufficient time to discharge their responsibilities at the Board.

The Company has also established channels through formal and informal means whereby independent non-executive Directors can express their views in an open manner, and in a confidential manner, should circumstances requires.

(7) Confirmation of Independence by the Independent Non-executive Directors

The Company has received written annual confirmation from each independent non-executive Director of his/her independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

Except that Mr. Junying Tang (an executive Director) and Mr. Junjing Tang (an executive Director) are brothers, none of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship(s)), with any other Director.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the code provision C.1.5 of the CG Code requiring directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as their respective identity of the public companies or organisations and the time involved to the issuer, Directors have agreed to disclose, and already disclosed their commitments to the Company in a timely manner.

(8) Induction and Continuous Professional Development

Pursuant to the code provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant.

Pursuant to the code provision C.1.1 of the CG Code, each newly appointed Director should be provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations. For the Reporting Period, the Directors were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations.

All Directors, namely Mr. Junjing Tang, Mr. Junying Tang, Mr. Gui Zhou, Ms. Weiying Guan, Mr. Wenhui Xu, Ms. Yu Long, Mr. Caihe Lin, Mr. Jun Gan and Mr. Wai Ng, have been updated with the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. In addition, continuing briefing and professional development to Directors will be arranged whenever necessary.

The Directors are continually updated on the latest development of the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practice.

The Directors are asked to submit a signed training record to the Company on an annual basis.

(9) Chairman and Chief Executive Officer

Please refer to the paragraph headed "CORPORATE GOVERNANCE" of this Corporate Governance Report on page 53 of this annual report.

(10) Appointment and Re-Election of Directors

The Board has adopted a nomination policy which set out the selection criteria and procedures of appointing and re-appointing a Director. Please refer to the section headed "BOARD COMMITTEE — (1) Nomination Committee" on page 62 of this annual report.

In accordance with article 109 of the Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Accordingly, Mr. Junying Tang, Ms. Weiying Guan and Mr. Wenhui Xu shall retire by rotation at the 2024 annual general meeting and, being eligible, offer themselves for re-election.

In accordance with article 113 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first annual general meeting of the Company after his/her appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until first annual general meeting of the Company after his appointment and shall then be eligible for re-election.

The procedures and process of appointment, re-election and removal of directors are set out in the Articles. The Nomination Committee is responsible for reviewing the Board composition, monitoring and making recommendations to the Board on the appointment, re-election and succession planning of Directors, in particular the chairman and the chief executive officer.

Each of the executive Directors has entered into a service contract with our Company. The term of office of our executive Directors is disclosed under the section headed "Directors' service Contracts" of this annual report.

Each of our non-executive Directors entered into an appointment letter with our Company. The term of office of our non-executive Directors is disclosed under the section headed "Directors' service Contracts" of this annual report.

Each of our independent non-executive Directors has entered into an appointment letter with our Company. The term of office of our independent non-executive Directors is disclosed under the section headed "Directors' service Contracts" of this annual report.

(11) Board Meetings and Committee Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Both the Nomination Committee and the Remuneration Committee shall meet at least once every year and the Audit Committee shall meet at least twice a year. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. For other Board and committee meetings, reasonable notice is generally given. The agenda and accompanying board papers are dispatched to the Directors or committee members at least three days before the intended date of the meeting to ensure that they have sufficient time to review the papers and be adequately prepared for the meeting. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman of the Board or the committee members prior to the meeting. Minutes of meetings are kept by the company secretary with copies circulated to relevant Board or board committees for comments and records.

Minutes of the Board meetings and committee meetings are recorded in sufficient detail the matters considered by the Board and the committees and the decisions reached, including any concerns raised by the Board or committee members and dissenting views expressed. Draft minutes of each Board meeting and committee meeting are sent to the relevant Board or committee members for comments within a reasonable time after the date on which the meeting is held. The minutes of the Board meetings are open for inspection by Directors.

Apart from the regular Board meetings, the chairman of the Board also held one meeting with all independent non-executive Directors without the presence of other Directors.

During the Reporting Period, four Board meetings were held and the attendance of the individual Directors at these meetings is set out in the table below:

Directors	Number of Board meetings attended/held during his/her tenure
Mr. Junjing Tang *(Chairman, Chief Executive Officer and Executive Director)*	4/4
Mr. Junying Tang *(Executive Director)*	4/4
Mr. Gui Zhou *(Executive Director)*	4/4
Ms. Weiying Guan *(Executive Director)*	4/4
Mr. Wenhui Xu *(Non-executive Director)*	4/4
Mr. Wai Ng[1] *(Non-executive Director)*	3/3
Ms. Yu Long *(Independent Non-executive Director)*	4/4
Mr. Caihe Lin *(Independent Non-executive Director)*	4/4
Mr. Jun Gan *(Independent Non-executive Director)*	4/4

Note:

1. Mr. Wai Ng was appointed as an non-executive Director on 28 March 2023.

(12) 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.

(13) Delegation by the Board

The Board reserves for its decision on all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board to ensure that they remain appropriate to the Company's needs. Approval has to be obtained from the Board prior to any significant transactions entered into by the management on the Company's behalf.

(14) Corporate Governance Function

The Board recognises that corporate governance should be the collective responsibility of Directors and has delegated the corporate governance duties to the Audit Committee which includes:

(a) to develop and review the Group's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous professional development of Directors and senior management of the Group;

(c) to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors of the Group; and

(e) to review the Group's compliance with the CG Code from time to time adopted by the Group and the disclosure in the Corporate Governance Report to be contained in the Company's annual reports.

BOARD COMMITTEES

(1) Nomination Committee

The Nomination Committee currently comprises Mr. Junjing Tang (chairman, executive Director and chief executive officer), Ms. Yu Long and Mr. Caihe Lin (each being an independent non-executive Director). The majority of the committee members are independent non-executive Directors. Mr. Junjing Tang is the chairman of the Nomination Committee.

The principal duties of the Nomination Committee include the followings:

- To review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

- To assess the independence of independent non-executive directors;
- To make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive; and
- To regularly review and report to the Board on the performance and suitability of the senior management to ensure they are in compliance with the employment terms and the performance goals and make recommendations to the Board on the re-appointment or replacement of any senior management.

The Nomination Committee will assess the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision. Their written terms of reference are available on the respective website of the Stock Exchange and the Company.

One meeting of the Nomination Committee were held during the Reporting Period and the attendance record of the Nomination Committee members is set out in the table below:

Directors	Number of Nomination Committee meetings attended/held during his/her tenure
Mr. Junjing Tang *(Chairman)*	1/1
Ms. Yu Long	1/1
Mr. Caihe Lin	1/1

During the meeting held, the Nomination Committee reviewed and discussed the policy, procedure and criteria for nomination of the Directors, reviewed and discussed the Board diversity policy and discussed all measurable objectives set for implementing the policy and the progress made towards meeting the measurable objective in the policy, assessed the independence of independent non-executive Directors, considered the re-appointment of the retiring Directors, reviewed the time commitment required from the non-executive Director and fulfilled duties as required aforesaid.

Nomination Policy

The Board has adopted a nomination policy (the "**Nomination Policy**") which sets out the selection criteria and procedure of appointing and re-appointing a Director.

Selection criteria

In assessing the suitability of a proposed candidate, the Nomination Committee would consider factors including:

— character and integrity;

— professional qualifications, skills, knowledge and relevant experience in the industry;

— whether the candidate can contribute to the diversity of the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skill, knowledge and length of service;

— commitment in respect of available time and relevant interest; and

— where the candidate is proposed to be appointed as an independent non-executive Director, whether the candidate is independent in the context of Main Board Listing Rules.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

Nomination Procedures

The procedure of appointing and re-appointing a Director is summarised as follows:

— nomination and invitation of suitable candidates by any member of the Nomination Committee or the Board;

— evaluation of the candidate based on all selection criteria as set out in the Nomination Policy;

— performing due diligence in respect of each candidate and making recommendations for the Board's consideration and approval;

— in case of nomination of an independent non-executive Director, assessing the candidate's independence under the relevant code provisions of the CG Code and the Main Board Listing Rules;

— where nominating an independent non-executive Director for election at general meetings, having due consideration of matters under code provision B.3.4 of the CG Code;

— in the context of re-appointment of retiring Directors, reviewing the candidate's overall contribution and performance and making recommendations to the Board and/or the Shareholders for consideration in connection with his/her re-election at general meetings; and

— convening a meeting of the Board to consider the appointment or re-appointment of the candidate as a Director.

The Nomination Committee shall review the nomination policy and assess its effectiveness on a regular basis or as required.

(2) Remuneration Committee

The Remuneration Committee currently comprises Mr. Junjing Tang (chairman, executive Director and chief executive officer), Ms. Yu Long (an independent non-executive Director), and Mr. Jun Gan (an independent non-executive Director). The majority of whom are independent non-executive Directors. Ms. Yu Long is the chairlady of the Remuneration Committee.

The Remuneration Committee has adopted the second model described in code provision E.1.2(c) of the CG Code (i.e. to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management member).

The principal duties of the Remuneration Committee include the followings:

- To make recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

- To review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

- To make recommendations to the Board on the remuneration packages of individual executive Directors and senior management of the Company. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

- To make recommendations to the Board on the remuneration of non-executive Directors;

- To consider salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Company and its subsidiaries;

- To review and approve compensation payable to executive Directors and senior management of the Company for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

- To review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

- To ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration;

- where the service contract of a director or proposed director of the Company or its subsidiaries is required to be approved by the shareholders of the Company pursuant to Rule 13.68 of the Listing Rules, the Remuneration Committee (or an independent board committee) shall form a view in respect of such service contract and advise shareholders (other than shareholders who are directors with a material interest in such service contract and their associates) as to whether the terms are fair and reasonable, advise whether such service contract is in the interests of the Company and its shareholders as a whole and advise shareholders on how to vote;

- to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules; and

- to consider all other matters as referred to the Remuneration Committee by the Board or otherwise required by the Listing Rules from time to time.

Their written terms of reference are available on the respective website of the Stock Exchange and the Company.

One meeting of the Remuneration Committee was held during the Reporting Period and the attendance record of the Remuneration Committee members is set out in the table below:

Directors	Number of Remuneration Committee meetings attended/held during his/her tenure
Ms. Yu Long *(Chairlady)*	1/1
Mr. Junjing Tang	1/1
Mr. Jun Gan	1/1

In the meeting held on 28 March 2023, the Remuneration Committee discussed and reviewed the remuneration policy for Directors and senior management of the Company, assessed performance of executive Directors, made recommendations to the Board on the remuneration packages of individual executive Directors and senior management and fulfilled duties as required aforesaid.

Details of the annual remuneration by band of the nine Directors and one member of the senior management of the Company are set out below:

Remuneration band (RMB)	Number of individual
0 to 1,000,000	6
1,000,001 to 1,500,000	—
Above 1,500,000	4

(3) Audit Committee

The Audit Committee currently comprises Mr. Wenhui Xu (a non-executive Director), Ms. Yu Long (an independent non-executive Director) and Mr. Jun Gan (an independent non-executive Director), the majority of whom are independent non-executive Directors. Mr. Jun Gan is the chairman of the Audit Committee. The main duties of the Audit Committee include the following:

- To be primarily responsible for making recommendation to the Board on the appointment, re-appointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of its resignation or dismissal;

- To review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee shall discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences;

- To develop and implement policy on engaging of external auditors to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

- To monitor integrity of the financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports and to review significant financial reporting judgements contained in them;

- To review the financial controls of the Company, and unless expressly addressed by a separate board risk committee, or by the board itself, to review the Company's risk management and internal control systems;

- To discuss the risk management and internal control systems with management of the Company to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programs and budget of the accounting, internal control and financial reporting function of the Company;

- To consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

- To ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

- To review the financial and accounting policies and practices of the Company and its subsidiaries;

- To review the external auditors' management letter, any material queries raised by the auditors to management about accounting records, financial accounts or systems of control and management's response;

- To ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;

- To review arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee shall ensure that proper arrangements are in place for the fair and independent investigation of these matters and for appropriate follow-up action;

- To act as the key representative body for overseeing the Company's relations with the external auditors;

- To report to the Board on the matters stated herein above and other matters, if any, in the code provisions of Corporate Governance Code contained in Appendix C1 of the Listing Rules (as amended from time to time);

- To perform the Company's corporate governance functions with details set out in the paragraph headed "THE BOARD — (14) Corporate Governance Function" above.

Two meetings of the Audit Committee were held during the Reporting Period and the attendance record of the Audit Committee members is set out in the table below:

Directors	Number of Audit Committee meetings attended/held during his/her tenure
Mr. Jun Gan *(Chairman)*	2/2
Mr. Wenhui Xu	2/2
Ms. Yu Long	2/2

During the meetings held, the Audit Committee reviewed the Group's policies on corporate governance and discussed the same with the Board, reviewed the financial reporting system, compliance procedures, internal control and risk management systems (including the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting, internal audit and financial reporting functions) and associated processes and the re-appointment of the external auditor and fulfilled duties as required aforesaid. The Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of external auditor.

The Audit Committee also reviewed the interim results for the six months ended 30 June 2023, the annual results for the year ended 31 December 2022 as well as the audit report prepared by the external auditor relating to accounting issues and major findings in course of audit.

The Audit Committee has also performed the Company's corporate governance duties delegated by the Board (details are set out in the section headed "THE BOARD — (14) Corporate Governance Function").

There are proper arrangements for employees, in confidence, to raise concerns about possible improprieties in financial reporting, internal control and other matters. Their written terms of reference are available on the respective website of the Company and the Stock Exchange.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Company for the year which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided the Board with such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on Company's performance, positions and prospects.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the external auditor of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report in this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board's Responsibility for Risk Management and Internal Control

The Board, as the risk management supreme leading organ of the Group, undertakes ultimate responsibility for construction and effective operation of the risk management and internal control systems, and reviews the effectiveness of these systems.

The Board is responsible for evaluating and determining the nature and extent of the risks the Group is willing to take in order to achieve its strategic objectives based on risks, put resources on sectors with higher risks, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems. The review of the internal control systems is conducted on an ongoing basis in order to ensure the sufficiency of the existing policies and procedures. The management discusses and follows up on any findings and recommendations in an adequate and timely manner. The Board should oversee management in the design, implementation and monitoring of the risk management and internal control systems, and management should provide a confirmation to the Board on the effectiveness of these systems.

Characteristics of Risk Management and Internal Control Systems

The Board is responsible for maintaining a good and effective risk management and internal control systems to safeguard the Group's assets and the Shareholders' interests. The Directors confirmed that, during 2023, the Board supervised the management's design, implementation and monitoring of the risk management and internal control systems, and reviewed the adequacy and effectiveness of the risk management and internal control systems of the Group on an ongoing basis; such review covered all major control aspects of the Group, including strategic, financial, operational and compliance controls and risk management activities.

The risk management and internal control systems adopted by the Group are designed to manage rather than eliminate the risks of failure to fulfil business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Risk Management Organisational System

Based on the respective responsibilities of the management, the Board and the Audit Committee for risk management, the Group has set up a three lines-of-defence structure regarding the risk management and internal control work. The risk governance structure consists of the business departments and responsible individuals as the first line, with the Group's business and functional centres serving as the second line of defence and the internal audit team as the third line of defense. The first line of defence is a risk bearer, undertaking the primary and direct responsibility for the management and control of risks in business activities, taking charge of identifying, quantifying and overseeing the risks within each business scope, and formulating risk countermeasures linked to daily operations. The second line of defence is responsible for planning and preparing the risk and internal control policies and systems, and supervises their execution to ensure that risk management takes place for the Group, as well as the coordination, summarisation, supervision of risk exposures and management status in each business sector, further promotes the completion and implementation of the risk control measures. The third line of defence is responsible for monitoring, carrying out special tests, verification and evaluation on the integrity and effectiveness of the risk management and internal control systems to conclude independent and objective appraisal.

Risk Management and Internal Control and Management Procedures

The internal management system and audit procedures in relation to risk management and compliance management currently developed and implemented by Group mainly include:

(1) Prepare risk lists based on the frequent risks and risks which may exist in the Group's operation;

(2) Further complete and optimise the Group's management mechanism and system;

(3) By using the pre-established internal assessment mechanism, to review and summarise the effectiveness of the risk management, internal control, and compliance management systems and measures adopted by the Group on a regular basis, so as to achieve effective operation and risk management improvement;

(4) Prepare plans for significant risk and frequent risks and launch pieces of training and guidance to operating units regarding relevant plans; and

(5) Conduct effective communication with the Board and the senior management in respect of risk management, internal control and compliance management on a regular basis, in order to ensure the implementation of internal control of the Group in place.

Furthermore, the Group formulated a risk evaluation and management system which specified the roles and responsibilities of the management and the Board in risk management, and will continuously monitor the risk management based on the risk evaluation and management system, and identifying that risk management is led by the risk management committee of the Group, which is responsible for assessing the risks and formulating its corresponding strategies of the Group once a year, providing the Board of the Group with a decision-making basis for risk management.

The Group has established an internal audit team to carry out its internal audit functions by assisting the Board to implement the risk management framework of the Group. The internal audit team is primarily responsible for the plan, organisation, execution, post-tracking and compliance-related matters of the internal audit work of the Group, and conducting risk-oriented internal audits for all departments, project departments, business units and education centres of the Group on a regular basis. The works performed by the internal audit team will be reviewed by the Audit Committee and the Board annually.

The Group has formulated and issued "Administrative Measures on Information Disclosure" as the internal control assurance measure in addressing and publishing inside information. The Board also acknowledges its responsibility to prepare the Company's financial statements in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, and the disclosure requirements of the Hong Kong Companies Ordinance, which give a true and fair view of the Group's state of affairs, results and cash flows for the year. The Group has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgements and estimates. The Board considers that the Group has adequate resources to continue in business for the foreseeable future and not aware of any material uncertainties relating to events or conditions that may affect the business of the Group or cast doubts on its ability to continue as going concern.

Risk Management and Internal Control Systems Review for 2023

During the year ended 31 December 2023, the Audit Committee has conducted a review of the risk management and internal control systems of the Company, including strategic, financial, operational and compliance controls that are primary concerns of the Board. The review also considers and includes the resource adequacy of the accounting and financial reporting functions of the Group, staff qualification and experience, training plans and budget. The primary function of the Audit Committee is to assist the Board in providing an independent view of our financial reporting process, internal control and risk management system, overseeing the audit process and performing other duties and responsibilities as assigned by our Board. On 27 March 2024, the Audit Committee of the Company has in conjunction with management reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the consolidated financial statements of the Group for the Reporting Period. The Group and the Directors considered the current risk management and internal control systems of the Group remain effective and sufficient with no material issues to be brought to the Board's attention.

The Group regulates the handling and dissemination of inside information according to the "Guidelines on Disclosure of Inside Information" published by the Securities and Future Commission in June 2012 to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made. The Company regularly reminds the Directors and employees about due compliance with all policies regarding the inside information. Also, the Company keeps Directors, senior management and employees appraised of the latest regulatory updates. The Company shall prepare or update appropriate guidelines or policies to ensure the compliance with regulatory requirements.

Anti-corruption Policy

The Company does not tolerate any form of bribery, whether direct or indirect, by, or of, its Directors, officers, employees, agents or consultants or any persons or companies acting for it or on its behalf. The Company adopts the anti-corruption policy in assisting the employees in recognising circumstances which may lead to or give the appearance of being involved in corruption or unethical business conduct, so as to avoid such conduct which is clearly prohibited, and to promptly seek guidance if necessary.

The anti-corruption policy will be reviewed on a regular basis, any convicted cases will be reported to the Audit Committee.

Whistleblowing Policy

The Company expects and encourages employees of the Group and those who deal with the Group (e.g. suppliers, customers, creditors and debtors) to report to the Company, in confidence, any suspected impropriety, misconduct or malpractice concerning the Group. The Company adopts the whistleblowing policy to provide reporting channels and guidance on reporting possible improprieties and reassurance to whistleblowers of the protection that the Group will extend to them in the formal system.

The whistleblowing policy will be reviewed on a regular basis, any suspected cases will be reported to the Audit Committee.

AUDITOR'S REMUNERATION

Audit fees for the Reporting Period payable to the external auditors were approximately RMB1.9 million. The external auditors did not provide any non-audit services to the Group.

COMPANY SECRETARY AND PRIMARY CONTACT OF THE COMPANY

Ms. Chau Hing Ling ("**Ms. Chau**"), an executive director of corporate services of Vistra Corporate Services (HK) Limited, is the company secretary of the Company. For information of Ms. Chau, please refer the section headed "Director's and Senior Management — COMPANY SECRETARY" on page 23 of this annual report. The primary contact of Ms. Chau at the Company is Mr. Xuemin Huang, the compliance director of the Company.

In compliance with Rule 3.29 of the Listing Rules, Ms. Chau undertook not less than 15 hours of relevant professional training to update her skills and knowledge during the year.

GENERAL MEETING

For the Reporting Period, one annual general meeting of the Company was held. The attendance record of the Directors is set out in the table below:

Directors	Number of general meetings attended/held during his/her tenure
Mr. Junjing Tang	1/1
Mr. Junying Tang	1/1
Mr. Gui Zhou	1/1
Ms. Weiying Guan	1/1
Mr. Wenhui Xu	1/1
Mr. Wai Ng[1]	1/1
Ms. Yu Long	1/1
Mr. Caihe Lin	1/1
Mr. Jun Gan	1/1

Note:

1. Mr. Wai Ng was appointed as non-executive Director on 28 March 2023.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Shareholders and potential investors on the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make the informed investment decisions.

The annual general meeting provides opportunity for Shareholders to communicate directly with the Directors. The chairman of the Board, the chairmen/chairlady of the Board committees will attend the annual general meeting to answer Shareholders' questions. The external auditors of the Company will also attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report and auditor independence.

To promote effective communication, the Company adopts a shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and its Shareholders and maintains a website at http://www.beststudy.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. The Board will review the shareholders' communication policy regularly to ensure its effectiveness.

Having considered the multiple channels of communication in place provided Shareholders and investment community with information about the latest development of the Group in a timely manner, and the Company has established a range of communication channels between itself and its Shareholders, investors and other stakeholders to allow the Company to receive feedback effectively, the Board is satisfied that the Shareholders communication policy has been properly implemented during 2023 and is effective.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed by the chairman of that meeting for each substantially separate issue at Shareholder meetings, including nomination and election of individual directors.

All resolutions put forward at Shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each Shareholder meeting in accordance with the Listing Rules.

(1) Procedures for Shareholders to convene an extraordinary general meeting

In accordance with article 64 of the Articles, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

(2) Procedures for putting forward proposals at general meeting

There are no provisions allowing Shareholders to propose new resolutions at the general meetings under the Companies Act of the Cayman Islands. However, Shareholders who wish to propose resolutions may follow article 64 of the Articles for requisitioning an extraordinary general meeting and including a resolution at such meeting. The requirements and procedures of article 64 are set out above.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

(3) Enquiries to the Board

Shareholders and investors may send written enquiries or requests to the Company as follows:

Address:	12/F, 65 Xianlie Middle Road, Yuexiu District, Guangzhou, Guangdong, PRC
Attention:	Board of Directors Office
Tel:	+86 20 3897 0078
Fax:	+86 20 8388 7242

Enquiries will be dealt with in a timely and informative manner.

CHANGE IN CONSTITUTIONAL DOCUMENTS

There was no change to the Company's Memorandum and Articles of Association during the year ended December 31, 2023. A copy of the Company's Memorandum and Articles of Association is available on the websites of the Company and the Stock Exchange.

INTRODUCTION AND CORE VALUES

Corporate Culture

Since its establishment in 1997, the Group has been deeply involved in the education sector for 26 years. The Group upholds the brand strategy of "growing for the future", adheres to the mission of "cultivating excellent quality and contributing to the future of the country" and the vision of "becoming the place for study and growth most favoured by children and trusted by parents". We continuously optimise the business system, seek innovation and forge ahead. The Group strives to provide students with quality and diversified educational products and services. By stimulating students' interests, cultivating creativity, critical thinking and problem-solving skills, we guide them to explore their personal characteristics and help them grow comprehensively and healthily. In addition, we cooperate with well-known educational institutions and experts at home and abroad to introduce advanced educational concepts and methods to ensure that educational services are always at the forefront of the industry. The Group is committed to providing every student with a comprehensive and high-quality education platform to lay a solid foundation for personal growth and future development.

Core Values

Four Core Values	
All for the sake of children's healthy growth	The healthy growth of each child is fundamental to our work. We regard each and every child as our own, and help them maximise their potential, keeping their promising future in mind.
Growth with challenges	We are self-motivated and resourceful individuals; we take the bull by the horns by tackling numerous challenges head-on.
Being open and innovative to create extraordinary value	We remain young, break the shackles of thinking with an open mind, and constantly create new ideas and models that lead the industry.
Result-oriented	Determined to fulfil our mission, we benchmark our performance against key indicators; a result-oriented culture helps foster the development of high-performance professionals.

About the Report

Report Statement

Based on the principles of materiality, quantification, balance and consistency, this Environmental, Social and Governance ("**ESG**") Report (the "**Report**") outlines the concepts, practices and achievements of China Beststudy Education Group ("**Beststudy**", the "**Group**", "**we**" or "**us**") in sustainable development such as teaching management, employee rights and interests, environmental protection and social welfare. For the Group's corporate governance structure and related information, please refer to the "Corporate Governance Report" in the 2023 Annual Report.

Reporting Period

The reporting period of this report was from 1 January 2023 to 31 December 2023 (hereinafter referred to as the "**Reporting Period**"). Some contents beyond the above range were explained in the main text. The Group will publish ESG reports regularly every year for the public to review at any time, and will continue to improve the transparency of information disclosure and responsibility.

Reporting Scope

The content of the Report covers relevant data of training centres and subsidiaries of the Group, i.e. operating entities of the Group's main business (full-time revision, talent education, vocational education and self-study programs), during the Reporting Period. In accordance with the Double Reduction Policy, the Group has ceased its tutoring services business related to academic subjects at compulsory education stage with effect from January 2022 and the related business will be excluded from the scope of the Report.

Reporting Principles

The Report is prepared in accordance with Appendix C2: Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") to the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

During the Reporting Period, the Group confirmed that it has established appropriate and effective management policies and monitoring systems for environmental, social and governance matters, and confirmed that the disclosure complies with the requirements of the ESG Reporting Guide.

The content of the Report follows the reporting principles of the ESG Reporting Guide.

Materiality: The Group has conducted a materiality assessment during the Reporting Period to identify material issues and identified the material issues as the focus of the preparation of the Environmental, Social and Governance Report. The materiality of issues has been reviewed and confirmed by the Board of Directors (the "**Board**") of the Company and the ESG working group (the "**Working Group**"). For further details, please refer to two sections headed "Stakeholder Engagement" and "Materiality Assessment".

Quantification: The Report is prepared in accordance with the ESG Reporting Guide and discloses Key Performance Indicators ("**KPIs**") in a quantitative manner. Information on the criteria, methodologies, assumptions and/or calculation references used for KPIs and the sources of key conversion factors are appropriately stated.

Balance: The Report intends to provide an unbiased picture of the Group's ESG performance and avoid selections, omissions or presentation formats that may inappropriately influence the decision or judgement made by readers of the Report.

Consistency: Unless otherwise stated, the preparation method of the Report is consistent with that of the previous year for comparison. If there is any change in the scope of disclosure and calculation methods, which may affect the comparison with previous reports, the Group will explain accordingly. In accordance with the "Reporting Scope", the Group has excluded its tutoring services at compulsory education stage from the scope of the Report.

Data Sources

The data in the Report mainly comes from the Group's official documents and statistical reports. The Group undertakes that there are no false records, misleading statements or major omissions in the Report, and is responsible for the authenticity, accuracy and completeness of its contents. Unless otherwise specified, the monetary amounts involved in the Report are measured in RMB.

Feedback

The Group's continued progress relies on your valuable feedback on its performance and disclosure methods. If you have any questions or suggestions about the Report, please send your comments via email to esg@zy.com to help the Group continuously improve its ESG work.

ESG GOVERNANCE

The Group has established an ESG governance structure to ensure that ESG governance is in line with the Group's business strategy and to integrate ESG governance into the Group's business operations and decision-making process.

The Board has overall responsibility for the Group's ESG issues and is required to formulate ESG management approach, strategy, priorities and objectives. The Board selects qualified members with the appropriate skills, experience, knowledge and perspectives required in relation to relevant ESG issues. In order to better manage the Group's ESG performance, related issues and potential risks, the Board meets at least annually to evaluate and determine the Group's ESG risks and opportunities, review the importance of ESG issues, and review its performance and progress against ESG-related targets. The Board is also responsible for ensuring the effectiveness of the risk management and internal control systems and reviewing and approving the disclosures in the Report.

In order to systematically manage ESG issues under the authority of the Board, the Group has set up the Working Group. The Working Group comprises core members from different departments with relevant expertise in various aspects of ESG to assist the Board in its oversight of ESG. The Working Group is required to meet at least annually to assess the effectiveness of the ESG system, identify and evaluate the Group's ESG risks and ensure compliance with ESG-related laws and regulations. The Working Group engages external consultants to conduct an annual assessment of material issues to help manage important issues and prepare ESG reports. Through the collection of data, the Working Group regularly reviews progress against ESG targets to ensure that there is potential for growth in different aspects of performance. The Working Group is required to report its findings, decisions and recommendations to the Board at least once a year.

STATEMENT OF THE BOARD

The Board of the Group assumes full responsibility for evaluating and making decisions on ESG strategies and reporting, and ensuring the establishment of appropriate and effective ESG risk management and internal control systems. During the Reporting Period, the Board was committed to promoting the in-depth integration of ESG issues with the Group's governance structure to ensure that the Group continues to move forward unswervingly along the path of high-quality and sustainable development. In addition, in order to enhance the transparency and accountability of the Group's operating activities, the Board adheres to the principles of corporate governance, abides by laws, regulations and business ethics, and pays continuous attention to areas such as internal monitoring, information disclosure and safeguarding the rights and interests of all shareholders.

In view of the external environment and strategic development needs, the Group conducted a survey of stakeholders during the Reporting Period and identified 16 key ESG issues, and based on this, we defined work priorities. Among them, four topics that are highly important to the Group include "teaching quality management", "teachers' training and development", "students' health and safety" and "educational services and innovation". In daily operations, the Group conducts key reviews on these issues, continues to improve performance, and implements target management. Looking forward, we will continue to adjust our sustainable development management strategies and implementation methods based on the expectations of stakeholders and the actual situation of the Group's operations to improve the level of sustainable development.

The Report discloses in detail the progress and results of the Group's ESG work in 2023. The Board and all Directors of the Group guarantee that the contents of the Report are true, accurate and complete and do not contain any false records, misleading statements or major omissions.

CHAIRMAN'S STATEMENT

Dear Stakeholders,

On behalf of the Board, I am pleased to present the Report. The Double Reduction Policy in 2023 continued to advance and we were constantly adapting to new challenges to achieve higher-quality educational equity and the all-round development of students. Facing the opportunities brought by the Double Reduction Policy, the Group actively adjusted its strategies and continued to optimise our education services.

In terms of course quality and innovation, we are committed to improving the teaching quality system and constantly innovating courses. We have introduced advanced educational technology and teaching concepts to meet the diverse learning needs of students through personalised teaching methods. In addition, we have strengthened the teacher training system, improved the teaching level and professionalism of teachers, and ensured that our education quality always remains industry-leading. By introducing interactive teaching, practical projects and research-oriented learning, we inspire students' creativity and critical thinking, and train them to become future leaders with an international perspective and social responsibility.

In terms of corporate governance, the Board assumes the responsibility for ESG governance and ensures that ESG issues are integrated with the Group's overall strategy. We maintain close communication with internal and external stakeholders to understand their expectations for the sustainable development of the Group. We communicated with the Group's stakeholders during the year and identified major issues for the year. Through regular assessment and analysis of major issues, we can promptly adjust our ESG management policies and strategies to improve our ESG performance. We have established a complete internal monitoring system to ensure the compliance and transparency of corporate operations, while strengthening risk management to protect the interests of stakeholders.

In terms of social responsibility, we focus on supply chain management and ensure that cooperation with suppliers is in line with the principles of sustainable development. We also actively participate in social welfare activities, support educational equity and provide educational assistance to disadvantaged groups. We work closely with the community to open up educational resources and promote the development of lifelong learning. We organise volunteer activities and encourage employees and students to participate in community services and give back to the society. Moreover, we maintain close communication with parents and jointly pay attention to the growth and development of students.

In terms of environmental protection, we identify risks, counter-measures and opportunities related to climate change based on the operations of the Group. The Group has set clear environmental goals and continues to optimise energy conservation, carbon reduction and waste management within the Group. We actively take measures to reduce the impact of business operations on the environment, and strengthen environmental education for students to cultivate their environmental awareness and action. We strive to enhance energy efficiency, reduce waste generation and promote the development of a circular economy. We participate in environmental projects and make positive contributions to society and the environment.

Looking forward, the Group will deepen the ESG concept and integrate it into its business and management. High-quality education is the cornerstone of the Group in the future. We will continue to improve teaching quality, innovate courses, use advanced educational technology to meet students' needs, and promote all-round development. We will work closely with all parties, especially students, parents and educators, to ensure that education services keep up with the times. We are committed to innovating education models and cultivating future leaders with a global perspective and social responsibility. We attach great importance to the diverse development of students by providing a variety of extracurricular activities to cultivate their leadership and team spirit. We will also promote educational equity, provide support for disadvantaged groups, and ensure equal educational opportunities.

Through these efforts, we firmly believe that the Group can create greater value for all stakeholders and jointly pursue a sustainable future. Finally, on behalf of China Beststudy Education Group, I would like to express my heartfelt thanks to all stakeholders for their continuous support. Let us work together to create a bright future for education.

Junjing Tang
Chairman, Chief Executive Officer and Executive Director
27 March 2024

STAKEHOLDER ENGAGEMENT

The Group is committed to listening to and meeting the expectations and demands of internal and external stakeholders, and ensuring close ties with stakeholders by establishing and maintaining diversified communication channels. Through daily communication, meetings and regular information disclosure, we actively respond to the opinions, suggestions and needs of stakeholders, fully consider and integrate their expectations and concerns into our corporate strategies and operational management, and take practical actions to make timely and effective responses.

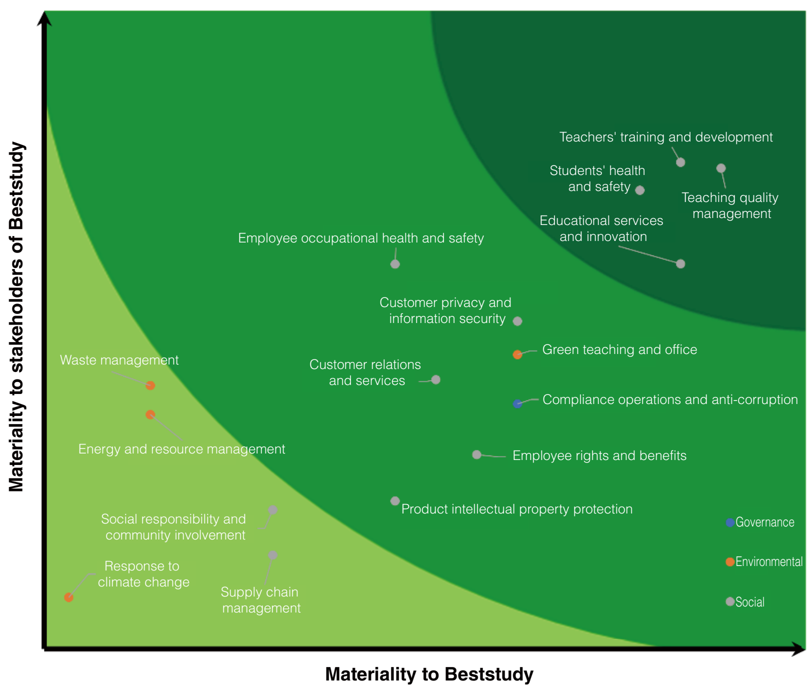
Stakeholders	Demands and Expectations	Responses and Measures
Government and regulatory authorities	• Operation in compliance with laws and regulations • Implement national policies • Student safety and health protection	• Continuously strengthen corporate compliance management • Actively respond to relevant national policies • Implement relevant safety management measures
Shareholders/Investors	• Create market value • Compliance operation	• Continue to grow operating results • Improve the Company's risk management level • Formulate ESG planning objectives and improve ESG management system
Teachers/Staff	• Employee remuneration and welfare system • Management and structure of teacher team • Promote employee development • Employee safety and occupational health • Teacher ethics and morality development • Development and innovation of after-school education service • Protection of intellectual property rights in education products	• Develop a competitive compensation and welfare system guarantee mechanism • Build a diversified development platform • Organise employee training and improve the promotion mechanism • Carry out employee care activities • Cultivate teachers' professional ethics and build a star-level teacher team • Build a diversified product system • Improve the application process for intellectual property protection
Students	• Students' satisfaction • Diversified education model	• Conduct regular satisfaction surveys • Improve the quality of education products and services
Parents	• Teaching environment security and health protection • Teaching quality assessment and improvement • Complaint handling process and service improvement • Privacy and information security of students and parents	• Implement relevant safety management measures • Improve the feedback and complaint handling mechanism • Provide diversified communication channels and regularly collect feedback • Establish a student data recording system

Stakeholders	Demands and Expectations	Responses and Measures
Suppliers/Partners	• Sustainable development and risk Management • Cooperation and mutual benefit • Promote industry development	• Improve supplier assessment and management mechanism • Convene bidding meetings based on actual needs • Build a Sustainable Supply Chain
Media/Public	• Participation in charity activities • Provide job opportunities	• Actively participate in social welfare activities • Carry out campus recruitment and social recruitment
Community/ Environmental Representatives	• Schools and office environment • Cultivation of environmental awareness and course development	• Implement energy conservation and emission reduction measures • Promote green office • Improve the environmental awareness of employees and students

ESG MATERIALITY ASSESSMENT

The Group has regarded stakeholders' evaluations and expectations of the Group's ESG performance as important reference materials for this assessment of materiality issues. Through analysis of the survey results, the Group identified four highly important issues, namely "teaching quality management", "teacher training and development", "student health and safety" and "educational services and innovation". The Group will focus on responding to the identified issues in the Report, effectively improving the pertinence and responsiveness of the Report, and serving as an important guide for the sustainable development in the future.

2023 ESG Materiality Assessment Matrix of Beststudy



Materiality of issues	Materiality ranking	Issues
High important	1	Teaching quality management
	2	Teachers' training and development
	3	Students' health and safety
	4	Educational services and innovation
Moderately important	5	Customer privacy and information security
	6	Green teaching and office
	7	Compliance operations and anti-corruption
	8	Employee occupational health and safety
	9	Customer relations and services
	10	Employee rights and benefits
	11	Product intellectual property protection
Generally important	12	Social responsibility and community involvement
	13	Supply chain management
	14	Waste management
	15	Energy and resource management
	16	Response to climate change

INTEGRITY AND COMPLIANCE

The Group strictly abides by national laws and regulations, continues to strengthen internal system construction and risk response capabilities, cultivates a culture of integrity and self-discipline, and adheres to the principles of compliance operations. We are committed to protecting personal privacy and intellectual property rights. Based on the business philosophy of integrity, stability and compliance, we provide a solid guarantee for the long-term development of the Group.

Risk Internal Control

The Group continues to strengthen its risk management system. As the core leadership of risk management, the Board is responsible for formulating and ensuring the effective implementation of risk management and internal control. The Group adopts a "three lines of defense" risk management structure:

First line of defense	The first line of defense consists of business departments, which are responsible for daily operations and management. As the frontline personnel and main persons responsible for risk management, they are responsible for proactively identifying key risks in business processes and formulating corresponding risk management strategies.
Second line of defense	The second line of defense consists of the risk control management department and business department management, which is mainly responsible for planning and supervising risk management work, raising reasonable questions, and constantly improving the risk management system.
Third line of defense	The third line of defense consists of the internal audit team, which is responsible for performing supervisory responsibilities and regularly testing the integrity and effectiveness of the risk management and internal control systems to ensure the transparency and efficiency of governance.

The Group has formulated management regulations such as the "Risk Assessment and Management System" and "Internal Audit Workflow", and engaged third-party professional institutions to conduct risk audits to continuously improve the risk management and internal control. We regularly update the risk database, conduct risk assessments on the Group's operating businesses annually, and prepare annual risk reports to identify and review major risks in the operation process and their response strategies. Combined with internal audit work, we continue to supervise and evaluate the Group's operational compliance to ensure that its operations comply with relevant laws, regulations and best practices, and to ensure its sustainable, healthy and stable development.

Business Ethics

The Group advocates a corporate culture of integrity and is committed to creating a transparent, fair and anti-fraud corporate environment. We ensure that our employees fully understand and comply with laws, regulations and professional ethics by formulating strict rules and regulations, providing comprehensive management training, preparing employee handbooks and internal publicity.

We strictly abide by the Company Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China and other laws and regulations, and have established the "Anti-Fraud Management Rules" covering determination criteria, whistleblower protection and reward mechanisms of major case, as well as accountability for malicious reporting and retaliation. We encourage employees to actively expose any misconduct while ensuring that whistleblowers' legitimate rights and interests are protected, further strengthening the anti-fraud management mechanism of the Group.

The Group joined the Trust and Integrity Enterprise Alliance ("**TIEA**") in 2019, and has received assistances and guidance from the TIEA in various aspects such as streamlining of the anti-fraud system and sharing anti-fraud resources, which has further deepened the Group's anti-fraud work and improved the internal audit department's ability to perform its duties and the building up of employees' professional ethics, jointly creating an honest business environment.

We strictly manage employees' behavioral standards and actively proved education and guidance. In the "Employee Handbook", we clearly communicate the Group's vision, missions, business purpose, core values and code of conduct to all employees, clarify the professional code of conduct for teachers and employees, and also set employee code of conduct and reward and punishment management regulations, ensuring employees comply with professional ethics.

We have established a compliance reporting hotline and announced it through our official WeChat account and website. The hotline is directly connected to the internal audit department and audit committee members so that employees can report violations anonymously or with their real names. The internal audit department is responsible for preliminary verification of fraud clues and determining to initiate case filings and special investigations.

In addition, we delivered presentations on anti-corruption cases of well-known domestic companies through the WeChat official account, promoted integrity to all employees, and publicly reported employee violations discovered during internal audits and investigations and the results of their treatment, in order to build compliance awareness and create a healthy corporate culture.

During the Reporting Period, we actively carried out training on compliance operations and business ethics, and a total of 674 employees completed the online learning course, "Compliance Classroom: Anti-Fraud System and Cases", and successfully passed the relevant examination. In addition, the Group also invited two third-party institutions to conduct special trainings on listing compliance, such as "Compliance Key Points and Supervisory Trends of Hong Kong Listed Companies" and "Domestic and International ESG Trends and ESG Supervision Requirements of Listed Companies", for Directors, management and employees in related positions. A total of 35 employees (including Directors) attended the training courses.

Intellectual Property Protection

The Group attaches great importance to the protection of intellectual property rights, and the Group's legal team is responsible for intellectual property protection management:

- Responsible for daily intellectual property management, covering copyright, trademark, patent application, maintenance and related litigation matters.

- Supervising and guiding the implementation of intellectual property protection measures within the Group.

- When infringement occurs, taking corresponding legal actions to safeguard the legitimate rights and interests of the Group.

In order to standardise the protection of intellectual property rights, the Group has implemented and regularly updated the "Intellectual Property Rights Management Regulations" since 2016. These regulations will be revised from time to time based on changes in the Group's operating conditions to ensure its applicability and effectiveness. Although the Group currently does not have much content related to intellectual property rights, the Group will continue to formulate and improve relevant details based on actual needs.

In 2023, the Group set up groups to conduct training on intellectual property protection to enhance employees' understanding and awareness on intellectual property. The Group pays special attention to the risk of infringement in advertising, fonts, music, text and pictures, and will conduct risk assessment and processing according to specific circumstances.

As of the end of the Reporting Period, the Company owned 219 trademarks and 28 copyrights.

PEOPLE-ORIENTED, WORKING TOGETHER

Employees

The Group's teaching team is not only the core competitiveness, but also the source of power for our sustainable development. We continue to promote a diverse and equal employment environment and ensure that employees enjoy legitimate rights and interests in recruitment, salary, benefits and working hours. We actively listen to employees' opinions, establish a smooth communication mechanism and continue to take measures to further safeguard their rights and interests.

Compliance with Employment Regulations

The Group has always complied with the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), Employment Promotion Law of the People's Republic of China (《中華人民共和國就業促進法》), Law of the People's Republic of China on the Protection of Minors (《中華人民共和國未成年人保護法》), Teacher Law of the People's Republic of China (《中華人民共和國教師法》) and other laws and regulations, and actively advocate and implement compliant and equal employment policies. We firmly oppose any form of discrimination, including but not limited to gender, age, nationality, region, ethnicity, race, religious belief, education level and physical condition, and build a diverse and inclusive workplace to ensure that every employee receives the respect he/she deserves and has opportunities for personal development. During the Reporting Period, the Group was not aware of any material violation of relevant employment laws and regulations.

As of the end of the Reporting Period, the Group had a total of 846 full-time employees (compared to 1,022 full-time employees as of 31 December 2022), including many experienced teaching experts and top coaches. For the specific distribution and detailed data of the total number of employees, please refer to "Appendix I: Annual ESG Key Performance Data".

Diversity and Inclusion

The Group adheres to the concept of a diverse and integrated working environment and firmly believes that workplace diversity can promote the collision of diverse perspectives and creativity, thereby improving work efficiency. To this end, we widely attract outstanding educational talents through multiple channels such as online recruitment and employee recommendation. In addition, we are committed to achieving gender, age and geographical balance among our workforce, creating a dynamic and diverse talent pool, and laying a solid talent foundation for the Group's long-term development.

We continue to explore high-quality recruitment channels to recruit talents for the Group:

- Online recruitment: We use diversified online recruitment channels, including comprehensive recruitment websites, new media live streaming and social recruitment platforms, to widely attract and contact outstanding talents from all sectors. This approach not only transcends geographic boundaries but also reaches candidates from diverse backgrounds.

- Campus Recruitment: Through the implementation of the "Workplace Outstanding Students Program", we work closely with universities to provide career development lectures and internship opportunities, and are committed to talent incubation in students' early career planning stages to lay a solid foundation for their career development.

- Industry Expo Recruiting: Participating in education industry expos allows us to interact directly with teachers seeking career opportunities. This recruitment method combines professional depth with on-site interaction, allowing us to effectively attract and select outstanding talents in the education field.

- Internal mobility: We actively advocate and support the career mobility and development of employees between different departments and business units. Through the various information channels and resources provided internally, employees can easily grasp and seize career growth opportunities, thereby achieving continuous progress in their personal careers.

Remuneration and Benefits

The Group has launched the "Remuneration and Operations Management Rules of China Beststudy Education Group" (《卓越教育集團薪酬運營管理制度》) and is committed to building a remuneration and welfare system based on position value and performance. This system combines fixed salary (such as monthly salary) and variable salary (including performance bonuses, year-end bonuses, excess profit bonuses and equity incentives), with performance management as the driving force to continuously stimulate employees' work enthusiasm and improve their work efficiency. In addition, in order to protect the Group's core competitiveness, we make salary adjustments at least once a year in accordance with industry remuneration standards to enhance our attraction to external talents.

Employee Benefit Plan

The Group is committed to providing comprehensive benefits and rights protection for its employees. We listen carefully to our employees' needs and solve their problems and concerns in a timely manner through a multi-level welfare system. The Group has formulated the "Staff Welfare and Cash Gift Management Rules" to clarify the application process for staff welfare and cash gift to standardise staff welfare management.

In addition to the statutory five insurances and one fund and paid holidays, the Group provides employees with a variety of additional benefits, including long-term service leave, commercial medical insurance, annual physical examination, computer subsidies, tele-communication subsidies, flexible work, team building activities, festival-themed activities, life welfare group purchase and living lecture salons. In addition, the Group has set up mother-and-baby breastfeeding rooms for female employees to provide special care to female employees.

Long-term Service Award

We value long-term partners who share our values. In order to reward long-term service employees who have always implemented the Group's values and performed outstandingly at work, we have introduced the "Long-term Service Award Plan" to award "Long-term Service Award", commemorative badges/badges and different equity rewards to qualified and outstanding full-time employees of the Group to ensure that employees who continue to create value and achieve high performance for the Group are respected and recognised. Furthermore, we hope to use this award to encourage employees to continuously improve themselves, be brave enough to face challenges, and stimulate the vitality and innovation capabilities of the entire organisation.

Helping Employees in Difficulties

The Group adheres to the "people-oriented" corporate culture, implements the "one family" management concept, and encourages employees to support and care for each other. In order to cope with the difficulties that employees may encounter, we established the "Hand-in-Hand Fund" and formulated the "Hand-in-Hand Fund Management Measures" to standardise the operation of the fund and clarify the conditions and standards for funding. The fund raises funds through multiple channels such as capital injection, employee donations and social donations to provide financial assistance to employees and their immediate family members who encounter serious illness, work-related injuries or life difficulties, help employees overcome life challenges and enhance the Group's cohesion.

Labour Standards

The Group strictly abides by the Law of the People's Republic of China on the Protection of Minors, the Provisions on the Prohibition of Using Child Labour and other laws and regulations related to employment of labour. In addition, we follow the relevant provisions on labour management in the "Employee Handbook", implement strict supervision of the recruitment process, ensure thorough background checks and eliminate the employment of child labour. We carry out regular reviews and inspections to prevent any form of child or forced labour. Once violations are discovered, immediate action will be taken to stop the work of related child labour or forced labour, and corresponding treatment will be given based on the actual situation.

The Group enters into labour (service) contracts with all regular employees to effectively protect their legitimate rights and interests. We provide employees with standardised working time arrangements and implement a 40-hour work week system to ensure that they enjoy statutory rest time and vacation rights. The relevant contents of vacation application and arrangement are detailed in the "Employee Handbook" and the "Leave Management Rules of China Beststudy Education Group".

During the Reporting Period, the Group's labour contract signing rate with all full-time employees was 100%. The Group was not aware of any material non-compliance with laws and regulations related to the prevention of child labour or forced labour.

Staff Development and Training

We attach great importance to the training of the teaching team and the personal development of employees. By creating a scientific and complete growth system, we provide employees with rich and diverse training resources to improve teachers' professional skills and teaching levels, thereby increasing the retention of outstanding teachers and working together with employees to make progress and achieve common growth.

After the implementation of the national "double reduction" policy, it has become even more critical to improve teacher capabilities and retain outstanding teachers. During the Reporting Period, the Group regarded "ensuring the retention of benchmark teachers" as its strategic focus and was committed to leading the high-quality development of the entire teaching team through benchmarking and demonstration. During the Reporting Period, we have launched the "Sun Program (扶光計劃)" for more than half a year and formulated the "Three-Year Plan" to improve the satisfaction of the Group's education projects and the retention rate of benchmark teachers, and it has been gradually implemented during the Reporting Period:

- First Year: Focusing on the retention of outstanding teachers to ensure our top talent continues to develop within the Group.
- Second year: Using the leading role of benchmark teachers to promote the training and growth of new teachers.
- Third year: Committing to building a stable teacher development ecosystem and realising a virtuous cycle and continuous growth of the teaching team.

Multi-channel Talent Development

The Group formulates management policies such as the "Position and Ranking Management Rules" and the "Non-teaching Staff Promotion Management Rules" to clearly define the criteria for staff promotion. In order to ensure fair, impartial and transparent promotions, we regularly hold talent promotion evaluation meetings to conduct a comprehensive assessment of abilities and potential of candidates. In addition, we continue to supervise the succession planning of each department and the construction of the middle management team to ensure the continuity of talent development.

In addition, we have also established a talent management system for daily management of our talent database data. The system is seamlessly connected with the performance development platform to ensure the continuous updating and accuracy of employee skills, experience, performance and career growth records, providing strong support for their career path planning.

Career Development Plan

We are committed to assisting employees in shaping personalised career development paths, listening carefully to their career visions, and setting clear career goals and roadmaps for them through career development programs such as the "Principal IDP Plan of Elegant Learning Program (悦學教學校長IDP計劃)". We provide employees with opportunities for promotion, and promotion nominations and talent evaluations for teachers and non-teaching staff are held every spring and autumn.

In order to ensure the retention of outstanding talents, we have also customised training and development plans for high-potential employees, including "Accelerated Development Project (加速發展項目)" and "Reserve Principals/Discipline Leaders Training Camp (儲備校長／學科負責人訓練營)" to provide them with leadership training and career planning and succession planning resources and guidance to enhance their management and business management capabilities and build a talent pipeline for future principals and subject heads.

The Group encourages internal talent mobility and provides employees with job opportunities that are consistent with their career development goals through various methods such as internal recruitment, dispatching and cross-department or cross-business unit transfers. We have established a reward system to recognise employees who have made significant achievements in work performance and career development, further motivating them to pursue excellence.

We have tailored talent development and promotion plans for faculty and staff at different levels to ensure that each employee has access to growth opportunities consistent with his/her career stage.

- For high-level positions: For key positions such as operations principals and city principals, we have launched a program to improve cross-department understanding and collaboration capabilities. The program includes advanced courses and seminars in strategic planning and leadership development designed to enhance training in critical decision-making and crisis management, enabling top managers to make informed choices in complex and changing environments.

- For mid-level positions: For district directors and teaching principals, we have carefully designed management skills and team leadership improvement programs. These programs focus on strengthening cross-team communication and project management capabilities, while providing mid-level leaders with the opportunity to progressively assume more senior responsibilities through mentorship and succession planning.

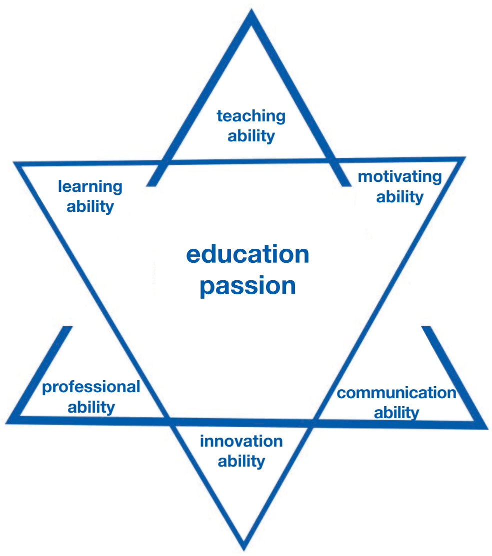
- For entry-level positions: For new teachers, we focus on the deepening and expansion of their skills and knowledge, and provide clear career development paths and promotion opportunities. We promote job rotation experiences to allow new teachers to gain practical experience in different functional areas, thereby accelerating their growth and career development.

Multi-level Teacher Training

The Group is committed to building a diversified and personalised teacher training system, providing targeted learning opportunities for teachers and staff of different levels and abilities, and motivating employees to continuously challenge themselves and achieve professional improvement and continuous growth. Besides, we advocate and promote a culture of mutual assistance among colleagues, and promote healthy communication and knowledge sharing through mutual coaching and cross-department collaboration between teachers.

Beststudy University is the Group's core institution for talent training and learning development, and is committed to the overall planning and implementation of teacher career development projects. Under the leadership of the president, Beststudy University collaborates closely with the human resources centre and implements dedicated management to ensure efficient operations. Beststudy University focuses on the in-depth training of experienced teachers, while also setting standards and providing guidance for the training of new teachers. In addition, each business department of the Group has professional career development centres responsible for implementing standardised training procedures for new teachers.

We selected and evaluated teachers with the "one passion and six abilities" teacher's ability model, which includes education passion, teaching ability, professional ability, communication ability, motivating ability, learning ability and innovation ability, identified teachers' ability level based on the one-star to five-star teacher criteria, and built an outstanding star-level educational team.



"One passion and six abilities" teacher's ability model

Star Teacher Cultivating System of Elegant Learning Program (悅學星級教師成長體系)

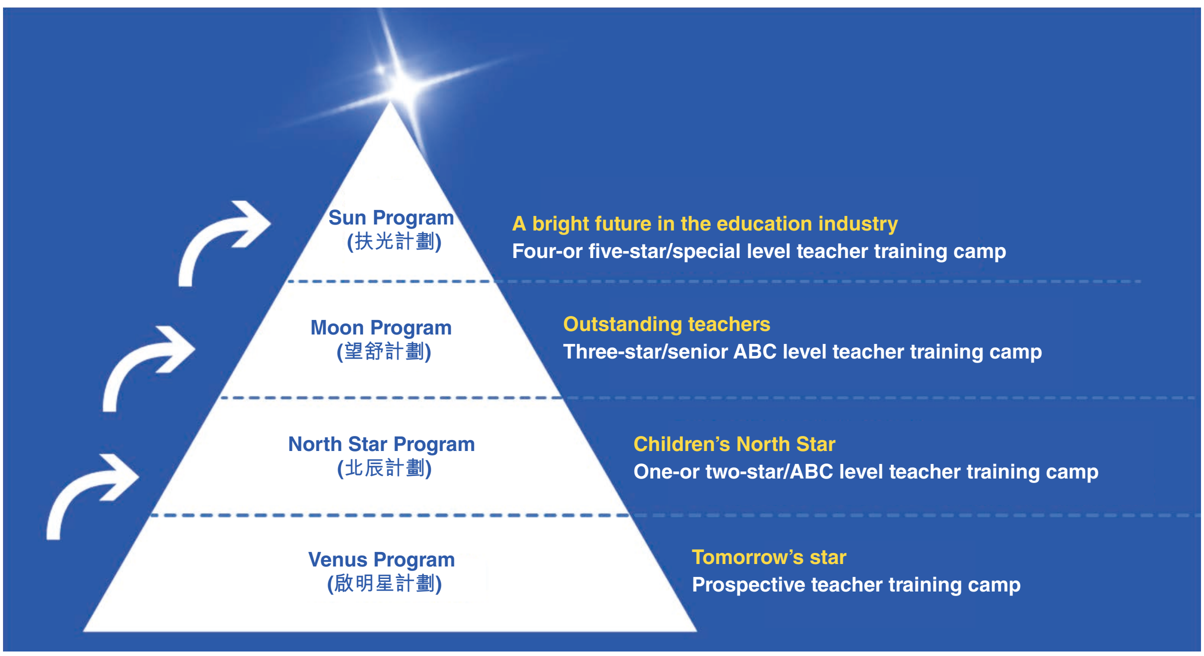
We provide tailor-made professional development paths for teachers of different gradings and have established four levels of teacher capacity training and improvement programs: "Sun Program (扶光計劃)", "North Star Program (北辰計劃)", "Moon Program (望舒計劃)" and "Venus Program (啟明星計劃)". Trainings are carried out through project-based learning ("**PBL**"), themed offline workshops and online merge offline (OMO) to meet the development needs of teachers at different levels.

- Sun Program (扶光計劃): Tailor-made for four-and five-star teachers. Through advanced training and professional development opportunities, we will further enhance the teaching and research capabilities of these top teachers, and consolidate and enhance their leading position in the field of education and teaching.

- Moon Program (望舒計劃): Designed for three-star teachers. It focuses on deepening the innovation of teaching methods and course content, and encourages teachers to explore new educational technologies and strategies while maintaining teaching quality to promote their personal professional growth.

- North Star Program (北辰計劃): Targeted at first-and second-star teachers. It provides training on basic teaching skills and classroom management to help them quickly improve their teaching level, enhance classroom interaction and student participation, and thereby steadily improve teaching quality.

- Venus Program (啟明星計劃): Targeted at prospective teachers. A teacher capacity building training camp for prospective teachers to cultivate outstanding star teachers for the future.



Star teacher cultivating system of Elegant Learning Program

During the Reporting Period, we regularly organised internal and external training courses and provided a variety of online learning resources and self-study materials to ensure that employees can update their knowledge and improve their skills anytime and anywhere. In order to broaden our employees' horizons and deepen their professional knowledge, we arrange for employees to participate in industry summits and teaching seminars, with an aim to promote integration with the forefront of the industry. We encourage employees to improve their skills in actual work through practical projects and job rotations, such as the "Star Program (星耀計劃)", and to strengthen the integration of theory and practice by participating in case studies, such as the "Sun Program (扶光計劃)". We also encourage and subsidise employees to obtain industry-related certifications or professional qualifications, such as psychological counselors and family education instructors, to help them broaden their professional boundaries and enhance their competitiveness and market value.

Outstanding teachers participated in teacher training camps of the Sun Program

Mentor Leads, Team Progresses Together

We implement a mentoring system to pair experienced senior employees with new employees or those with higher skill improvement needs to provide personalised guidance and support. We conduct regular performance evaluations and one-on-one mentoring to ensure that each employee receives targeted growth advice and career development path planning.

We encourage each branch to establish a sharing platform to promote skill exchange and knowledge sharing among team members, such as the cooperation between Elegant Learning Program and full-time departments. Through cross-department communication and cooperation, we stimulate the potential of team collaboration and enhance the overall innovation capabilities and problem-solving efficiency.

Please refer to "Appendix I Annual ESG Key Performance Data" for detailed information on the percentage of employees trained and the average training hours of the Group.

Healthy and Safe School Operation

The Group regards the safety of students and teachers as the fundamental aspect of its work, and fosters teachers and students' safety awareness by developing a comprehensive safety assurance system. It strengthens the ability to respond to campus emergencies, and reduces the risk of safety incidents and spread of diseases.

The Group strictly abides by the Labour Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, the Fire Protection Law of the People's Republic of China and other relevant laws and regulations, and has formulated management rules such as the "Campus Safety Management Rules", the "Fire Safety Management Rules", the "Guidelines for Handling Accidental Injuries to Students on Campus", the "Emergency Response Plan for Emergencies" and the "Brief Guide for Disaster Prevention and Mitigation" to effectively implement the safety management system and standardise the safety of teachers and students.

During the Reporting Period, the Group was also not aware of any material non-compliance with relevant local health and safety laws and regulations, and there have been no major safety incidents on campus. Under the Group's stringent management system, the Group did not record any work-related fatalities over the past three years (including the Reporting Period), and there were no days lost due to work injury during the Reporting Period (2021: 117 days lost due to work injury).

Teachers' Health and Safety

The Group attaches great importance to the occupational health and safety of teachers. We require all campuses to clearly define the division of safety management responsibilities and conduct regular supervision and inspections to identify and eliminate safety hazards. Moreover, we actively carry out safety education for employees to enhance their safety awareness and self-protection capabilities.

In order to protect the physical health of teachers, we have implemented a series of measures from before joining to after joining to ensure the physical and mental health and work safety of employees.

- Before joining the Company, we require all employees to undergo a physical examination and obtain a teaching qualification certificate. This is not only a requirement and standard for the basic professional ethics of the teaching profession, but also compliance with the Law on the Protection of Minors. In addition, we require teachers to provide no-criminal certificates to protect the bottom line of the industry.

- After joining the Company, the Group provides employees with free physical examinations once a year, as well as commercial insurance in addition to five insurances and one housing fund, including employee medical, safety and health and accident insurance, to fully protect the health and safety of employees. The trade union invites external professional lecturers to provide employees with mental health education and counseling every six months or one year to help them cope with occupational stress and maintain a good mental state.

In order to further improve employee health protection, we have optimised health examinations and specifically require physical examination institutions to issue separate test reports on common occupational diseases among teachers, so that we can pay more attention to and prevent the occurrence of occupational diseases. During the Reporting Period, we continued to carry out activities such as traditional Chinese medicine physiotherapy, health knowledge lectures, workplace stress reduction lectures and psychological counseling to provide services to employees in need. Employees are encouraged to engage in physical activity to maintain physical and mental health. In addition, we also purchase commercial insurance and campus liability insurance to deal with unexpected injuries to teachers and students.

The Group provides employees with commercial insurance

The Group provides employees with tips for a healthy lifestyle regularly

Students' Health and Safety

Whether in on-campus classes or extracurricular activities, we have adopted comprehensive safety measures to ensure the safety of students, creating a safe and healthy learning and living environment for students, allowing parents to leave their children to us with confidence.

We have set up a safety working group, with the principal of the campus as the primary person responsible for school safety work, and established a major accident reporting system to effectively implement safety prevention management such as front-end visits, treatment of the surrounding environment of the school, external activities of teachers and students and reporting of major accidents. Each campus fully communicates with parents on safety precautions such as safety in the classroom before the commencement of classes, and adopts on-demand procurement, unified storage and special personnel to follow up and destroy chemicals with safety risks such as chemical experimental supplies to effectively reduce the risk of safety accidents. In addition, the campus conducts weekly deep cleaning and post-renovation air testing, and creates a healthy and positive learning environment through regular psychological health lectures and teachers' face-to-face communication for students' potential psychological or family problems when appropriate.

During study activities, we provide winter camps and summer camps, for which we have developed a complete safety management system and emergency plan. We have clear requirements for the medicines provided on tours, and provide relevant safety training to all students and personnel on tours. In addition, we will evaluate the venue and routes in advance and purchase accident insurance for students to deal with possible unexpected situations. We have a set of safety management manuals and files that require monitoring and inspections of student safety, such as routine inspections before going to bed and after getting up, to ensure the safety of students. In terms of food safety management, we manage students' diet in a unified manner, provide nutritionally balanced catering services, prevent food poisoning and other accidents caused by their improper diet, and protect their health.

Emergency Response

In accordance with the requirements of the "Guidelines for Handling Accidental Injuries to Students on Campus" and the "Emergency Response Plan for Emergencies", we established an emergency response team. Each campus must complete safety self-inspections every month and inspect and monitor emergencies to ensure 24-hour coverage. Relevant personnel who comply with the regulations are on duty. Once a safety hazard is identified, they will report the incident to the superior department in a timely manner and handle the risk incident quickly.

The Group follows the "prevention orientation" emergency response principle, formulates and implements the "Guidelines for Handling Accidental Injuries to Students on Campus" (《校區學生突發意外傷害處理指引流程》) and the "Safety Emergency Response Plan" (《突發事件安全應急預案》), and establishes the emergency team to ensure that investigation, site survey and effective measures have been taken in respect of the emergencies. To strengthen safety management, each campus must finish self-inspection and conduct monitoring on emergencies every month to ensure that relevant personnel in compliance with requirements are on duty for 24 hours. Once a safety potential is identified, such safety potential must be escalated in time, and measures must be taken to cope with the risk.

In terms of fire safety, the Group requires the person in charge of each department or campus to sign the Fire Safety Responsibility Letter annually, conducts daily sample inspections of key areas and weekly fire safety inspections, timely identifies and solves fire hazards and prevents fire safety accidents. The Group ensures that the fire-fighting facilities and equipment and fire-fighting supplies in the campus are in place, and engages a third-party fire-fighting agency to carry out fire-fighting maintenance work on a monthly basis, and signs a fire-fighting annual inspection contract to clarify the scope, standards and responsibilities of the fire-fighting facilities and equipment for annual inspection, so as to timely rectify and replace the defective fire-fighting facilities and equipment and reduce fire hazards.

Fostering Safety Awareness

The Group organises fire safety drill semi-annually to improve students' and teachers' capabilities of rescuing themselves and helping each other. In the meantime, each campus actively promotes safety education to students, and through holding safety theme class meeting at the beginning of the courses, broadcasting safety promotion videos during the break, posting safety promotion signboards, setting safety manuals and setting up fire safety promotion bulletin boards, appropriately promotes safety knowledge in respect of fire safety, fire escape and use of electrical equipment and first aid treatment to students to improve their safety quality and self-protection capabilities.

SUPPLY CHAIN MANAGEMENT

Compliance Management

The Group strictly abides by the Bidding Law of the People's Republic of China and other relevant laws and regulations, and has established and improved internal rules and regulations such as the "Bidding Process", the "Procurement Rules" and the "Supplier Management Regulations" to ensure the standardisation of bidding and procurement activities and supplier management. The Group continues to strengthen its supply chain management capabilities and improve and implement various management systems, aiming to build a responsible supply chain system to ensure the quality and reliability of supplies. During the Reporting Period, the Group established cooperative relationships with 3,661 suppliers, of which 3,647 were located in China and 14 were overseas suppliers. For more detailed data, please refer to "Appendix I: Annual ESG Key Performance Data" of the ESG report.

Supplier Management

The Group has built a comprehensive and closed-loop supplier management system covering supplier selection, review, evaluation and dynamic management through a stringent assessment and selection mechanism, and therefore ensures overall standard of suppliers. In the supplier access stage, the Group selects and inspects 783 new suppliers in accordance with the "Supplier Management Regulations". In the evaluation stage, the Group attaches great importance to comprehensive evaluation and ongoing supervision of suppliers and establishes the supplier assessment group to assess suppliers from multiple dimensions covering supply quality, timely delivery, and contract performance and service quality. At the same time, the Group conducts a full-round evaluation of all categories of suppliers it cooperates with every year to identify suppliers' performance in environmental and social risks, and places suppliers with poor rating in the evaluation report into the elimination list for interview and inspection, and never hires suppliers that have been blacklisted.

During the Reporting Period, the Group focused on optimising supplier management:

- Access management: More evaluation dimensions have been added to supplier access evaluation, requiring partners and the procurement department to jointly evaluate supplier qualifications. For production suppliers, the Group requires on-site inspections to identify whether there are ESG risks (such as the use of child labour, etc.). The Group has set clear shortlisting evaluation criteria, including relevant qualifications, production capacity, performance, personnel, technology and internal system processes to ensure the reliability of the business.

- Performance management: The Group strengthens performance management, especially for customer service providers (such as printing, cleaning, etc.). The Group conducts performance management at least once a year, sometimes once every three months, to ensure that project delivery meets business needs.

- Risk management: Since many services are closely related to customers, the Group takes printing suppliers as an example and has alternative suppliers under these key supplier categories to form a "one master and one backup" model to cope with unexpected risks.

- Fairness and activation: The Group creates an equal operating environment for suppliers, allocate business based on performance, ensure fairness of supplier services, and stimulate suppliers' enthusiasm.

Green Supply Chain

The Group is committed to promoting green procurement with the philosophy of sustainable development. The Group gives preference to local suppliers to reduce the air pollutant emission and the energy consumption generated by transportation (During the Reporting Period, 2,537 suppliers of the Group are located in Guangdong Province). In the meantime, the Group actively promotes environmental protection to suppliers, and gives extra points to suppliers with management system certification and environmental protection qualification and encourages suppliers to adopt environment-friendly materials and enhance waste recycling, in order to motivate suppliers to observe environmental protection laws and regulations, perform its social responsibilities and ensure that supplies are green, non-hazardous, safe and useful.

In addition, the Group will partially consider the ESG performance of suppliers, giving priority to suppliers that use environmentally friendly packaging materials, generate less greenhouse gases, consume less energy or meet ISO standards and have a smaller impact on the environment. Suppliers are specifically required to provide relevant certification qualifications to ensure that the Group's supply chain meets environmental protection requirements and promote the sustainable development of the green supply chain.

EDUCATION FIRST, VALUE CREATION TOGETHER

In the rapidly developing world nowadays, the importance of education is increasingly valued by people. Obtaining high-quality education not only helps improve personal lives, but is also an important foundation for achieving sustainable social development.

Teaching Quality Management

Compliance Operation

The Group adheres to the bottom line of compliance operation and conducts education in strict compliance with the Education Law of the People's Republic of China, the Law for Promoting Private Education of the People's Republic of China, the Implementation Rules for the Law for Promoting Private Education of the People's Republic of China and the Opinions of the General Office of the State Council on Regulating the Development of After-school Tutoring Institutions and other relevant laws and regulations. As the Group's core business focuses on the provision of quality talent education services, it does not involve any product production safety and health issues that require recall. At the same time, while delivering high-quality innovative products and services to customers, we always adhere to responsible marketing guidelines and high standards of behaviour to ensure that the concept of social responsibility runs through daily marketing activities. By establishing a management structure and implementing meticulous safeguards, we strive to deliver true, effective, objective and fair marketing information to customers in brand and product presentation.

Teaching Quality Management System

The Group regards education quality as its lifeline and is committed to building a comprehensive teaching quality management system. This system is jointly promoted by the teaching department, quality control department and teaching and research department to ensure the continuous improvement of teaching quality. These departments work collaboratively to develop unified standards for teaching quality, monitor teaching processes, evaluate teaching outcomes, and provide training for teacher professional development. The Group formulates and continuously updates internal management documents such as the "Teaching Quality System", the "Teaching Manual" and the "Teaching and Research Standards" to standardise teaching quality management and personalised service standards. In order to ensure the stability and consistency of teaching quality, the Group adheres to process-based and standardised management methods. The Group has implemented a series of grading mechanisms such as lecture grading to ensure the high standards of teaching activities and the professional performance of teachers. The establishment and implementation of these mechanisms will help the Group identify and reward best teaching practices, while also being able to promptly discover and solve problems in teaching.

At the same time, the Group attaches great importance to after-class feedback and maintains close communication with parents through follow-up visits by learning planners and teachers after each class, as well as periodic summary meetings. The Group has established a multi-channel feedback mechanism that combines online and offline, as well as regular telephone sample visits to keep abreast of students' learning progress and needs to promote the Group's optimisation of teaching methods and quality and ensure that each student receives the best learning experience and results.

Optimisation of Featured Teaching Quality

In 2023, the Group continued to optimise and improve quality of featured teaching services. For research activities, the Group has formulated the "Research Project Standards 1.0" and the "CKT Competency Model" to ensure the quality and effectiveness of research activities. These standards and models not only help the Group select and train teachers with professional capabilities, but also guide the Group in designing and managing research products to ensure that students can obtain rich learning and growth experiences from these activities. The Group continuously optimises the research product management system to adapt to the changing educational needs and students' personalised development. In terms of after-school services, the Group has compiled the "After-school Service Quality Management Manual", which provides clear guidance for the development of extracurricular activities. The manual stipulates in detail the teaching procedures of each class, the standards for student homework and results after class, as well as the feedback and reports provided to parents, which helps the Group maintain a high level of teaching quality and also allows parents to clearly understand the learning progress of the students.

Educational Services and Innovation

Construction of Educational Innovation System

The Group has established a management system in education services and innovation, which involves multiple levels:

- Product Centre: responsible for communicating with front-line teachers, collecting innovation needs, and encouraging and promoting innovation in educational products.
- Front-line teachers: directly responsible for teaching activities and proposing innovative teaching plans based on students' specific needs.
- Quality control department: responsible for screening and precipitating innovative teaching plans proposed by front-line teachers to ensure the quality of innovative projects.
- Promotion Department: responsible for promoting proven and successful innovative teaching programs to the entire Group to achieve resource sharing.

The Group has formulated a series of measures to encourage teacher education services and innovation:

- Project-based innovation incentives: provide themes, project incentives and bonuses for specific innovation projects, and encourage teachers and front-line staff to propose innovative teaching plans.

- Spiritual satisfaction motivation: stimulate the intrinsic motivation of teachers and employees in innovation by granting innovation awards to recognise and reward them.

Educational Innovation Practices

Innovation of Quality Education Products

The Group aims to innovate quality products and launch distinctive and competitive course products such as young reporter training and youth programming, aiming to cultivate students' comprehensive quality and enhance their innovative spirit and practical ability.

- Course content: Combining students' interests and needs, the Group sets up rich and diverse course content so that students can fully develop their own strengths during the learning process.

- Teaching methods: By using advanced teaching methods such as interactive and inquiry methods, the Group stimulates students' interest in learning and improves teaching effects.

- Teaching evaluation: The Group establishes a diversified and comprehensive teaching evaluation system, pays attention to the improvement of students' comprehensive quality, and provides strong support for their growth.

Innovation of Higher Vocational College Entrance Examination Projects

In response to the national encouragement of the integration of vocational education and general education, and to promote the vertical integration of vocational education at different levels, the Group has launched a program specifically targeted at higher vocational college entrance examinations to improve students' performance in key subjects.

- Curriculum: Based on the requirements of the higher vocational college entrance examination, students are provided with targeted courses to ensure that they achieve excellent results in key subjects.

- Teaching methods: By using personalised, layered teaching and other methods, the Group meets the learning needs of different students and improve teaching effects.

- Resource integration: Through cooperation with enterprises and universities, the Group shares high-quality educational resources and provides students with more development opportunities.

Teacher Innovation Skills Training and Development

Teachers are the core force of educational innovation. The Group continues to improve teachers' teaching capabilities and innovative thinking through innovative methods such as mentoring.

- Mentoring: The Group arranges experienced mentors for new teachers to help them grow quickly through a one-to-one mentoring relationship.

- Teaching seminars: The Group regularly organises teaching seminars to encourage teachers to share teaching experiences and jointly explore methods and approaches for educational innovation.

- Professional development: The Group provides domestic and foreign education and training opportunities for teachers to help them broaden their horizons and improve their professional qualities.

- Incentive mechanism: The Group establishes systems for selecting outstanding teachers and rewarding teaching achievements to stimulate teachers' work enthusiasm and innovative spirit.

The Group continuously improves educational quality and provides strong support for corporate development through efforts in quality product innovation, high vocational college entrance examination project innovation, as well as teacher training and development. In addition, the Group pays attention to changes in education policies, keeps up with the development trends, constantly adjusts and optimises its teaching strategies, and creates good conditions for students' all-round development. During the Reporting Period, the Group invested a total of RMB17.1994 million in teaching and research.

Case: The 12th "Micro-Class Competition"

In order to improve independent lesson preparation abilities, classroom teaching organisation skills and teaching innovation abilities of teachers, and guide the teacher team to increase their efforts in classroom teaching discussions and improve teaching quality, the Group organises the annual large-scale teaching competition, "Micro-Class Competition". The competition attracted the active participation of many teachers, who carefully prepared their own micro-classes and demonstrated their unique teaching methods and creativity. Through a rigorous review process, a group of outstanding micro-classes and teacher representatives were finally selected, which not only reflected the professionalism of the teachers, but also demonstrated their continuous pursuit of teaching quality.

Customer Service and Rights Protection

Customer Service Management System

The Group has a three-level management structure in terms of customer relations and services:

- Marketing director: As the top management, the marketing director is responsible for formulating customer service strategies, guiding and supervising the execution of the entire customer service process.
- Customer service director: The customer service director is responsible for implementing the service strategy formulated by the marketing director, managing the customer service team, and ensuring that team members have good service awareness and skills.
- Designated customer service officers: As front-line service staff, the designated customer service officers communicate directly with parents/customers, receive course consultations and complaint feedback, and coordinate with relevant department heads to ensure that problems are handled in a timely manner.

Customer Complaint Handling Process

The Group formulates and regularly updates customer complaint management processes such as the "Complaint Management System Process" and "China Beststudy Education Crisis Public Relations General Handling Process" to ensure that customer complaints can be handled in a timely and effective manner. The Group accepts complaints through three channels, including 400 hotline, online consultation on the official website and backend messages. After receiving the complaint, the designated customer service officer will send it to the corresponding department based on the content of the complaint. After receiving the complaint, the person in charge of the relevant department will immediately deal with it and provide feedback to parents within 24 hours. As a third-party coordinator, the customer service centre is responsible for supervising the progress of complaint handling and conducting return visits after the case is concluded to ensure that the problem is satisfactorily resolved.

In order to gain an in-depth understanding of customer needs, the Group conducts satisfaction monitoring surveys on core customers every year. The surveys include door-to-door testing, stage testing and proficiency assessment, as well as face-to-face in-depth interviews to gain an in-depth understanding of customer needs and provide effective guidance for optimising the Group's products and services. At the same time, customer satisfaction is included in the annual reports of each campus, and emphasis is placed on improving customer satisfaction. Management assessment mechanism: In order to ensure the quality of customer service, in addition to setting basic management goals, the Group will also set additional goals based on actual conditions, such as ensuring that customer satisfaction reaches specific standards, so as to continuously improve the quality and efficiency of customer service.

During the Reporting Period, the Group received 1 complaint (2022: 8 complaints).

Customer Information Security Protection

The Group's primary responsibility is to protect the privacy of its customers and safeguard information security. The Group strictly complies with relevant regulations about personal information protection including the Law of the People's Republic of China on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》) and the Tort Law of the People's Republic of China (《中華人民共和國侵權責任法). Based on the actual situation, a series of internal management systems are formulated and regularly updated, including the "Information Disclosure Management System" (《信息披露管理制度》), "Information Security Standards" (《信息安全規範》), "Information System Account Management System" (《信息系統賬號管理制度》), "User Information Management System" (《用戶信息管理制度》) and "User Information Classification and Grading System" (《用戶信息分類分級制度》), to ensure the comprehensiveness and timeliness of personal information protection. The Group adheres to a zero-tolerance attitude towards any breach of confidentiality or leakage of information, takes prompt and decisive measures and implements an accountability mechanism. The Group conducts a thorough investigation of the responsible persons involved and imposes corresponding disciplinary sanctions based on the investigation results to ensure the seriousness and effectiveness of information security management.

Regarding student enrollment information, the Group implements management measures for timely classification and archiving. During the process of signing electronic contracts, the Group strictly regulates operating procedures to ensure the security of customer data. In addition, the Group has established a strict authority management system to strictly control employees' access to and export of information of students and parents to prevent any form of privacy leakage.

For the teaching applications developed by the Group, we attach great importance to customers' right to know and privacy protection. Customers are required to sign the "Beststudy Online APP Privacy Policy" before using the application to clarify the rights and obligations of both parties in terms of privacy protection and to protect customers' information security and privacy rights.

Furthermore, the Group requires each campus to strengthen the storage of important information such as employee information, product core content and application data, and take necessary security measures to ensure information security. During the Reporting Period, the Group did not receive any substantiated complaints concerning breaches of customer privacy or losses of customer data (2022: No complaint), reflecting the Group's strict management and good results in customer information protection. The Group will continue to work hard to continuously improve the level of customer information protection and provide customers with a safe and reliable service environment.

COMMUNITY INVESTMENT AND PUBLIC WELFARE

Corporate Social Responsibility

The Group upholds its mission of "nurturing excellent individuals for the future of our country", actively supports the development of social welfare undertakings and encourages students to participate in social activities. The Group strictly abides by the Charity Law of the People's Republic of China and other laws and regulations, gives full play to its own educational and resource advantages, conveys goodwill, and has formulated specific policies to clarify the provisions on charity to ensure that its donations and sponsorships are used properly. During the Reporting Period, the Group was committed to contributing to community charity and educational development in the community by providing funds and materials in an aggregate amount of approximately RMB165,000. During the year, the Group established a volunteer service team to combine public welfare activities with student education, providing students with a platform for all-round development. This model not only helps improve students' personal abilities, but also lays the foundation for cultivating talents with social responsibility and innovative spirit. In the future, the Group will continue to deepen its public welfare undertakings and provide more students with opportunities to participate in volunteer services. During the Reporting Period, 625 employees participated in voluntary activities for a total of 884 hours.

Public Welfare Project Practices

"Dream Classroom" Charity Event

In 2023, the "Dream Classroom" charity event organised by the Group was an important measure to provide free premium quality education courses to needy students. The event provided 278 entitlements of full-semester free quality education courses to needy students in Yuexiu District, Guangzhou, Guangdong Province. The course covered a variety of quality education courses, such as "Funny Little Reporter" and "Beststudy Programming". These courses improved children's comprehensive qualities, such as language expression, logical thinking and information technology application abilities, and helped disadvantaged students obtain better educational resources and grow up healthily.

The "Public Welfare Teaching Tour" Project

The "Public Welfare Teaching Tour" project successfully brought high-quality educational resources to rural areas. Through the vivid Chinese classes of famous teacher Wen Wanlong and Chinese Normal University professor Chen Pinde, the project inspired rural children's interest in classical Chinese novels and created a warm classroom atmosphere. The activity was highly praised by local teachers and students. The Group is committed to delivering literacy classes to more rural teachers and students to promote educational equity. Furthermore, through a combination of online and offline methods, the Group has helped more than 1,000 rural teachers improve their teaching skills and contributed to narrowing the gap between urban and rural education levels.

The "Eight Hours of Charity" Project

The "Eight Hours of Charity" project encourages employees to actively participate in community services. In 2023, the theme was beautifying the community and encouraging employees to participate every year. During the event, employees wore uniform volunteer vests and visited schools and surrounding communities to carry out a series of volunteer activities, including garbage cleaning, to create a clean and tidy environment for community residents. In addition, employees also actively participated in community greening work, planting trees and pruning flowers and plants to add a touch of green to the community. In addition, employees also interacted with community residents to promote environmental protection knowledge and improve their environmental awareness.

Energy Saving and Environmental Protection

A healthy ecological environment is the basis for our survival and the important support for sustainable social development. The Group is well aware of the importance of protecting the ecological environment and is proactively engaged in addressing climate change risks. In daily work and operations, we implement energy conservation and emission reduction measures, and actively assume our responsibilities, guide more stakeholders to practice the concept of low-carbon and environmental protection, and work with all sectors of society to protect our planet.

Environmental Goals and Policies

In order to ensure that the Group can successfully implement a sustainable business model, we have set a number of environmental protection targets based on our own development direction and strategic planning, and have closely monitored and regularly reviewed the implementation progress of these targets. With a base year of 2022, we plan to achieve the following targets in 2023:

Aspects	Targets	Progress
GHG emissions	In response to the national policy of "Carbon Peak by 2030 and Carbon Neutrality by 2060", the Group will strictly implement and actively participate in the emission reduction plan of the government, and strive to achieve the goal of carbon peak and emission reduction by the target time limit.	As of 31 December 2023, the Group continued to advance the stated targets and be committed to implementing corresponding measures to achieve these targets in 2024.
Waste management	Carry out activities every year to raise awareness of resource conservation among employees (Hazardous waste)	In 2023, employees' awareness of conservation was promoted through various channels. This target will continue in 2024 and its implementation will to be further optimised.
	Gradually reduce the amount of paper used and increase the amount of paper recycled (Non-hazardous waste)	We continued to promote paperless office and teaching in 2023. This target will continue in 2024 and its implementation will to be further optimised.
Energy management	Remind employees to conserve electricity through publicity channels such as intranet notices and emails to raise their awareness of energy saving	Completed. This target will continue in 2024 and its implementation will to be further optimised.
Water resources management	Encourage water conservation and enhance the effectiveness of water conservation	Completed. This target will continue in 2024 and its implementation will to be further optimised.

The Group is committed to creating a green campus and office environment, and integrating the concepts of sustainable development and ecological civilisation into its daily operations and management. During the Reporting Period, the Group strictly complied with environmental protection-related laws and regulations that were closely related to its business. In response to the above key environmental issues, we will be committed to establishing environmental management systems and policies to support us in better implementing green operating concepts, assuming social responsibilities and protecting the environment. We will continue to adhere to the concept of ecological civilisation, further optimise business processes, strive to achieve harmonious coexistence with the environment, and contribute to the sustainable development of the society.

Emissions Management

The Group is aware that the public and investors are paying more attention to environmental protection and corporate social responsibility. Therefore, we have always attached importance to effective environmental management and is committed to protecting the environment, and the Group has formulated internal policies and guidelines on environmental protection in order to fulfil its social responsibility. As our main business is the provision of quality-oriented education services, the direct impact on the environment is relatively low, and no industrial wastewater discharges are involved in the operation process.

The Group pays close attention to and strictly complies with the national environmental laws and regulations, including but not limited to the requirements set out in the relevant laws and regulations such as the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Environmental Protection Tax Law of the People's Republic of China (《中華人民共和國環境保護税法》), the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) and the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》), and has formulated environmental-related policies to reduce the potential impact caused by the Group on the environment. During the Reporting Period, we were not aware of any material non-compliance with laws and regulations related to environment.

In addition, we have also actively adopted a series of environmental protection measures, such as improving energy efficiency, promoting the use of renewable energy, implementing waste classification and recycling plans, and encouraging employees to use public transportation. We believe that through the implementation of these measures, we can not only reduce the negative impact on the environment, but also contribute to building a better environment. In the future, we will continue to pay attention to the latest developments in the field of environmental protection and continuously optimise our environmental protection policies and measures. We will also strengthen communication and cooperation with relevant stakeholders to jointly promote the realisation of sustainable development targets.

Air Emissions

The Group's air emissions are mainly from gasoline consumed for business purposes. For specific emission data, please refer to "Appendix I: Annual ESG Key Performance Data". In order to reduce air emissions, we have taken a series of measures, including regular maintenance and repairs of vehicles, to prevent excessive emissions due to breakage of parts or other reasons. In addition, we also phase out vehicles that do not meet emission standards in accordance with regional emission policy requirements. At the same time, in terms of vehicle procurement, we give priority to models that comply with the latest environmental standards and take into account the vehicle's fuel efficiency and emission levels. We work with our suppliers to drive them to deliver greener vehicles and equipment to reduce environmental impact across the supply chain.

In addition to regular maintenance and elimination of old vehicles, we are also committed to improving vehicle usage efficiency and optimising driving routes to reduce unnecessary fuel consumption. Besides, we are actively exploring the use of clean energy and alternative energy sources, such as the planned use of electric vehicles and hybrid vehicles, to further reduce air emissions. To encourage employees to adopt environmentally friendly travel methods, employees are encouraged to cycle or use public transportation to work.

In order to monitor and manage air emissions, we have established a comprehensive emissions monitoring system to regularly check and report emissions data to ensure that our operations comply with environmental regulations. Through these comprehensive measures, we are not only able to reduce our negative impact on the environment, but also improve operational efficiency and lay a solid foundation for the long-term sustainable development of the Group.

Greenhouse Gas Emissions

The Group's greenhouse gas emissions are mainly direct GHG emissions (Scope 1) from gasoline consumption in business vehicles and energy indirect GHG emissions (Scope 2) from purchased electricity in educational sites. The total greenhouse gas emissions of the Group continued to decline during the Reporting Period, marking our further optimisation towards low-carbon operations. For detailed emission data, please refer to "Appendix I: Annual ESG Key Performance Data".

In order to further reduce greenhouse gas emissions, the Group is actively taking measures to reduce electricity consumption. These initiatives not only help reduce our impact on the environment, but also enhance the Group's image and enhance customer and social recognition. The specific measures we have taken include but are not limited to:

- Upgrading facilities and equipment and adopting more energy-saving technologies and products.

- Optimising the energy management system to ensure efficient use of energy.

- Strengthening employees' awareness of energy conservation and improving energy efficiency through training and education.

- Exploring the possibility of using renewable energy sources, such as solar energy and purchasing green electricity, to reduce dependence on fossil fuels.

Waste Disposal

Hazardous Waste Disposal

Due to the nature of our operations, schools typically generate a limited range of pollutants. For other hazardous wastes (such as printer toner cartridges, ink cartridges, batteries and light tubes), we collect them separately and process them specially to ensure that all wastes can be processed in an environmentally friendly and efficient manner.

Non-hazardous waste mainly includes food waste, plastics, stationery, paper and glass. Through waste classification and recycling, we convert these wastes into resources and reduce the burden on the environment. Hazardous waste mainly includes fluorescent tubes, light bulbs, printer ink cartridges and waste batteries. These wastes require special treatment to prevent harm to the environment and human health. We work with professional recycling organisations to ensure that these hazardous wastes are properly handled and recycled.

Non-hazardous Waste Disposal

Paper accounts for the vast majority of non-hazardous waste generated during the business operations of the Group. In order to effectively reduce the generation of non-hazardous waste, the Group has implemented a series of comprehensive measures. Firstly, we have strengthened our employees' environmental awareness, requiring them to adopt a responsible attitude when handling waste and conduct careful classification before discarding. We are also equipped with a professional team responsible for the unified treatment of classified waste to ensure maximum resource utilisation and minimise environmental impact.

For old books and waste paper, the Group actively establishes cooperative relationships with recyclers to recycle and reuse these materials. This not only helps reduce waste generation but also promotes the development of a circular economy. We also promote measures such as paperless office and double-sided printing in the office environment to reduce the use of paper from the source. Through the implementation of these measures, we have not only significantly reduced the amount of non-hazardous waste, but also improved the efficiency of resource use and made a positive contribution to environmental protection.

Use of Resources

The Group strictly complies with relevant national environmental laws and regulations, and has internally formulated a series of energy and resource management policies and various environmental protection related guidelines and measures, and follows the rules of the building where our offices are located, so as to achieve energy conservation and consumption reduction, and reduce the negative impact of the Group's business operations on the environment.

The Group regularly reviews the business operation process and takes improvement measures to more effectively save water, electricity and other resources. These measures include, but is not limited to, installing water-saving equipment and energy-saving light fixtures, optimising the operating efficiency of central air conditioning systems, and utilising smart building technology to monitor and control energy consumption. In addition, we reduce or avoid the use of products that waste resources or cause pollution to the environment. For example, we promote the use of environmentally friendly stationery and recyclable materials, and where possible, encourage employees to use electronic devices instead of paper documents (based on the nature of the business, the Group is not involved in the use of packaging materials).

Our goal is to improve energy efficiency and reduce unnecessary consumption of resources, thereby driving a more sustainable operating model. We have also launched internal training programs to raise employees' awareness of the importance of environmental protection and encourage them to participate in energy conservation and emission reduction practices. Through these comprehensive measures, we are not only able to reduce operating costs, but also make a substantial contribution to protecting the environment and demonstrate the Group's image as a responsible company. We will continue to explore new technologies and methods to further improve our environmental performance and achieve the long-term goal of green development.

Energy Management

In daily operations, the Group's main energy consumption is reflected in the use of electricity in offices. In order to uphold our commitment to energy conservation and consumption reduction, the Group reminds employees to save electricity through communication channels such as intranet notifications and emails every year to enhance their awareness of energy conservation. We have also launched a series of energy-saving activities, such as the "Lights Off Challenge" and "Energy Saving Month" to encourage employees to participate in energy-saving actions. In addition, we also regularly organise energy management training to improve employees' energy conservation capabilities in daily work.

We will continue to review the effectiveness of these measures and make necessary adjustments based on actual operating conditions to achieve the goal of improving resource usage efficiency. These include regularly reviewing energy usage data to identify potential areas of energy waste and taking technical or managerial improvements. For detailed energy consumption data, please refer to "Appendix I: Annual ESG Key Performance Data". Through these data and analysis, we can better understand the trends of energy consumption and adopt corresponding strategies to optimise our energy management and promote the sustainable development of the Group.

Water Resource Management

The Group's water consumption is mainly domestic water in office areas. We have installed water-saving faucets in washrooms in our office premises to enhance the effectiveness of water conservation. In addition, in order to strengthen the awareness of water conservation, we have posted water conservation slogans in prominent places in the offices to remind all employees and students to develop the habit of saving water consciously. We convey the message of cherishing water resources to employees through channels such as intranet notifications and emails, and encourage them to take water-saving measures.

Based on the geographical location of the Group's operations, we have not encountered any problems in obtaining suitable water sources. We will continue to monitor and optimise water use, including regular inspection and maintenance of water systems to reduce unnecessary loss of water resources. In addition, we intend to implement water management plans, including rainwater harvesting and recycling, to further reduce the need for freshwater resources. Through these efforts, we aim to reduce the waste of water and contribute to the protection of our precious water resources.

Response to Climate Change

The escalating risks and challenges posed by climate change to the global economy may also have a negative impact on the Group's business. Therefore, we attach great importance to identifying and mitigating the impact of climate change. Based on guidance of the Task Force on Climate-Related Financial Disclosures ("**TCFD**") established by the Financial Stability Board, our management has assessed and is fully aware of climate-related risks and the corresponding opportunities that have an impact on the Group's business. Based on the assessment results, we have incorporated climate risks into our internal risk management, to effectively manage and review climate-related risks and seize related potential opportunities.

With reference to the risk classification of TCFD, climate-related risks identified by the Group, the corresponding management measures and climate-related opportunities are as follows:

Climate-related Risks		
Type of risk	**Description of risk**	**Counter-measures**
Acute and chronic physical risks (Physical risks)	Extreme weather phenomena, such as extreme cold, heat, storms, heavy rains and typhoons, not only occur frequently and become increasingly severe. These situations pose a threat to the safety of students, but also interfere with the normal work of teachers and staff, and may even cause casualties. These weather events could also increase the risk of power shortages and damage the Group's assets, disrupt the operations of the Group's offices and result in lower revenues and increase the costs of restoring or restoring damaged locations.	In order to improve its ability to respond to extreme weather events, the Group strictly consider local climate risks when selecting campus locations and assess potential climate threats as an important basis for decision-making. We have formulated and regularly updated the "Emergency Response Plan for Emergencies" to adapt to the latest climate change trends and emergency management practices. A series of flood prevention and disaster prevention measures have been implemented, including preparing low-lying campuses for flooding during storm-prone seasons and keeping flood prevention sandbags on hand. Besides, we continue to optimise emergency preparedness, improve disaster prevention capabilities of our facilities, strengthen employee emergency training, and cooperate with governments and non-governmental organisations to jointly improve our ability to respond to extreme weather events. In addition, we actively explore new business models and technological solutions to adapt to climate and environmental changes, reduce environmental impact, enhance business resilience, and ensure the continued provision of high-quality educational services in the face of future climate challenges.

Climate-related Risks		
Type of risk	Description of risk	Counter-measures
Policy risk (Transition risk)	To support global decarbonisation goals, governments are enacting or strengthening climate-related regulations. The Chinese government has set goals for carbon emissions to peak in 2030 and carbon neutrality in 2060. The Stock Exchange requires listed companies to enhance the transparency of climate information in ESG reports. Tightening of policies may lead to increased compliance costs, and failure to meet standards may lead to claims and litigation risks, affecting corporate reputation.	The Group has clearly defined goals for reducing greenhouse gas emissions and continuously monitors existing trends, policies and regulations related to climate change to prevent reputational risks arising from ineffective response. We will continue to evaluate the effectiveness of our measures to address climate change and improve our ability to address climate-related issues.
Technology risk (Transition risk)	With the continuous development and popularisation of low-carbon technologies, the Group may need to introduce advanced equipment and technologies to reduce carbon emissions and improve energy efficiency. This transition may involve renovation or updating existing facilities and training employees in new technologies. In addition, the Group may also need to increase its research and development personnel to continue to innovate and optimise low-carbon solutions, and invest more resources in energy conservation and emission reduction projects, thereby improving its environmental friendliness and market competitiveness.	Based on weighing the necessity and business suitability of introduction, the Group will wisely introduce new equipment or technologies within the framework of a comprehensive risk assessment. This process includes an assessment of potential risks, such as cost-benefit analysis, technology maturity, market acceptance and impact on existing operational processes. Moreover, we will also consider how new technologies integrate with our long-term strategic goals and sustainability commitments. In this way, we can ensure the rationality of investments and maximise the potential benefits of new technologies while keeping risks within acceptable limits.

Climate-related Opportunities	
Products and courses	In order to cater to the market's growing preference for low-carbon products and services, the Group plans to develop relevant courses to enhance students' awareness of climate change. Through these educational activities, the Group is not only able to cultivate more environmentally conscious consumers, but also promote innovation in its own products and services, thereby seizing new opportunities in the market.
Use of resources	The Group reduces or eliminates reliance on traditional paper materials in the teaching process and instead uses digital technologies and devices to deliver knowledge and information. These measures not only help reduce paper consumption and support environmental protection, but also improve teaching efficiency and learning experience.

APPENDIX I: ANNUAL ESG KEY PERFORMANCE DATA

ESG KPI		Unit	2023	2022	2021
A. ENVIRONMENTAL KPI					
A1 Emissions					
A1.1	**Air emissions** *(Note 1)*				
	Nitrogen oxide	kg	65.15	4.36	N/A
	Sulphur oxide	kg	0.06	0.07	N/A
	Particulate matter	kg	6.24	0.32	N/A
A1.2	**GHG emissions and intensity** *(Note 2)*				
	Total GHG emissions	tonnes of carbon dioxide equivalent ("**tCO2e**")	2,519.08	2,833.26	11,078.2
	GHG emissions intensity	tonnes of CO2e/RMB million	5.15	Addition in 2023	Addition in 2023
	Direct GHG emissions (Scope I)	tCO2e	9.85	12.57	–
	Indirect GHG emissions (Scope II)	tCO2e	2,509.23	2,820.69	11,078.2
A1.3	**Total hazardous waste emissions and intensity**				
	Total hazardous waste *(Note 3)*	kg	1,360.10	50.58	393.84
	Total hazardous waste intensity *(Note 3)*	kg/RMB million	2.78	0.10	0.21
	Waste light tubes	kg	48.32	46.91	122.22
	Waste batteries	kg	3.78	3.67	–
	Waste electronic products	kg	1,308	Addition in 2023	Addition in 2023
A1.4	**Total non-hazardous waste emissions and intensity**				
	Total non-hazardous waste	tonnes	17.54	25.55	133.72
	Total non-hazardous waste intensity	tonnes/RMB million	0.04	0.05	0.07
	Office paper consumption	tonnes	17.54	25.55	133.72

ESG KPI		Unit	2023	2022	2021
A2 Use of Resources					
A2.1	**Total direct and/or indirect energy consumption and intensity by types**				
	Comprehensive energy consumption	MWh	4,438.45	4,991.77	13,773.47
	Energy consumption intensity	MWh/RMB million	9.07	10.16	7.25
	Direct energy consumption *(Note 4)*	MWh	38.60	45.79	–
	Gasoline consumption	litre	4,416.66	Addition in 2023	Addition in 2023
	Indirect energy consumption	MWh	4,399.85	4,945.98	13,773.47
A2.2	**Total water consumption and intensity**				
	Water consumption	tonnes	87,355.69	100,339	222,140.61
	Water consumption intensity	tonnes/RMB million	178.5	204.3	117
B. SOCIAL KPI					
B1 Employment					
B1.1	**Number of employees by gender, employment type, age and geographical region**				
	Total number of employees	person	846	1,022	3,043
Gender	Male	person	335	355	986
	Female	person	511	667	2,057
Employment type	Full-time employees	person	846	Addition in 2023	Addition in 2023
	Part-time employees	person	0	Addition in 2023	Addition in 2023
	Teachers and staff	person	384	559	1,640
	Non-teaching staff	person	462	463	1,403
Age	30 and below	person	311	459	1,580
	31 to 50	person	510	532	1,409
	51 and above	person	25	31	54
Geographical region	Guangdong Province, China	person	554	576	2,832
	Other provinces in China	person	292	445	211
	Overseas	person	0	1	–

ESG KPI		Unit	2023	2022	2021
B1.2	**Employee turnover rate by gender, age and geographical region** *(Note 5)*				
	Employee turnover rate	%	24.08%	224.80%	204.20%
Gender	Male	%	26.67%	202.80%	180.50%
	Female	%	22.37%	236.40%	215.50%
Age	30 and below	%	25.53%	245.80%	307.80%
	31 to 50	%	23.48%	213.00%	92.10%
	51 and above	%	18.52%	116.10%	96.30%
Geographical region	Guangdong Province, China	%	20.96%	243.90%	200.50%
	Other provinces in China	%	29.78%	200.00%	253.60%
	Overseas	%	–	200.00%	–
B2 Health and Safety					
B2.1	**Number and rate of work-related fatalities**				
	Number of work-related fatalities	person	0	–	–
	Rate of work-related fatalities	%	0	–	–
	Total number of days lost due to work-related injuries	day(s)	0	–	117
B3 Development and Training	Total number of employees trained during the year	person	2,690	Addition in 2023	Addition in 2023
B3.1	**Percentage of employees trained by gender and employment type**				
	Percentage of employees trained	%	61%	Addition in 2023	Addition in 2023
Gender	Male	%	30	30	30
	Female	%	70	70	70
Employment type	Teachers and staff	%	65.4	29.8	57.4
	Others	%	34.6	70.2	42.6

ESG KPI		Unit	2023	2022	2021
B3.2	**Average training hours of employees by gender and employment type**				
	Average training hours of employees	hours/person	497.5	478.2	210.4
Gender	Male	hours	493.2	413.0	194.8
	Female	hours	499.4	512.9	217.8
Employment type	Teachers and staff	hours	539.7	448.1	253.7
	Non-teaching staff	hours	417.8	514.5	159.7
B5 Supply Chain Management					
B5.1	**Number of suppliers by geographical region**				
	Number of suppliers	Unit	3,661	Addition in 2023	Addition in 2023
Geographical region	Overseas	Unit	14	Addition in 2023	Addition in 2023
	Guangdong Province, China	Unit	2,537	2,154	1,641
	Other provinces in China	Unit	1,110	722	587
B6 Product Responsibility	Total investment in teaching and research	RMB'000	1,719.94	Addition in 2023	Addition in 2023
B6.2	**Number of complaints received about products and services**				
	Total number of complaints about teaching services	case(s)	1	Addition in 2023	Addition in 2023
	Customer complaint handling rate	%	100%	Addition in 2023	Addition in 2023
B7 Anti-corruption					
B7.1	**Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period**				
	Number of concluded legal cases regarding corrupt practices during the Reporting Period	case(s)	0	–	–
B7.3	**Anti-corruption Training**				
	Number of Directors and senior executives participating in anti-corruption training	person	9	8	N/A
	Total hours of anti-corruption training for Directors and senior executives	hours	18	Addition in 2023	Addition in 2023
	Number of employees participating in anti-corruption training	person	700	374	N/A
	Total hours of anti-corruption training for employees	hours	209	Addition in 2023	Addition in 2023

ESG KPI		Unit	2023	2022	2021
B8 Community Investment					
B8.2	**Resources contributed to the focus area**				
	Charity donation	RMB0'000	16.5	45	36
	Time invested in volunteer activities	times	884	Addition in 2023	Addition in 2023
	Number of people invested in volunteer activities	times	625	Addition in 2023	Addition in 2023

Notes:

1. The air emissions of the Group are all generated by gasoline vehicles when driving. Air emissions are calculated with reference to the "How to Prepare an ESG Report — Appendix 2: Reporting Guidelines on Environmental KPIs issued by the Stock Exchange.

2. The Group's direct GHG emissions (Scope 1) all come from GHG emissions generated when driving gasoline vehicles. Indirect GHG emissions (Scope 2) all come from purchased electricity. When calculating GHG emissions (Scope 2) in the Report, the national grid average emission factor for 2022 released by the Ministry of Ecology and Environment of China was 0.5703 kgCO_2/kWh.

3. The Group's annual hazardous waste has added a new disclosure item of waste electronic products, so the total amount and density have increased to a certain extent.

4. The Group's direct energy consumption comes from gasoline consumption.

5. The adjustment of the calculation of the employee turnover rate in the Report: the annual employee turnover rate = the total number of employees who resigned during the year/(the total number of employees at the beginning of the year + the total number of employees who joined during the year).

APPENDIX II: THE ESG REPORTING GUIDE CONTENT INDEX OF THE HONG KONG STOCK EXCHANGE

Issues	Requirements		Disclosure Section
A. ENVIRONMENTAL			
A1: Emissions	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		Energy Saving and Environmental Protection
	KPI A1.1	The types of emissions and respective emissions data.	Appendix I: Annual ESG Key Performance Data
	KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix I: Annual ESG Key Performance Data
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix I: Annual ESG Key Performance Data
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix I: Annual ESG Key Performance Data
	KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Energy Saving and Environmental Protection – Environmental Goals and Policies
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Energy Saving and Environmental Protection – Waste Disposal

Issues	Requirements		Disclosure Section
A2: Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.		Energy Saving and Environmental Protection
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Appendix I: Annual ESG Key Performance Data
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Appendix I: Annual ESG Key Performance Data
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Energy Saving and Environmental Protection – Environmental Goals and Policies, Use of Resources
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Energy Saving and Environmental Protection – Environmental Goals and Policies, Use of Resources
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	N/A
A3: The Environment and Natural Resources	General Disclosure Description of the significant impacts of activities on the environment and natural resources and the policies taken to manage them.		N/A
	KPI A3.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	N/A
A4: Climate Change	General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.		Energy Saving and Environmental Protection – Response to Climate Change
	KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Energy Saving and Environmental Protection – Environmental Goals and Policies, Use of Resources

Issues	Requirements		Disclosure Section
B. SOCIAL			
B1: Employment	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		People-oriented, Working Together
	KPI B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	Appendix I: Annual ESG Key Performance Data
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix I: Annual ESG Key Performance Data
B2: Health and Safety	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.		People-oriented, Working Together – Health and Safe School Operation
	KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Appendix I: Annual ESG Key Performance Data
	KPI B2.2	Lost days due to work injury.	Appendix I: Annual ESG Key Performance Data
	KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	People-oriented, Working Together – Health and Safe School Operation
B3: Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		People-oriented, Working Together – Staff Development and Training
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Appendix I: Annual ESG Key Performance Data
	KPI B3.2	The average training hours completed per employee by gender and employee category.	Appendix I: Annual ESG Key Performance Data
B4: Labour Standards	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.		People-oriented, Working Together – Employment
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	People-oriented, Working Together – Employment
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	People-oriented, Working Together – Employment

Issues	Requirements		Disclosure Section
B5: Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.		People-oriented, Working Together – Supply Chain Management
	KPI B5.1	Number of suppliers by geographical region.	Appendix I: Annual ESG Key Performance Data
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	People-oriented, Working Together – Supply Chain Management
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	People-oriented, Working Together – Supply Chain Management
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	People-oriented, Working Together – Supply Chain Management
B6: Product Responsibility General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		Education First, Value Creation Together
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Education First, Value Creation Together – Customer Service and Rights Protection; Appendix I: Annual ESG Key Performance Data
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Integrity and Compliance – Intellectual Property Protection
	KPI B6.4	Description of quality assurance process and recall procedures.	Education First, Value Creation Together – Teaching Quality Management
	KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Education First, Value Creation Together – Customer Service and Rights Protection

Issues	Requirements		Disclosure Section
B7: Anti-corruption	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		Integrity and Compliance
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Appendix I: Annual ESG Key Performance Data
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Integrity and Compliance – Business Ethics
	KPI B7.3	Description of anti-corruption training provided to directors and staff.	Integrity and Compliance – Business Ethics
B8: Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		Community Investment and Public Welfare
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment and Public Welfare
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Appendix I: Annual ESG Key Performance Data

Independent Auditor's Report

TO THE MEMBERS OF CHINA BESTSTUDY EDUCATION GROUP
(incorporated in the Cayman Island with limited liability)

OPINION

We have audited the consolidated financial statements of China Beststudy Education Group (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 135 to 239, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit of loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of debt instruments measured at amortised cost	
We identified the impairment assessment of debt instruments measured at amortised cost as a key audit matter due to the complexity and significant judgements and estimates management makes to measure the expected credit losses ("**ECL**"), including those related to the probability of default ("**PD**"), loss given default ("**LGD**") and forward-looking information. As disclosed in notes 4, 23 and 38(b) to the consolidated financial statements, the Group adopts ECL model to assess the impairment of debt instruments measured at amortised cost. As at 31 December 2023, the carrying amount of debt instruments measured at amortised cost amounted to approximately RMB33,315,000 representing 3.2% of the Group's total assets, included in the carrying amount is accumulated impairment losses of RMB57,437,000. During the year ended 31 December 2023, the Group recognised impairment losses of approximately RMB14,125,000 and reversed impairment losses of approximately RMB9,736,000 under ECL model for debt instruments measured at amortised cost.	Our procedures in relation to the impairment assessment of debt instruments measured at amortised cost included: • Understanding the key control over the management's impairment assessment process of debt instruments measured at amortised cost; • Evaluating the competence and objectivity of the management's external valuation specialist and obtaining an understanding of its scope of work and terms of engagement; • With the assistance of our internal valuation specialists, evaluating the reasonableness of the impairment methodology and significant assumptions used by management, including the determination of PD, LGD and forward-looking information; • Testing the mathematical accuracy of the calculation of ECL; and • Evaluating the disclosures regarding the impairment assessment of debt instruments measured at amortised cost in notes 4, 23 and 38(b) to the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
*Valuation of debt instruments measured at fair value through profit or loss ("**FVTPL**") classified as level 3 under fair value hierarchy (the "**Level 3 debt instruments measured at FVTPL**")*	
We identified the valuation of the Level 3 debt instruments measured at FVTPL as a key audit matter due to the complex proprietary models and unobservable inputs management uses to estimate fair value, including the expected recoverable amounts, expected recovery date and discount rates. As disclosed in note 4 to the consolidated financial statements, as at 31 December 2023, the Level 3 debt instruments measured at FVTPL amounted to approximately RMB38,582,000, representing 3.7% of the Group's total assets. As disclosed in notes 4 and 38(c) to the consolidated financial statements, the fair values of the Level 3 debt instruments measured at FVTPL are determined based on discounted cash flows. The Group recognised losses from changes in fair value of Level 3 debt instruments measured at FVTPL of approximately RMB9,303,000 during the year ended 31 December 2023.	Our procedures in relation to the valuation of the Level 3 debt instruments measured at FVTPL included: • Understanding the key control over the management's valuation process of the Level 3 debt instruments measured at FVTPL; • Evaluating the competence and objectivity of the management's external valuation specialists and obtaining an understanding of its scope of work and terms of engagement; • With the assistance of our internal valuation specialists, evaluating the reasonableness of the valuation methodology and unobservable inputs including expected recoverable amounts, expected recovery date and discount rates used by the management; • Testing the mathematical accuracy of the fair value calculations; and • Assessing the adequacy of the Group's fair value disclosures including the valuation techniques, fair value hierarchy and other related disclosures in notes 4 and 38(c) to the consolidated financial statements.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Li Fung Tun.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	NOTES	**2023 RMB'000**	2022 RMB'000
Revenue	5 & 6	**489,314**	491,134
Cost of sales		**(259,456)**	(318,073)
Gross profit		**229,858**	173,061
Other income	7	**29,390**	55,970
Other gains and losses	8	**3,957**	14,174
Selling expenses		**(26,081)**	(32,447)
Administrative expenses		**(57,886)**	(88,694)
Other operating expenses		**(30,714)**	(70,216)
Fair value changes on financial assets at fair value through profit or loss ("**FVTPL**")	22	**(38,912)**	(12,403)
Gain (loss) on disposal and deregistration of investments in subsidiaries	33	**19,519**	(366)
Impairment losses (recognised) reversed under expected credit loss model, net	10	**(5,526)**	18,735
Share of results of associates		**(1,019)**	(49)
Share of results of joint ventures		**(858)**	(1,153)
Finance costs	9	**(8,967)**	(12,366)
Profit before tax		**112,761**	44,246
Income tax (expense) credit	11	**(22,881)**	9,827
Profit and total comprehensive income for the year	12	**89,880**	54,073
Profit and total comprehensive income for the year attributable to			
— owners of the Company		**91,246**	56,287
— non-controlling interests		**(1,366)**	(2,214)
		89,880	54,073
EARNINGS PER SHARE			
— Basic	16	**RMB12.12 cents**	RMB7.48 cents
— Diluted	16	**RMB12.12 cents**	RMB7.48 cents

Consolidated Statement of Financial Position

At 31 December 2023

	NOTES	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**57,523**	66,904
Right-of-use assets	18	**174,210**	185,193
Intangible assets	19	**24,285**	28,346
Investments in associates	20	**16,112**	17,131
Investments in joint ventures	21	**5,366**	6,224
Financial assets at fair value through profit or loss	22	**7,392**	18,146
Debt instruments measured at amortised cost	23	**—**	22,853
Long-term time deposits	25	**180,000**	50,000
Deferred tax assets	30	**45,797**	46,460
Prepayments for purchases of property, plant and equipment	24	**23,579**	13,862
		534,264	455,119
CURRENT ASSETS			
Financial assets at fair value through profit or loss	22	**61,585**	99,796
Debt instruments measured at amortised cost	23	**33,315**	23,205
Prepayments, deposits and other receivables	24	**92,174**	61,962
Amounts due from associates	41	**609**	130
Amounts due from related parties	41	**4,352**	4,789
Other current assets		**505**	1,498
Short-term time deposits	25	**18,444**	20,000
Restricted bank deposits	25	**19,200**	8,099
Cash and cash equivalents	25	**281,928**	195,084
		512,112	414,563
CURRENT LIABILITIES			
Other payables and accruals	26	**106,170**	93,455
Contract liabilities	27	**211,784**	151,196
Amounts due to related parties	41	**473**	737
Income tax liabilities		**41,098**	18,876
Lease liabilities	31	**51,423**	54,602
		410,948	318,866

	NOTES	2023 RMB'000	2022 RMB'000
NET CURRENT ASSETS		**101,164**	95,697
TOTAL ASSETS LESS CURRENT LIABILITIES		**635,428**	550,816
NON-CURRENT LIABILITY			
Lease liabilities	31	**138,993**	144,926
NET ASSETS		**496,435**	405,890
CAPITAL AND RESERVES			
Share capital	28	**303**	303
Reserves	29	**497,705**	407,557
Equity attributable to owners of the Company		**498,008**	407,860
Non-controlling interests		**(1,573)**	(1,970)
TOTAL EQUITY		**496,435**	405,890

The consolidated financial statements on pages 135 to 239 were approved and authorised for issue by the Board of directors on 27 March 2024 and are signed on its behalf by:

JUNJING TANG
DIRECTOR

JUNYING TANG
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Attributable to owners of the Company										
	Share capital RMB'000 Note 28	Share premium RMB'000 Note 29(b)	Shares held for restricted share unit scheme RMB'000 Note 29(c)	Share-based payment reserve RMB'000	Statutory surplus reserve RMB'000 Note 29(a)	Other reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022	303	208,710	(155,883)	594	36,957	226,302	(37,802)	71,669	350,850	(246)	350,604
Profit (loss) and total comprehensive income (expense) for the year	–	–	–	–	–	–	–	56,287	56,287	(2,214)	54,073
Share-based payments	–	–	–	726	–	–	–	–	726	–	726
Vesting of share awards under the restricted share unit plan ("RSU scheme")	–	–	–	(555)	–	–	–	555	–	–	–
Transfer from retained profits	–	–	–	–	385	–	–	(388)	(3)	3	–
Additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	(445)	(445)
Contributions from non-controlling shareholders	–	–	–	–	–	–	–	–	–	932	932
At 31 December 2022	303	208,710	(155,883)	765	37,342	226,302	(37,802)	128,123	407,860	(1,970)	405,890
Profit (loss) and total comprehensive income (expense) for the year	–	–	–	–	–	–	–	91,246	91,246	(1,366)	89,880
Share-based payments	–	–	–	(655)	–	–	–	–	(655)	–	(655)
Vesting of share awards under the RSU scheme	–	–	–	(110)	–	–	–	110	–	–	–
Repurchase of shares under the RSU scheme	–	–	(7)	–	–	–	–	–	(7)	–	(7)
Disposal of subsidiaries	–	–	–	–	(103)	–	–	103	–	2,402	2,402
Transfer from retained profits	–	–	–	–	122	–	–	(122)	–	–	–
Acquisition of additional interests in subsidiaries	–	–	–	–	–	(436)	–	–	(436)	(639)	(1,075)
At 31 December 2023	303	208,710	(155,890)	–	37,361	225,866	(37,802)	219,460	498,008	(1,573)	496,435

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**112,761**	44,246
Adjustments for:		
Finance costs	**8,967**	12,366
Interest income	**(13,890)**	(28,644)
Dividends from an financial instrument at FVTPL	**(1,025)**	(2,108)
Share of results of associates	**1,019**	49
Share of results of joint ventures	**858**	1,153
Depreciation of property, plant and equipment	**21,343**	18,640
Depreciation of right-of-use assets	**56,506**	76,829
Amortisation of intangible assets	**3,980**	6,251
Impairment loss, net of reversal		
— financial assets and other items under expected credit loss model	**5,976**	(19,185)
Share-based payment expense	**(655)**	726
Loss on disposal of property, plant and equipment	**1,052**	1,562
Loss on written off of intangible assets	**195**	—
Gain on lease modifications, net of deposits losses	**(3,177)**	(13,188)
Loss on fair value changes of financial assets at FVTPL	**38,912**	12,403
Gain on disposal of investment in an associate	**—**	(610)
(Gain) loss on disposal of investments in subsidiaries	**(19,545)**	366
Operating cash flows before movements in working capital	**213,277**	110,856
Increase in amounts due from associates	**(479)**	—
Decrease in amounts due from related parties	**437**	—
Increase in prepayments, deposits and other receivables	**(24,333)**	(7,820)
Decrease (increase) in other current assets	**76**	(720)
Increase (decrease) in other payables and accruals	**40,113**	(55,811)
Increase (decrease) in contract liabilities	**62,340**	(40,529)
Decrease in amount due to related parties	**(264)**	(21,373)
Cash generated from (used in) operations	**291,167**	(15,397)
Income tax refund (paid)	**4**	(16,551)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**291,171**	(31,948)

	NOTE	2023 RMB'000	2022 RMB'000
INVESTING ACTIVITIES			
Interest received		**9,664**	20,290
Dividends from an equity investment at fair value through profit or loss		**1,025**	2,108
Proceeds from disposal of investment in an associate		**—**	922
Proceeds from disposal of:			
—debt investments measured at amortised cost		**—**	291,818
—debt investments measured at FVTPL		**10,059**	187,356
Proceeds from disposal of property, plant and equipment		**183**	5,236
Purchases of equity investment at FVTPL		**(6)**	(251)
Purchases of property, plant and equipment		**(16,974)**	(44,090)
Upfront payment for right-of-use assets		**(46)**	(5,480)
Payments for rental deposits		**(8,076)**	(6,123)
Refund of rental deposits		**2,292**	8,963
Purchases of other intangible assets		**(553)**	(955)
Net cash outflow on acquisition of a subsidiary		**(373)**	—
Net cash outflow on disposal of subsidiaries	33	**(1,358)**	(366)
Placement of time deposits		**(185,644)**	(70,000)
Withdrawal of time deposits		**56,385**	50,000
Withdrawal of restricted bank deposits		**13,698**	12,004
Placement of restricted bank deposits		**(24,799)**	(7,968)
Repayment from independent third parties		**—**	7,000
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(144,523)**	450,464

	NOTE	2023 RMB'000	2022 RMB'000
FINANCING ACTIVITIES			
Interest paid		**—**	(4,625)
Acquisition of additional interest of a subsidiary		**(1,075)**	(445)
Capital contribution from a non-controlling shareholder of a subsidiary		**—**	932
Repayments of bank borrowings		**—**	(333,190)
Repayments of interest on lease liabilities		**(8,967)**	(8,210)
Repayments of lease liabilities		**(49,717)**	(89,045)
Payment on repurchase of shares		**(7)**	—
NET CASH USED IN FINANCING ACTIVITIES		**(59,766)**	(434,583)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**86,882**	(16,067)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**195,084**	211,180
Effect of foreign exchange rate changes		**(38)**	(29)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**281,928**	195,084
Represented by:			
Cash and cash equivalents	25	**281,928**	195,084

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 2023, the Company does not have any controlling shareholder or ultimate controller as there was no shareholder who could control more than half of the voting rights of the board of directors of the Company or at the general meetings in accordance with the shareholding percentage, the Articles of Association 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 for high school students.

Due to regulatory restrictions on foreign ownership in the after-school education business in the mainland of China ("**Mainland China**"), the Group conducts a substantial portion of the business through 廣州市卓越里程教育科技有限公司 (Guangzhou Beststudy Enterprise Co., Ltd.) ("**Guangzhou Beststudy**") and its subsidiaries listed in note 42 (collectively referred to as the "**Consolidated Affiliated Entities**") in the People's Republic of China (the "**PRC**"). 廣州市卓學信息科技有限責任公司 (Guangzhou Zhuoxue Information Technology Co., Ltd.) ("**Zhuoxue Information**"), a wholly-owned subsidiary of the Company, has entered into the contractual arrangements with Guangzhou Beststudy and their respective equity holders, which enable Zhuoxue Information and the Group to:

— exercise effective financial and operational control over the Consolidated Affiliated Entities;

— exercise equity holders' voting rights of the Consolidated Affiliated Entities;

1. GENERAL INFORMATION (CONTINUED)

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

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

The Company does not have any equity interest in the Consolidated Affiliated Entities. However, as a result of the Contractual Arrangements, the Company has power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities and therefore is considered to have control over the Consolidated Affiliated Entities. Consequently, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries. The Group has consolidated the financial position and results of Guangzhou Beststudy and its subsidiaries in the consolidated financial statements of the Group during both years.

The following financial statement balances and amounts of the Consolidated Affiliated Entities were included in the consolidated financial statements:

	2023 **RMB'000**	2022 RMB'000
Revenue	**464,259**	490,984
Profit before tax	**129,500**	49,741

	2023 **RMB'000**	2022 RMB'000
Non-current assets	**472,746**	377,063
Current assets	**452,889**	415,901
Current liabilities	**285,585**	226,151
Non-current liabilities	**138,993**	144,926

1. GENERAL INFORMATION (CONTINUED)

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("**IFRSs**")

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

In the current year, the Group has applied the following new and amendments to IFRSs issued by the International Accounting Standard Board ("**IASB**") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("**IFRSs**") (CONTINUED)

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

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

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

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

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

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

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

(i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;

(ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“**IFRSs**”) (CONTINUED)

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

2.3 Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

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

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

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

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in note 3.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

Amendments to IFRSs in issue but not yet effective

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

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

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by 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.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (continued)

Basis of consolidation (continued)

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (continued)

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (continued)

Investments in associates and joint ventures (continued)

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (continued)

Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in notes 5, 26 and 27.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components (e.g., property management services for leases of property), are separated from lease component and are recognised in profit or loss in the period when payments occur.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (continued)

Leases (continued)

The Group as a lessee (continued)

Short-term leases

The Group applies the short-term lease recognition exemption to leases of properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (continued)

Leases (continued)

The Group as a lessee (continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* ("**IFRS 9**") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (continued)

Leases (continued)

The Group as a lessee (continued)

Lease modifications

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

When the modified contract contains one or more additional lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

The change in functional currency of the Company was applied prospectively from the date of change. All items were translated into RMB at the exchange rate on that date. The cumulative currency translation differences which had arisen from the translation of foreign operations up to the date of the change in functional currency were not reclassified from equity to profit or loss until the disposal of the relevant operations.

Employee benefits

Retirement benefit costs

Payments to the state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (continued)

Share-based payments

Equity-settled share-based payment transactions

Shares and share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payment reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve. For shares/share options that vest immediately at the date of grant, the fair value of the shares/share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to share capital and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to retained profits.

When share awards granted are vested, the amount previously recognised in share-based payment reserve will be transferred to retained profits.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (continued)

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (continued)

Taxation (continued)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in the consolidated statement of profit or loss.

Property, plant and equipment

Property, plant and equipment are tangible assets held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets — research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (continued)

Intangible assets (continued)

Internally-generated intangible assets — research and development expenditure (continued)

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are recorded at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on property, plant and equipment, right-of-use assets, intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (continued)

Impairment on property, plant and equipment, right-of-use assets, intangible assets (continued)

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (continued)

Cash and cash equivalents (continued)

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in note 25.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(ii) Financial assets at FVTPL

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "fair value changes on financial assets at fair value through profit or loss" line item.

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including debt instruments measured at amortised cost, long-term time deposits, deposits and other receivables, amounts due from associates, amounts due from related parties, short-term times deposits, restricted bank deposits and bank balances), which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For all financial assets at amortised cost, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (continued)

(i) Significant increase in credit risk (continued)

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

<u>Impairment of financial assets subject to impairment assessment under IFRS 9 (continued)</u>

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of loan receivables, rental and other deposits, where the corresponding adjustment is recognised through a loss allowance account.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the “Other gains and losses” line item (note 8) as part of the net foreign exchange gains/(losses); and

- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss as part of the “Fair value changes on financial assets at FVTPL” line item.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including amounts due to related parties and other payables are subsequently measured at amortised cost, using the effective interest method.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "Other gains and losses" line item in profit or loss (note 8) as part of net foreign exchange gains/(losses) for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the management of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Control through contractual arrangements

The Group conducts a substantial portion of the business through the Consolidated Affiliated Entities in the Mainland China due to regulatory restrictions on foreign ownership in the Group's education services to student businesses in the Mainland China, including full-time test preparation programs, talent education and tutoring programs. The Group does not have any equity interest in the Consolidated Affiliated Entities. The directors of the Company assessed whether or not the Group has control over the Consolidated Affiliated Entities based on whether the Group has the power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities. After assessment, the directors of the Company concluded that the Group has control over the Consolidated Affiliated Entities as a result of the Contractual Arrangements and other measures and accordingly, the assets, liabilities and their operating results of the Consolidated Affiliated Entities are included in the consolidated financial statements throughout the year or since the respective dates of incorporation/establishment/acquisition, whichever is the shorter period.

Nevertheless, the Contractual Arrangements and other measures may not be as effective as direct legal ownership in providing the Group with direct control over the Consolidated Affiliated Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the operating results, assets and liabilities of the Consolidated Affiliated Entities. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements among Zhuoxue Information, the Consolidated Affiliated Entities and their equity holders are in compliance with the relevant PRC laws and regulations and are legally enforceable as set out in note 1.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment loss under ECL model for debt instruments measured at amortised cost

Debt instruments measured at amortised cost are assessed for ECL individually. As at 31 December 2023, debt instruments measured at amortised cost amounting to RMB33,315,000 (2022: RMB46,058,000).

The Group uses ECL model to measure the expected credit losses for these debt instruments measured at amortised cost. The ECL model is based on significant assumptions including the probability of default ("**PD**") and loss given default ("**LGD**") taking into consideration of reasonable and supportable forward-looking information that is available without undue costs or effort. At every reporting date, the rates of PD and LGD for each individual debt instrument are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's debt investments measured at amortised cost are disclosed in note 23 and 38(b).

Fair value measurement of debt instruments at FVTPL classified as level 3 under the fair value hierarchy

As at 31 December 2023, debt instruments measured at FVTPL classified as level 3 under the fair value hierarchy amounting to RMB38,582,000 (2022: RMB48,114,000). The debt instruments are measured at fair value at end of the reporting period. The fair value are determined based on discounted cash flow which involves the use of significant unobservable inputs including expected recoverable amounts, expected recovery date and discount rates that correspond to the expected risk level of the debt instruments. The Group recognised losses from changes in fair value of Level 3 debt instruments measured at FVTPL of approximately RMB9,303,000 (2022: RMB10,755,000) during the year ended 31 December 2023.

Judgements and estimations are required in establishing the relevant valuation techniques and the relevant inputs thereof. Whilst the Group considers these valuations are the best estimates, the ongoing volatility in the Mainland China's property market and economy environment have resulted in greater market volatility and may affect the recoverable amounts and recovery timing of the secured assets over the debt instruments, which have led to higher degree of uncertainties in respect of the valuations in the current and prior year. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See note 38(c) for further disclosures.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (continued)

Recognition and realisation of deferred tax assets

As at 31 December 2023, deferred tax assets of RMB89,349,000 (2022: RMB92,668,000) in relation to impairment losses, deductible temporary differences on development expenses and lease liabilities have been recognised in the consolidated statement of financial position (see note 30 for details). No deferred tax asset has been recognised on the tax losses of RMB128,968,000 (2022: RMB135,278,000) and other deductible temporary differences of RMB194,023,000 (2022: RMB198,786,000) for certain group entities in Mainland China as it is not probable that taxable profits will be available against the tax losses or the deductible temporary differences can be utilised. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or recognition takes place.

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2023				
	Full-time test preparation programs RMB'000	Talent education RMB'000	Tutoring programs RMB'000	Others RMB'000	Total RMB'000
Timing of revenue recognition					
Services transferred at a point in time	–	–	1,310	223	1,533
Services transferred over time	204,761	139,412	143,608	–	487,781
	204,761	139,412	144,918	223	489,314

5. REVENUE (CONTINUED)

(i) Disaggregation of revenue from contracts with customers (continued)

	For the year ended 31 December 2022				
	Full-time test preparation programs RMB'000	Talent education RMB'000	Tutoring programs RMB'000	Others RMB'000	Total RMB'000
Timing of revenue recognition					
Services transferred at a point in time	–	–	95,138	751	95,889
Services transferred over time	163,520	81,502	150,223	–	395,245
	163,520	81,502	245,361	751	491,134

(ii) Performance obligations for contracts with customers

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

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

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

Full-time test preparation programs, talent education programs and small group tutoring programs are usually 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.

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

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

5. REVENUE (CONTINUED)

(ii) Performance obligations for contracts with customers (continued)

b) Revenue from others

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

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

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

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

6. 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.

6. OPERATING SEGMENTS (CONTINUED)

Revenue from major products and services

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

	2023 RMB'000	2022 RMB'000
Full-time test preparation programs	**204,761**	163,520
Talent education	**139,412**	81,502
Tutoring programs	**144,918**	245,361
Others	**223**	751
	489,314	491,134

Geographical information

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

Information about major customers

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

7. OTHER INCOME

	2023 RMB'000	2022 RMB'000
Interest income		
— bank deposits	**9,806**	10,143
— debt instruments at amortised cost	**4,084**	18,501
Government grants (note a)	**58**	3,213
Dividends from financial instruments at FVTPL	**1,025**	2,108
Rental income	**715**	1,399
Income on sales of education materials	**1,458**	9,307
Other project income (note b)	**10,791**	10,492
Others	**1,453**	807
	29,390	55,970

Notes:

(a) During the current year, the Group recognised government grants of RMB58,000 (2022: RMB3,213,000) which mainly represents subsidies granted by the local government as encouragement for the contribution to the local economy.

(b) During the current year, the Group recognised other project income of RMB10,791,000 (2022: RMB10,492,000) which mainly represents income from vacation camp, and teaching and research training related services.

8. OTHER GAINS AND LOSSES

	2023 RMB'000	2022 RMB'000
Gain on lease modifications, net of deposits losses	**3,177**	13,188
Loss on disposal of property, plant and equipment	**(1,052)**	(1,562)
Loss on written off of intangible assets	**(195)**	—
Gain on disposal of investment in an associate	**—**	610
Net foreign exchange gains	**169**	1,356
Others	**1,858**	582
	3,957	14,174

9. FINANCE COSTS

	2023 **RMB'000**	2022 RMB'000
Interest on bank borrowings	**—**	4,156
Interest on lease liabilities	**8,967**	8,210
	8,967	12,366

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

	2023 **RMB'000**	2022 RMB'000
Impairment loss (recognised) reversed in respect of		
— debt investments measured at amortised cost	**(4,389)**	23,049
— bank balances	**450**	(450)
— prepayments, deposits and other receivables	**(1,587)**	(3,864)
	(5,526)	18,735

Details of impairment assessment are set out in note 38.

11. INCOME TAX EXPENSE (CREDIT)

	2023 RMB'000	2022 RMB'000
Current tax:		
PRC Enterprise Income Tax ("**EIT**")	**22,225**	—
(Over) under-provision in prior year	**(7)**	1,553
	22,218	1,553
Deferred tax expense (credit) (note 30)	**663**	(11,380)
	22,881	(9,827)

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

Hong Kong profits tax

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profit for both years.

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

11. INCOME TAX EXPENSE (CREDIT) (CONTINUED)

PRC Enterprise Income Tax ("EIT")

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% during the reporting period (2022: 25%).

The Group's subsidiaries operating in the PRC are eligible for certain tax holidays and concessions and were exempted from PRC income taxes for the year. Details are as follows:

Guangzhou Qiaowen Infant and Toddler Care Service Co., Ltd. (formerly known as Guangzhou Qiaowen Education Technology Co., Ltd.) (廣州巧問嬰幼兒託育服務有限公司，前稱廣州巧問教育科技有限公司) and 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 2022, Guangzhou Beststudy Wendao Travel Service Co., Ltd. (廣州卓越問道旅行社有限公司), Shanghai Beststudy Education Training School Co., Ltd. (上海卓越里程培訓學校有限公司), Guangzhou Yuyou Information Consulting Co., Ltd. (廣州譽優信息諮詢有限公司), Guangzhou Qizuo Education Consulting Co., Ltd. (廣州奇作教育諮詢有限公司), Guangzhou Aiyuwen Technology Information Consulting Co., Ltd. (廣州市愛語文科技信息諮詢有限責任公司), Guangzhou Nansha District Beststudy Counseling Education Training Center Co., Ltd. (廣州市南沙區卓越輔導教育培訓中心有限公司), Guangzhou Haizhu District Beststudy Teaching and Auxiliary Training Center Co., Ltd. (廣州市海珠區卓越里程教輔培訓中心有限公司), Guangzhou Liwan Beststudy Education and Training Center Co., Ltd. (廣州市荔灣區卓越教育培訓中心有限公司), Guangzhou Baiyun District Beststudy Education Training Centre Co., Ltd. (廣州白雲區卓越教輔培訓中心有限公司) and Guangzhou Yuexiu Beststudy Education and Training Centre Co., Ltd (廣州市越秀區卓越教育培訓中心有限公司) were certified as SMEs in 2023.

Effective from 1 January 2022, they enjoyed a 87.5% reduction of the first RMB1,000,000 of taxable income, a 75% reduction of taxable income between RMB1,000,000 and RMB3,000,000 and the preferential EIT rate of 20%. Effective from 1 January 2023, they enjoyed 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.

11. INCOME TAX EXPENSE (CREDIT) (CONTINUED)

PRC Enterprise Income Tax ("EIT") (continued)

The income tax expense for the year can be reconciled to the profit (loss) before tax per the consolidated statement of profit or loss as follows:

For the year ended 31 December 2023

	Hong Kong RMB'000	%	Mainland China RMB'000	%	Total RMB'000	%
(Loss) profit before tax	(30,180)		142,941		112,761	
Tax at the domestic income tax rate	(4,980)	16.5	35,735	25.0	30,755	27.3
Tax effect of share of results of associates/ joint ventures	3	–	464	0.3	467	0.4
Tax effect of expenses not deductible for tax purpose	4,977	(16.5)	632	0.4	5,609	5.0
Tax effect of income not taxable for tax purpose	–	–	(6,387)	(4.5)	(6,387)	(5.7)
Overprovision in respect of prior years	–	–	(7)	–	(7)	–
Tax effect of tax losses not recognised	–	–	12,033	8.4	12,033	10.7
Utilisation of tax losses previously not recognised	–	–	(18,394)	(12.9)	(18,394)	(16.3)
Utilisation of deductible temporary differences previously not recognised	–	–	(1,191)	(0.8)	(1,191)	(1.1)
Effect of tax exemptions granted to PRC subsidiaries	–	–	(4)	–	(4)	–
	–	–	22,881	15.9	22,881	20.3

11. INCOME TAX EXPENSE (CREDIT) (CONTINUED)

PRC Enterprise Income Tax ("EIT") (continued)

For the year ended 31 December 2022

	Hong Kong RMB'000	%	Mainland China RMB'000	%	Total RMB'000	%
Profit before tax	4,421		39,825		44,246	
Tax at the domestic income tax rate	729	16.5	9,956	25.0	10,685	24.1
Tax effect of share of results of associates/ joint ventures	2	—	(304)	(0.7)	(302)	(0.7)
Tax effect of expenses not deductible for tax purpose	—	—	496	1.2	496	1.1
Tax effect of income not taxable for tax purpose	(731)	(16.5)	—	—	(731)	(1.7)
Underprovision in respect of prior years	—	—	1,553	3.9	1,553	3.5
Tax effect of tax losses not recognised	—	—	6,285	15.8	6,285	14.2
Utilisation of tax losses previously not recognised	—	—	(6,668)	(16.7)	(6,668)	(15.2)
Utilisation of deductible temporary differences previously not recognised	—	—	(1,583)	(4.0)	(1,583)	(3.6)
Increase in opening deferred tax assets resulting from an increase in applicable tax rate (note)	—	—	(19,562)	(49.1)	(19,562)	(44.7)
	—	—	(9,827)	(24.7)	(9,827)	(22.5)

Note: The change in tax rate in opening deferred tax assets was mainly attributable to the change in tax rate of Guangzhou Beststudy from 15% to 25% in 2022. Guangzhou Beststudy was entitled to a preferential tax rate of 15% prior to 2022.

12. PROFIT FOR THE YEAR

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

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

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

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

	2023 RMB'000	2022 RMB'000
Fees	**497**	304
Other emoluments:		
Salaries, allowances and benefits in kind	**6,214**	4,609
Retirement benefits contributions	**169**	126
	6,383	4,735
	6,880	5,039

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

(a) Executive directors and non-executive directors

For the year ended 31 December 2023

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement benefits contributions RMB'000	Total RMB'000
Executive directors:				
Mr. Junjing Tang (Chairman)	—	1,553	42	1,595
Mr. Junying Tang	—	1,553	42	1,595
Mr. Gui Zhou	—	1,553	42	1,595
Ms. Weiying Guan	—	1,555	43	1,598
Non-executive director:				
Mr. Wenhui Xu	81	—	—	81
Mr. Wai Ng***	84	—	—	84
	165	6,214	169	6,548

For the year ended 31 December 2022

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement benefits contributions RMB'000	Total RMB'000
Executive directors:				
Mr. Junjing Tang (Chairman)	—	1,537	42	1,579
Mr. Junying Tang	—	1,538	42	1,580
Mr. Gui Zhou	—	1,534	42	1,576
Ms. Weiying Guan*	—	—	—	—
Non-executive director:				
Mr. Wenhui Xu**	—	—	—	—
	—	4,609	126	4,735

* Effective from 31 March 2022, Ms. Weiying Guan was appointed as executive director, and the Company does not pay remuneration to Ms. Guan in respect of her duties as an executive director for the year ended 31 December 2022.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above were for their services as directors of the Company and its subsidiaries, if applicable.

** Mr. Wenhui Xu is not entitled to remuneration for acting as a non-executive director of the Company for the year ended 31 December 2022.

*** Effective from 28 March 2023, Mr. Wai Ng was appointed as non-executive director.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

(b) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2023 RMB'000	2022 RMB'000
Ms. Yu Long	**132**	132
Mr. Peng Xue*	**–**	67
Mr. Caihe Lin**	**100**	78
Mr. Jun Gan***	**100**	27
	332	304

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

There were no other emoluments payable to the independent non-executive directors during the year (2022: nil).

* Mr. Peng Xue resigned as an independent non-executive director as of 4 July 2022.

** Effective from 23 March 2022, Mr. Caihe Lin was appointed as an independent non-executive director.

*** Effective from 23 September 2022, Mr. Jun Gan was appointed as an independent non-executive director.

For the years ended 31 December 2023 and 2022, none of the directors waived or agreed to waive any emoluments.

14. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included four (2022: three) directors, details of whose remuneration are set out in note 13 above. Details of the remuneration for the year of the remaining one (2022: two) highest paid employees of the Company are as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	**793**	1,996
Performance related bonuses	**60**	176
Retirement benefits contributions	**27**	69
	880	2,241

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	2023 No. of employees	2022 No. of employees
Hong Kong dollars ("**HK$**")		
HK$500,001 to HK$1,000,000	**1**	1
HK$1,500,001 to HK$2,000,000	**—**	1
	1	2

15. DIVIDEND

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

16. 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:

	2023 RMB'000	2022 RMB'000
Earnings		
Profit for the purpose of basic earnings per share and dilutive earnings per share	**91,246**	56,287
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**752,918,298**	752,427,225
Effect of dilutive potential shares:		
Unvested share awards	**115,067**	277,626
Weighted average number of ordinary shares for the purpose of dilutive earnings per share	**753,033,365**	752,704,851
Basic earnings per share (note)	**RMB12.12 cents**	RMB7.48 cents
Diluted earnings per share (note)	**RMB12.12 cents**	RMB7.48 cents

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the shares held for the Company's restricted share unit scheme for the year ended 31 December 2023 and 2022.

17. PROPERTY, PLANT AND EQUIPMENT

	Office equipment RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
COST					
At 1 January 2022	10,975	24,257	2,588	76,218	114,038
Additions	1,808	1,828	56	36,792	40,484
Disposals	(1,591)	(1,065)	(11)	(13,503)	(16,170)
At 31 December 2022	**11,192**	**25,020**	**2,633**	**99,507**	**138,352**
Additions	**924**	**797**	**–**	**12,434**	**14,155**
Disposal of subsidiaries (note 33)	**(587)**	**(389)**	**–**	**(1,162)**	**(2,138)**
Disposals	**(801)**	**(969)**	**–**	**(12,481)**	**(14,251)**
At 31 December 2023	**10,728**	**24,459**	**2,633**	**98,298**	**136,118**
DEPRECIATION AND IMPAIRMENT					
At 1 January 2022	(7,710)	(16,512)	(2,062)	(35,896)	(62,180)
Provided for the year	(1,761)	(3,734)	(183)	(12,962)	(18,640)
Eliminated on disposals	1,214	662	10	7,486	9,372
At 31 December 2022	**(8,257)**	**(19,584)**	**(2,235)**	**(41,372)**	**(71,448)**
Provided for the year	**(1,719)**	**(2,612)**	**(180)**	**(16,832)**	**(21,343)**
Disposal of subsidiaries (note 33)	**463**	**316**	**–**	**497**	**1,276**
Eliminated on disposals	**822**	**1,042**	**–**	**11,056**	**12,920**
At 31 December 2023	**(8,691)**	**(20,838)**	**(2,415)**	**(46,651)**	**(78,595)**
NET BOOK VALUES					
At 31 December 2023	**2,037**	**3,621**	**218**	**51,647**	**57,523**
At 31 December 2022	2,935	5,436	398	58,135	66,904

The above items of property, plant and equipment, after taking into account the residual values, are depreciated on a straight-line basis at the following rates per annum.

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Office equipment	20.00% to 33.33%
Electronic equipment	20.00% to 33.33%
Motor vehicles	20.00%
Leasehold improvements	20.00% or over the shorter of the lease terms and the estimated useful lives

Impairment assessment

The management of the Group concluded there was no indication for impairment for property, plant and equipment, right-of-use assets and intangible assets with finite useful lives as at 31 December 2023 and 2022.

18. RIGHT-OF-USE ASSETS

	Leased properties RMB'000
As at 31 December 2023 Carrying amount	**174,210**
As at 31 December 2022 Carrying amount	185,193
For the year ended 31 December 2023 Depreciation charge	**56,506**
For the year ended 31 December 2022 Depreciation charge	76,829

18. RIGHT-OF-USE ASSETS (CONTINUED)

	2023 RMB'000	2022 RMB'000
Expense relating to short-term leases	**6,555**	6,820
Total cash outflow for leases	**65,285**	109,555
Additions to right-of-use assets	**86,368**	110,883

For both years, the Group leases properties for its operations. Lease contracts are entered into for fixed term ranging from short term (under 12 months) to 12 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for certain property, equipment and vehicles. As at 31 December 2023 and 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Rent concessions

During the year ended 31 December 2022, the Group received rent concessions through forgiveness of certain amount of lease payments that were not within the scope of Covid-19-related rent concessions and concluded the changes in lease payments constitute lease modifications. The reduction of the Group's lease liabilities of RMB12,215,000 and a corresponding adjustment of the same amount to the right-of-use assets were recognised.

Details of the lease maturity analysis of lease liabilities are set out in note 38(b).

Details of impairment of right-of-use assets are set out in note 17.

Restrictions or covenants on leases

In addition, lease liabilities of RMB190,416,000 are recognised with related right-of-use assets of RMB174,210,000 as at December 31, 2023 (2022: lease liabilities of RMB199,528,000 are recognised with related right-of-use assets of RMB185,193,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

19. INTANGIBLE ASSETS

	Computer software RMB'000	Domain names RMB'000	Trademarks and copyrights RMB'000	Deferred development costs RMB'000	Total RMB'000
COST					
At 1 January 2022	44,295	2,659	8,000	4,315	59,269
Additions	955	—	—	—	955
At 31 December 2022	**45,250**	**2,659**	**8,000**	**4,315**	**60,224**
Additions	**553**	**—**	**—**	**—**	**553**
Disposal of subsidiaries (note 33)	**(503)**	**—**	**—**	**—**	**(503)**
Written off	**(48)**	**—**	**—**	**(147)**	**(195)**
At 31 December 2023	**45,252**	**2,659**	**8,000**	**4,168**	**60,079**
AMORTISATION AND IMPAIRMENT					
At 1 January 2022	(15,037)	(2,590)	(8,000)	—	(25,627)
Charge for the year	(6,182)	(69)	—	—	(6,251)
At 31 December 2022	**(21,219)**	**(2,659)**	**(8,000)**	**—**	**(31,878)**
Charge for the year	**(3,980)**	**—**	**—**	**—**	**(3,980)**
Disposal of subsidiaries (note 33)	**64**	**—**	**—**	**—**	**64**
At 31 December 2023	**(25,135)**	**(2,659)**	**(8,000)**	**—**	**(35,794)**
CARRYING VALUES					
At 31 December 2023	**20,117**	**—**	**—**	**4,168**	**24,285**
At 31 December 2022	24,031	—	—	4,315	28,346

19. INTANGIBLE ASSETS (CONTINUED)

Deferred development costs are internally generated for the development of computer software. Except for the internally generated portion of computer software, all of the other intangible assets of the Group were acquired from third parties in prior years.

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Computer software	1~10 years
Domain names, trademarks and copyrights	10 years

The annual rates for computer software are determined in accordance with the useful lives of the software which were assessed by the Group considering different purposes and usage of the software. The software serving as an underlying IT system or teaching platform system is amortised over a period up to 10 years. Other software requiring fast updating is amortised over a shorter period.

Trademarks and copyrights and domain names are depreciated over the estimated useful lives based on the directors' best estimation. Registration of trademarks and copyrights can be renewed upon expiry.

20. INVESTMENTS IN ASSOCIATES

	2023 RMB'000	2022 RMB'000
Cost of investments in associates — unlisted	**36,528**	36,528
Share of post-acquisition losses and other comprehensive expenses, net of dividends received	**(5,221)**	(4,202)
Accumulated impairment	**(15,195)**	(15,195)
	16,112	17,131

20. INVESTMENTS IN ASSOCIATES (CONTINUED)

Details of each of the Group's material associates at the end of the reporting period are as follows:

Name of associates	Country of incorporation/ registration and operations	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
		2023	2022	**2023**	2022	
Guangdong Donghu Qiyuan Co., Ltd. ("**Donghu Qiyuan**")	PRC/ Mainland China	**30.00%**	30.00%	**30.00%**	30.00%	Chess training services
Guangzhou Haite Sports Development Co., Ltd. ("**Haite Sports**")	PRC/ Mainland China	**36.00%**	36.00%	**36.00%**	36.00%	Physical education services
Guangzhou Xinyue Sports Co., Ltd. ("**Xinyue Sports**")	PRC/ Mainland China	**40.00%**	40.00%	**40.00%**	40.00%	Physical education services
Guangzhou Walmonos Sports Development Co., Ltd. ("**Walmonos Sports**") (note)	PRC/ Mainland China	**18.00%**	18.00%	**18.00%**	18.00%	Physical education services
Guangzhou Yuyou Pinxue Co., Ltd. ("**Yuyou Pinxue**") (note)	PRC/ Mainland China	**17.48%**	17.48%	**17.48%**	17.48%	Inactive
Guangzhou Shengshi Zhiben Education Investment Co., Ltd. ("**Guangzhou Shengshi**")	PRC/ Mainland China	**20.00%**	20.00%	**20.00%**	20.00%	Education investment and consultation services

Note: In the opinion of the directors, the Group has significant influence through the board representation, even though the respective shareholdings of these investments are below 20%. Accordingly, these investments have been classified as associates.

20. INVESTMENTS IN ASSOCIATES (CONTINUED)

The Group's shareholding in the associates represents equity shares held through its wholly-owned subsidiaries of the Company.

Summarised financial information of Walmonos Sports

Walmonos Sports is considered a material associate of the Group and is accounted for using the equity method.

Summarised financial information in respect of Walmonos Sports is set out below. The Summarised financial information below represents amounts shown in Walmono Sports' s financial statements prepared in accordance with IFRSs.

The associate is accounted for using the equity method in these financial statements.

Walmonos Sports

	2023 RMB'000	2022 RMB'000
Current assets	**25,479**	42,079
Non-current assets	**8,350**	12,070
Current liabilities	**30,270**	49,313
Non-current liabilities	**4,500**	5,100

	2023 RMB'000	2022 RMB'000
Revenue	**85,096**	108,095
(Loss) profit for the year	**(677)**	3,234
(Loss) profit and total comprehensive (expense) income for the year	**(677)**	3,234

20. INVESTMENTS IN ASSOCIATES (CONTINUED)

Summarised financial information of Walmonos Sports (continued)

Walmonos Sports (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2023 **RMB'000**	2022 RMB'000
Net liabilities of Walmonos Sports	**(941)**	(264)
Proportion of the Group's interest in Walmonos Sports	**18.00%**	18.00%
The Group's share of net liabilities of Walmonos Sports	**(168)**	(47)
Goodwill	**22,604**	22,604
Accumulated impairment loss	**(15,195)**	(15,195)
Carrying amount of the Group's interest in Walmonos Sports	**7,241**	7,362

Note: During the year ended 31 December 2023 and 2022, no impairment loss was recognised in Walmonos Sports based on the Group's assessment.

20. INVESTMENTS IN ASSOCIATES (CONTINUED)

Aggregate information of associates that are not individually material

	2023 RMB'000	2022 RMB'000
The Group's share of loss and total comprehensive expense for the year	**(897)**	(631)
Aggregate carrying amount of the Group's interests in these associates	**8,871**	9,769

Disposal of associates

During the year ended 31 December 2022, the Group disposed of all its interests in Guangzhou Sairui Sports Co., Ltd. and Guangzhou Wandou Information and Technology Co., Ltd. to independent third parties at consideration of RMB922,000 (received in September 2022).

This transaction has resulted in the recognition of a gain in profit or loss, calculated as follows:

	2023 RMB'000	2022 RMB'000
Proceeds of disposal	–	922
Less: carrying amount of the investments on the date of disposal	–	312
Gain on disposal	–	610

21. INVESTMENTS IN JOINT VENTURES

	2023 RMB'000	2022 RMB'000
Cost of investment in joint ventures	**2,750**	2,750
Share of post-acquisition losses and other comprehensive expenses	**(2,294)**	(1,436)
Exchange adjustments	**283**	283
	739	1,597
Loan to a joint venture	**4,627**	4,627
	5,366	6,224

The loan to a joint venture is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the directors of the Company, this loan is considered as part of the Group's net investment in the joint venture. There was no recent history of default and past due amounts for the loan to a joint venture. As at 31 December 2023 and 2022, the loss allowance was assessed to be minimal.

Details of each of the Group's joint ventures at the end of the reporting period are as follows:

Name of entities	Country of incorporation/ registration and operations	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
		2023	2022	**2023**	2022	
Gowise Education Holdings Pty Ltd. ("**Gowise Education**")	Australia	**50.00%**	50.00%	**50.00%**	50.00%	Property management and investment
Guangzhou Beststudy Lele Culture Communication Co., Ltd. ("**Lele Culture**")	PRC/ Mainland China	**55.00%**	55.00%	**55.00%**	55.00%	Offline study room

Aggregate information of joint ventures that are not individually material

	2023 RMB'000	2022 RMB'000
The Group's share of losses and total comprehensive expenses for the year	**(858)**	(1,153)
Aggregate carrying amount of the Group's interests in these joint ventures	**739**	1,597

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		2023 RMB'000	2022 RMB'000
Financial assets mandatory measured at FVTPL:			
Equity investments — unlisted equity investments		**7,392**	8,099
Financial assets designated at FVTPL:			
Equity investments — listed equity investments	(i)	**23,003**	51,683
Debt instruments			
— funds	(ii)	**24,772**	40,938
— unlisted trust plans and asset management plans	(ii)	**13,810**	17,222
		61,585	109,843
		68,977	117,942
Analysed for reporting purposes as:			
— current assets		**61,585**	99,796
— non-current assets		**7,392**	18,146
		68,977	117,942

Notes:

(i) The above listed equity investments represent ordinary shares of an entity listed in Hong Kong. The fair value of listed equity investment is determined based on the quoted market bid price (Level 1: quoted price (unadjusted) in active markets).

(ii) Unlisted trust plans, asset management plans and funds issued by financial institutions, were denominated in RMB at aggregate amounts of RMB38,582,000 (2022: RMB58,160,000), with rate of return ranging from 5% to 7% (2022: 5% to 7%) per annum. As at 31 December 2023, unlisted trust plans and funds pledged with collaterals of properties with a carrying amount of RMB38,582,000 (2022: RMB48,114,000) were overdue without being redeemed pursuant to the terms of the subscription agreements.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Notes: (continued)

(iii) Amounts recognised in profit or loss:

	2023 **RMB'000**	2022 RMB'000
Fair value changes in equity investments at FVTPL		
— Unlisted equity investments	**(712)**	621
— Listed equity investments	**(28,681)**	2,698
	(29,393)	3,319
Fair value changes in debt investments at FVTPL		
— Funds	**(6,107)**	(12,784)
— Wealth management products issued by banks	**—**	236
— Unlisted trust plans and asset management plans	**(3,412)**	(3,174)
	(9,519)	(15,722)
	(38,912)	(12,403)

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

23. DEBT INSTRUMENTS MEASURED AT AMORTISED COST

	2023 RMB'000	2022 RMB'000
Corporate debts	**33,315**	46,058
Analysed for reporting purposes as:		
— current assets	**33,315**	23,205
— non-current assets	**—**	22,853
	33,315	46,058

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

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

The management of the Group has engaged an external valuation specialist to assist in the impairment assessment of debt instruments measured at amortised cost by adopting 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 2023, the Group recognised impairment losses of RMB14,125,000 and reversed impairment loss of RMB9,736,000 (2022: recognised impairment losses of RMB3,893,000 and reversed impairment loss of RMB26,942,000), respectively through profit or loss for the debt instruments.

Details of the impairment assessment are set out in note 38(b).

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Loan receivables from third parties (note)	**30,000**	30,000
Less: allowance of credit loss	**(20,849)**	(19,276)
	9,151	10,724
Prepaid operation expenses	**21,052**	12,067
Prepayments for purchases of property, plant and equipment	**23,579**	13,862
Staff advances	**306**	130
Rental and other deposits	**26,560**	20,652
Receivables from payment channels	**21,096**	11,887
Loans to employees	**495**	1,689
Interest receivables	**5,778**	—
Others	**7,736**	4,813
	115,753	75,824
Analysed by:		
— current	**92,174**	61,962
— non-current	**23,579**	13,862
	115,753	75,824

Note: The effective interest rate of these loan receivables are ranging from 2.75% to 5% (2022: 2.75% to 5%). As at 31 December 2023, included in the Group's loan receivables balance are debtor with aggregate principle amount of RMB28,000,000 (2022: RMB5,000,000) which is past due over 90 days as at reporting date.

As at 31 December 2023, the carrying amount of loan receivables amounting to RMB28,000,000 (2022: RMB28,000,000) are pledged with collaterals such as properties or equity instruments (2022: properties or equity instruments). The Group is not permitted to sell or repledge the collaterals in the absence of default by the borrower. There has not been any significant changes in the quality of the collateral held for the loan receivables.

Details of impairment assessment are set out in note 38(b).

25. CASH AND CASH EQUIVALENTS/TIME DEPOSITS/RESTRICTED BANK DEPOSITS

	2023 RMB'000	2022 RMB'000
Cash and cash equivalents	**281,928**	195,084
Time deposits	**198,444**	70,000
Restricted bank deposits	**19,200**	8,099
	499,572	273,183

Cash and cash equivalents include demand deposits for the purpose of meeting the Group's short term cash commitments, which carry interest at market rate of 0.2% (2022: 0.3%) per annum.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The majority of the bank balances and deposits are deposited with creditworthy banks. During the year ended 31 December 2023, the Group reversed an impairment loss amounting RMB450,000 (2022: recognised an impairment loss of RMB450,000) for the bank balances.

As at 31 December 2023, time deposits include short-term time deposits amounting to RMB18,444,000 (2022: RMB20,000,000) carry interest at market rate of 3.5% to 4.8% (2022:2.0%) per annum, and long-term time deposits amounting to RMB180,000,000 (2022: RMB50,000,000) carry interest rate of 3.2% (2022: 3.2%) per annum.

As at 31 December 2023, bank balances amounting to RMB19,200,000 (2022: RMB8,099,000) are restricted. Bank balances that are placed in restricted bank accounts in accordance with the applicable government regulations amounting to RMB18,510,000 (2022: RMB7,376,000), such balances can only be applied once the Group has fulfilled its obligation to transfer the promised services on a systematic way. The balances carrying interest at market rate of 0.2% per annum.

Details of impairment assessment are set out in note 38(b).

26. OTHER PAYABLES AND ACCRUALS

	31/12/2023 RMB'000	31/12/2022 RMB'000
Accrued staff benefits and payroll	**44,533**	41,611
Payable for operating activities	**40,299**	31,388
Other tax payables	**4,442**	3,287
Deposits	**2,343**	2,940
Others	**14,553**	14,229
	106,170	93,455

27. CONTRACT LIABILITIES

	2023 RMB'000	2022 RMB'000
Short-term tutoring fees from customers in advance	**211,784**	151,196

As at 1 January 2022, contract liabilities amounted to RMB191,725,000.

The following table shows how much of the revenue recognised relates to carried-forward contract liabilities.

	2023 RMB'000	2022 RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	**151,066**	191,725

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

— Contract liabilities are recognised by the Group for the tuition fees that the Group collected from the customers in relation to performance obligations that have not been satisfied. For certain programs that the Group may offer a discount or free of charge if ordered in a bundled package, contract liabilities are recognised for total amount of consideration received and allocate to each performance obligation on a relative stand-alone selling price basis.

28. SHARE CAPITAL OF THE COMPANY

Ordinary shares of United States dollars ("US$") 0.00005 each	Number of shares 2023 '000	2022 '000	Share capital 2023 RMB'000	2022 RMB'000
Authorised				
At beginning and end of year	**3,000,000**	3,000,000	**1,070**	1,070
Issued and fully paid				
At beginning and end of year	**847,221**	847,221	**303**	303

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

29. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity.

(a) Statutory surplus reserve

Pursuant to the relevant laws in the PRC, the Company's subsidiaries in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the boards of directors of the relevant subsidiaries in the Mainland China. These reserves include (i) the general reserve of the limited liability companies; and (ii) the development fund of private non-enterprise units.

(1) In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant Mainland China accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve can be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(2) According to the relevant PRC laws and regulations, private non-enterprise units which require reasonable returns are required to appropriate to the development fund no less than 25% of the net income of the relevant institutions as determined in accordance with generally accepted accounting principles in the Mainland China. The development fund is for the construction or maintenance of the schools or procurement or upgrade of educational equipment.

29. RESERVES (CONTINUED)

(b) Share premium

The share premium of the Group represents the capital contribution premium from its then shareholders of the Company.

(c) Shares held for the RSU scheme

The RSU scheme is operated through a trustee (the "**RSU Trustee**") who is an employee of the Group. The RSU Trustee administers the RSU scheme in accordance with the rules of the RSU scheme and the trust deed. The Company has also appointed Soarise Bulex Limited as the nominee of the RSU scheme (the "**RSU Scheme nominee**"). Shares of the Company held by Soarise Bulex Limited were reserved for grant of shares and the vesting of granted shares under the RSU scheme.

The Company has the power to direct the relevant activities of the RSU scheme and it has the ability to use its power over the RSU scheme to affect its exposure to returns. Therefore, the assets and liabilities of the RSU scheme nominee are included in the Group's consolidated statement of financial position and the ordinary shares held for the Company's RSU scheme were presented as "shares held for RSU Scheme".

30. DEFERRED TAX ASSETS/LIABILITIES

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2023 RMB'000	2022 RMB'000
Deferred tax assets	**45,797**	46,460

30. DEFERRED TAX ASSETS/LIABILITIES (CONTINUED)

The following are the major deferred tax assets recognised and movements thereon during the current and prior years:

	Retirement benefit obligation RMB'000	Impairment losses RMB'000	Deductible tax exemptions and allowance RMB'000	Right-of-use assets RMB'000 (Restated)	Lease liabilities RMB'000 (Restated)	Right-of-use assets/ lease liabilities RMB'000	Others RMB'000	Total RMB'000
At 1 January 2022	(1,800)	4,045	27,141	–	–	5,666	28	35,080
Adjustments	–	–	–	(37,444)	43,110	(5,666)	–	–
At 1 January 2022 (restated)	(1,800)	4,045	27,141	(37,444)	43,110	–	28	35,080
Credit (charge) to profit or loss	1,800	(1,766)	(3,595)	1,744	(6,408)	–	43	(8,182)
Credit (charge) to profit or loss due to effect on change in tax rate	–	290	16,672	(10,598)	13,179	–	19	19,562
At 31 December 2022	–	2,569	40,218	(46,298)	49,881	–	90	46,460
(Charge) credit to profit or loss	–	(363)	(678)	2,746	(2,278)	–	(90)	(663)
At 31 December 2023	–	2,206	39,540	(43,552)	47,603	–	–	45,797

At the end of the reporting period, the Group has unrecognised deferred tax assets on the following unused tax losses and deductible temporary differences available for offset against future profits:

	2023 RMB'000	2022 RMB'000
Tax loss carried forward	**128,968**	135,278
Deductible temporary differences	**194,023**	198,786
	322,991	334,064

30. DEFERRED TAX ASSETS/LIABILITIES (CONTINUED)

At 31 December 2023, the Group has tax losses arising in Mainland China of RMB128,968,000 (2022: RMB135,278,000) that will expire in coming one to five years for offsetting against future taxable profits. The Group also has unrecognised deductible temporary differences of RMB194,023,000 (2022: RMB198,786,000). No deferred tax asset has been recognised in relation to such tax losses and deductible temporary differences as it is not probable that taxable profit will be available against which the tax losses and deductible temporary differences can be utilised.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. A 10% (or a lower rate if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors) withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was RMB140,007,000 (2022:RMB80,298,000) for both reporting periods. No deferred tax liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

31. LEASE LIABILITIES

	2023 **RMB'000**	2022 RMB'000
Lease liabilities payable:		
Within one year	**51,423**	54,602
Within a period of more than one year but not more than two years	**44,813**	46,137
Within a period of more than two years but not more than five years	**74,222**	74,248
Within a period of more than five years	**19,958**	24,541
	190,416	199,528
Less: Amount due for settlement within 12 months shown under current liabilities	**(51,423)**	(54,602)
Amount due for settlement after 12 months shown under non-current liabilities	**138,993**	144,926

The weighted average incremental borrowing rates applied to lease liabilities range from 4.75% to 4.90% (2022: from 4.75% to 4.90%).

There is no material lease obligations are denominated in currencies other than the functional currencies of the relevant group entities.

32. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled RSU scheme of the Company ("RSU Scheme"):

The Company's RSU Scheme was adopted pursuant to a resolution passed on 3 December 2018 for the primary purpose of providing incentives to directors and eligible employees. The RSU Scheme will be valid and effective for a period of ten years, commencing from 3 December 2018.

The maximum number of shares that may be issued under the RSU Scheme is up to a number of shares in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the rules of the RSU Scheme) equal to 10% of the issued shares of the Company held or to be held by the RSU Trustee for the purpose of the RSU Scheme from time to time. The RSU Scheme is subject to annual renewal and approval by shareholders at each annual general meeting of the Company.

Under the RSU Scheme, the Company may grant share awards to eligible employees provided that the employees have fulfilled any performance and/or service conditions, and may issue and deliver to each eligible employee an award of a number of shares equal to (i) the value of the compensation determined by the Board of directors to be earned by such eligible employee on the date of approval of an award, divided by (ii) the average market price of the shares on the date of approval of the share award less the maximum allowable discount to the average market price permitted by the securities exchange upon which the shares are listed.

During the year ended 31 December 2022, the Group granted 200,000 RSUs at a consideration of nil per share to one employee of the Group pursuant to the RSU Scheme, which were vested immediately. The fair value of each restricted share unit granted to the employee is measured with reference to the closing prices of the ordinary shares of the Company at the grant date of average HK$0.52 (equivalent to RMB0.43) per share.

The movements of the Company's shares held for the RSU Scheme account during the years ended 31 December 2023 and 2022 are as follows:

	Number of shares	Amount RMB'000
As at 1 January 2022	94,713,956	155,883
Share awards vested	(366,667)	—
As at 31 December 2022	**94,347,289**	**155,883**
Share awards vested	**(166,665)**	**—**
Repurchase of shares held for RSU Scheme	**9,000**	**7**
As at 31 December 2023	**94,189,624**	**155,890**

Notes:

(a) During the year ended 31 December 2023, the total consideration of repurchase of ordinary shares of the Company on the Stock Exchange for the RSU Scheme was HK$8,000 (approximately RMB7,000). No shares of the Company were repurchased by the Company during the year ended 31 December 2022.

(b) During the year ended 31 December 2023, 166,665 granted RSUs were vested in 2023 (2022: 366,667).

32. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Equity-settled RSU scheme of the Company ("RSU Scheme"): (continued)

The following table discloses details of the specific category of share awards and the movements of the RSU Scheme during the respective financial years.

For the year ended 31 December 2023

						Number of share awards				
Category of grantees	Date of grant	Exercise price per share	Vesting date	Grant-date price per share	Closing price per share immediately before the vesting date	Outstanding at 1.1.2023 '000	Granted during the year '000	Vested during the year '000	Expired/ forfeited during the year '000	Outstanding at 31.12.2023 '000
Employees	10 September 2020	–	10.09.2023	HK$3.20 (equivalent to RMB2.82)	HK$0.72 (equivalent to RMB0.66)	166	–	(166)	–	–
						166	–	(166)	–	–

For the year ended 31 December 2022

						Number of share awards				
Category of grantees	Date of grant	Exercise price per share	Vesting date	Grant-date price per share	Closing price per share immediately before the vesting date	Outstanding at 1.1.2022 '000	Granted during the year '000	Vested during the year '000	Expired/ forfeited during the year '000	Outstanding at 31.12.2022 '000
Employees	10 September 2020	–	10.09.2022	HK$3.20 (equivalent to RMB2.82)	HK$0.44 (equivalent to RMB0.39)	167	–	(167)	–	–
Employees	10 September 2020	–	10.09.2023	HK$3.20 (equivalent to RMB2.82)	HK$0.72 (equivalent to RMB0.66)	166	–	–	–	166
One employee	5 January 2022	–	05.01.2022	HK$0.52 (equivalent to RMB0.43)	HK$0.30 (equivalent to RMB0.23)	–	200	(200)	–	–
						333	200	(367)	–	166

32. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Equity-settled RSU scheme of the Company ("RSU Scheme"): (continued)

During the year ended 31 December 2023, share-based payment expenses amounted to RMB655,000 was reversed (2022: RMB726,000 was recognised). The fair value of the share awards of RMB110,000 (2022: RMB555,000) is estimated based on the Company's share price on respective date of grant.

Equity-settled share option scheme of the Company:

The Company's share option scheme (the "**Share Option Scheme**") was adopted pursuant to a resolution passed on 3 December 2018 for the primary purpose of providing incentives to directors and eligible employees. The Share Option Scheme is valid and effective for a period of ten years, commencing from 3 December 2018.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 84,804,000 shares, being 10% (the "**Scheme Mandate Limit**") of the shares in issue immediately after the IPO (assuming the over-allotment option is not exercised and no exercise of any option which may be granted under the Share Option Scheme) unless the Company obtains an approval from its shareholders. Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit. Moreover, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 30% of the shares in issue from time to time. No option may be granted under the Share Option Scheme and any other share option schemes of the Company if such Scheme Mandate Limit is exceeded.

No share option was in issue pursuant to the Share Option Scheme at the end of the reporting period.

33. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2023, the Group had entered into equity transfer agreements with third parties to sell the entire equity interest in 5 subsidiaries held by the Company for a consideration of RMB755,000. The disposal of subsidiaries was completed in 2023 with gains of RMB19,545,000 and a net cash outflow of RMB1,358,000. The Group had deregistered 4 subsidiaries in 2023 with losses of RMB26,000.

33. DISPOSAL OF SUBSIDIARIES (Continued)

Analysis of assets and liabilities over which control was lost:

	2023 RMB'000
Property, plant and equipment	862
Right-of-use assets	4,427
Intangible assets	439
Prepayments, deposits and other receivables	4,091
Other current assets	917
Cash and cash equivalent	2,113
Other payables and accruals	(27,025)
Lease liabilities	(5,264)
Contract liabilities	(1,752)
	(21,192)
Gain on disposal of subsidiaries:	
Consideration received	755
Less: Net liabilities disposed of	(21,192)
Non-controlling interests	2,402
Gain on disposal	19,545
Net cash outflow arising on disposal:	
Cash consideration	755
Less: cash and cash equivalents disposed of	(2,113)
	(1,358)

34. CONTINGENT LIABILITIES

Subsidiaries of the Company are subject to periodic legal and administrative proceedings in the ordinary course of business. At 31 December 2023, the directors of the Company believe, based on legal advice, that there was no pending legal proceeding to which the Group is a party that will have a material effect on the Group's business, results of operations or cash flows.

At 31 December 2023, no contingent liabilities have arisen as a result of the Group's interests in joint ventures or associates.

35. CAPITAL COMMITMENTS

	2023 **RMB'000**	2022 RMB'000
Capital expenditure in respect of leasehold improvements in the consolidated financial statements — contracted but not provided for	**3,155**	—

36. RETIREMENT BENEFITS PLANS

Defined contribution plans

The employees of the Group's subsidiaries in Mainland China are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiary is required to contribute a certain percent of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total expense recognised in profit or loss of RMB7,633,000 (2022: RMB16,586,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2023, nil contributions (2022: RMB733,000) due in respect of the year ended 31 December 2023 had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.

37. CAPITAL RISK MANAGEMENT

The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of business.

The directors review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through the raising of new debts as well as the redemption of the existing debt. The Group's overall strategy remains unchanged from prior years.

The Group monitors capital using a debt-to-asset ratio, which is total liabilities divided by total assets. The debt-to-asset ratios as at the end of the reporting periods were as follows:

	2023 **RMB'000**	2022 RMB'000
Total liabilities	**549,941**	463,792
Total assets	**1,046,376**	869,682
Debt-to-asset ratio	**53%**	53%

38. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2023 RMB'000	2022 RMB'000
Financial assets		
FVTPL		
— Equity investments at FVTPL	**30,395**	59,782
— Debt instruments at FVTPL	**38,582**	58,160
At amortised cost		
— Debt instruments at amortised cost	**33,315**	46,058
— Loan to a joint venture	**4,627**	4,627
— Loan receivables	**9,151**	10,724
— Deposits and other receivables	**61,665**	39,041
— Amounts due from associates	**609**	130
— Amounts due from related parties	**4,352**	4,789
— Short-term time deposits	**18,444**	20,000
— Long-term time deposits	**180,000**	50,000
— Restricted bank deposits	**19,200**	8,099
— Cash and cash equivalents	**281,928**	195,084
	682,268	496,494
Financial liabilities		
At amortised cost		
— Other payables	**57,195**	48,557
— Amounts due to related parties	**473**	737
	57,668	49,294

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, debt instruments measured at amortised cost, loan to a joint venture, loan receivables, deposits and other receivables, amounts due from associates, amounts due from related parties, time deposits, restricted bank deposits, cash and cash equivalents, other payables and amounts due to related parties. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. With the majority of the Group's businesses transacted in RMB, the aforesaid currency is determined as the functional currency of certain subsidiaries of the Company.

The Company and its subsidiaries have foreign currencies included in bank balances, financial assets at FVTPL, deposits and other receivables, loan to a joint venture and other payables which expose them to foreign currency risk. In addition, the Company has intra-group balances with several subsidiaries denominated in foreign currency which also expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets, monetary liabilities and intra-group balances at the end of the reporting period are as follows:

	Liabilities		**Assets**	
	2023	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000
US$	**293**	290	**7,456**	8,778
HK$	**466**	55	**31,912**	65,528
Australian Dollar	**—**	—	**4,627**	4,627
Intra-group balances				
US$	**212,066**	208,530	**212,066**	208,530

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

Currency risk (continued)

<u>Sensitivity analysis</u>

The management of the Company considers that the exposure to fluctuations in exchange rate of US$, HK$ and Australian Dollar against RMB are not significant as the net exposure of the foreign currency amounts are not material and thus no sensitivity analysis is presented.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to debt instruments at amortised cost (see note 23), restricted bank deposits (see note 25) and lease liabilities (see note 31). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see note 25). The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

<u>Sensitivity analysis</u>

Bank balances are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

No outstanding loan as at 31 December 2023 and 2022.

Other price risk

The Group is exposed to equity price risk through its investments in equity investments at FVTPL. The Group's price risk is mainly concentrated on equity investment operating in the education industry sector quoted on The Stock Exchange of Hong Kong Limited. In addition, the Group also invested in certain unquoted equity investments for investees operating in education industry sector for long term strategic purposes which had been accounted at FVTPL. The management of the Group manages this exposure by maintaining the shares held in the equity investments.

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Other price risk (continued)

Sensitivity analysis

The sensitivity analysis has been determined based on the exposure to price risk at the reporting date. No sensitivity analysis is presented for unlisted investments at FVTPL as the directors of the Company consider the amounts of unlisted investments to be insignificant. If the prices of the listed equity investment had been 5% (2022: 5%) higher/lower, the Group's post-tax profit for the year ended 31 December 2023 would increase/decrease by RMB960,000 (2022: increase/decrease by RMB2,158,000) as a result of the changes in fair value of financial assets at FVTPL.

In management's opinion, the sensitivity analysis is unrepresentative of the price risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to debt instruments at FVTPL, debt instruments at amortised costs, loan to a joint venture, amounts due from associates, amounts due from related parties, deposits and other receivables, time deposits, restricted bank deposits and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risk associated with certain debt instruments at FVTPL, debt instruments at amortised costs and loan receivables because they are secured over properties or equity instruments.

Except for debt instruments at FVTPL, the Group performed impairment assessment for financial assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Debt instruments at FVTPL

The directors of the Company regularly reviews and monitors the portfolio of debt instruments. Details of the terms of these investments are disclosed in note 22. As at 31 December 2023, the maximum credit risk exposures to debt instruments at FVTPL is RMB38,582,000 (2022: RMB58,160,000). Summary of the fair value and principal amount of these debt instruments at FVTPL are set out below.

	2023		2022	
	Fair value RMB'000	**Principal amount RMB'000**	Fair value RMB'000	Principal amount RMB'000
Debt instruments at FVTPL				
— Funds	**24,772**	**164,084**	40,938	187,974
— Unlisted trust plans and asset management plans	**13,810**	**22,300**	17,222	22,300

Debt instruments at amortised cost

The management of the Group estimates the estimated credit loss rates of debt instruments at amortised cost individually based on historical credit loss experience of the debtors, adjusted for factors that are specific to the debtors and forward looking information that is available. Details of the debt instruments at amortised cost are disclosed in note 23.

At 31 December 2023, based on the assessment of the management of the Group, included in the debt instruments at amortised cost, a gross carrying amount of RMB68,059,000 (2022: RMB74,488,000) were past due and are considered as credit-impaired. The remaining debt instruments at amortised cost with a gross amount of RMB22,693,000 (2022: RMB24,618,000) are not yet past due at end of the reporting period, while there have been significant increases in credit risk and are considered as not credit-impaired. Included in the carrying amount of debt instruments measured at amortised cost as at 31 December 2023 is accumulated impairment losses of RMB57,437,000 (2022: RMB53,048,000).

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Loan receivables

The management of the Group estimates the estimated loss rates of loan receivables on an individual assessment basis based on historical credit loss experience of the debtors as well as the fair value of the collateral pledged by debtors. At 31 December 2023, the Group's loan receivables gross carrying amount is RMB30,000,000 (2022: RMB30,000,000). Details of the loans receivables are disclosed in note 24.

At 31 December 2023, loan receivables with gross carrying amount of RMB28,000,000 (2022: RMB28,000,000) have been past due. Based on the assessment of the management of the Group, of loan receivables with gross carrying amount of RMB28,000,000 (2022: RMB28,000,000) are considered credit-impaired and RMB2,000,000 (2022: RMB2,000,000) of loan receivables are considered as significant increase in credit risk at 31 December 2023. Included in the carrying amount of loan receivables as at 31 December 2023 is accumulated impairment losses of RMB20,849,000 (2022: RMB19,276,000).

For the year ended 31 December 2023, impairment of RMB1,573,000 (2022: RMB3,605,000) was recognised through profit or loss for loan receivables.

Long-term time deposits/restricted bank deposits/short-term time deposits/bank balances

Credit risk on long-term time deposits, restricted bank, short-term time deposits and bank balances is limited because the counterparties are reputable banks with high credit ratings. The Group assessed 12m ECL for long-term time deposits, restricted bank deposits, short-term time deposits and bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. During the current year, the Group reversed an impairment loss amounting to RMB450,000 (2022: recognised an impairment loss of RMB450,000) for the bank balances.

Loan to a joint venture/amounts due from associates/amounts due from related parties

The Group regularly monitors the business performance of the associates and joint ventures and also the credit profile of the related party. The Group's credit risks in these balances are mitigated through the value of the assets held by these entities and the power to participate or jointly control the relevant activities of these entities or the related parties are management of the Group. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 December 2023, the Group assessed the ECL for loan to a joint venture, amounts due from associates and amounts due from related parties are insignificant and thus no loss allowance is recognised (2022: nil).

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Other receivables and deposits

For other receivables and deposits, the management makes periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. At 31 December 2023, there is significant increase in credit risk for certain other receivables and deposits based on the Group's assessment, and included in the carrying amount of other receivables and deposits, is accumulated impairment loss amounting RMB1,716,000 (2022: RMB1,702,000).

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	All financial assets
Low	The counterparty has a low risk of default and does not have any past-due amounts	12m ECL
Normal	Debtor frequently repays after due dates but usually settle in full	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired
Write off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Write off

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

	NOTES	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount 31/12/2023 RMB'000	RMB'000	31/12/2022 RMB'000	RMB'000
Financial assets at amortised cost								
Debt instruments measured at amortised cost	23							
– Corporate debts		Caa-C	Normal	12m ECL	–		24,618	
		Caa-C	Doubtful	Lifetime ECL – (not credit-impaired)	22,693			
		Caa-C	Loss	Lifetime ECL – (credit-impaired)	68,059	90,752	74,488	99,106
Long-term time deposits	25	N/A	Low	12m ECL		180,000		50,000
Loan receivables	24	N/A	Doubtful	Lifetime ECL – (not credit-impaired)	2,000		2,000	
			Loss	Lifetime ECL – (credit-impaired)	28,000	30,000	28,000	30,000
Loan to a joint venture	21	N/A	Normal	12m ECL		4,627		4,627
Other receivables and deposits*	24	N/A	Normal	12m ECL		63,381		40,743
Amounts due from associates	41	N/A	Normal	12m ECL		609		130
Amount due from related parties	41	N/A	Normal	12m ECL		4,352		4,789
Restricted bank deposits	25	N/A	Low	12m ECL		19,200		8,099
Bank balances	25	N/A	Low	12m ECL		281,928		195,534
Short-term time deposits	25	N/A	Low	12m ECL		18,444		20,000

* The credit quality of other receivables and deposits is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The following tables show reconciliation of loss allowances that has been recognised for debt instruments measured at amortised cost, bank balances, other receivables and loan receivables.

	12m ECL RMB'000	Lifetime ECL (not credit — impaired) RMB'000	Lifetime ECL (credit — impaired) RMB'000	Total RMB'000
As at 1 January 2022	1,576	18,246	74,521	94,343
Change due to financial instruments recognised at 1 January 2022				
— transfer to credit impaired	—	(15,797)	15,797	—
— impairment loss recognised	1,079	1,253	5,875	8,207
— impairment loss reversed	(440)	—	(26,502)	(26,942)
— write-offs	—	—	(1,132)	(1,132)
As at 31 December 2022	**2,215**	**3,702**	**68,559**	**74,476**
Change due to financial instruments recognised at 1 January 2023				
— transfer to not credit impaired	**(1,765)**	**1,765**	**—**	**—**
— impairment loss recognised	**—**	**13,127**	**2,927**	**16,054**
— impairment loss reversed	**(450)**	**(50)**	**(10,028)**	**(10,528)**
As at 31 December 2023	**—**	**18,544**	**61,458**	**80,002**

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Changes in the loss allowance for debt instruments measured at amortised cost bank balances, other receivables and loan receivables are mainly due to:

		Increase (decrease) in lifetime ECL	
	12m ECL RMB'000	Non credit — impaired RMB'000	Credit — impaired RMB'000
For the year ended 31 December 2023			
Two debt instruments at amortised cost transfer to non credit-impaired	**(1,765)**	**1,765**	**—**
Change in credit rating of the financial assets during the year			
Recognition of ECL	**—**	**13,127**	**2,927**
Reversal of ECL	**—**	**—**	**(3,226)**
Settlement of loan receivables	**—**	**(50)**	**—**
Settlement of debt instruments at amortised cost	**—**	**—**	**(6,802)**
Reversal of impairment loss in bank balances	**(450)**	**—**	**—**
For the year ended 31 December 2022			
Two loan receivables default and transfer to credit-impaired	—	(14,665)	14,665
Other receivables default and transfer to credit-impaired	—	(1,132)	1,132
Change in credit rating of the financial assets during the year	1,079	1,253	5,875
Settlement of debt instruments	(440)	—	(26,502)

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The contractual maturities of the Group's non-current portion of lease liabilities are described in note 31. The remaining financial liabilities, consisting of other payables, amounts due to related parties, the current portion of lease liability are expected to be realised within one year.

The following tables detail the Group's remaining contractual maturity for its financial liabilities and lease liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest rates are floating rate, the undiscounted amount is derived from interest rate curve at the end of each reporting period.

Liquidity tables

	Weighted average effective interest rate %	On demand RMB'000	Within 1 year RMB'000	1–5 years RMB'000	>5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
2023							
Other payables	–	57,195	–	–	–	57,195	57,195
Amounts due to related parties	–	473	–	–	–	473	473
Lease liabilities	4.75 to 4.90	–	59,432	132,322	21,039	212,793	190,416
		57,668	59,432	132,322	21,039	270,461	248,084
2022							
Other payables	–	48,557	–	–	–	48,557	48,557
Amounts due to related parties	–	737	–	–	–	737	737
Lease liabilities	4.75 to 4.90	–	63,318	134,050	26,357	223,725	199,528
		49,294	63,318	134,050	26,357	273,019	248,822

38. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements of financial instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purposes.

In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports findings to the directors of the Company to explain the cause of fluctuations in the fair value.

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

Fair value hierarchy as at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at FVTPL				
Equity investment				
— Unlisted equity investment	–	–	7,392	7,392
— Listed equity investment	23,003	–	–	23,003
Debt instruments				
— Funds	–	–	24,772	24,772
— Unlisted trust plans and asset Management plans	–	–	13,810	13,810
	23,003	–	45,974	68,977

38. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements of financial instruments (continued)

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis (continued)

Fair value hierarchy as at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at FVTPL				
Equity investment				
— Unlisted equity investment	–	–	8,099	8,099
— Listed equity investment	51,683	–	–	51,683
Debt instruments				
— Funds	–	10,046	30,892	40,938
— Unlisted trust plans and asset management plans	–	–	17,222	17,222
	51,683	10,046	56,213	117,942

At 31 December 2022, included in the Group's financial instruments measured at level 2 fair value hierarchy is a fund investment of RMB10,046,000 with the underlying assets mainly being equity securities trading on the Stock Exchange of Hong Kong Limited and money market funds. The fair value of the financial instruments is determined by the quoted closing price of the equity securities and the money market funds as adjusted by the net assets of the funds.

38. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements of financial instruments (continued)

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis (continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis under level 3 measurement as at 31 December 2023:

Financial assets	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Equity investments at FVTPL			
– Unlisted equity investments	The net asset value based on the fair value of the underlying investments.	• The fair value of underlying assets	• The higher the underlying assets valuation, the higher the fair value.
Debt instruments at FVTPL			
– Unlisted trust plans and asset management plans	Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts	• The higher the recoverable amounts, the higher the fair value.
		• Expected recovery date	• The earlier the recovery date, the higher the fair value.
		• Discount rates of 3.7% that correspond to the expected risk level	• The lower the discount rates, the higher the fair value.
– Funds	Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts	• The higher the recoverable amounts, the higher the fair value.
		• Expected recovery date	• The earlier the recovery date, the higher the fair value.
		• Discount rates of 3.7% that correspond to the expected risk level	• The lower the discount rates the higher the fair value.

38. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements of financial instruments (continued)

(ii) Reconciliation of Level 3 fair value measurements

	2023 RMB'000	2022 RMB'000
Financial assets at FVTPL:		
At 1 January	**56,213**	201,116
Total losses recognised in profit or loss	**(10,015)**	(10,134)
Purchased	**6**	251
Disposals/settlements	**(230)**	(135,020)
At 31 December	**45,974**	56,213

For the year ended 31 December 2023, RMB712,000 (2022: gains of RMB621,000) were recognised as losses from changes in fair value for equity investment measured at FVTPL in profit or loss and RMB9,303,000 (2022: RMB10,755,000) were recognised as loss from changes in fair value in respect of Level 3 debt instruments measured at FVTPL in profit or loss.

During the years ended 31 December 2023 and 2022, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

The Group did not have any financial liabilities measured at fair value as at the end of the reporting period.

(iii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank Borrowings RMB'000	Interest payable RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2022	333,218	469	237,385	571,072
Financing cash flows				
Payments of interest	—	(4,625)	(8,210)	(12,835)
Payments of lease liabilities	—	—	(89,045)	(89,045)
Payments of loan principle	(333,190)	—	—	(333,190)
Non-cash transactions:				
New leases entered	—	—	105,403	105,403
Lease modified or early terminated	—	—	(54,215)	(54,215)
Interest expenses	—	4,156	8,210	12,366
Exchange adjustments	(28)	—	—	(28)
At 31 December 2022	**—**	**—**	**199,528**	**199,528**
Financing cash flows				
Payments of interest	**—**	**—**	**(8,967)**	**(8,967)**
Payments of lease liabilities	**—**	**—**	**(49,717)**	**(49,717)**
Disposal of subsidiaries	**—**	**—**	**(5,264)**	**(5,264)**
Non-cash transactions:				
New leases entered	**—**	**—**	**86,322**	**86,322**
Lease modified or early terminated	**—**	**—**	**(40,453)**	**(40,453)**
Interest expenses	**—**	**—**	**8,967**	**8,967**
At 31 December 2023	**—**	**—**	**190,416**	**190,416**

40. MAJOR NON-CASH TRANSACTIONS

(i) During the year ended 31 December 2023, the Group entered into new lease agreements for the use of leased properties for one to ten years. On the lease commencement, the Group recognised right-of-use assets and lease liabilities of RMB86,368,000 and RMB86,322,000 (2022: RMB110,883,000 and RMB105,403,000) respectively.

(ii) During the year ended 31 December 2023, the Group entered into an agreement with the issuer of one of debt instruments measured at amortised cost, and redeemed RMB6,802,000 (2022: RMB9,704,000) in exchange for commercial properties, the redemption amounts are included in the prepayments for purchase of properties, plant and equipment of RMB23,579,000 (2022: RMB13,862,000).

41. RELATED PARTY DISCLOSURES

Other than as disclosed elsewhere in these consolidated financial statements, the Group has following transactions and balances with related parties:

Nature of transactions	Name of related parties	Relationship	2023 RMB'000	2022 RMB'000
Consulting services income	Xinyue Sports	Associate	–	56
			–	56
Purchases of teaching materials	Donghu Qiyuan	Associate	–	29
	Sairui	Associate	–	26
			–	55
Interest expense on lease liabilities	Guangzhou Tengyue Culture Investment Co., Ltd ("**Tengyue Culture**")	A director is the key management of the company	39	–
Rental expense	Tengyue Culture	A director is the key management of the company	27	–
			66	–

41. RELATED PARTY DISCLOSURES (CONTINUED)

Nature of balances	Name of related parties	Relationship	2023 RMB'000	2022 RMB'000
Amounts due from associates	Donghu Qiyuan	Associate	–	36
	Haite Sports	Associate	363	94
	Yuyou Pinxue	Associate	246	–
			609	130
Amount due from related parties	Ms. Weiying Guan	Executive director	3,919	4,789
Amount due from related parties	Foshan Beststudy Culture	Disposed subsidiary (note)	15	–
Amount due from related parties	Zhuoyue Qianxian	Disposed subsidiary (note)	250	–
Amount due from related parties	Hantao Sports	Controlled by a director	160	–
Amount due from related parties	Yuexiu Zhuoyue	Disposed subsidiary (note)	8	–
			4,352	4,789
Amounts due to related parties	Sairui Sports	Associate	–	(26)
	Walmonos Sports	Associate	(23)	(136)
	Xinyue Sports	Associate	–	(56)
	Yuyou Pinxue	Associate	(450)	(495)
	Shenzhen Bestsudy	Disposed subsidiary (note)	–	(21)
	Foshan Culture	Disposed subsidiary (note)	–	(3)
			(473)	(737)
Lease liabilities	Tengyue Culture	Related party	652	–

Note: The Group disposed these subsidiaries in December 2021 to an entity under the control of the Concerted Parties.

At 31 December 2023, except for the amount due from an executive director of RMB3,919,000 (2022: RMB4,789,000), the balances with associates and related parties are trade in nature, unsecured, non-interest bearing and repayable on demand.

Details of impairment assessment of the respective amounts due from associates are set out in note 38(b).

41. RELATED PARTY DISCLOSURES (CONTINUED)

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2023 **RMB'000**	2022 RMB'000
Short-term employee benefits	**7,565**	7,085
Retirement benefits contributions	**197**	195
	7,762	7,280

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

42a. General information of subsidiaries

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Company name	Place of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct 2023 %	Direct 2022 %	Indirect 2023 %	Indirect 2022 %	Principal activities
ETJ Education Group	Cayman Islands	US$50,000	**100**	100	**–**	–	Investment holding
China Beststudy Education (HK) Limited ("**Beststudy HK**")	Hong Kong	US$1,286	**–**	–	**100**	100	Investment holding
Zhuoxue Information	PRC/Mainland China	US$2,000,000	**–**	–	**100**	100	Provision of management consultancy services
Guangzhou Beststudy *#	PRC/Mainland China	RMB47,442,411	**–**	–	**100**	100	After-school education services
Guangzhou Yuexiu District Beststudy Education and Training Centre Co., Ltd. 廣州市越秀區卓越教育培訓中心有限公司 ("**Yuexiu Beststudy**") *#	PRC/Mainland China	RMB100,000	**–**	–	**100**	100	After-school education services

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

42a. General information of subsidiaries (continued)

Company name	Place of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company				Principal activities
			Direct		Indirect		
			2023 %	2022 %	**2023** %	2022 %	
Guangzhou Haizhu District Beststudy Teaching and Auxiliary Training Centre Co., Ltd. 廣州市海珠區卓越里程教輔培訓中心有限公司 ("**Haizhu Beststudy**") *#	PRC/Mainland China	RMB150,000	**–**	–	**100**	100	After-school education services
Guangzhou Tianhe District 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 ("**Tianhe Beststudy**") *#	PRC/Mainland China	RMB100,000	**–**	–	**100**	100	After-school education services
Guangzhou Baiyun District Beststudy Education Training Centre Co., Ltd. 廣州白雲區卓越教輔培訓中心有限公司 ("**Baiyun Beststudy**") *#	PRC/Mainland China	RMB150,000	**–**	–	**100**	100	After-school education services
Guangzhou Liwan District Beststudy Education and Training Centre Co., Ltd. 廣州市荔灣區卓越教育培訓中心有限公司 ("**Liwan Beststudy**") *#	PRC/Mainland China	RMB150,000	**–**	–	**100**	100	After-school education services
Guangzhou Huadu Education Beststudy After-school Education and Training. Centre Co., Ltd 廣州市花都區卓越課外教育培訓中心有限公司 ("**Huadu Beststudy**") *#	PRC/Mainland China	RMB100,000	**–**	–	**100**	100	After-school education services
Guangzhou Qianqian Training Center Co., Ltd. 廣州茜茜培訓中心有限公司 ("**Guangzhou Qianqian**") *# (note c)	PRC/Mainland China	RMB3,000,000	**–**	–	**100**	–	After-school education services
Guangzhou Zengcheng District Beststudy Extracurricular Education and Training Centre Co., Ltd. 廣州市增城區卓越課外輔導教育培訓中心有限公司 ("**Zengcheng Beststudy**") *#	PRC/Mainland China	RMB100,000	**–**	–	**100**	100	After-school education services
Guangzhou Conghua District Beststudy Education Training Centre Co., Ltd. 廣州市從化區卓越里程培訓中心有限公司 ("**Conghua Beststudy**") *# note (b)	PRC/Mainland China	RMB100,000	**–**	–	**100**	100	After-school education services

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

42a. General information of subsidiaries (continued)

Company name	Place of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company				Principal activities
			Direct		Indirect		
			2023 %	2022 %	2023 %	2022 %	
Guangzhou Nansha District Beststudy Counseling Education Training Centre Co., Ltd. 廣州市南沙區卓越輔導教育培訓中心有限公司 ("**Nansha Beststudy**") *#	PRC/Mainland China	RMB300,000	**–**	–	**100**	100	After-school education services
Guangzhou Beststudy Culture and Technology Investment Co., Ltd. 廣州卓越文化科技投資有限公司 ("**Culture and Technology Investment**") *#	PRC/Mainland China	RMB500,000	**–**	–	**100**	100	Publicity services and advertising
Guangzhou Beststudy Technology Investment Co., Ltd. 廣州卓越科技投資有限公司 ("**Technology Investment**") * note (b)(d)	PRC/Mainland China	RMB1,000,000	**–**	–	**N/A**	51	Investment
Guangzhou Yuyou Information Consulting Co., Ltd. 廣州譽優信息諮詢有限公司 ("**Guangzhou Yuyou**") *#	PRC/Mainland China	RMB5,080,000	**–**	–	**100**	100	After-school education services
Guangzhou Fengbei Network Technology Co., Ltd. 廣州蜂背網絡科技有限公司 ("**Guangzhou Fengbei**") * note (d)	PRC/Mainland China	RMB1,000,000	**–**	–	**–**	100	Internet information services
Wuhan Zhuoye Online Education Technology Co., Ltd. 武漢卓業線上教育科技有限公司 ("**Wuhan Zhuoye**") * note (d)	PRC/Mainland China	RMB1,000,000	**–**	–	**–**	80	Internet information services
Guangzhou Aiyuwen Technology Information Consulting Co., Ltd. 廣州市愛語文科技信息諮詢有限責任公司 ("**Guangzhou Aiyuwen**") *#	PRC/Mainland China	RMB1,071,429	**–**	–	**80**	80	Internet information services
Dongguan Nancheng Beststudy Training Centre Co., Ltd. 東莞市南城卓越培訓中心有限公司 ("**Dongguan Nancheng Beststudy**") *# note (b)	PRC/Mainland China	RMB215,765	**–**	–	**100**	100	After-school education services

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

42a. General information of subsidiaries (continued)

Company name	Place of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct 2023 %	Direct 2022 %	Indirect 2023 %	Indirect 2022 %	Principal activities
Dongguan Dongcheng Xinshijie Beststudy Training Centre Co., Ltd. 東莞市東城新世界卓越培訓中心有限公司 ("**Dongcheng Xinshijie Beststudy**") *# note (b)	PRC/Mainland China	RMB200,000	**–**	–	**100**	100	After-school education services
Dongguan Dongcheng Jinghu Beststudy Training Centre Co., Ltd. 東莞市東城景湖卓越培訓中心有限公司 ("**Dongcheng Jinghu Beststudy**") *#	PRC/Mainland China	RMB270,000	**–**	–	**100**	100	After-school education services
Dongguan Guancheng Beststudy Training Centre Co., Ltd. 東莞市莞城卓越培訓中心有限公司 ("**Guancheng Beststudy**") *# note (b)	PRC/Mainland China	RMB150,000	**–**	–	**–**	100	After-school education services
Shanghai Beststudy Education Training School Co., Ltd. 上海卓越里程培訓學校有限公司 ("**Shanghai Beststudy**") *#	PRC/Mainland China	RMB5,000,000	**–**	–	**100**	100	After-school education services
Shanghai Beststudy Youxue Xinguang Culture Communication Co., Ltd. 上海卓越蓧學鑫光文化傳播有限公司 ("**Youxue Culture**") *# note (b)	PRC/Mainland China	RMB500,000	**–**	–	**–**	100	Culture and art counseling services
Nanning Beststudy Education Technology Co., Ltd. 南寧卓越里程教育科技有限公司 ("**Nanning Beststudy**") *# note (b)	PRC/Mainland China	RMB5,000,000	**–**	–	**–**	100	Investment
Nanning Qingxiu District Zhuole Training School Co., Ltd. 南寧市青秀區卓樂培訓學校有限公司 ("**Qingxiu Zhuole**") *# note (b)	PRC/Mainland China	RMB500,000	**–**	–	**–**	100	After-school education services
Guangzhou Qizuo Education Consulting Co., Ltd. 廣州奇作教育諮詢有限公司 ("**Guangzhou Qizuo**") *#	PRC/Mainland China	RMB5,000,000	**–**	–	**100**	100	Internet information services
Beijing Qiaowen Education Technology Co., Ltd. 北京巧問教育科技有限公司 ("**Beijing Qiaowen**") * note (d)	PRC/Mainland China	RMB2,000,000	**–**	–	**–**	100	After-school education services

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

42a. General information of subsidiaries (continued)

Company name	Place of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company				Principal activities
			Direct		Indirect		
			2023 %	2022 %	**2023** %	2022 %	
Guangzhou Qiaowen Infant and Toddler Care Service Co., Ltd. 廣州巧問嬰幼兒託育服務有限公司 ("**Guangzhou Qiaowen**") * note (d)	PRC/Mainland China	RMB2,000,000	**–**	–	**–**	100	Internet information services
Guangdong Future Youth Palace Education Technology Co., Ltd. 廣東未來青少年宮教育科技有限公司 ("**Future Youth Palace**") *#	PRC/Mainland China	RMB10,000,000	**–**	–	**100**	100	Internet information services
Guangzhou Zhuoye Information Technology Co., Ltd. 廣州市卓業信息技術有限公司 ("**Guangzhou Zhuoye**") *	PRC/Mainland China	RMB19,779,000	**–**	–	**100**	100	Provision of technical support and development services
Guangzhou Yizhi Siwei Business Technology Co., Ltd. (formerly known as Guangzhou Yizhi Siwei Education Technology Co., Ltd.) 廣州益智思維商務科技有限公司 (前稱廣州益智思維教育科技有限公司) ("**Yizhi Siwei**") * note (c)	PRC/Mainland China	RMB12,000,000	**–**	–	**100**	92	Internet information services
Guangzhou Beststudy Wendao Travel Service Co., Ltd. 廣州卓越問道旅行社有限公司 ("**Guangzhou Wendao**") * note (c)	PRC/Mainland China	RMB1,000,000	**–**	–	**100**	80	Consulting services

* The English names of all the above companies represent the best effort made by the directors of the Company to translate the Chinese names as these companies have not been registered with any official English names.

\# These entities are owned through contractual arrangements.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

42a. General information of subsidiaries (continued)

Notes:

(a) Except for Zhuoxue Information, which was established as a wholly-foreign-invested enterprise, all the above PRC companies were established as domestic-invested enterprises.

(b) In 2023 and 2022, the directors of the Company determined to close certain subsidiaries of the Company which merely had no operations as on 24 July 2021, the General Office of Central Committee of the Communist Party of China and the General Office of State Council jointly promulgated the Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education, or the Double Reduction Policy.

As at 31 December 2023, Conghua Beststudy, Dongguan Nancheng Beststudy and Dongcheng Xinshijie Beststudy were still in the process of deregistration while other four subsidiaries including Nanning Beststudy, Qingxiu Zhuole, Guancheng Beststudy and Youxue Culture have been completed on deregistration. Percentage of equity attributable to the Company in Technology Investment changed from 51% to 20% and the Company accounted it as financial assets at fair value through profit or loss.

(c) In 2023, the Group has acquired of additional interests in Yizhi Siwei and Guangzhou Wendao at a consideration of RMB1,075,000 and the Group has acquired 100% interests in Guangzhou Qianqian at a consideration of RMB373,000.

(d) As set out in note 33, the Group has disposed Technology Investment, Guangzhou Fengbei, Wuhan Zhuoye, Beijing Qiaowen and Guangzhou Qiaowen at a total consideration of RMB755,000 in 2023.

None of the subsidiaries had issued any debt securities at the end of the year.

42b. Details of non-wholly owned subsidiaries that have material non-controlling interests

None of the non-wholly owned subsidiaries of the Group have material non-controlling interests.

43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2023 **RMB'000**	2022 RMB'000
NON-CURRENT ASSETS		
Investment in a subsidiary	**40,814**	40,420
Amounts due from subsidiaries	**124,888**	122,481
	165,702	162,901
CURRENT ASSETS		
Amounts due from subsidiaries	**2,181**	1,210
Prepayments, deposits and other receivables	**9,388**	8,475
Cash and cash equivalents	**2,493**	9,694
Short-term time deposits	**4,622**	—
	18,684	19,379
CURRENT LIABILITIES		
Other payables and accruals	**4,482**	4,745
Amount due to a subsidiary	**289**	242
	4,771	4,987
NET CURRENT ASSETS	**13,913**	14,392
TOTAL ASSETS LESS CURRENT LIABILITIES	**179,615**	177,293
NET ASSETS	**179,615**	177,293
CAPITAL AND RESERVES		
Share capital	**303**	303
Reserves	**179,312**	176,990
TOTAL EQUITY	**179,615**	177,293

43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

Movement in the Company's reserves:

	Share premium RMB'000	Shares held for the RSU scheme RMB'000	Share-based payment reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total reserves RMB'000
At 1 January 2022	208,710	(155,883)	594	(36,456)	149,470	166,435
Profit for the year	–	–	–	–	9,829	9,829
Total comprehensive income for the year	–	–	–	–	9,829	9,829
Share-based payments	–	–	726	–	–	726
Vesting of share awards under the RSU scheme	–	–	(555)	–	555	–
At 31 December 2022	208,710	(155,883)	765	(36,456)	159,854	176,990
Profit for the year	**–**	**–**	**–**	**–**	**2,984**	**2,984**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**2,984**	**2,984**
Share-based payments	**–**	**–**	**(655)**	**–**	**–**	**(655)**
Vesting of share awards under the RSU scheme	**–**	**–**	**(110)**	**–**	**110**	**–**
Repurchase of shares under the RSU scheme	**–**	**(7)**	**–**	**–**	**–**	**(7)**
At 31 December 2023	**208,710**	**(155,890)**	**–**	**(36,456)**	**162,948**	**179,312**

44. RECLASSIFICATION

Certain comparatives in the financial statements have been reclassified to conform with the current year's presentation. The reclassification has no effect on previous reported profit or equity.

Five-Year Financial Summary

The consolidated results, assets and liabilities of the Group for the last five financial years as extracted from the financial statements of the Groups are summarised below:

	For the year ended 31 December				
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	**2023** **RMB'000**
RESULTS					
Revenue	1,831,667	1,687,798	1,898,627	491,134	**489,314**
Gross profit	767,623	615,186	729,347	173,061	**229,858**
Profit/(loss)	134,881	127,794	(325,593)	54,073	**89,880**

	As at 31 December				
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	**2023** **RMB'000**
ASSETS AND LIABILITIES					
Total non-current assets	1,476,297	1,572,421	546,689	455,119	**534,264**
Total current assets	1,288,705	1,611,632	771,963	414,563	**512,112**
Total current liabilities	1,234,870	1,526,862	817,826	318,866	**410,948**
Total non-current liabilities	733,470	861,321	150,222	144,926	**138,993**
Total equity	796,662	795,870	350,604	405,890	**496,435**