中國教育集團控股有限公司
CHINA EDUCATION GROUP HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability and carrying on business in Hong Kong as "ChinaEdu 中教常春藤")

Stock Code : 839

To Pioneer Excellence and **Innovation in Education**

Annual Report 2017

OUR MISSION

Preparing students for success through
Excellence and **Innovation** in education

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Yu Guo *(Co-chairman)*
Mr. Xie Ketao *(Co-chairman)*
Dr. Yu Kai *(Chief Executive Officer)*
Ms. Xie Shaohua

Independent Non-Executive Directors

Dr. Gerard A. Postiglione
Dr. Rui Meng
Dr. Wu Kin Bing

AUDIT COMMITTEE

Dr. Rui Meng *(Chairman)*
Dr. Gerard A. Postiglione
Dr. Wu Kin Bing

REMUNERATION COMMITTEE

Dr. Gerard A. Postiglione *(Chairman)*
Dr. Yu Kai
Dr. Rui Meng

NOMINATION COMMITTEE

Mr. Yu Guo *(Chairman)*
Dr. Gerard A. Postiglione
Dr. Wu Kin Bing

COMPANY SECRETARY

Mr. Mok Kwai Pui Bill

AUTHORISED REPRESENTATIVES

Dr. Yu Kai
Mr. Mok Kwai Pui Bill

AUDITOR

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

COMPLIANCE ADVISER

Somerley Capital Limited
20/F, China Building
29 Queen's Road Central
Hong Kong

REGISTERED OFFICE IN CAYMAN ISLANDS

The offices of Walkers Corporate Limited
Cayman Corporate Centre
27 Hospital Road
George Town
Grand Cayman KY1-9008
Cayman Islands

PRINCIPAL OFFICE IN HONG KONG

17/F, Wheelock House
20 Pedder Street
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Walkers Corporate Limited
Cayman Corporate Centre
27 Hospital Road
George Town
Grand Cayman KY1-9008
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East Wanchai
Hong Kong

COMPANY WEBSITE

www.chinaeducation.hk

STOCK CODE

839

CO-CHAIRMEN'S STATEMENT

> "China Education Group Holdings Limited is a leading Hong Kong publicly-listed education company (HKEx: 839). Company was listed on the Main Board of Stock Exchange of Hong Kong on 15 December 2017."

Dear Shareholders,

On behalf of the Board of Directors of China Education Group Holdings Limited (the "Company" or "China Education Group", and its subsidiaries, collectively, the "Group"), we are pleased to present to you the 2017 annual report.

Overview of the Group

The listing is a major milestone of company's development. As of 13 March 2018, the date of annual report, co-chairmen hold a majority of shares while institutional investors and retail investors hold the remaining. China Education Group has a powerful group of cornerstone investors; its four cornerstone investors (GIC Private Limited, Greenwoods Asset Management Limited, International Finance Corporation, and Value Partners Hong Kong Limited) are leading companies in the investment field.

Our Group is a leading higher and vocational education provider in China, operating a list of top-ranked and time-honored private higher and vocational education institutions. Each of our operating schools has been recognized as one of the best private education institutions in China with leading rankings in terms of competitive strengths.

Group's primary business is to provide high quality higher and professional education services in the mainland of China. Our mission is to pioneer excellence and innovation in education and our fundamental educational philosophy is to prepare students for success through excellence and innovation in education. As an educational service provider, we are committed to provide industry-leading higher and vocational education to students in the PRC through student-centered teaching strategies and methods. As a leading applied-education provider, we emphasize the teaching of practical skills and knowledge and focus on workplace simulation training to improve the employability of our graduates. We integrate education, research and application to produce practical and workforce-ready graduates from a broad range of academic programmes prepared to excel in a technologically driven world.

Operational Highlights

Company's most prominent operational highlight in 2017 was the acquisition of Guangzhou Baiyun Senior Technical School of Business and Technology (Guangzhou Baiyun Technician College of Business and Technology) ("Baiyun Technician College"), a leading private technician college in China, on 14 August 2017. As the result of the acquisition, not only our student enrollment has significantly increased by more than 18%, but also we have expanded our business coverage and leveraged our strength from traditional higher education to high quality technician education.

Another crucial milestones of the Company's 2017 operation was the commencement of construction and development of Guangdong Baiyun University's new campus which locates on the Zhongluotan land in Baiyun district, Guangzhou. New campus construction officially began in September 2017, and the construction and commencement of operations of the new campus will take place in phases over the next three years. Once fully developed, the planned new campus is expected to have a site area of 498,000 sq.m. and to accommodate approximately up to 26,000 students, further realizing Group's economics of scale and synergistic effects.

While China Education Group has significantly expanded its size in 2017, it has maintained its highest level of operation standard and committed to excellent as always; the quality of our operation is as cardinal as the quantity. A conspicuous example is, we internally pay more attention to individual student's employment quality than to the aggregated employment rate, despite maintaining a high initial student employment rate is an important external evaluation factor; as usual, we achieved a high initial employment rate of 93.1% in 2017, compared to 92.4% in 2016. As co-chairmen, we cannot stress more to maintain a stringent and impartial corporate governance in our daily operation; since March 2017 when we kicked off the IPO the Company has held numerous legal and internal control trainings for its staff and has further improved its corporate internal control and governance code. Further, China Education Group is fully committed to safeguard the local environment and be socially responsible in its daily operation; we care our local community's improvement just as much as we care our own company's.

Future Strategy

Looking forward, Group's first and foremost development strategy is to expend its school network to extend our geographic coverage and increase our market penetration in private higher and vocational education industry, through acquisitions, cooperation or other means. We have developed our own methodology in evaluating targets and our acquisition criteria is selective as we weight target's quality as much as target's size; we only acquire targets with development potentials that commensurate with our long-term financial and operational expectations. In addition, offering high quality post-investment management services both in finance and operation to our acquired schools, will be another important job for us in the future. Leveraging on our industrial management and experience for nearly 30 years and the award of the ISO9001 certification for education management, we have leading capabilities in school management.

The level of tuition fees and boarding fees we charge is a significant factor that affects our profitability. While we strive to offer students reasonable and affordable services, it is important for us to optimize pricing strategies without compromising our competitive edges. In addition, to improve the quality of ancillary services to students and diversify our source of revenue is another pivotal future development strategy of ours.

The quality of our education and image of our brand are crucial to our business growth, for both our existing schools and future acquired targets. We plan to further solidify our competitive advantages in the private higher and vocational education market and maintain our market leading position, by optimizing our major offerings, strengthening school-enterprise collaboration, offering more diversified international programmes especially double-diploma, dual bachelor degree and post-graduate degree programmes, and launching online education platform to capture the significant growth potential and opportunities in online education market.

Sincere Acknowledgement

On behalf of the Board and senior management, we would like to take this special opportunity to thank students and their parents for choosing China Education Group's operating schools to pursue higher or vocational education and congratulation on making one of the best decisions in their life.

We would also like to appreciate every single employee of ours; their everyday meticulous work and contribution are the source and guarantee of China Education Group's highest quality education services. In addition, we thank investors for their continuous support. Furthermore, we would like to thank governments' support for our educational business development. Finally, we would like to express our sincerest gratitude to the extremely dedicated and knowledgeable professional parties involved in China Education Group's global offering; we are truly impressed by their professionalism throughout the listing process.

Last but not least, we from time to time encourage and welcome prospective students and parents, employees, investors, and anyone with interest in China Education Group to schedule a campus tour with any of our operating schools to see what is studying, working, and investing in China Education Group like, as well as to explore what China Education Group has to offer.

Yu Guo and Xie Ketao
Co-Chairmen
Hong Kong, 13 March, 2018

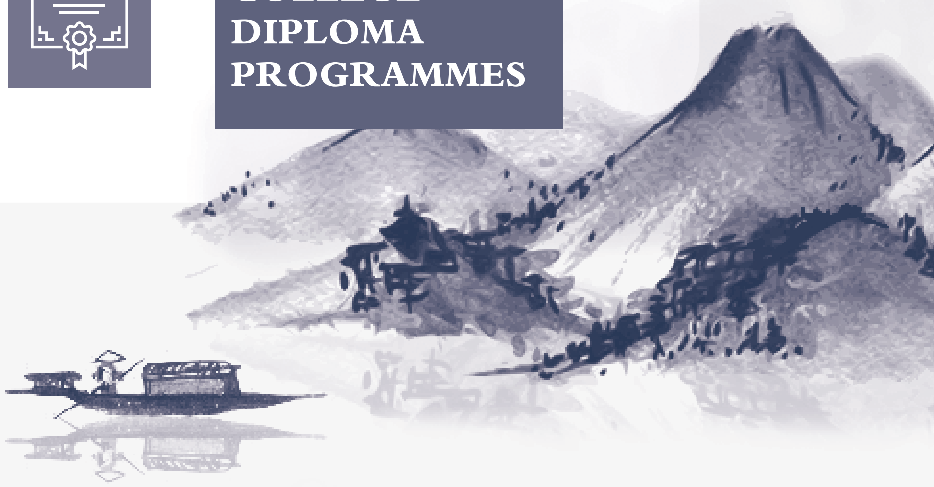
80
BACHELOR'S DEGREE PROGRAMMES

NUMBER OF STUDENTS
76,204
in 2017/2018

38
CONTINUING EDUCATION PROGRAMMES

108
VOCATIONAL EDUCATION PROGRAMMES

32
JUNIOR COLLEGE DIPLOMA PROGRAMMES



MANAGEMENT DISCUSSION AND ANALYSIS

Business review

Introduction of the Group

We are a leading private higher and vocational education provider in China. We operate two universities and one vocational college located in Pan-Yangtze River Delta and Pearl River Delta, and enroll students across all provinces in mainland China. As of 31 December 2017, the Company has 76,204 students attending 32 junior college diploma programmes, 108 vocational education programmes, 80 bachelor's degree programmes, and 38 continuing education programmes. In the school year of 2016/2017, the disciplines provided by us covered 97.7% of undergraduate students' choices and 91.9% of junior college students' choices in China, respectively.

Listing

On 15 December 2017, we were successfully listed on the Main Board of Hong Kong Stock Exchange with an offer price of HK$6.45. Including the issue of over-allotment shares that was completed in January 2018, we issued a total of 520,202,000 new shares, representing 25.75% of enlarged share capital. Through the initial public offering ("IPO"), we raised a total of approximately HK$3.3 billion or RMB2.7 billion.

Obtaining the Control of Baiyun Technician College

On 14 August 2017, we obtained the control of Baiyun Technician College for a consideration of RMB750 million. Taking over the control of Baiyun Technician College was part of our expansion strategy to enlarge our student enrollment base by over 13,000 students and to broaden our scope of business by adding vocational education into our portfolio.

Our Schools

The two universities and one vocational college which we operate are Jiangxi University of Technology, Guangdong Baiyun University, and Baiyun Technician College. They are all renowned private higher or vocational education institutions in China. Jiangxi University of Technology has been ranked number one private university in China for nine consecutive years while Guangdong Baiyun University has been ranked number one private university in Guangdong Province for ten consecutive years. Baiyun Technician College has been ranked number one vocational college in Guangdong Province for seven consecutive years. Jiangxi University of Technology is the largest private university in China and Guangdong Baiyun University is one of the largest private universities in Guangdong.

Student Enrollment

For the school year of 2017/2018, the total number of enrolled students of our Group was 76,204, up 1.3% from the school year of 2016/2017.

	School Year		
Student Enrollment	2017/2018	2016/2017	*% change*
Jiangxi University of Technology	36,368	35,982	1.1%
Guangdong Baiyun University	26,416	25,741	2.6%
Baiyun Technician College	13,420	13,532	-0.8%
Total	**76,204**	**75,255**	**1.3%**

Tuition Fee

In general, we plan to increase our tuition fees between 0% to 10% among various programmes on an annual basis. The tuition fee increase is determined by our school management teams subject to market conditions.

	Listed tuition fees in school year		Boarding fees in school year	
	2017/2018	2016/2017	2017/2018	2016/2017
	RMB	*RMB*	*RMB*	*RMB*
Jiangxi University of Technology				
Bachelor's degree programmes	15,000 - 20,000	14,000 - 18,000	1,600 - 2,000	1,480 - 1,680
Junior college diploma programmes	12,500 - 14,000	11,300 - 12,500	1,600 - 2,000	1,480 - 1,680
Continuing education programmes	5,000	7,300 - 7,800	N/A	N/A
Guangdong Baiyun University				
Bachelor's degree programmes	19,000 - 28,000	19,000 - 26,000	1,500	1,500
Junior college diploma programmes	30,000	30,000	1,500	1,500
Continuing education programmes	3,000 - 6,000	3,000 - 6,000	N/A	N/A
Baiyun Technician College				
Post-secondary vocational diploma programmes	11,500 - 14,000	11,500 - 12,000	1,500	1,500
Secondary vocational diploma programmes	11,000 - 13,500	11,000 - 11,500	1,500	1,500
Technician diploma programmes	12,500	12,500	1,500	1,500

FINANCIAL REVIEW

Revenue

The Group's revenue reached RMB949.2 million in 2017, up 10.2% as compared to previous year's. A breakdown of revenue is shown below:

	Year ended 31 December		
	2017	2016	*Change*
	RMB'000	*RMB'000*	
Tuition fees	**857,539**	786,285	+9.1%
Boarding fees	**65,279**	53,779	+21.4%
Ancillary services	**26,353**	21,225	+24.2%
	949,171	861,289	+10.2%

The increase in revenue was mainly attributed to the inclusion of Baiyun Technician College on 14 August 2017. Baiyun Technician College contributed approximately RMB67.4 million revenue in 2017, representing 7.1% of the Group's revenue.

Tuition fees contributed over 90.3% of the Group revenue while boarding fees and ancillary services represented approximately 6.9% and 2.8% of the Group revenue, respectively.

Cost of Revenue

Despite of the increase of revenue, the cost of revenue decreased from RMB404.6 million in 2016 to RMB389.4 million in 2017, representing a decrease of 3.7%. The decrease was mainly due to cost savings from the synergy effect of course design and increase in number of students in majors with higher profit margin.

Gross Profit and Gross Profit Margin

For 2017, the Company's gross profit increased by 22.6% to RMB559.7 million from RMB456.7 million in 2016. The gross profit margin was improved from 53.0% in 2016 to 59.0% in 2017. The improvement was mainly due to the decrease in cost of revenue as explained above.

Other Income

Other income primarily included consultancy income, academic administration income, and management fee income. The decrease in other income was mainly due to the decrease in consultancy income received from Baiyun Technician College while less consultancy services were provided by Jiangxi University of Technology during the first half of 2017 before Baiyun Technician College was being taken control by the Group.

Investment Income

Investment income consists of imputed interest income from amounts due from directors and a related party, and interest income from bank. The decrease in investment income is mainly due to the decrease in imputed interest income from amounts due from directors and a related party while both amounts were fully settled in August 2017.

Administrative Expenses

The increase in administrative expenses was mainly due to the inclusion of Baiyun Technician College for the period since August and the set-up of new offices in Shanghai and Hong Kong.

Listing Expenses

Listing expenses consists of professional fees directly charged in relation to the IPO in December 2017. The amount of RMB45.5 million was expensed while the amount of RMB82.3 million was capitalised.

Finance Costs

Excluding the effect of interest expenses capitalised, finance costs actually decreased from RMB26.9 million in 2016 to RMB21.2 million in 2017. Interest expenses of RMB12.0 million were capitalised in 2016 while merely RMB2.7 million were capitalised in 2017. As a result, the finance costs appear to have increased by 24.1%.

Discontinued Operations

During 2017, the Group completed disposal of a group of subsidiaries, which were mainly engaged in provision of primary and secondary education and other services. The disposals were consistent with the Group's long-term strategy to focus on private higher and vocational education.

Capital Expenditure

Our capital expenditures for the year ended 31 December 2017 were RMB140.1 million and were primarily related to maintaining and upgrading the existing school premises, and construction of new buildings.

Liquidity, Financial Resources and Gearing Ratio

As at 31 December 2017, the Group had bank balances and cash of RMB3,243.1 million (31 December 2016: RMB247.1 million) with no bank borrowings (31 December 2016: RMB453.1 million). As a result of the net proceeds raised from the IPO, the Group was in net cash position of RMB3,243.1 million as at 31 December 2017 (2016: Net debt of RMB205.9 million). Net cash/debt is defined as interest bearing borrowings less bank balances and cash.

As at 31 December 2017, the gearing ratio, which is calculated on the basis of total borrowing and total equity of the Group, was 0% (31 December 2016: 17.9%).

Foreign Exchange Risk Management

The majority of the Group's revenue and expenditures are denominated in RMB, the functional currency of the Company, except that certain expenditures are denominated in HK$. The Group also has certain foreign currency bank balances and other payables denominated in HK$, which would expose the Group to foreign currency risk. The Group did not use any financial instruments for hedging purposes. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

Charges on the Group's Assets

There were no material charges on the Group's assets as at 31 December 2017 and 2016.

Contingent Liabilities

As at 31 December 2017, the Group did not have any material contingent liability.

OUTLOOK

In China, private higher education institutions can be divided into private regular universities, private junior colleges and independent colleges. As of 31 December 2017, there were over 700 private higher education institutions in China, including private universities, private junior colleges, and independent colleges. Most of these private higher education institutions are controlled and operated independently. Hence, the operation of these institutions are scattered. This translates into huge potential opportunities for us to take control and operate the institutions. Over the next few years, we shall focus on seeking these opportunities to expand our portfolio across the nation and even overseas.

Mergers and Acquisitions

We have established a strong merger and acquisition team. The team is composed of experienced professionals, including private equity fund manager, accounting, financial, legal and educational consulting professionals, etc. Presently, the team is performing due diligent works on a number of targets at different stages.

Development of New Campus

In September 2017, we held our groundbreaking ceremony for a new campus of Guangdong Baiyun University at Zhongluotan, Guangzhou, Guangdong Province. Once fully developed, the planned new campus is expected to have a site area of 489,000 square meters and accommodate approximately up to 26,000 students.

“TO PIONEER EXCELLENCE and INNOVATION in EDUCATION”

1. ABOUT THIS REPORT

1.1 Reporting Guidelines

Our Company is not only a paragon of private higher education in China but also an exemplar of staunch guardian of Environmental, Social and Governance ("ESG") practice. We are fully committed to safeguard the environment, be socially responsible and maintain a stringent and impartial corporate governance in our daily operation.

This report, prepared by the Company in accordance with the "Environmental, Social and Governance Reporting Guide" under Appendix 27 of the Listing Rules, aims to provide the environmental and social performances of China Education Group Holdings Limited for the year ended 31 December 2017. This is the first ESG report published by the Company since its listing. We set out below our efforts to mitigate the negative influence to the environment, to promote our employees' well-being and to contribute to the local community during the reporting period.

1.2 Reporting Scope

Unless otherwise stated, the reporting scope of this report covers the Group's major subsidiaries, including China Education Group (Hong Kong) Limited ("HK China Education Group"), Huajiao Education Technology (Jiangxi) Company Limited ("WFOE"), and our three schools (namely Jiangxi University of Technology, Guangdong Baiyun University and Baiyun Technician College), and this report aims to report the environmental and social policies and performance of the Group. Unless otherwise stated, the reporting period is from 1 January 2017 to 31 December 2017 (the reporting period), which is tantamount to the fiscal/accounting year covered in the 2017 annual report.

1.3 Report Statement

This report is solely prepared by the Company. The data and information used in this report are derived from our internal source (such as questionnaires, records, statistics and in-house researches) and external data (such as estimations and measurements provided by independent third party professionals engaged by the Company). The board and senior management, to our best knowledge, monitors and guarantees the completeness, reliability, authenticity and objectivity of the information included in this report. We also hope to strengthen our communication with the stakeholders and increase the transparency of the Company through the publication of this report, to achieve economic, social and environmental sustainable development.

This report is available in both English and Chinese. However for any discrepancies, the Chinese version will prevail.

1.4 Stakeholder Engagement

In order to achieve completeness and to report the most significant aspects for the Group in this report, we have engaged the key stakeholders, including but not limited to government authorities, non-governmental institutions and organizations, shareholders, students, employees and suppliers, in discussion sessions to discuss and to review areas of attention which will help the Company to meet its potential growth and be prepared for future challenges.

1.5 Information and Feedback

We welcome stakeholders' feedback on our environmental, social and governance approach and performance. Please provide us with your views or suggestions via email to sprg_chinaeducation@sprg.com.hk.

2. KEY BUSINESS HIGHLIGHTS IN 2017

During the reporting period, the Company is/has,

A proven record of excellence in education

- our founders have been engaged in private education since 1989 and 1993 respectively. Our operating schools Jiangxi University of Technology and Guangdong Baiyun University are two of the earliest private institutions obtained approval from MOE for establishments in 1999 and for upgrade to private universities in their respective provinces in 2005

Outstanding student employment rate

- leveraging our strong relationship with over 400 enterprises and our student-centered career services, our schools stand out among universities and colleges in China with high graduate employment rate

- initial employment rate for our students in 2017 was 93.1%. In contrast, China's overall initial employment rate for higher education graduates in 2017 was approximately 78%

- our innovation in education has been recommended by the national government as a successful model to all provinces and central universities

Wide coverage of subject offerings

- we offer over 300 programmes across virtually all disciplines, covering 97.7% of Chinese undergraduate students' choices and 91.9% junior college students' choices

Wide coverage of recruitment regions

- we recruit students from all of the 31 provinces in mainland China, have achieved 100% coverage of provincial recruitment

Strategic geographical locations

- our schools are either located within the Pan-Yangtze River Delta Economic Zone or the Pan-Pearl River Delta Economic Zone

- undergraduate students in these two regions accounted for approximately 33% of the total number of undergraduate students in China in 2017

- these two regions also provide ample employment opportunities for students. In 2017, approximately 46% of all university graduates with a bachelor's degree in China were employed in these two regions

Strong capabilities for internationalization

- we partner with over 30 universities in the US, UK, Australia and South Korea and other countries and regions to offer dual-degree programmes

3. PARTNERING WITH INTERNATIONAL FINANCE CORPORATION (IFC) IN ESG COMPLIANCE AND PROMOTION

3.1 Compliance with IFC Performance Standards

The Company will collect data to monitor environmental and social status, review and report on our environmental and social policy; this report covers the status of our compliance with IFC Performance Standards and applicable local governmental, social, labor, safety, security and health registration and standards and measures taken to remedy any non-compliance. We agree to achieve, as a minimum, the standards set out in *IFC's Environmental and Social Policies* and *IFC Performance Standards*, and the *World Bank Group Environmental, Health, and Safety General Guidelines*. Such requirements define approaches for managing business operations and investment projects and include Performance Standards in areas such as environmental and social management system, labor and working conditions, land acquisition and involuntary resettlement, and life and fire safety. We have agreed to implement an action plan to adopt measures to enable our operations to be conducted in compliance with the *IFC Performance Standards*. We will also comply with applicable environmental, social, labor, health, security and safety legislations and guidelines and standards in countries where we operate.

3.2 IFC Green Buildings Project

Meeting the stringent *IFC Performance Standards* is not our ultimate goal in corporate sustainability and environment protection; we never stop going beyond it. In November 2017, the Company has committed to implement IFC Green Building standards that adopt IFC EDGE certification (new buildings designed and constructed must meet 20% improvement in energy, water, and materials usage as measured against local construction practices) for energy efficiency and material consumption sustainability. We are pleased to apply IFC Green Building standards across our existing and future new school/campus projects.

During the reporting period, Guangdong Baiyun University's new campus project, the Company's only new school/campus project, has started preparing its new buildings to be IFC EDGE certified. IFC EDGE certified buildings are financially and environmentally rewarding, making them more investment worthy and marketable properties.

We believe a commitment to apply IFC Green Building standards can help the Company to enhance its profitability through resource and cost efficiency. More importantly, this commitment would complement the Company's strong brand value and strengthen the Company's leadership position among HKEx's listed education groups.

4. ENVIRONMENT

4.1 Emissions

General information

The Group is principally engaged in education services, hence, the types and volume of emissions generated in our daily operations are limited. Our major sources of emission are exhaust from our motor vehicles and canteens, catering and domestic wastewater from schools, and the domestic waste from schools. Our schools strictly comply with the *Notice on Further Promoting the Energy Conservation of Public Buildings of the Ministry of Finance and the Ministry of Housing & Urban-Rural Department*, the *Energy Conservation Law of the People's Republic of China*, and all other relevant laws and regulations relating to exhaust gas and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. In addition, our schools preserve the natural environment by focusing on the management of the polluting sources of schools pursuant to the *Environment Protection Law of the People's Republic of China* and other relevant laws and regulations. During the reporting period, our schools were not liable for fines, investigations and other events due to our non-compliance with the relevant laws and regulations relating to environmental protection.

Types of emissions and respective emission data

Our source of **exhaust gas and greenhouse gas** is mainly from stationary combustion (such as canteens) and company-owned vehicles. The air emissions of motor vehicles include nitrogen oxides (NOx), sulphur oxides (SO_2) and respiratory suspended particles (PM), while the greenhouse gas emissions include carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O). We also produce carbon dioxide (CO_2) indirectly through electricity consumption.

Our **liquid emissions** are mainly domestic wastewater from dormitories and canteens. Domestic wastewater is discharged into the municipal sewage pipelines in compliance with municipal requirements.

As for the **solid emissions**, our hazardous waste is light tubes and bulbs. Our major source of non-hazardous waste is from various recyclable and non-recyclable domestic waste produced from schools. The Company's domestic waste is collected and categorized by qualified professional property companies, and is transferred by municipal disposal companies to the garbage transfer station designated by government health authorities. The garbage generated by the schools each day is removed, disinfected and cleaned by property management companies, and transferred to the garbage transfer station for disposal. The detailed emission data of the Group for 2017 are as follows:

	Unit	Emission volume of the Group in 2017
Gas Emissions (excluding greenhouse gas emissions)		
Nitrogen oxides (NOx)	kg	4,543.9
Sulphur oxides (SO_2)	kg	3.7
Particulate matter (PM)	kg	318.5
Total gas emissions:	kg	4,866.1
Liquid Emissions		
Domestic wastewater (from dormitories)	ton	1,469,203
Domestic wastewater (from canteens)	ton	139,039
Total liquid emissions:	ton	1,608,242
Solid Emissions		
of which: hazardous waste (light tubes and bulbs)	number	17,120
of which: non-hazardous waste	ton	6,711
Less: recycled portion	ton	(530)
Total non-hazardous solid emissions:	ton	6,181

The classification and recycling of recyclable waste is one of the routine works of the logistic departments of our operating schools. We recycle recyclable waste on a monthly basis and count the recovery volume of the recyclable waste. During the reporting period, the Group recycled 530 tons of recyclable waste in total. The following are the recycling statistics of the recycled waste of Jiangxi University of Technology and Guangdong Baiyun University in 2017; Jiangxi University of Technology and Guangdong Baiyun University helped their local communities reduce 280 tons and 154 tons of landfills in 2017, respectively:

Statistics of the recycled waste of Jiangxi University of Technology in 2017

Month	Types of recycled waste (Unit: catty)				
	Water bottles	Cardboard	Books and misc plastic	Cans	Used clothes
January	1,976	15,502	19,956	1,183	12,459
February	1,856	4,520	48,965	1,299	25,986
March	254	7,965	2,365	236	126
April	1,786	20,556	1,688	1,226	554
May	2,156	19,957	6,793	1,669	1,067
June	2,258	8,759	4,697	1,046	258
July	8,874	2,265	8,517	2,998	229
August	110	775	94,763	635	117
September	13,603	12,789	26,543	11,586	196
October	8,635	42,369	2,369	5,257	1,059
November	2,657	32,568	1,412	1,167	8,712
December	1,026	20,234	18,864	1,117	9,654
Total:	45,191	188,259	236,932	29,419	60,417
Total (catty):					560,218 catties
Total (ton):					**280 tons**

Statistics of the recycled waste of Guangdong Baiyun University in 2017

Month	Types of recycled waste (Unit: catty)				
	Water bottles	Cardboard	Books and misc plastic	Cans	Used clothes
January	985	10,292	500	1,118	220
February	829	13,316	570	1,049	547
March	1,702	16,603	402	1,185	0
April	3,251	12,962	648	1,771	152
May	4,059	18,122	661	1,751	104
June	4,528	62,322	1,577	1,911	1,287
July	2,146	37,362	2,754	1,613	1,087
August	294	3,512	254	835	0
September	8,661	27,097	1,208	3,053	235
October	3,802	10,714	532	1,320	110
November	3,548	14,713	751	1,660	123
December	1,395	12,272	426	967	134
Total:	35,200	239,287	10,283	18,233	3,999
Total (catty):					307,002 catties
Total (ton):					**154 tons**

Total emission volume of greenhouse gas

Greenhouse gas emission sources	Unit	Emission volume of the Group in 2017
Combustion of fuels in stationary sources (scope 1)	ton	1,427
Combustion of fuels in mobile sources (scope 1)	ton	641
Less: greenhouse gas offset by our trees (scope 1)	ton	(435)
Energy indirect emissions (scope 2)	ton	23,327
Total	**ton**	**24,960**

Measures to mitigate emissions and results achieved

In order to reduce gas emissions (mainly emissions from vehicles), the Group provides trainings to drivers to enhance their driving skills and their management and operation capabilities of the Group's vehicles team. We encourage our drivers to study traffic rules, traffic atlas and routes when their vehicles are idle, making them less likely to take wrong paths and to save time and fuels. We carry out inspection and maintenance of our school vehicles regularly. Our vehicles are overhauled, maintained and cleaned on a regular basis and breakdowns are fixed timely, so that our vehicles are always in good conditions. In addition, our drivers are required to be proficient in various types of vehicles' technical performance. Secondly, we use renewable energy for emission reduction, which plays a positive and promotive role to ease the power shortage, to reduce the total energy consumption of the society, and to improve the environment and enhance the comfort of residential housing. For example, our three operating schools arrange school buses for employees to commute between schools and their residential districts, so as to reduce the local transportation usage and thus the emissions of exhaust gas to a certain extent. Another example includes the use of ground source heat pump (GSHP) system (a renewable and clean energy) to replace hot and cold air-conditioning in the music and dancing building of Jiangxi University of Technology. Thirdly, we attach great importance to the afforestation of campus and proactively carry out tree planting activities to increase the green coverage of campus. As of 31 December 2017, Jiangxi University of Technology has reached an afforestation rate of 60%. During the reporting period, we planted 81 new trees and replanted 137,000 shrubs and saplings. During the reporting period, the greenhouse gas offset by the Group's owned trees amounted to 435 tons, which effectively offsets the greenhouse gas emissions of 1.7%. The strengthening of the management of campus greening not only protects and improves the ecological environment, but also beautifies the campus and creates an elegant and comfortable education environment.

The Group proactively carries out emissions reduction and water saving campaigns to reduce liquid emissions (mainly catering wastewater emission and domestic wastewater emission from schools). For example, Jiangxi University of Technology carries out water saving and emission reduction campaigns and education in line with other environmental campaigns such as "National Energy Saving Publicity Week", "National Metropolitan Water Saving Publicity Week", "World Environment Day" and "Earth Day". Our schools strictly comply with the relevant requirements relating to the management of urban sewage discharge. Domestic wastewater is discharged into urban facilities within the permitted scope. All domestic sewage of the schools is treated in biochemical pools before discharging into municipal sewage treatment pipeline through the sewage system, to avoid the domestic wastewater generated by schools from contaminating the nearby water body.

How non-hazardous waste is handled, reduction initiatives and results achieved

The schools of the Group carry out environmental protection campaign and education for students through the management personnel or student cadres or the electronic display screens at the entrance of dormitories and classroom buildings, to imperceptibly enhance the environmental awareness of our students.

In order to reduce recyclable solid emissions, we proactively implement paperless office, online office to reduce paper consumption. Our schools discourage students and canteens using or providing plastic bags and disposable tableware so as to reduce the production and discharge of domestic waste, significantly reducing the use of plastic bags, disposable lunch boxes and other environmental pollutants.

Our schools have been committed to promoting sustainable development and dedicating themselves to recycle the recyclable solid emissions. The garbage and waste generated by the schools are classified and collected by cleaning staff each day. The recyclable items are recycled, while the remaining non-recyclable waste is handled by cleaning companies. During the reporting period, the waste recycled by the Group amounted to 530 tons in total.

4.2 Use of Resources

General information

In order to promote the reasonable consumption and conservation of energy and thus to enhance the overall efficiency of energy consumption, our schools have assessed the energy reduction goals and have improved the management system of energy saving and energy saving records in accordance with the *Energy Conservation Law of the People's Republic of China* and the relevant documents issued by the provincial and municipal commission of industry and information technology and the city energy saving office. The energy reduction goals are segmented and the stage of completion of the energy reduction goals is evaluated regularly. The formulation and improvement of various energy reduction systems create a regulated environment with rules and precedents for our schools to follow so as to develop a saving concept throughout the campus. We have formulated various energy reduction systems in line with the actual situation of the development of schools and each department is constrained to strictly comply with the systems.

For example:

The Regulation of Energy Management (for upper management):	The *Duties of Water Conservation Leading Team*, the *Duties of Leader of Energy Saving Team*, the *Position Responsibilities Meetings of Water Management*, the *Standards of Water Saving Work*
The Management System of Energy Saving and Usage:	The *Management System of Energy Usage*, *Notices for Strengthening of Energy Saving Management of School Air Conditioners*, *Provisions on Administration of Water Reduction and Water Usage Management*, the *Management System of Planned Water Usage*, the *Management System of Incentive and Penalties of Water Usage*
The Management and Analysis Regulation of Energy Measurement:	The *Management Regulation of Energy Consumption Statistics and Usage Analysis*, the *Management Regulation of Energy Measurement*, the *Requirements of Energy and Water Measurement*, the *Measures for Administration of Energy* and *Water Measurement and Energy Saving*
The Usage and Maintenance Regulation of Energy-based Devices:	*Operating Instructions of Air Conditioners*, the *Scheduled Maintenance Regulation of Water Equipments, Appliances and Pipes*, the *Operation and Management Regulation of Energy Saving Equipments*

Total consumption of resources/energy

The Group adheres to the principle of conservation and exercises stringent management of energy consumption. The total energy consumption of the Group during the reporting period is as follows:

Resources/Power Categories	Unit	Consumption volume of the Group in 2017
Electricity	kWh	38,235,180
Water	m^3	2,145,399
Natural gas	m^3	530,000
Gasoline	liter	94,408
Diesel	liter	146,082
Liquefied petroleum gas	kg	53,773
Alcohol-based fuels	kg	191,130

Energy use efficiency initiatives and results achieved

During the reporting period, the initiatives made by the schools of the Group to enhance the energy use efficiency and the results achieved are mainly reflected by the electricity and water saving. Our efforts at **electricity saving** include: firstly, certain old low-voltage cabinets in various buildings are replaced; secondly, traditional street lights in campuses and lighting in classrooms are gradually replaced with LED energy-saving lamps; thirdly, the regulation for energy conservation of water heaters and air conditioners in student dormitories are strengthened. The water heaters, air conditioners and other high-power equipments are switched off timely when they are operated under electrical overload, to ensure the safety and stability on using electricity in schools. Specific measures taken by the schools are: air conditioner temperature is set to 26°C or above in the summer; and all staff and students leaving classrooms or offices are required to switch off lighting devices and lights. These measures proactively help to ease the power shortage, to reduce the total energy consumption, and to improve the environment and enhance the comfort of residential housing; they are important guarantees for economic sustainable development. From a macro-economic view, unit energy consumption is reduced and tight energy supply is eased on one hand, while the environmental pollution is mitigated and the air environment is improved on the other hand.

Various measures are adopted by the schools in **water saving**: firstly, implement water conservation and renovation projects such as utilizing water conservation taps, water saving storage-type toilet flushing valves, environmental automatic micro-irrigation and so on to effectively reduce the total water consumption in campuses; secondly, proactively carry out publicity campaign on energy conservation and provide environmental training by displaying posters in campus to promote the importance of environmental protection to students and teachers and enhance their environmental awareness; thirdly, inspect the electricity and power equipment regularly to prevent water pipe leakage. Our efforts in water conversation are recognized by the government; Guangdong Baiyun University and Baiyun Technician College of the Group are honoured as the 2017 Water-Saving Organizations in Guangdong Province by the Guangzhou Water Conservancy Bureau.

Water fit for purpose and packaging material

The Company does not have any problems in sourcing water that is fit for purpose. All schools of the Company have stable sources of water supply. Group's water supply is tap water from municipal pipes and the water quality meets the national safety standard. The Group is engaged in the business of education services but not industrial manufacturing, thus no packaging material is consumed.

4.3 Environment and Natural Resources

General

The Group strictly abides by and implements the relevant national and provincial policies, in order to reduce damage to the environment and natural resources. During the reporting period, the Group abode by the following policies which have a significant impact on the environment and natural resources, including but not limited to: **national policies**, such as, *Notice of the Ministry of Finance and the Ministry of Housing and Urban-Rural Development on Further Promoting Energy Efficiency in Public Buildings* and *Energy Conservation Law of the PRC*; **provincial policies**, such as, *Notice on Launching Activities to Create Water-saving Colleges and Universities* by the Jiangxi Provincial Education Department and the Provincial Department of Water Resources; **municipal-level policies**, such as, *Notice on Launching Activities to Create Water-saving Colleges and Universities of Nanchang City* by Nanchang Water Affairs Bureau, *Notice on Further Strengthening School Electricity Safety Management* and *Notice on A Good Management of Winter Electricity Safety*. In addition, the schools emphasize the development of campus culture, strive to create a clean, civilized and harmonious campus environment, by doing a good job in campus greening, sanitation and hygiene management, implementing a target management system in accordance with the school quality management system, and regularly reviewing the implementation of various policies aiming to further reduce the impacts on the environment.

Environmental and resource conservation actions which we have taken

Our schools emphasize the environment protection and stick to the sustainable development in daily management. In order to reduce environmental pollution, the Group has integrated energy conservation and emission reduction into the entire teaching and service process. It has actively established and promoted conservation-oriented campuses so that energy conservation work can be carried out in the schools in a concerted manner. During the reporting period, the relevant management actions we have taken are as follows: (1) **Energy-saving renovation for buildings.** We built an energy-saving supervision platform on campus, in order to supervise the water and electricity consumption in the students' dormitories and the use of air-conditioners during the course of administration, teaching and in the office, so as to ensure the real-time transmission of data and remote monitoring and management; (2) **Strengthening water saving measures.** We strictly regulated the use of water, promoted water conservation, opposed the waste of water resources, and encouraged water recycling. The schools have actively carried out activities to create "Water-saving Colleges and Universities" based on The *Assessment Standard for Water-Saving Colleges and Universities* promulgated by respective provincial governments; (3) **Strengthening energy-saving measures for office equipments.** The energy saving for office equipments mainly depends on power saver, which is mainly about the optimization of battery quality and the reduction of standby time (the power consumption caused). According to our internal statistics, reducing the standby time of office equipment can greatly reduce power consumption and extend the service life of office equipment. On one hand, we cultivate employees' awareness of energy conservation in reducing power consumption caused by standby time, and we also plan to use some automated technology to achieve energy conservation in reducing power consumption caused by standby time. On the other hand, we have also phased out old equipments with high power consumption and gradually replaced them with green products and equipments. We give priority to energy efficiency in the purchasing of electrical appliances and equipments; (4) **Carrying out the investigation, monitoring and analysis of water and electricity usage and establishing the energy saving incentives and restraint mechanisms.** The main resources and energy consumption of colleges and universities are water and electricity; strengthening the management of energy and water conservation is a great significance to the construction of a campus with awareness of energy conservation. To this end, the schools have stepped up the investigation, monitoring, and analysis of water and electricity usage, and have conducted real-time tracking and management of energy consumption; (5) **The Group encourages a paperless office environment, gradually bans the cafeteria to provide students with plastic bags and recycles all recyclable garbage as much as possible,** so as to effect earnest enforcement in environmental protection.

5. SOCIAL

5.1 Employment and Labor Standards

5.1.1 Employment

General

Remuneration

Remuneration policy of our schools is formulated under the guidance of the PRC law and is also based on the industry characteristics as well as various market factors. Staff congress, president's office, and Board of Directors together approve the compensation range. Schools determine their respective compensation standards based on the employment by function (teachers, teaching assistants, administrative personnel and workers,etc.) and position (entry-level, team lead, and manager, etc.). Schools pay fixed annual salary to senior management and top talents such as directors, deans/department heads, administrative leads, and professors. Schools pay social insurance (pension, medical, unemployment, work injury and maternity insurance), housing provident fund, and enterprise annuity, and provide a variety of benefits for employees, under the guidance of relevant national, provincial, and municipalities policies, such as *Provisional Regulations for payment of Wages"* and *"Housing Provident Fund Regulations.*

Dismissal

The guidelines and procedures for the dismissal of employees and the termination of contracts with schools are stipulated in the *Teacher and Employee Manual* and *Employment Contract*. In general, employees are terminated by the schools only if they violate the national laws, the rules and regulations of the schools, or the relevant provisions of the employment contract. The schools provide economic compensation to eligible terminated employees according to the *Labor Contract Law* of the PRC.

Recruitment

We strictly follow the PRC *Labor Law*, *Labor Contract Law*, *Employment Promotion Law*, *Labor Dispute Mediation and Arbitration Law* as well as provincial and local labor laws and regulations (of where the operating schools locate and operate) in our recruitment process. We prohibit discrimination of staff by age, sex, race, nationality, religion or disability, ensuring everyone has equal employment opportunities and respects.

Schools hire talents based on business development and operational needs, as well as candidate's integrity and professionalism. Our talent selection policy does not only focus on professional knowledge, experience, and relevant qualification, but also on candidate's morality, professional ethics and discipline. Our schools carry out their recruitment works based on *Teacher and Employee Manual* and *Methods for Implementing Teachers' Recruitment Work*, and continuously to improve and refine their recruitment processes. School staff recruitment procedures/cycle can be summarized as follows: pre-hiring advertisement, resume screening, interview invitation, HR interview, professional qualification assessment, employer business assessment, departmental and school senior management interview, background investigation, conditional employment offer, physical examination, and formal employment offer. All candidates with employment offer will have to sign the employment contract no later than one month since the first day report to work, and we stipulate the probation period according to law. Near the end of the probation period, HR department will work with the candidates' respective departments to conduct comprehensive assessments on new employees' performance and personality fit during the probation period, to decide whether we should officially offer the position as scheduled or ahead of the schedule, or terminate the employment.

We actively attract talents through contacting the target colleges, participating in talent recruitment fairs and industry conferences, and encouraging our staff in their respected departments to take advantage of social media to refer and recommend talented candidates to join us. In addition, we provide pre-career training for newly hired teachers to help their transitions faster and easier.

Promotion

The Group believes that the teaching quality depends largely on the quality of teachers. To improve the teaching quality and enhance teachers' work initiatives, as well as to ensure teachers are fairly rewarded and compensated based on their efforts and work qualities, the Group has formulated the *Measures for Determination of Performance Awards* and recommended teachers and employees to conduct annual assessments.

The schools promote teachers and employees based on their work performance, individual performance, and job qualifications, etc. For professional and technical positions, we promote the eligible employees among the best professional and technical personnel based on their performance results and service time at the current positions and promote them within the systems of post ranking. For management positions, we select the eligible employees among the best based on their performance, results and annual assessments and promote them in the case of vacant posts. In the case of no vacant posts, we shall appropriately raise the salaries of the qualified employees.

Working hours and vacations

The Group strictly implements the system of working, resting and vacation according to the *Teacher and Employee Manual* and other national regulations. Our standard working hours are 8 hours per day, 5 days per week, or no more than 40 normal working hours per week, with at least 1 day off. Except for unusual circumstances, such as at the end of the year, we do not advocate overtime work. For those who have been approved to work overtime due to business needs, the schools shall pay the overtime fees according to regulations. Teachers and employees are legally entitled to statutory holiday, winter and summer vacations (or annual leaves), casual leaves, sick leaves, marriage leaves, compassionate leaves, maternity leaves (and paternity leaves) and other paid leaves.

Equal opportunities

Teachers and employees enjoy equal opportunities for education, professional development and promotion and are not discriminated against due to their race, gender, religion or cultural background.

Diversification

The backgrounds of our teachers and employees are highly diverse; they come from different provinces in China or foreign countries; they graduated from schools in China and abroad; their experiences (prior to joining us) include government agencies, institutions, enterprises, private non-enterprises, and industry organizations. We also have foreign teachers from other countries.

Anti-discrimination

We provide equal opportunities in recruitment and employment, and oppose any types to discrimination. The Company resolutely resists and opposes any form of discrimination or forced labor practices, including forced labor, racial discrimination, and improper punitive measures. We strive to create a harmonious and equal working environment for all employees. During the reporting period, the Group did not receive any complaints related to any form of discrimination or forced labor.

Total number of employees by gender, type of employment, age group and geographical region

As of 31 December 2017, the Group had a total of 4,660 employees. Please refer to the following four tables for detailed disclosure by category:

Total number of employees by gender

Gender	Number of Employees of the Group	Percentage
	(person(s))	*(%)*
Male	2,525	54.2%
Female	2,135	45.8%
Total:	**4,660**	**100.0%**

Total number of employees by type of employment

Our main employees are teachers and teaching support staff, accounting for nearly 80% of the total number of employees. Our teachers and teaching support staff are our greatest and most valuable human resource asset.

Type of Employment	Number of Employees of the Group	Percentage
	(person(s))	*(%)*
Directors & senior management of the Group	9	0.2%
Teachers	3,589	77.0%
Teaching support staff	116	2.5%
Administrative staff	467	10.0%
Accounting and internal control staff	37	0.8%
Campus security staff	84	1.8%
Other staff	358	7.7%
Total:	**4,660**	**100.0%**

Total number of employees by age group
About 67% of our employees are between the ages of 31 and 50; this group mainly consists of teachers and professors with teaching experience of more than 10 years. In addition, the number of employees under the age of 30 is also considerable, accounted for 15.4% of the total employees; this group mainly consists of youth teachers with teaching experience of less than 10 years or/ and youth teachers working toward their teacher qualification certificates, with tremendous supports from the Group.

Age Group	Number of Employees of the Group	Percentage
	(person(s))	*(%)*
30 or below	716	15.4%
31-40	1,995	42.8%
41-50	1,108	23.8%
51-60	676	14.5%
over 60	165	3.5%
Total:	**4,660**	**100.0%**

Total number of employees by geographical region
Similar to our students, our employees also come from foreign countries and various regions in China, although our three schools are located in Jiangxi and Guangdong provinces only. As of 31 December 2017, around 34% of our employees were from foreign countries and other provinces or municipalities in China.

Geographical Region	Number of Employees of the Group	Percentage
	(person(s))	*(%)*
Jiangxi Province	1,751	37.6%
Guangdong Province	1,308	28.1%
Other regions	1,601	34.3%
Total:	**4,660**	**100.0%**

Employee turnover rate by gender, age group and geographical region
We have a very stable teachers and management workforce. During the reporting period, the Group had a total of 170 resigned employees, representing an employee turnover rate of 3.5%. Please refer to the following three tables for detailed disclosure by category:

Employee turnover by gender

Gender	Number of Resigned Employees of the Group *(person(s))*	Number of Employees of the Group *(person(s))*	Number of Employees of the Group after Adjustment *(person(s))*	Employee Turnover *(%)*
Male	107	2,525	2,632	2.2%
Female	63	2,135	2,198	1.3%
Total:	**170**	**4,660**	**4,830**	**3.5%**

Employee turnover by age group

Age Group	Number of Resigned Employees of the Group *(person(s))*	Number of Employees of the Group *(person(s))*	Number of Employees of the Group after Adjustment *(person(s))*	Employee Turnover *(%)*
30 or below	68	716	784	1.4%
31-40	57	1,995	2,052	1.2%
41-50	20	1,108	1,128	0.4%
51-60	16	676	692	0.3%
over 60	9	165	174	0.2%
Total:	**170**	**4,660**	**4,830**	**3.5%**

Employee turnover by geographical region

Geographical Region	Number of Resigned Employees of the Group *(person(s))*	Number of Employees of the Group *(person(s))*	Number of Employees of the Group after Adjustment *(person(s))*	Employee Turnover *(%)*
Jiangxi Province	13	1,751	1,764	0.3%
Guangdong Province	65	1,308	1,373	1.3%
Other regions	92	1,601	1,693	1.9%
Total:	**170**	**4,660**	**4,830**	**3.5%**

5.1.2 Health and Safety

General

In order to ensure the normal teaching order of the Group and the health and safety of the employees and students, the Group follows the basic principles of "paying attention to prevention, self-rescue and helping the others, ensuring safety, and reducing loss", establishing strict safety management regulations and standards for fire safety, campus safety and health environment construction, facilities and equipment management, and smoking ban management, to provide employees and students with a healthy and safe working and learning environment. While strictly complying with China's *Infectious Diseases Prevention Law*, *School Health Work Regulations*, *Fire Protection Law* and other relevant laws and regulations in formulating safety management systems, the Group has also established a safety and health work leading team to effectively supervise the implementation of safety inspection system and a safety accountability system to ensure the health and safety of teachers and students. Our operating school Baiyun Technician College has established an ISO 9001 quality management system in earlier years and has also established QB-0703-04 Work Environment Management Procedures and QB-0810-18 Protection Control Procedures to effectively protect the occupational and environmental safety of employees and students.

The Group also provides employees with relevant accident protection as required by national regulations such as the *Labour Law of the PRC* and the *Regulations on Work Injury Insurance*. The Group provides necessary labour protection supplies and other measures to provide employees with a safe working environment to protect employees from occupational hazards. In addition, the Group's annual purchase of work-related injury insurance and basic medical insurance for its employees can help its schools and its employees to mitigate accidental risk and damage to a certain extent.

Work injuries and accidents

During the reporting period, the Group did not have any work-related fatalities.

During the reporting period, the Group had five employees who had work-related injuries. Five people lost 0 (without leave), 5, 92.5, 153 and 159 working days respectively, representing a total of 409.5 lost days due to work injury. In response to these five work-related injuries, the Group actively applied for work-related injury certification for employees, arranged visits to hospitals, and paid for work-related injuries to ensure that employees obtain insurance coverage and salary as required by relevant laws.

Occupational health and safety measures and related implementation and monitoring methods

Based on the characteristics and working environment of the education industry, most employees, such as teachers and administrative staff, do not have any occupational hazard risks. A small number of employees, such as maintenance technicians and other outdoor workers, have a certain but very low risk of occupational hazards. Schools mainly adopt the following measures to avoid occupational hazards: (i), to provide necessary protection and communication tools for safety and security personnel; (ii), to provide labour protection supplies for maintenance personnel; (iii), to provide refreshing drinks for workers in high temperature environment in summer; (iv), to formulate safe operating procedures to regulate the operation procedures of hazardous equipment operators.

Schools of the Group have adopted the following measures to ensure the safety of employees in schools:

1. Implementation of safety education and safety precautions. We care our employees' physical well being; in order to enhance the healthcare awareness of all employees, our schools' labour contracts stipulate that a free health check-up for all employees should be conducted every one or two years. For example, the most recent one was the health check-up conducted at Jiangxi University of Technology from October 26 to November 30, 2017, which lasted for one and a half months. The health check-up was well-organized, service was in place, and the employees were satisfied.

2. Establishment of safety and health supervision projects. We have strengthened safety inspections in key areas and key locations to eliminate safety hazards in a timely manner. As of the end of the reporting period, the safety and health supervision projects established by the Company mainly include: safety and health publicity and education, investigation and rectification of hidden safety hazards, management of hazardous chemicals, safety management of food and boilers in canteens, policies and security work requirements, clinic and health management, dormitory safety management and school bus safety management, and improvement for campus and surrounding environment. We are equipped with necessary video surveillance equipments in public areas, and will assign security guards to safety and health supervision projects, with clear division of labour and responsibility. In terms of campus environment, the Company regularly disinfects different areas of campuses on a daily basis, and makes sufficient efforts on environmental hygiene and disease prevention. In addition, air conditioning maintenance work is conducted every month. At the same time, smoking bans are strictly enforced, and tobacco control inspections are regularly conducted to ensure the health of teachers and students and to avoid any incidents that endanger the safety of our school campuses.

3. Cracking down fire safety issues. On the Fire Safety Promotion Day on 9 November 2017, the Group held large-scale activities of fire drills to increase teachers' and students' fire safety awareness and self-rescue capability. In December 2017, the academic offices and security offices of the Group's operating schools jointly organized new students' legal and safety knowledge answering activities in accordance with the arrangements of the Provincial Education Department. During holiday seasons the security offices will post "Safety Tips" to remind students to pay attention to travel safety when leaving schools. During the reporting period, the security offices issued more than 40 warnings at the beginning of the school year, holidays, important periods and sensitive periods. At the same time, they also conducted 2 safety knowledge-themed promotion lectures for over 70,000 students in schools, organized 4 fire safety education and training courses for teachers and students, 2 fire evacuation drills, and invited the fire brigade and the Red Cross to hold 2 seminars on evacuation and first aid treatment. During the reporting period, the security offices carried out a comprehensive and in-depth investigation of large and small buildings in schools, to eliminate any hidden concerns or dangers and to carry out rectification in respect of the responsibilities of respective departments where more than 200 issues were identified.

5.1.3 Development and Training

General

In order to enhance the teaching ability and management level of full-time teachers and managerial personnel, various departments of the Group and the operating schools have formulated training programmes for the entire school year based on the actual situations. The training activities focus on the dissemination of culture and the improvement of business capabilities. Taking the extraction and inheritance of experience as the goal, the training model of case analysis is mainly used to comprehensively upgrade the knowledge reserves and business abilities of full-time teachers and managerial personnel. The Group strongly encourages teaching staff to participate in pre-employment training, as well as professional trainings related to teacher and counsellor qualifications, academic lectures, and innovation and entrepreneurship. The Group also encourages them to participate in forums, seminars, meetings and professional training in other disciplines, as well as overseas exchange opportunities.

The Group attaches great importance to the development and training of teaching staff and promotes self-development and improvement to help teaching staff to improve their business abilities, work standards and management skills. Generally, our schools establish training programmes and projects for all employees for the entire school year at the beginning of the school year based on the actual situations. During the reporting period, our training programmes and projects mainly include:

1. Support and encourage our teachers to pursue master or doctoral degrees. For example, during the reporting period, Jiangxi University of Technology and Guangdong Baiyun University have actively carried out training programmes such as the Master Training Programme, PhD Training Programme, Double-qualification Teachers Training Programme, and 100 High-level Talents Introduction and Training Programme.

2. Short-term studies at domestic and foreign universities. For example, during the reporting period, Jiangxi University of Technology organized and selected nearly 200 teachers to participate in teaching ability training programmes such as receiving further education abroad and visiting domestic and foreign universities.

3. Practising and serving temporary positions in enterprises. For example, Guangdong Baiyun University arranges over 60 teachers to go to enterprises for a month-long practice working on regular positions every summer. Participating teachers work at professional counterpart positions in enterprises to enhance their practical work abilities. After the end of practice, they can bring real projects and industrial experiences back to school and utilize and incorporate them in classroom teaching.

4. Carrying out cooperation in production, learning and research. For example, Guangdong Baiyun University and enterprises have carried out in-depth cooperations in production, learning and research, and has established a number of masters' studios in school with enterprises. One of the studios was named "National Master Studio" by the Ministry of Human Resources and Social Security.

5. Carrying out teaching ability training for teachers; encouraging teachers to participate in forums, seminars, meetings in other disciplines and professional training. For example, on 5 January 2017, Jiangxi University of Technology held a special lecture on "Ad Music Creation, Music Technology and Application"; the training was open to more than 400 full-time teachers. On 22 March 2017, Jiangxi University of Technology held the "Metal Materials Science and Engineering" taught by the academician of the Chinese Academy of Engineering; the training was open to more than 150 full-time teachers. From 5 July to 7 July 2017, Jiangxi University of Technology held an innovative education in-school training for teachers; the training was open to more than 2,000 teachers. This training was based on seminars such as "Exploration and Practice of Innovative Teaching Models for Undergraduates Guided by the Theory of Grasping Intellectuality" and "Creative Thinking and Fun Talks" to deliver the latest innovation education trends to teachers and renew the concept of creative education for teachers, so as to comprehensively improve teachers' innovative teaching abilities.

6. Encouraging teaching staff to obtain teacher qualifications and counsellor qualifications. For example, Jiangxi University of Technology and Guangdong Baiyun University have issued the *Notice on Launching the 2017 Teacher Qualification Accreditation Work* in accordance with the *Notice on Teacher Qualification Accreditation Work* from the Provincial Education Department, and have setted the teacher qualification certificate as a basic condition for promotion to advanced or senior positions. The basic condition is to actively encourage teachers and counsellors to apply for teacher qualification accreditation and guide them to become more foresighted, innovated, and be responsible educators.

7. Induction training for new hired teaching staff. For example, during November 2017, Jiangxi University of Technology conducted a pre-employment training programme for the graduating youth teachers and counsellors to help them quickly integrate into education work through centralized training, internships, and follow-up training. On 11 December 2017, Jiangxi University of Technology held an academic lecture titled "Application for National Social Science Fund Project" which was open to more than 200 teaching staff on the application skills for the national social science fund.

8. Dispatching employees for professional skills training. For example, on 13-14 December 2017, the Company invited more than 30 senior management as well as accounting and internal control staff to Deloitte Hong Kong office for a two-day audit and internal control training.

Employment of employees with disabilities and employees with material family difficulties

For the employment of employees, the Group actively safeguards the employment opportunities for all types of people and prohibits discrimination in all aspects so as to ensure that all employees gain the respect they deserve. We are a disabled-friendly company and we actively solve the employment problem for the disabled. Under the same circumstances, we give priority to people with disabilities and those with material family difficulties in making hiring decisions. As of 31 December 2017, the Group had a total of 41 disabled employees, accounted for 0.9% of the total employees. Among them, Jiangxi University of Technology had 23 disabled employees, Guangdong Baiyun University had 12 disabled employees and Baiyun Technician College had 6 disabled employees.

Percentage of trained employees by gender and employee category

During the reporting period, the Group provided on-the-job training that benefit employees' personal and professional development, for a total of 3,131 employees, accounted for 67.2% of them. Please refer to the following two tables for detailed disclosure by category:

Percentage of trained employees by gender

Gender	**Number of Trained Employees of the Group** *(person(s))*	**Number of Teaching Staff of the Group** *(person(s))*	**Percentage of Trained Employees** *(%)*
Male	1,608	2,525	34.5%
Female	1,523	2,135	32.7%
Total:	**3,131**	**4,660**	**67.2%**

Percentage of trained employees by employee category

Employee Category	Number of Trained Employees of the Group *(person(s))*	Percentage of Trained Employees *(%)*
Senior management	20	0.4%
Middle management	182	3.9%
Other staff	2,929	62.9%
Total:	**3,131**	**67.2%**

Average training hours completed per employee by gender and employee category

During the reporting period, the average training hours completed per employee of the Group was 194 hours. Please refer to the following two tables for detailed disclosure by category:

Average training hours completed per employee by gender

Gender	Average Training Hours Completed per Employee *(hour(s))*
Male	197
Female	191
Weighted average:	**194**

Average training hours completed per employee by employee category

Employee Category	Average Training Hours Completed per Employee *(hour(s))*
Senior management	83
Middle management	70
Other staff	202
Weighted average:	**194**

5.1.4 *Labour Standards*

General

The Company prohibits and resolutely resist the hire of child labour or forced labour and in strict compliance with the relevant requirements of the *PRC Labour Law, Labour Contract Law, Teachers Law, Law on the Protection of Minors, Provisions on the Prohibition of Using Child Labour* and the *Special Rules on Labour Protection of Female Employees*. Our human resources department examines the identity of job applicants and employees recruited, conducts inspection on child labour and illegal labour, performs detailed background check on high end talents and employees who hold key positions, and enters into contracts with all employees in accordance with relevant laws and protects their legitimate rights and interests. During the reporting period, the Group was not involved in any illegal labour, child labour or forced labour.

Strict prohibition of child labour and forced labour

Our schools check the ages of job applicants in a strict manner in resume screening, qualification examination and background check during recruitment, and include relevant requirements of strict prohibition of child labour and forced labour in the employment contract.

The Group respects and upholds internationally recognized human rights and actively resists any actions disregarding and abusing human rights. In accordance with the *Labour Law*, *Labour Contract Law*, *Union Law*, *Provisions on the Prohibition of Using Child Labour*, the *Special Rules on Labour Protection of Female Employees of the People's Republic of China* and other national laws, the Group has formulated the *Teacher and Employee Manual* which prohibits the use of child labour and forced labour. The Group also prohibits forced labour or servitude in any forms, and ensures that all teaching staff work on a voluntary basis. The Group recruits staff based on the fair and voluntary principle, and prohibits the recruitment through forced actions or fraudulence.

If any non-compliance related to child labour and forced labour is found, the disciplinary supervision department and the management shall review the entire recruitment and management procedures, and identify the defects and make targeted improvement on relevant procedures to prevent the reoccurrence of similar incidents. The disciplinary supervision department will conduct inspection on incidents in relation to potential employment of children under the age of 16. If such incidents are found to be true, the disciplinary supervision department, together with the relevant personnel of the local labour protection and social security authorities, will contact the labour protection and social security authorities of the children's registered residence, and to escort the relevant children to their parents or guardians with all transportation and accommodation expenses covered by the Group. The three schools of the Group have never been involved in any illegal labour, child labour or forced labour since their establishments.

5.2 Operation Practices

5.2.1 Supply Chain Management

General

As an education services provider, we engage our suppliers to provide us with office supplies, furniture, devices and equipment, teaching material and supplementary teaching material and uniforms. In order to standardize the material supply procedures, to enhance the working efficiency, to facilitate the quality and efficient material supply, and to strengthen the supervision and management of partnered customers and lower the risks in relation to procurement, our schools have formulated the *Procurement Management System, the Tendering Procedures for Equipment Procurement* and other policies to manage the suppliers of the schools in a scientific manner. In addition, we have established a suppliers database to perform categorized management of suppliers, to conduct "qualified suppliers assessment" on an annual basis and will terminate the cooperation with disqualified suppliers in a timely manner.

Number of suppliers by geographical region

During the reporting period, about 75% of the Group's suppliers are from Jiangxi Province and Guangdong Province where the schools under the Group operate.

Province/Municipality	Number of Suppliers of the Group	%
Jiangxi Province	66	36.7%
Guangdong Province	70	38.9%
Beijing City	23	12.8%
Other regions	21	11.7%
Total:	**180**	**100.0%**

Practices of suppliers engagement and implementation and supervision of such practices

Our schools take into full consideration of the suppliers' environmental and social risk factors in supplier selection. The internal audit team participates and supervises the whole process of supplier selection. Firstly, we will verify and conduct due diligence on the legitimacy (such as the validity of business license, tax registration certificate and organization code certificate), qualification, business scope and operating and financial results in last three years of relevant suppliers.

We will then require the suppliers to provide quality examination reports, quality certification and other relevant materials of specific products. For example, in procurement of bedding products for students, we require the suppliers to provide quality examination certificates or reports issued by governmental authorities; and in procurement of furniture, electric appliances and teaching equipment, we examine the product quality certification provided by the suppliers.

The procurement departments of the schools under the Group have matured and complete supplier engagement systems in place. For procurement projects with small contract amount, we engage the suppliers based on the principle of "emphasizing on efficiency while ensuring quality" and make comparison among different suppliers for specific products. For example, the procurement of minor commodities, requires quotation from at least three suppliers and shall be subject to discussion on regular meetings. For projects with large contract amount, we assess and select the suppliers through public tender or competitive bidding procedures in strict accordance with relevant system of the schools. For example, the procurement department shall select and engage the suppliers with full consideration of the product quality and price based on the local market conditions, so as to achieve best result in ensuring the balance between quality and price of the products. Meanwhile, the schools have also established sound and effective supervision mechanism to identify defective products, and will take immediate actions and contact the suppliers in a timely manner if defective product is found.

5.2.2 Service Responsibility

We provide education services in strict compliance with relevant national laws

The schools under the Group operate in accordance with the *PRC Education Law*, the *Law for Promoting Private Education*, the *Several Provisions on the Administration of Non-state-operated Colleges and Universities*, the *Several Opinions of the State Council on Encouraging Social Power to Set up Education to Promote the Healthy Development of Private Education* and other national laws and regulations, to provide continuing education, junior college diploma and bachelor's degree education services, as well as accommodation, meal catering and other ancillary services.

How do we ensure consistent and high-quality education?
To provide high-quality education service to students has always been our relentless pursuit. Firstly, the schools under the Group have formulated and implemented the *Teaching Standards for Teachers*, the *Measures on Identification and Handling of Teaching Non-Compliance*, the *Scoring Measure on Teaching and Teaching Management* and other rules and systems. Through the management system, our schools have specified the quality standards of formulation (and revision) of cultivation proposals, formulation (and revision) of course syllabus, teaching preparation, teaching research, classroom teaching, teaching organization, after-class tutoring, homework review, teaching practices and other teaching procedures, and have formed a complete and standardized system of teaching management and teaching quality assurance. Secondly, periodic inspections are conducted at different phases. At the beginning of the school term, our schools will carry out initial teaching examination with focus on examining the compilation of course syllabus, class preparation by teachers, teaching PPT preparation and plans for teaching research activities by the teaching research office. In the middle of the school term, the schools will carry out mid-term teaching examination with focus on examining the implementation of activities of the teaching research office, completion of research report and guidance on dissertation preparation. At the end of the school term, the schools will carry out final examination with focus on examining the content of test papers and teachers' procedural assessment on students. In addition, we will conduct online mutual evaluation on teaching and learning experience between teachers and students for every school term and publish the year-end ranking (comprehensive ranking of teaching units and year-end performance ranking of teachers). Thirdly, the schools will hold monthly meetings to discuss teaching quality. Through preparation of briefing reports and holding meetings, we receive and review feedbacks to solve the problems and improve the quality.

The schools under the Group have formulated and implemented the *Teaching Standards for Teachers*, the *Measures on Identification and Handling of Teaching Non-Compliance*, the *Scoring Measure on Teaching and Teaching Management* and other rules and systems, which specified the standards of political ideology and teaching qualification of teachers in providing education services and the standards for different teaching aspects as well as the severity, handling procedures and appealing review procedures for non-compliant teachers.

The schools have formulated the *Test Management Rules*, *Test Paper Management Measures*, the *Foreign Language Test Management Measures for Bachelor's Degree* and other management systems to standardize the organization and implementation of tests and prevent the occurrence of accidents related to security and confidentiality of examination rooms and test paper due to human error.

How do we ensure the health and safety of students?
In order to ensure the safe and stable development of students, the schools under the Group have issued the *Student Management Rules*, the *Measures on Assessment of Comprehensive Quality of Students*, the *Rules on Management of Class Attendance Rate*, the *Rules on Leave Application of Students*, the *Student Apartment Management Rules*, the *Housekeeping Standards in Student Dormitory*, and other management rules to regulate and procure the students to develop good and healthy behavior and habits in school.

To ensure the campus safety, the schools have put great efforts in the following aspects: firstly, the schools focus on the management of areas with safety hazard (such as the campus gate, teaching buildings, dormitories and canteens) and assign security guards to patrol such areas; in addition, the schools conduct special inspection before and during major events, festivals and socially sensitive periods to eliminate security and safety hazard. Secondly, the schools have strengthen the technical protection facilities. For example, as of 31 December 2017, Jiangxi University of Technology has installed over 3,000 surveillance cameras, and set a monitoring room in each building with 24-hour guard on duty. Digital reading room, library, payment collection office and other important departments and premises in the campus are installed with webcams and automatic alarm system, and each floor of the dormitories is installed with sensors and webcams of electronic access control system; anyone shall get access in and out of the premises by access control cards, which will leave access record in the domain of monitoring room. Thirdly, the schools have strengthen the security force. For example, Jiangxi University of Technology maintains a security force on the basis of three security personnel for every one thousand students in the campus; it also establishes a campus security team of 90 competent members and a voluntary fire response team of 50 members based on paramilitary standard, allocates 1 to 4 building managers for each building and maintains an emergence response team of 20 members for each academic department. The security personnel receive daily physical training and weekly study and appraisal to prepare for emergence response at all time.

The schools organize activities of safety education such as legal knowledge promotion, fire drills and safety knowledge promotion for our teachers and students on a regular basis. For example, in every September when freshman students enroll in college, the schools invite legal experts to give lectures on legal knowledge to the freshman students, to let them know about relevant cases and the security situation in the campus neighborhood, to enhance their awareness of self-protection, and to deliver the promotional brochure of legal education prepared by the schools to every freshman student. In every March, we will carry out the activity of promotion month of comprehensive security management and legal education to enhance the awareness of security protection among teachers and students. On our fire safety promotion day (9 November), the schools will carry out large-scale fire drill and invite the firefighters to the campus to provide training on fire safety and firefighting practices so as to enhance the fire safety awareness and self-rescue ability of teachers and students. In every December, we cooperate with the provincial education department to organize Q &A sections on legal and safety knowledge for freshman students.

The Group attaches great importance to food safety. We conduct daily inspection on the canteens in schools. The inspection covers food ingredient procurement and documentation, utensils sterilization and recording and food ingredient storage, etc. Meanwhile we maintain a good document filing and sorting system (for food safety database). In order to strengthen the training on food safety, the schools invite the experts from the municipal food and drug administration to provide training to the staff every year, thereby enhancing their awareness of food safety, regulating the food safety operating procedures and protecting the physical health of teachers and students. No food safety accident has occurred in the schools under the Group for a decade. In addition, in order to strengthen the food safety supervision, Jiangxi University of Technology made amendment to its food safety penalty rules in 2017 to increase the level of penalty and to make timely penalty on the non-compliance identified in daily inspection.

How do we ensure the objectivity of our enrollment advertisement?
We promote our schools mainly through the advertisement on traditional mainstream media such as newspaper and TV and emerging media such as internet media, mobile newspaper, mobile application of mainstream media and official account on WeChat platform.

The Group carries out promotional activities in strict compliance with relevant laws and regulations, and has formulated the *Enrollment Information Approval and Publish Mechanism*, the *Enrollment Advertisement Content Management and Filing* and the *Enrollment Promotion Platform Maintenance and Management* in accordance with the *Education Law of the PRC*, the *Advertisement Law of the PRC* and the *Provincial Measures on Filing and Management of Enrollment Advertisement of Non-state-operated Colleges and Universities*, to make filing and effect management and control of the advertisement and promotional information published by the Group. The publish platforms mainly include the schools' enrollment website, official account on WeChat platform, printed enrollment brochure and the special journals on higher education entrance examination issued by the provincial education departments. All advertisement and promotional information are accurate, objective, true and not misleading. We also actively seek advices and supervision from the supervisory personnel of provincial governments and the provincial enrollment supervision team. Our effort in objective advertising is highly recognized by students, parents and the public.

Number of students who withdraw from our schools

In the school year of 2017/18, a total of 651 (as of 31 December 2017) students withdrew from the schools under the Group, all due to personal reasons, and no student withdrew from the schools was due to the factors related to the schools such as dissatisfaction of education services, accommodation safety and food safely. The schools have refunded the relevant fees to all students who withdrew from the schools in accordance with relevant policies.

How do we respond to the complaints from the students and employees?

During the reporting period, the Group received a total of 28 complaints from the students. The complaints were mainly related to public facility repair and taste of food in the canteens. The logistics department has taken active measures of improvement for reasonable requests. During the reporting period, the Group did not receive any complaint from the employees.

In order to effectively protect the rights and benefits of our students and employees, our schools continuously maintain a channel for students and employees to express their demands and concerns. Firstly, the communications offices of the schools have designated special personnel to handle various kinds of oral and written inquiries at different levels. Secondly, the schools hold the "Meeting with the Principal Day" on a monthly basis and assign the Communist Youth League Committee to collect the problems raised by the students. We listen to and solve the students' problems on study and daily life in a timely manner, and encourage students to fully participate in the schools' daily management, to enhance the level of democratic management of the schools. Thirdly, the schools have made amendment to the *Students Complaints Handling Rules* and set up offices in the student affairs department with the principal as the director, vice-principal as the deputy director and the heads of different functional departments as members, to handle daily affairs. Meanwhile, the schools also hold student forums from time to time to collect concerns raised by students. During the reporting period, our schools were not involved in any material litigations, complaints, disputes or negative news coverage.

Safeguard and protection of our intellectual property rights

The Group strictly protects the intellectual property rights of schools and students in accordance with the *Patent Law of PRC* and the *Implementation Rules of Patent Law of the PRC*. In addition, the schools of the Group have also introduced and implemented their respective *Administrative Measures for Scientific Research Projects* and *Administrative Measures on Intellectual Property Rights*. During the reporting period, the schools of the Group were not involved in complaints or disputes related to intellectual property rights.

During the reporting period, our efforts to safeguard and protect the intellectual property rights of the schools and students include: (1) To improve the management of intellectual property rights. The schools have set up Intellectual Property departments under the Scientific Research Office, to be responsible for the application, protection, and transfer of the intellectual property rights of schools and students. The schools have also established a conversion agency for intellectual property rights, which comprises of a dedicate team to promote the transfer of intellectual property rights and coordinate the disputes caused by intellectual property rights, in order to protect the intellectual property rights of teachers and students. In addition, the schools have also established a patent application fund for intellectual property rights; The schools have set up a special account for funds of intellectual property rights, which is used to subsidize the intellectual property innovation activities of teachers, and the maintenance and improvement of patents at later stages; (2) To well protect the intellectual property documents of the schools. We have developed intellectual property confidentiality regulations and implement the protection of intellectual property rights in various aspects of the schools. We have strengthened the promotion and learning of the confidentiality regulations so that teachers and students can clearly identify the bottom line that they cannot reach, and clearly define their own activities so as to better protect their intellectual property rights. Respective academic departments and research institutes appoint specialized personnel to archive and backup the results of the laboratory, confidential files of the archives and competitive scientific research items. We have strengthened the education in the protection awareness of intellectual property right protection during external communication. Their own essays, research results, academic theories must be checked one by one and protective measures should be taken. (3) The schools implement graduation project (graduation dissertation). We will educate the students and ask the students to modify or rewrite the graduation dissertation for which the repetition rate exceeds the standard. If there are serious acts of plagiarism, we will handle it in accordance with the *Measures for the Prevention and Handling of Academic Misconduct in Colleges and Universities* and the *Implementation Rules of handling Measures for Dissertation Fraud*. During the reporting period, a total of 9 students were asked to re-write their dissertations because their dissertations could not pass the review.

While we protect our intellectual property rights, we also protect the intellectual property rights of external educational resources. The Group's schools have issued *Management Regulations for Teaching Materials* to ensure the textbooks used by the schools are all ordered from regular publishers, and we have purchased online resources for our teachers to ensure the teaching materials and educational resources they use are those with copyrights.

Teaching quality management

We adhere to the "student-oriented" teaching strategies and the quality management philosophy of "continuous improvement" to build a teaching quality assurance system. The Group attaches great importance to the assurance and improvement of teaching quality; we mainly protect our quality management through the following two aspects:

To strengthen the conditions and guarantees of quality control: to make sure we have sufficient competent personnel and refined systems. For example, during the reporting period, Guangdong Baiyun University has invited 25 internal and external experts to review the status of its 45 undergraduate majors, has organized two majors to conduct special inspection of "Status of newly established majors during the last two years", three majors to conduct "Pre-review of the right of granting bachelor's degree", one major to conduct "Formal review of the right of granting bachelor's degree" and 30 majors which already have graduates to conduct in-school "Comprehensive assessment". For example during the reporting period is, Jiangxi University of Technology has more than 100 institutional documents including the *Management Manual for Teaching*, *the Compilation of Teaching Quality Monitoring Systems*, *Teacher's Manual and College Student's Handbook* in effect, which are mainly prepared and refined by 15 academic departments based on their respective characteristics and circumstances.

To optimize the process management of quality control. We constantly improve the standards of personnel training and teaching quality and optimize the quality assurance system to monitor the quality of teaching. The schools adhere to the Teaching Evaluation as the starting point, and through the combination of campus assessment and off-campus assessment, comprehensively monitor the teaching and teaching management process and constantly stabilize the teaching quality.

In addition, we collect comprehensive data and assess information validity in real time. The schools collect the basic status data of undergraduate education each year and report it to the education authority. Through undergraduate data collection and in-depth analysis and summary, we timely monitor the schools' core teaching data, which has become an important basis for the summarization and adjustment of teaching policies and measures and has helped schools to improve performance to the various indicators meet or exceed the national standards.

For example, during the reporting period, Guangdong Baiyun University has arranged teachers to attend 1,077 in-class lectures, covers 80% of the faculty. The University has conducted special inspections for course assessment and graduation projects, has randomly examined text papers of 105 courses, 88 graduation projects and 75 graduation dissertations. In 2017, 165 student teaching and administrative staff have reported a total of 8,312 pieces of teaching information, which cover teacher teachings, student studyings, teaching equipments and classroom managements. The schools have completed the enrollment analysis reports and graduate survey reports, have guided the establishment and adjustment of majors and talent trainings, and have established teaching quality assurance systems which cover enrollment, teaching and graduation processes.

Quality improvement

In order to achieve a closed-loop quality control, the schools have formed a quality improvement model of timely feedback, dynamic management and continuous improvement. There are improvement procedures and mechanisms from finding problems, reporting problems, issuing rectification notices, conducting rectification, reviewing rectification. For the problem of teaching quality, the rectification notice will be issued in a timely manner, and relevant departments are required to carry out rectification. Based on the self rectification of departments, the schools pay attention to the review of rectification. Our quality improvement of personnel training is mainly implemented in three levels: (1) Instant improvement through classroom monitoring, (2) Focused improvement through regular teaching inspections, and (3) Systematic improvement through special teaching evaluation. We examine and recover the teaching quality through quality improvement programmes.

Personal data protection and privacy policy

The Group strictly implements the *Provisions on the Administration of Internet Forum and Community Services,* the *Provisions on the Administration of Internet Comments Posting Services* and the *Provisions on the Administration of Internet Group Information Services*. The service providers of Internet forum community, comments posting, and group information shall take necessary measures to protect the safety of the personal information of users and shall not disclose, falsify, damage or illegally sell or provided such information to others. We strictly follow the relevant national laws and regulations related to the protection of personal information, especially for works that involving personal information of teachers and students, and the privacies of them and their families shall not be involved. For the promotion role model behavior of teachers and students, we need to obtain the consents of teachers and students first. No personal sensitive information of teachers and students, such as ID number, home address, telephone number, date of birth, etc., shall be released to the public.

To ensure the personal data safety of students and safeguard the safety and interests of the Group, we strictly implement the No. 9 Warning (protecting the school's personal information and privacy, subsidizing workers shall "tighten this string") issued by the National Student Financial Aid Management Center and the requirements of the *Notice on Prohibiting Publicizing Sensitive Personal Information of Teachers and Students*, as well as the *Student Management Provisions*, the *Implementing Rules for the Management of Teaching Archives*, the *Administrative Measures for Informatization Data* and the *Administrative Measures for the Change of Basic Information of Students' Enrollment Status* issued by the schools, to protect personal information security. We also have signed confidentiality agreements with staff who involved in the safety and privacy of student information, effectively protects the privacy of students and the Group from information leakage in any form. In addition, each school will also conduct regular training to educate teachers and employees to strictly abide confidentiality obligations and respect student privacy. We strictly implement our work according to the rules and regulations. For student-related information, we set permissions according to different levels of confidentiality with no one has the permission to read and use. If the privacy of the students and the Group is leaked, the Group will promptly take remedial actions and penalize the responsible individuals accordingly.

5.2.3 Anti-corruption

General

The Group resolutely opposes illegal operations such as bribery, extortion, fraud and money laundering and prohibits any actions that may harm the interests of customers and the Group. The Group strictly abides by national and regional anti-corruption laws and regulations, including the *Criminal Law of the PRC*, the *Anti-Money Laundering Law of the PRC*, the *Anti-Unfair Competition Law of the PRC*, the *Securities Law of the PRC*, and the *Criminal Procedure Law of the PRC* and the *Interpretation of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues concerning the Application of Law in the Handling of Criminal Cases of Embezzlement and Bribery*, etc. We also formulated internal policies, such as *Notice on the Duties of the Printing Department (Compilation) and the Provisions on Employees' Compensation and Penalty*, *Notice on Prohibition of Accepting Gifts, Gift Money and Flowers* and *Honesty and Self-discipline Commitment of the Faculty*, in order to regulate the professional behaviors and professional ethics of all employees of the Group, to establish a good atmosphere of integrity and diligence and to prevent frauds.

We have included the rules on integrity and self-discipline as the teaching staff's professional ethics and code of conduct in the Teacher and Employee Manual. Integrity and self-discipline is not only an important factor in selection and appointment of middle management for our schools, but also a year-end evaluation. The compliance of integrity and self-discipline is also an important part of the evaluation, the results of which are correlated to bonuses.

During the reporting period, in order to further strengthen the efforts on anti-corruption, the Group organized middle management cadres to visit the Anti-Corruption Education Base in Jiangxi Province and the Integrity Education Hall, where they received a profound and lively education on anti-corruption.

During the reporting period, the Group and our employees did not involve any cases related to bribery, extortion, fraud, or money laundering.

Preventive measures and whistle-blowing procedures, and related implementation and monitoring methods

For bribery, extortion, fraud and money laundering, the Company takes precautionary measures as the main measure and monitoring/reporting as the supplementary measures.

The precautionary measures include:

- The integrity and self-discipline education for teachers and employees is included in the training plan, and regular training and education are provided for teaching staffs. The heads of the departments in relation of party and administration matters and departmental cadres of designed entities shall regularly talk with teaching staffs. Meanwhile, senior management shall carry out conversations with the teaching staffs who show signs of violating the regulations or committed violation.

- We will establish and improve internal control mechanisms for financial assets, help to handle issues as early as possible. For general issues, we will warn and educate the relevant persons in timely manner and fully use methods such as inquiry letters, persuading talks and organization processing. For issues which have shown signs or tendency, we will handle them as early as possible and prevent the minor issues from becoming serious mistakes.

The monitoring/reporting measures:

- The whistleblower can use telephone, telegrams, letters, face to face reports, etc., or can entrust others to report. The whistleblower should, as far as possible, truthfully inform the supervisory authority of the alleged wrongdoer's name, department, and the specific circumstances and evidence of violations. After receiving relevant reports, the relevant school departments will carry out investigations, and after verification, they will propose handling suggestions and report them to the school leaders for approval and enforcement. For the violations of laws, the cases will be referred to the judicial authorities for handling. Those who intentionally fabricate facts by means of reports, falsely accuse others, or create troubles in the name of reports, interfere with the normal work of the supervisory authority, will be severely dealt with in accordance with relevant regulations, and in the case of constituting a crime, they shall be transferred to judicial authority for handling.

5.3.1 *Community Investment*

General

Our schools have always adhered to the fundamental tasks of "Educating people with good morals" to realize the throughout and comprehensive education, focusing on the growth of students, strengthening the education of ideals and beliefs of students, and continuously improving the sense of social responsibility and historical mission of students. During the reporting period, our schools have developed and implemented a variety of policies that considered the interests of local communities.

For example, Jiangxi University of Technology has formulated and implemented the following policies, such as the *Strategic Cooperation Agreement between Jiangxi University of Technology and Nanchang High-tech Zone*, the *Organization Service Agreement between the Jiangxi University of Technology and Jiangxi Provincial Intellectual Property Office*, the *Framework Agreement for Soft Science Collaborative Research between Jiangxi University of Technology and Jiangxi Provincial People's Government*, the *Cooperation Agreement between Jiangxi University of Technology and Jiangxi Provincial Intellectual Property Office*, the *Strategic Cooperation Framework Agreement between Jiangxi University of Technology and Nanchang People's Government*, the *Cooperation Framework Agreement between Jiangxi University of Technology and Jiangxi Institute of Computing Technology* and *the Cooperation Framework Agreement between Jiangxi University of Technology and Institute of Building Materials of China Building Materials Academy*.

For another example, Guangdong Baiyun University has formulated and implemented the *Notice on Promoting the Registration Works of Volunteer Certificate in School*, the *Activity Plan of the Month of Leifeng in 2017 of Guangdong Baiyun University*, the *Notice on Conducting the 2017 Summer Student Social Practice Activities of Guangdong Baiyun University,* etc. to actively guide students to participate in practice and contribute to the society.

Community contribution

During the reporting period, while the three schools of the Group operated in compliance with laws and integrity, they all actively implemented corporate social responsibility in their respective communities and made great contributions to the development of community public welfare. The followings are some reviews of the social activities in each school.

Jiangxi University of Technology

During the reporting period, the school has set up scholarships and financial aids to care for and help students with outstanding academic performance or financial burdens. Among them, the school selected: 1) 41 students for the national scholarships, with the amount of RMB330,000; 2) 1,072 students for inspirational scholarships, with the amount of RMB5.36 million; 3) 7,767 students for national financial aids, with the amount of RMB23.3 million, 4) 50 students for alumni scholarship, with the amount of RMB50,000.

In 2017, nearly 100 teachers and students from the school went to Fuliang, Ruijin, Jing'an, Wannian and other places to carry out "Warming children's hearts", "Passing over the red genes" and other social practice activities. One team was awarded the National Outstanding Service Team of the summer social practices of "Serving the country people in three aspects", three teams were awarded the Provincial Outstanding Service Team of the summer social practices of "Serving the country people in three aspects" and six teachers and students were awarded the Provincial Outstanding Individual of of the summer social practices of "Serving the country people in three aspects".

In 2017, the School Union Blood Center launched nearly 20 blood donation lectures and publicity activities. It received a total of more than 400,000 milliliters of blood donations from teachers and students of the university, effectively relieving the difficulties of clinical medical blood demand, and won the 2017 Blood Donation Promotion Organization Award in Jiangxi Province.

During the reporting period, the school organized 1,135 volunteers to go to Changdong Home for the Elderly, Changsheng Village Primary School, Nanchang Sanlian Special Education School and other places to carry out nearly 100 volunteer service activities for respecting the elderly, caring for children and helping the disabled, such as "Small wishes to come true" and "Sunshine actions".

In 2017, the school selected 5 outstanding volunteers to volunteer in Hainan, Guangxi, and Jiangxi Provinces to contribute their youth power to the development and rise of the West.

On 8 April, 28 June, and 11 October 2017, we organized three clinic volunteer activities. More than 140 volunteers went to the local community to provide free clinic services to more than 400 residents.

On 12 June 2017, the school set up an anti-drug and anti-aids volunteer service team of Jiangxi University of Technology together with Women's Compulsory Isolation Treatment Center of Jiangxi Province and recruited 54 volunteers to launch anti-drug and anti-aid promotion activities.

During the reporting period, the school organized 11 activities to promote first aids and bring warmth to the elderly. A total of more than 300 volunteers went to the Xindu community and Hongdu Senior Home to provide services to community residents and elderly people with no families, such as free clothes and blood pressure tests, which was well received by the community residents and the elderly people with no families, to community residents and the elderly.

In 2017, in order to implement the poverty alleviation actions of "Thousands of enterprises helping thousands of villages" in Jiangxi Province, the school provided Qinghu Village, Qinghu Town, Yiyang County, Jiangxi Province with supporting works and invested RMB1 million in the infrastructure construction in Qinghu Village.

Guangdong Baiyun University

In June and December 2017, the Youth League Committee of the school actively organized teachers and students from the university to carry out blood donation works. The total number of blood donors in the whole year reached 1,765 persons and the blood donation received amounted to 580,000 ml.

In 2017, the school actively launched the social practice activities of "Culture, Science, Technology and Sanitation" in the countryside, and organized 195 persons to carry out service activities in villages such as Datian Village, Shaxi Village, Nangang Village, Hewei Village and Changgang Village of Jianggao Town, focusing on the service projects such as theoretical popularization, education on care, anti-drug and anti-AIDS propaganda and harmful substance detection. Through serving the neighboring villages of Jianggao Town, we further enhanced the sense of social responsibility and mission of the college students.

In 2017, the school actively carried out volunteer activities of the "Sweet Dew Action" of Guangdong college students. In June and December, a total of 42 volunteers were organized to perform voluntary volunteer service activities in the two jurisdictions of Guangdong Juvenile Offenders Training Center. They educated prisoners to face setbacks in a positive attitude, spurred the courage of inmates to overcome difficulties, and help them regain confidence to work hard.

In 2017, the school organized several clothes donation activities of "Angel Action" to actively support the study and livelihood of children living in poverty-stricken mountainous areas. In April and November, it sold 4,670 kilograms of clothes collected and donated the proceeds to 8 mountain elementary schools in Xingwen County, Yibin City, Sichuan Province. Through the activities, we taught the students to actively participate in public welfare and contribute to the society.

During the reporting period, the school organized 8 caring visits. A total of 628 volunteers went to the Jianggao Senior Care Home to conduct caring visits and sent love and warmth to more than 100 elderly people.

In 2017, the school organized a total of 12 caring services for autistic children. A total of 150 volunteers went to the Guangzhou Xingyu Children's Quality Training Center to serve children with autism.

In 2017, the school organized a total of 136 activities of "Growing under the Sky: 430 Classrooms". A total of 1,018 volunteers went to Tianxing Family Comprehensive Service Center of Jianggao Town to provide education and caring services for the left-behind children from the first to third grades and children of migrant workers in Jianggao Town.

In 2017, the school organized a total of 2 volunteering activities at the Canton Fair. A total of 160 volunteers went to the Guangzhou Pazhou Complex to participate in voluntary service activities. During the volunteer service of 121st Canton Fair held in May, the Young Volunteers Association of the school was awarded the title of "Excellent College Team".

On 23 October 2017, the school organized military training volunteers to go to Qiming Kindergarten of Jianggao Town to carry out national defense education activities for children. Nearly 400 teachers and students from the kindergarten participated in the event.

Baiyun Technician College

In March 2017, the school advocated teachers and students to voluntarily donate blood. The number of blood donors was 1,352, and the blood donation amounted to 390,000 ml, a record high for the school.

In 2017, the school organized cadres from Youth Volunteers Association, Electronic Maintenance Association, Beauty Salon Association, Computer Maintenance Association and Youth League Committee to provide voluntary services in the Jinshazhou Indemnificatory Apartment Community for 16 times, involving a total of 857 participants.

In May 2017, the school launched a clothing donation and collected a total of 3,310 pieces of clothing. All clothes were donated to the Guangzhou Social Donation Station. During the reporting period, the school organized a total of 2 book donations and donated a total of 4,500 books.

In 2017, school volunteers organized a total of 480 participants to work in orphanages and nursing homes for voluntary services for a total of 8 times of voluntary services.

In November 2017, the school organized the 6th Homecoming Conference that lasted for 3 days in Baiyun district, Guangzhou. 50 volunteers of the school provided volunteer services for more than 600 overseas Chinese.

In December 2017, the school organized a China Overseas Talent Exchange Conference, which lasted for 2 days. Nearly 100 volunteers of the school served a total of more than 1,000 people in six venues and three conference rooms. The school was awarded the "Best Volunteer Service Organization" by the organizing committee of the 2017 Chinese Overseas Students Guangzhou Science and Technology Exchange Conference.

6 APPENDIX

Content Index for HKEx ESG Reporting Guidelines

		Disclosure Level			Company Comments
		Full	Partial	None	
General Disclosures					
Aspect A1 Emissions	Policies and compliance with relevant laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	✓			
Aspect A2 Use of Resources	Policies on the efficient use of resources, including energy, water and other raw materials.	✓			
Aspect A3 Environment and Natural Resources	Policies on minimizing the issuer's significant impact on the environment and natural resources.	✓			
Aspect B1 Employment	Policies and compliance with relevant laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	✓			
Aspect B2 Health and Safety	Policies and compliance with relevant laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards.	✓			
Aspect B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	✓			
Aspect B4 Labor Standards	Policies and compliance with relevant laws and regulations relating to preventing child and forced labor.	✓			
Aspect B5 Supply Chain Management	Policies on managing environmental and social risks of the supply chain.	✓			

		Disclosure Level			Company Comments
		Full	Partial	None	
Aspect B6 Product Responsibility	Policies and compliance with relevant laws and regulations relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	✓			
Aspect B7 Anti-corruption	Policies and compliance with relevant laws and regulations relating to bribery, extortion, fraud and money laundering.	✓			
Aspect B8 Community Investment	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.	✓			
Other "Comply or explain" Provisions					
Aspect A1. Emissions					
A1.1	The types of emissions and respective emissions data.	✓			
A1.2	Greenhouse gas emissions in total (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	✓			
A1.3	Total hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	✓			
A1.4	Total non-hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	✓			
A1.5	Description of measures to mitigate emissions and results achieved.	✓			
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	✓			

		Disclosure Level			Company
		Full	Partial	None	Comments
Aspect A2. Use of Resources					
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).	✓			
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	✓			
A2.3	Description of energy use efficiency initiatives and results achieved.	✓			
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	✓			
A2.5	Total packaging material used for finished products (in tons) and, if applicable, with reference to per unit produced.			✓	This KPI is not relevant to our business
Aspect A3. Environment and Natural Resources					
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	✓			
Recommended Disclosures					
Aspect B1. Employment					
B1.1	Total workforce by gender, employment type, age group and geographical region.	✓			
B1.2	Employee turnover rate by gender, age group and geographical region.	✓			
Aspect B2. Health and Safety					
B2.1	Number and rate of work-related fatalities.	✓			
B2.2	Lost days due to work injury.	✓			
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	✓			
Aspect B3. Development and Training					
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	✓			
B3.2	The average training hours completed per employee by gender and employee category.	✓			

		Disclosure Level			Company
		Full	Partial	None	Comments
Aspect B4. Labor Standards					
B4.1	Description of measures to review employment practices to avoid child and forced labor.	✓			
B4.2	Description of steps taken to eliminate such practices when discovered.	✓			
Aspect B5. Supply Chain Management					
B5.1	Number of suppliers by geographical region.	✓			
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	✓			
Aspect B6. Product Responsibility					
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	✓			
B6.2	Number of products and service related complaints received and how they are dealt with.	✓			
B6.3	Description of practices relating to observing and protecting intellectual property rights.	✓			
B6.4	Description of quality assurance process and recall procedures.	✓			
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	✓			
Aspect B7. Anti-corruption					
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.	✓			
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	✓			
Aspect B8. Community Investment					
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	✓			
B8.2	Resources contributed (e.g. money or time) to the focus area.	✓			

CORPORATE GOVERNANCE REPORT

The Board believes that good corporate governance is essential in enhancing the confidence of the Shareholders, potential investors and business partners and is consistent with the Board's pursuit of value creation for the Shareholders. The Company has applied the principles as set out in the CG Code. The Board is of the view that since the Listing Date (15 December 2017) and up to 31 December 2017, the Company has complied with all the code provisions set out in the CG Code.

The Board

The name of the Directors and their membership in the committees set up by the Board are set out below:

Executive Directors
Mr. Yu Guo *(Co-chairman and chairman of Nomination Committee)*
Mr. Xie Ketao *(Co-chairman)*
Dr. Yu Kai *(Chief executive officer and member of Remuneration Committee)*
Ms. Xie Shaohua

INEDs
Dr. Gerard A. Postiglione *(Chairman of Remuneration Committee and member of Audit Committee and Nomination Committee)*
Dr. Rui Meng *(Chairman of Audit Committee and member of Remuneration Committee)*
Dr. Wu Kin Bing *(Member of Audit Committee and Nomination Committee)*

All the Directors have profound knowledge and extensive experience in the businesses of the Group. The profile of the Directors is set out in the "Directors and Senior Management" section of this annual report.

Mr. Yu is the father of Dr. Yu. Mr. Yu is an executive Director, the Co-Chairman of the Board and the chairman of the Nomination Committee. Dr. Yu is an executive Director, the Chief Executive Officer and a member of the Remuneration Committee.

Mr. Xie is the brother of Ms. Xie. Mr. Xie is an executive Director and the Co-Chairman of the Board. Ms. Xie is an executive Director.

Save as disclosed, there is no other relationship among members of the Board.

The composition of the Board is reviewed from time to time to ensure the Board has a balance of skills and experience appropriate for the requirements of the business of the Company and there is a strong independent element on the Board to safeguard the interests of the Shareholders.

Responsibilities and Delegation

The Board sets the Group's overall objectives and strategies, monitors and evaluates the operating and financial performance and reviews the corporate governance practices and standard of the Group. The Board delegates the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to the executive Directors and members of senior management.

Major issues of the Company which are reserved for the decision of the Board include the approval of interim and annual results of the Group, payment of dividend, approval of any transaction which is discloseable under the Listing Rules, changes in the capital structure of the Company, appointment or removal of Directors, secretary or auditors of the Company.

The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate. The Board has also established the Audit Committee, the Nomination Committee and the Remuneration Committee to perform various responsibilities as delegated by the Board. Further details of these committees are set out below.

Co-Chairmen and Chief Executive Officer

The Co-Chairmen of the Board are responsible for the management of the Board. The Chief Executive Officer of the Company leads the day-to-day management of the business of the Group. There is a clear and effective division of responsibilities between the Co-Chairmen and the Chief Executive Officer to ensure a balance of power and authority.

Major responsibilities of the Co-Chairmen include leading and overseeing the functioning of the Board, encouraging Directors to make active contribution and to develop effective communication with the Shareholders.

Major responsibilities of the Chief Executive Officer include implementing the strategies and development plans as established by the Board, managing and coordinating the overall business operation of the Group.

Appointment and Re-election of Directors

The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles of Association.

In accordance with the Articles of Association, at each AGM of the Company, one-third of the Directors shall retire from office by rotation and every Director shall be subject to retirement at least once every three years. Director newly appointed by the Board shall hold office until the next following AGM of the Company and shall then be eligible for re-election at the meeting.

All the INEDs are appointed for specific term and subject to retirement and re-election at AGMs according to the Articles of Association.

Independence of INED

The role of INEDs is to provide independent and unbiased opinions to the Board, giving adequate control and balances for the Group to protect the overall interests of the Shareholders and the Group. INEDs serve actively on the Board and the Committees of the Board to provide their independent, constructive and informed comments.

The Company has received from each of the INEDs an annual written confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the INEDs meet the independence criteria set out in Rule 3.13 of the Listing Rules.

Corporate Governance Function

The Board is primarily responsible for the corporate governance functions of the Company, to develop the policies and practices on corporate governance and the compliance with the legal and regulatory requirements, to monitor the training and continuous professional development of Directors and senior management, to develop the code of conduct and compliance manual applicable to the Directors and employees, and to review the compliance with the CG Code and the disclosure in the Corporate Governance Report.

The Board will continuously evaluate and strive for continual development and improvement in the corporate governance practices of the Group.

Board Diversity Policy

The Company has adopted a Board diversity policy to ensure that the Company will consider Board diversity in terms of, among other factors, gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge, when determining the composition of the Board, although Board appointment will be ultimately based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee monitors the implementation of the Board diversity policy and will review the policy periodically for any necessary update.

The Company's existing Board members, as well as its senior management team, are highly diverse in gender, age, cultural and educational backgrounds, ethnicity and professional experience.

Board Meetings

Pursuant to code provisions of the CG Code, meetings of the Board should be held at least four times a year at approximately quarterly intervals and notice of at least 14 days should be given of a regular board meeting.

There had not been any Board meeting held during the period from the Listing Date and up to 31 December 2017. In 2018 and up to date of this annual report, one regular board meeting was held for the purposes of, among others, considering and approving the annual results of the Group for the year ended 31 December 2017. Notice of the Board meeting, agenda and Board papers were sent to the Directors in a timely manner before the meeting. All members of the Board were present at the Board meeting.

Board Committees

The Board has established three Board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing various aspects of the Company's affairs. All Board committees have been established with defined written terms of reference and report to the Board on their decisions or recommendations made.

Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expenses.

Audit Committee

Audit Committee was established on 29 November 2017 and comprises 3 members, namely Dr. Rui Meng, Dr. Gerard A. Postiglione and Dr. Wu Kin Bing, all of them are INEDs. The chairman of the Audit Committee is Dr. Rui Meng who possesses the appropriate professional qualifications and accounting and related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The principal duties of the Audit Committee include reviewing the Group's financial reporting system, significant financial reporting judgments, the adequacy and effectiveness of the Company's financial reporting system, risk management and internal control systems. Audit Committee also acts as an important link between the Board and the Company's external auditors.

There had not been any Audit Committee meeting held during the period from the Listing Date and up to 31 December 2017. In 2018 and up to date of this annual report, one Audit Committee meeting was held and all the members of the Audit Committee were present at the meeting.

Since the Listing Date, the major work performed by the Audit Committee include the approval of the scope of services of the external auditors, and the review of the internal audit plan, the audited consolidated financial statements of the Group for the year ended 31 December 2017, the 2017 audit completion report and the response of the management to the recommendations of the auditors, the financial control, risk management and internal control system of the Group and the adequacy of the accounting and financial reporting functions of the Group and the assessment of the independence of the external auditors.

Remuneration Committee

Remuneration Committee was established on 29 November 2017 and comprises 3 members, namely Dr. Gerard A. Postiglione, Dr. Rui Meng and Dr. Yu. The chairman of the Remuneration Committee is Dr. Gerard A. Postiglione and majority of the members are INEDs.

The principal duties of the Remuneration Committee are to make recommendations to the Board in determining the policy and structure for the remuneration of Directors and senior management, to evaluate the performance of Directors and senior management, to review and approve the terms of incentive schemes and Directors' service contracts, and to recommend the remuneration packages for all Directors and senior management.

There had not been any Remuneration Committee meeting held during the period from the Listing Date and up to 31 December 2017. In 2018 and up to date of this annual report, one Remuneration Committee meeting was held and all the members of the Remuneration Committee were present at the meeting. The Remuneration Committee reviewed the policy and structure of the remuneration of the Directors and senior management, the remuneration package of the executive Directors and senior management and the director's fee of the INEDs.

Mr. Yu and Mr. Xie, the Co-chairmen and Controlling Shareholders of the Company, have voluntarily reduced their annual director's fee with a view to demonstrating their unswerving commitment and continuing support to the Group. As approved by the Board, the annual director's fee of each of Mr. Yu and Mr. Xie was reduced from HK$3,500,000 to RMB960,000 effective from 1 February 2018. The Board is appreciative of such gratuitous gestures of Mr. Yu and Mr. Xie and believes that Mr. Yu and Mr. Xie will continue to inspire stakeholders' confidence and maximise the shareholder value of the Company going forward.

Nomination Committee

Nomination Committee was established on 29 November 2017 and comprises 3 members, namely Mr. Yu, Dr. Gerard A. Postiglione and Dr. Wu Kin Bing. The chairman of the Nomination Committee is Mr. Yu and majority of the members are INEDs.

The principal duties of the Nomination Committee are to formulate and review the nomination and Board diversity policies, review the size, structure and composition of the Board, assess the independence of INEDs, and to make recommendations to the Board on nominations, appointment of Directors and Board succession with adequate consideration to the Board diversity policy.

There had not been any Nomination Committee meeting held during the period from the Listing Date and up to 31 December 2017. In 2018 and up to date of this annual report, one Nomination Committee meeting was held and all the members of the Nomination Committee were present at the meeting. The Nomination Committee reviewed the structure, size and composition of the Board and assessed the independence of INEDs.

Remuneration of Directors and Senior Management

The remuneration package of the Directors is backed up by formal and transparent policy. Directors are fairly paid and their remunerations are commensurate with their experiences, responsibilities, workloads, performances, as well as Group's performance. No Director is involved in deciding his/her own remuneration. While the Company maintains a competitive remuneration level to attract and retain Directors to run the company successfully, it strictly enforces the Director remuneration policy and budges carefully without paying the Directors more than necessary.

Details of the emoluments paid or payable to the Directors for the year ended 31 December 2017 are set out in note 12 to the consolidated financial statements.

The emoluments paid or payable to members of senior management (excluding the Directors) for the year ended 31 December 2017 were within the following bands:

Remuneration Bands	Number of Employees
HKD0 – HKD1,000,000	1
HKD1,000,001 – HKD2,000,000	–
HKD2,000,001 – HKD3,000,000	–
HKD3,000,001 – HKD4,000,000	1

Model Code for Securities Transactions

The Company has adopted the Model Code as the Group's code of conduct to regulate the securities transactions of the Directors and relevant employees. Having made specific enquiries, all the Directors confirmed that they have complied with the required standard set out in the Model Code throughout the period from the Listing Date up to 31 December 2017.

Continuous Training and Professional Development

The Company periodically organises training courses for the Directors, senior management and staff to develop and refresh their knowledge in areas which are relevant to the performance of their daily duties and the growth of the business of Group under the changing economic environment.

Prior to the Listing, the external legal advisor of the Company provided training courses to all the Directors which covered a wide range of topics including directors' duties and responsibilities under the Listing Rules and the laws which are applicable to the Company, the Company's continuing compliance obligations under the Listing Rules and SFO, the requirements on disclosure of price-sensitive information, the reporting obligations of the Directors and an in-depth training on discloseable and connected transactions of listed companies.

Subsequent to the Listing, the Company organised a training course conducted by external consultants with professional expertise in internal control and risk management and environmental, social and governance reporting. The training course were attended by the executive Directors, senior management, personnel in the finance department and relevant staff from the operation and administration departments.

Directors' and Auditor's Acknowledgement

The Board is responsible for presenting a balanced, clear and understandable assessment of the annual and interim reports, price sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2017.

Deloitte Touche Tohmatsu, the auditor of the Company, has acknowledged its responsibilities in the independent auditor's report on the consolidated financial statements for the year ended 31 December 2017.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Auditor's Remuneration

For the year ended 31 December 2017, professional fees paid or payable to Deloitte Touche Tohmatsu, the auditors of the Company, for audit and non-audit services provided to the Group are as follows:

Services	Fees charged RMB$'000
Audit services	
Audit services	3,800
Reporting accountants' services in relation to the Listing	6,880
Non-audit services	
Tax advisory services	600
Internal control review	420
Total	11,700

Company Secretary

Mr. Mok Kwai Pui Bill is the company secretary and chief financial officer of the Company, the profile of Mr. Mok is set out in the "Directors and Senior Management" section of this annual report. Mr. Mok is a full-time employee of the Company and reports to the Co-chairmen and the Chief Executive Officer of the Company on corporate governance issues.

Mr. Mok confirmed that he had taken no less than 15 hours of relevant professional training for the year ended 31 December 2017.

Risk Management and Internal Control

The Board acknowledges its responsibility for maintaining a sound and effective risk management and internal control system and reviewing their effectiveness. The Group's internal control system is designed to safeguard assets against misappropriation and unauthorized disposition and to manage operational risks. Review of the Group's internal controls covering major financial, operational and compliance controls, as well as risk management functions. The controls built into the risk management system are intended to manage significant risks in the Group's business.

The Board is primarily in charge of managing the overall risks of our Group. Significant business decision that involves material risk exposures, such as expansion of the school network into new geographic areas and to enter into cooperative business relationships with third parties to establish new schools, are subject to assessment and approval of the Board.

The Audit Committee is delegated with the responsibility to review the financial controls, risk management and internal control systems of the Group, to consider any major investigation findings on risk management and internal control matters and the response of the management to such findings. The Audit Committee also reviews the external independent auditor's management letter, any material queries raised by the auditor about accounting records, financial accounts or systems of control and management's response. The Audit Committee reports to the Board on the matters considered by the Audit Committee and its recommendations to the Board.

The Company also has an internal audit function which primarily carries out the analysis and independent appraisal of the adequacy and effectiveness of the risk management and internal control systems of the Group and reports their findings to the Audit Committee and the Board.

The Group's internal control system includes a well-established organizational structure with clearly defined lines of responsibility and authority. Each of our schools is managed on a day-to-day basis by its president, who is assisted by several vice presidents responsible for one or more specific aspects of our schools' operations. The board of directors of each of our respective schools is responsible for the overall management and decisions on matters that are significant to each of our schools. The board of directors, president and vice presidents of our schools are required to manage the operation of the schools within the scope of the delegated authority and to implement and strictly adhere to the strategies and policies set by the Company from time to time. They are also required to keep the executive Directors informed of the material development and to report on the implementation of the policies and strategies set by the Company on a regular basis. Each of our school has also designated the relevant personnel who will be responsible for monitoring the ongoing compliance with the relevant PRC laws and regulations that govern the business operations and overseeing the implementation of any necessary measures.

Each of our schools has appointed counsellors to serve as a bridge between students and colleges. Counsellors are students' primary contact for questions and concerns they may encounter in their school life, they provide support and guidance to the students and educate the various rules formulated by our schools. Counsellors also regularly inspect the student dormitories to ensure orderly, safe, clean and healthy living conditions for our students and help students with social and behavioural issues. Our schools have also implemented complaint channels and established a task force comprising of principal and head of school departments with a view to understanding, responding and resolving complaints from students.

The Group has formulated internal control system manuals on corporate governance, operations, management, legal matters, finance and auditing setting out the internal approval and review procedures pursuant to which our employees are mandated to comply with. The Group has also established a set of policies and procedures for property purchase and leasing arrangement and maintains insurance coverage which is in line with customary practice in the PRC education industry, including school liability insurance.

The Company is committed to build up an effective internal control and risk management systems. The Company has appointed Somerley Capital Limited as the compliance adviser upon the Listing to advise on the on-going compliance with the Listing Rules. Additional personnel with professional experience and qualifications will be hired where necessary to support the expansion of our business operation. The Company will also engage external professional advisers to provide professional advice and guidance to our Group and to provide internal trainings to ensure our Directors and employees are kept up-to-date on any legal and regulatory developments.

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.

As disclosed in the paragraph headed "Internal Control and Risk Management" in the "Business" section of the Prospectus, the Company engaged an independent internal control consultant (the "Internal Control Consultant") to conduct an assessment of our internal control system in July 2017. In response to the findings and recommendations of the Internal Control Consultant, the Company performed remedial actions. Prior to the Listing, there were no material internal control issues outstanding. The Board will conduct a review on the effectiveness of the internal control and risk management systems of the Group at least once in a financial year. Such review shall cover all material controls, including financial, operational and compliance controls and risk management functions. The Board will also continually evaluate the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

Communication with Shareholders

The Company believes that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognizes the importance of transparency and timely disclosure of its corporate information, which enables Shareholders and investors to make the best investment decision.

The Company maintains a website at www.chinaeducation.hk as a communication platform with Shareholders and investors, where information and updates on the Company's business developments and operations and other information are available for public access.

To facilitate communication between the Company and the investment community, the Company conducts briefings and meetings with institutional investors and analysts on a regular basis as well as media interviews and roadshows to provide up-to-date and comprehensive information of the Company.

General Meetings

Since the Listing, the Company has not held any general meetings. The Company will hold its first AGM on 14 June 2018. Notice of the forthcoming AGM and a circular with further details of the matters to be considered at the meeting will be sent to the Shareholders together with this annual report. Shareholders are encouraged to attend the AGM and have face-to-face interaction with the Directors.

Shareholders' Rights

Propose a Person for Election as a Director

Pursuant to the Article 113 of the Articles of Associations, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the principal office of the Company. The period for lodgement of the notices will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least seven days.

If a Shareholder wishes to propose a person (the "Candidate") for election as a Director at a general meeting, he/she shall deposit a written notice (the "Notice") at the Company's principal office in Hong Kong. The Notice must: (i) include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules; and (ii) be signed by the Shareholder concerned and signed by the Candidate indicating his/her willingness to be elected and consent of publication of his/her personal information.

The period for lodgement of the Notice shall commence on the day after the despatch of the notice of general meeting and end no later than seven (7) days prior to the date of such general meeting. In order to allow the Shareholders to have sufficient time to consider the proposal of election of the Candidate as a Director, Shareholders who wish to make the proposal are urged to submit and lodge the Notice as early as practicable.

Convene an Extraordinary General Meeting

Pursuant to article 64 of the Articles of Association, 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 and sent to the company secretary at the Company's principal office in Hong Kong, 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 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (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.

Put Forward Proposals at General Meetings

Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph to consider the business specified in the requisition.

Put Enquiries to the Board

Shareholders may send any comments or inquiries to the Board by email to sprg_chinaeducation@sprg.com.hk or in writing to the company secretary at the Company's principal office in Hong Kong.

Change in Constitutional Documents

The Company has adopted the amended and restated memorandum and articles of association (the "M&A") of the Company on 29 November 2017 and which took effect from the Listing Date. No changes have been made to the M&A since the Listing. An up-to-date version of the M&A is available on the websites of the Company and HKEXnews.

DIRECTORS AND SENIOR MANAGEMENT

The Board consists of four executive Directors and three independent non-executive Directors.

EXECUTIVE DIRECTORS

YU GUO (于果), aged 55, was appointed as a Director in May 2017 and was redesignated as an executive Director in August 2017. Mr. Yu is the co-chairman of the Board and the chairman of the nomination committee.

Mr. Yu is the founder and the chairman of the board of directors of Jiangxi University of Technology. He is a director of the subsidiaries and consolidated affiliated entities of the Company.

Mr. Yu has over 24 years of experience in the education industry. He is actively engaged in the educational and civil affairs in the PRC. Key positions held by Mr. Yu include:

Period	Association	Position
March 1998 to March 2003	Ninth National People's Congress (第九屆全國人民代表大會)	Representative
July 2002 to present	Jiangxi Federation of Industry and Commerce (江西省工商業聯合會)	Vice Chairman
March 2003 to March 2008	Tenth National People's Congress (第十屆全國人民代表大會)	Representative
March 2008 to March 2013	Eleventh National People's Congress (第十一屆全國人民代表大會)	Representative
January 2008 to present	China Association for Private Education (中國民辦教育協會)	Vice Chairman
March 2013 to March 2018	Twelfth Jiangxi People's Congress (第十二屆江西省人民代表大會)	Member of the Standing Committee
March 2018 to present	Thirteenth Jiangxi People's Congress (第十三屆江西省人民代表大會)	Member of the Standing Committee
March 2013 to present	Jiangxi Youth Federation (江西省青年聯合會)	Honorary Chairman

Key awards received by Mr. Yu for his contribution to the development of education in the PRC include:

Date	Awards	Awarding Authority
November 1998	National Glorious Industry Career Award (中國光彩事業獎)	China Society for Promotion of the Guangcai Programme (中國光彩事業促進會)
November 2000	China's Top Ten Outstanding Young Persons (中國十大傑出青年)	All-China Youth Federation (中華全國青年聯合會), China Youth Development Foundation (中國青少年發展基金會) and ten other media organisations
September 2004	National Outstanding Education Worker Award (全國優秀教育工作者)	MOE
April 2005	National Outstanding Worker Award (全國先進工作者)	State Council of the PRC
January 2007	National Award for Outstanding Non-Public Economic Establisher of Business in Communism with Chinese Characteristics (全國非公有制經濟人士優秀中國特色社會主義事業建設者)	All-China Federation of Industry and Commerce (中華全國工商業聯合會)

Mr. Yu is a director of Jiangxi Fashion TV Shopping Co., Ltd. (江西風尚電視購物股份有限公司), a company listed on the New OTC Market of the National Equities Exchange and Quotations ("OTC Market"). He was a director of China Science & Merchants Investment Management Group (中科招商投資管理集團股份有限公司) ("CSM Investment Group"), a company previously listed on OTC Market, from September 2014 to September 2017.

Mr. Yu graduated from the Master's programme in Business and Economics at the Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in 1998. Mr. Yu completed the China Europe International Business School-Harvard Business School-IESE Business School Global CEO Programme for China in 2006.

Mr. Yu is the father of Dr. Yu Kai, an executive Director and the chief executive officer of the Company. Mr. Yu is a director of Blue Sky BVI, a substantial shareholder of the Company within the meaning of Part XV of the SFO.

XIE KETAO (謝可滔), aged 53, was appointed as a Director in May 2017 and was redesignated as an executive Director in August 2017. Mr. Xie is the co-chairman of the Board.

Mr. Xie is the founder of Guangdong Baiyun University and Baiyun Technician College and is the chairman of the board of directors of both schools. He is a director of the subsidiaries and consolidated affiliated entities of the Company.

Mr. Xie has over 29 years of experience in the education industry. He is actively engaged in the educational and civil affairs in the PRC. Key positions held by Mr. Xie include:

Period	Association	Position
February 2003 to January 2008	Ninth Guangdong Province Committee of the Chinese People's Political Consultative Conference (第九屆廣東省中國人民政治協商會議委員會)	Committee Member
August 2004 to July 2008	Guangzhou Vocational Technical Education Research Committee (廣州市職業技能教學研究會)	Vice Chairman (last position)
January 2008 to January 2013	Tenth Guangdong Province Committee of the Chinese People's Political Consultative Conference (第十屆廣東省中國人民政治協商會議委員會)	Committee Member
May 2008 to present	China Association for Private Education (中國民辦教育協會)	Vice Chairman
January 2013 to January 2018	Twelfth Guangdong People's Congress (廣東省第十二屆人民代表大會)	Representative

Key awards received by Mr. Xie for his contribution to the development of education in the PRC include:

Date	Awards	Awarding Authority
May 1999	Sixth Guangzhou Municipal Ten Outstanding Youth (第六屆廣州市十佳青年)	Guangzhou Municipal People's Government (廣州市人民政府)
December 2007	Outstanding Contribution Award to Chairmen in Private Schools (民辦學校董事長突出貢獻獎)	Guangdong Provincial Association for the Education Promotion (廣東省教育促進會)
December 2008	Individual Award for Outstanding Contribution for Guangdong Province Private Education (廣東省民辦教育傑出貢獻人物)	Southern Metropolis Daily (南方都市報)
June 2011	China Private Higher Education Outstanding Individuals (中國民辦高等教育先進個人)	China Association For Private Education (中國民辦教育協會)
September 2015	Guangdong Contemporary Private Education Sponsor Excellent Contribution Award (廣東當代民辦教育舉辦人突出貢獻獎)	Guangdong Society of Education (廣東教育學會), Guangdong Education Foundation (廣東省教育基金會) and Guangdong Provincial Institute of Contemporary Private Education Management (廣東省當代民辦教育管理研究院)

Mr. Xie was a supervisor of CSM Investment Group from September 2014 to September 2017.

Mr. Xie graduated from the Master's programme in Vocational and Technical Education at the East China Normal University (華東師範大學) in 1999. Mr. Xie has also been a National Ministry of Labour and Social Security (中華人民共和國勞動和社會保障部) accredited Senior Vocational Counsellor (高級職業指導師) since March 2002.

Mr. Xie is the brother of Ms. Xie Shaohua, an executive Director. Mr. Xie is a director of White Clouds BVI, a substantial shareholder of the Company within the meaning of Part XV of the SFO.

YU KAI (喻愷), aged 33, was appointed as an executive Director and the chief executive officer of the Company in August 2017. Dr. Yu is a member of the remuneration committee.

Dr. Yu is a director of certain subsidiaries and consolidated affiliated entities of the Company. He is also a director of Jiangxi University of Technology.

Dr. Yu has over 8 years of experience in the education industry. Dr. Yu was the executive director of the Centre for the Study of Graduate Education of the Shanghai Jiao Tong University Graduate School of Education from November 2009 to June 2017. Dr. Yu has also been a PhD Adviser at Shanghai Jiao Tong University in the field of Economics and Administration of Education since August 2014, and a Post-doctorate Adviser since October 2014.

Dr. Yu served as an educational consultant to the World Bank from April 2010 to June 2010 and from December 2010 to April 2011. He also provided research services to the MOE Higher Education Department (from September 2010 to May 2011), the Degrees Commission of the State Council of the PRC (in September 2013), the MOE Degree Management and Graduate Education Department (from March 2015 to June 2015) and the Research Office of the Jiangxi People's Government (since November 2016). Dr. Yu has authored ten books and 35 journal articles covering topics ranging from policy, learning, financing, and investment in education. Dr. Yu served as a reviewer of textbooks for Cambridge University Press in October 2016.

Key awards received by Dr. Yu include:

Date	Awards	Awarding Authority
June 2010	Shanghai Municipal Pujiang Talent Award (上海市浦江人才)	Shanghai Municipal Human Resources and Social Security Bureau (上海市人力資源和社會保障局) and Shanghai Municipal Science and Technology Commission (上海市科學技術委員會)
December 2010	Outstanding Research and Consultation Report in Philosophy and Social Sciences Award (教育部高校哲學社會科學研究優秀諮詢報告)	MOE Department of Social Sciences (教育部社會科學司)
December 2010	Shanghai Municipal Outstanding Achievement in Philosophy and Social Sciences Award Second Class Award for Papers (上海市哲學社會科學優秀成果獎論文類二等獎)	Shanghai Municipal Award Selection Committee for Outstanding Achievement in Philosophy and Social Sciences (上海市哲學社會科學優秀成果評獎委員會)
September 2011	National Outstanding Achievement in Educational Sciences Research Award Second Class Award (全國教育科學研究優秀成果獎二等獎)	MOE
December 2012	Elected to join the New Century Outstanding Talent Support Plan (入選教育部新世紀優秀人才支持計劃)	MOE
December 2014	Jiangxi Provincial Outstanding Achievement in Teaching Award First Class Award (江西省教學成果獎一等獎)	Jiangxi Provincial Department of Education
November 2015	Jiangxi Provincial Outstanding Achievement in Educational Sciences Award First Class Award (江西省教育科學優秀成果獎一等獎)	Jiangxi Provincial Department of Education

Dr. Yu received his Bachelor of Engineering degree in Computer Science (First Class Honours) from the Queen's University of Belfast in 2005, his Master of Science degree in Educational Studies from the University of Oxford in 2006 and his Doctor of Philosophy degree in Educational Studies from the University of Oxford in 2009. Dr. Yu also received his Master of Business Administration degree in Finance from the China Europe International Business School in 2016.

Dr. Yu is the son of Mr. Yu Guo, an executive Director and the co-chairman of the Board.

XIE SHAOHUA (謝少華), aged 55, was appointed as an executive Director in August 2017.

Ms. Xie is a director of certain subsidiaries and consolidated affiliated entities of the Company. Ms. Xie is the vice chairman of the board of both Guangdong Baiyun University and Baiyun Technician College. Ms. Xie is also the vice principal of Guangdong Baiyun University.

Ms. Xie has more than 20 years of experience in the education industry. Key positions held by Ms. Xie include:

Period	Association	Position
April 2003 to October 2006	Seventh to Ninth Guangzhou Baiyun Committee of the Chinese People's Political Consultative Conference (廣州市白雲區第七一九屆政協委員會)	Member
January 2012 to January 2017	Twelfth Guangdong Committee of the Chinese People's Political Consultative Conference (廣州市第十二屆政協委員會)	Member

Key awards received by Ms. Xie include:

Date	Awards	Awarding Authority
September 1996	Excellent Educator of Guangzhou City Award (廣州市優秀教師)	Guangzhou Municipal Education Commission (廣州市教育委員會) and Guangzhou Education Foundation (廣州市教育基金會)
March 2008	Guangzhou Municipal Female Employee Excellence Achievement (廣州市女職工建功立業標兵)	Guangzhou Federation of Trade Unions (廣州市總工會)
August 2012	Award for honouring more than 20 years of services in technical education and vocational training in Guangzhou (從事廣州技工教育與職業培訓工作20年以上)	Guangzhou Human Resources and Social Security Bureau (廣州市人力資源和社會保障局)

Ms. Xie received her College Diploma in Chinese Language and Literature from the Guangzhou Amateur University (廣州業餘大學) in 1991 and graduated from the Master's programme in Vocational and Technical Education at the East China Normal University (華東師範大學) in 1999.

Ms. Xie is the sister of Mr. Xie Ketao, an executive Director and the co-chairman of the Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS

GERARD A. POSTIGLIONE, aged 66, was appointed as an INED in December 2017. Dr. Postiglione is the chairman of remuneration committee, a member of the audit committee and a member of the nomination committee.

Dr. Postiglione has been an Honorary Professor of The University of Hong Kong Faculty of Education since July 2017. Dr. Postiglione served as Professor, Chair of Higher Education of The University of Hong Kong Faculty of Education from June 2015 to June 2017, Associate Dean of Research of The University of Hong Kong Faculty of Education from December 2013 to July 2016, and was Director of the Wah Ching Centre for Research on Education in China, The University of Hong Kong from July 2002 to March 2005.

Dr. Postiglione served as a Consultant on higher education to the Asian Development Bank from December 2010 to March 2011, and was a visiting fellow at Yale University in September 2003. Dr. Postiglione's academic books include Crossing Borders in East Asian Higher Education, Asian Higher Education, Education and Social Change in China and Mass Higher Education Development in East Asia.

Dr. Postiglione received his Bachelor of Science degree in 1972 and his Doctor of Philosophy Degree in 1980, both from the State University of New York.

RUI MENG (芮萌), aged 50, was appointed as an INED in December 2017. Dr. Rui is the chairman of the audit committee and a member of the remuneration committee.

Dr. Rui has been Professor of Finance and Accounting at China Europe International Business School since January 2012, and has held the title of Zhongkun Group Chair in Finance at China Europe International Business School since October 2015. Dr. Rui has been professionally designated as a Certified Financial Analyst (CFA) by the Association for Investment Management and Research since September 2000 and a Financial Risk Manager (FRM) by the Global Association of Risk Professionals since April 2010.

Dr. Rui is currently an independent director of Midea Group Co., Ltd. (美的集團股份有限公司) and Shanghai Winner Information Technology Co., Inc. (上海匯納信息科技股份有限公司), both companies are listed on the Shenzhen Stock Exchange. Dr. Rui is also an independent director of Shang Gong Group Co., Ltd. (上工申貝(集團)股份有限公司), a company listed on the Shanghai Stock Exchange, and an independent director of COSCO Shipping Energy Transportation Co., Ltd. (中遠海運能源運輸股份有限公司), a company listed on both the Stock Exchange and Shanghai Stock Exchange.

Dr. Rui received a Bachelor of Economics degree in International Economics from the Institute of International Relations in Beijing in 1990 and a Master of Science degree in Economics from Oklahoma State University in 1993. Dr. Rui also received a Master of Business Administration degree in 1996 and a Doctor of Philosophy degree in Business Administration in 1997 from the University of Houston.

WU KIN BING (鄔健冰), aged 66, was appointed as an INED in December 2017. Dr. Wu is a member of the audit committee and a member of the nomination committee.

Dr. Wu was Lead Education Specialist at the World Bank from September 1994 to October 2012. In her capacity as Lead Education Specialist, Dr. Wu led in educational policy analysis, lending appraisal, and project supervision in East Asia, South Asia and Latin America and Caribbean Region. She had worked on all subsectors of education, from early childhood development, to primary, secondary and tertiary education. Her World Bank and academic publications have dealt with the finance and efficiency of the education systems and public policies towards education.

Dr. Wu has also been a founding member of the UNICEF USA Northwest Regional Board since January 2014, where she is responsible for fundraising, education, and advocacy for UNICEF's work for children around the world. She was an editor for the Harvard Educational Review in May 1989.

Dr. Wu received from Indiana University a Bachelor of Arts degree in 1972, a Master of Science degree in 1974 and a Master of Arts degree in 1976. Dr. Wu received a Doctor of Education degree from Harvard University in 1995.

SENIOR MANAGEMENT

MOK KWAI PUI BILL (莫貴標), aged 56, joined the Group in May 2017 as the chief financial officer and was appointed as the company secretary in August 2017.

Mr. Mok has 29 years' experience in accounting, finance and banking in Hong Kong and the PRC with specific expertise in managing financial and accounting operations, fund raising, investor relations and executing corporate strategy. Before joining the Group, Mr. Mok was the chief financial officer of Fortune Oil PLC from November 2011 to May 2017, a company then listed on the London Stock Exchange and voluntarily delisted in March 2015. Mr. Mok was also the chief financial officer of Far East Consortium International Limited from April 2004 to October 2010, a company listed on the Stock Exchange.

Mr. Mok is an INED of Grand Ming Group Holdings Limited and PF Group Holdings Limited, both companies are listed on the Stock Exchange.

Mr. Mok received his Bachelor of Arts Degree in Business Administration from the University of Washington in the United States in 1984 and a Master Degree in Business Administration from the Seattle University in the United States in 1987. Mr. Mok is a member of the American Institute of Certified Public Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

LI RENYI (李仁毅), aged 33, joined the Group as vice president for strategic investments in May 2017.

Mr. Li has nine years of experience in investment. Before joining the Group, Mr. Li worked at Prax Capital (普凱投資), a private equity firm, from June 2013 to April 2017 where he held various positions including vice president of investments, senior manager of investments and manager of investments. Mr. Li also worked as an investment manager at Shenzhen Oriental Fortune Capital Co., Ltd. (深圳市東方富海投資管理股份有限公司), a venture capital firm, from March 2012 to May 2013 and at China Renaissance (華興資本), a financial services provider, from June 2008 to May 2011 where he was financing manager and analyst.

Mr. Li received his Bachelor of Engineering degree in Information Security from Shanghai Jiao Tong University in 2008. Mr. Li received his Master of Business Administration degree in Finance from China Europe International Business School in 2017. Mr. Li has passed the Fund Practitioner Qualification Examinations (基金從業資格考試) held by the Asset Management Association of China (中國證券投資基金業協會) in 2016.

CHANGES TO DIRECTORS' INFORMATION

Save as disclosed herein, the Directors confirm that in relation to their profile, no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules .

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report and the audited consolidated financial statements of the Group for the year ended 31 December 2017.

INCORPORATION AND LISTING

The Company was incorporated in the Cayman Islands on 19 May 2017 as an exempted company with limited liability and the Shares were successfully listed on the Main Board of the Stock Exchange on 15 December 2017.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in the operation of private higher and vocational educational institutions. Details of the activities of the principal subsidiaries and consolidated affiliated entities are set out in note 41 to the consolidated financial statements.

RESULTS AND BUSINESS REVIEW

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 120 and 121.

A fair review of the business of the Group during the year and its future development and outlook, important events affecting the Company occurred during the year ended 31 December 2017 and an analysis of the Group's performance during the year using financial key performance indicators, and relationships with stakeholders as required under Schedule 5 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) are set out in the sections headed "Co-Chairmen's Statement", "Management Discussion and Analysis" and "Environmental, Social and Governance Report" of this annual report and which also constitute part of this report.

PRINCIPAL RISKS AND UNCERTAINTIES

Save as disclosed in the section headed "Risks relating to the Contractual Arrangements" in this report, the following list is a summary of certain principal risks and uncertainties facing by the Group:

- our business and results of operations depend on the level of tuition fees and boarding fees we are able to charge and our ability to maintain and raise the level of tuition fees and boarding fees.

- our business is heavily dependent on the market recognition of our brand and reputation and any damage to our reputation would materially and adversely affect our business. Negative publicity concerning our schools or our Group may adversely affect our reputation, business, growth prospect and our ability to recruit qualified teachers and staff.

- we face intense competition from existing players and industry consolidation in the PRC higher education industry, which could lead to adverse pricing pressure, reduced operating margins, loss of market share, departures of qualified employees and increased capital expenditures.

- unauthorised disclosure or manipulation of sensitive personal data, whether through breach of our network security or otherwise, could expose us to litigation or could adversely affect our reputation.

- we may expand our school network through acquisitions or cooperation with third party partners and may not be able to successfully execute such expansion strategy.

- we are subject to uncertainties brought by various laws and regulations which are applicable to private higher education industry in the PRC, in particular the Law for Promoting Private Education of the PRC. Relevant laws and regulations could be changed from time to time to accommodate the development of the education industry in the PRC.

The above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

DIVIDENDS DISTRIBUTION

No dividend was paid or proposed during the year ended 31 December 2017 (2016: nil).

ANNUAL GENERAL MEETING

The forthcoming AGM will be held on 14 June 2018. A notice convening the AGM and all other relevant documents will be published and dispatched to the Shareholders.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 11 June 2018 to Thursday, 14 June 2018, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, all duly completed and signed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 8 June 2018.

SHARE CAPITAL

Details of changes during the year in the share capital of the Company are set out in note 30 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2017 are set out in note 15 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

Movements in reserves of the Company during the year ended 31 December 2017 are set out on page 216 in the note 42 to consolidated financial statements.

Our reserves available for distribution to the Shareholders consist of share premium and retained earnings. Under the Cayman Companies Law and subject to compliance with the Articles of Association, the share premium account may be applied by the Company for paying distributions or dividends to the Shareholders if immediately following the date on which the distribution or dividend is proposed to be paid, we will be able to pay off our debts as they fall due in the ordinary course of business. As of 31 December 2017, the Company's reserve available for distribution to equity holders amounted to approximately RMB2,613 million.

DIRECTORS

The Directors during the year ended 31 December 2017 and up to the date of this report were:

Executive Directors

Mr. Yu Guo (co-chairman, appointed on 19 May 2017)
Mr. Xie Ketao (co-chairman, appointed on 19 May 2017)
Dr. Yu Kai (chief executive officer, appointed on 28 August 2017)
Ms. Xie Shaohua (appointed on 28 August 2017)

Independent Non-Executive Directors

Dr. Gerard A. Postiglione (appointed on 5 December 2017)
Dr. Rui Meng (appointed on 5 December 2017)
Dr. Wu Kin Bing (appointed on 5 December 2017)

Pursuant to Articles 108 of the Articles of Association, Mr.Yu Guo, Mr. Xie Ketao and Dr. Yu Kai shall retire by rotation at the AGM and, being eligible, would offer themselves for re-election at the AGM.

DIRECTORS' SERVICE CONTRACTS AND LETTER OF APPOINTMENT

Each of the executive Directors has entered into a service contract with the Company with effect for a term commencing from the date of his appointment/redesignation as an executive Director which shall for a period of three years after or until the third AGM of the Company since the Listing Date (whichever is earlier), and shall be automatically renewed for successive periods of three years (subject always to re-election as and when required under the Articles of Association). The term of each of the service contracts shall end when the service contract is terminated in accordance with the terms and conditions or by either party giving to the other not less than three months' prior notice in writing.

Each of our INEDs has entered into an appointment letter with us for an initial period of three years from 15 December 2017 or until the third AGM since the Listing Date (whichever is sooner) which may be terminated in accordance with the terms and conditions of the appointment letter or by either party by serving on the other party a prior written notice of not less than three months.

Save as aforesaid, no Director proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than normal statutory compensation.

INDEPENDENCE OF INEDs

The Company has received, from each of the INEDs, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the INEDs are independent.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2017, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or of any associated corporations (within the meaning of Part XV of the SFO) of the Company, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Directors' Interest In Shares And Underlying Shares

Name of Director	Personal Interests	Corporate Interests	Other Interests	Total	Approximate % of Issued Share Capital of the Company
Yu Guo ("Mr. Yu")	10,000,000[(1)]	750,000,000[(2)]	760,000,000[(4)]	1,520,000,000	76.00%
Xie Ketao ("Mr. Xie")	10,000,000[(1)]	750,000,000[(3)]	760,000,000[(4)]	1,520,000,000	76.00%
Yu Kai ("Dr. Yu")	10,000,000[(1)]	–	–	10,000,000	0.50%
Xie Shaohua ("Ms. Xie")	10,000,000[(1)]	–	–	10,000,000	0.50%

Notes:

(1) Each of Mr. Yu, Mr. Xie, Dr. Yu and Ms. Xie is entitled to receive up to 10,000,000 Shares pursuant to the exercise of options granted to him/her under the Pre-IPO Share Option Scheme of the Company. Further information on the Pre-IPO Share Option Scheme and the options granted under the scheme is set out in the section headed "Options Granted Under The Pre-IPO Option Scheme" of this report.

(2) Mr. Yu beneficially owns the entire issued share capital of Blue Sky BVI which in turn owns 750,000,000 Shares.

(3) Mr. Xie beneficially owns the entire issued share capital of White Clouds BVI which in turn owns 750,000,000 Shares.

(4) Mr. Yu, Mr. Xie, Blue Sky BVI and White Clouds BVI entered into the Concert Party Agreement to align their shareholding interests in our Company. Pursuant to the Concert Party Agreement, Mr. Yu, Mr. Xie, Blue Sky BVI and White Clouds BVI agreed to vote in concert with each other for all operational and other matters at board meetings or shareholders' meetings of our Company (through himself, Blue Sky BVI or White Clouds BVI, as the case may be).

(5) All interests of the Directors in the Shares as disclosed above were long positions.

Directors' Interest In Associated Corporation

Name of Director	Nature of Interest	Associated corporation	Percentage of shareholding in the associated corporation
Mr. Yu	Beneficial owner	Jiangxi University of Technology	100%
	Beneficial owner	Huafang Education	50%
Mr. Xie	Beneficial owner	Guangdong Baiyun University	100%
	Beneficial owner	Huafang Education	50%

Save as disclosed above, as at 31 December 2017, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the Pre-IPO Share Options granted to the Directors, at no time during the year was the Company, or its holding company, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2017, so far as the Directors are aware, the following substantial shareholders or institutions have interests or short positions of 5% or more in the Shares or underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of substantial Shareholders	Capacity	Nature of interests	Shares	Approximate % of Issued Shares
Mr. Yu	Interests in controlled corporation(1)	Long	750,000,000	37.50
	Personal interest	Long	10,000,000	0.50
			760,000,000	38.00
	Other interest(2)	Long	760,000,000	38.00
			1,520,000,000	76.00
Mr. Xie	Interests in controlled corporation(3)	Long	750,000,000	37.50
	Personal interest	Long	10,000,000	0.50
			760,000,000	38.00
	Other interest(2)	Long	760,000,000	38.00
			1,520,000,000	76.00
Blue Sky BVI	Beneficial Owner(1)	Long	750,000,000	37.50
	Other interest(2)	Long	770,000,000	38.50
			1,520,000,000	76.00
White Clouds BVI	Beneficial Owner(3)	Long	750,000,000	37.50
	Other interest(2)	Long	770,000,000	38.50
			1,520,000,000	76.00

Notes:

(1) Mr. Yu beneficially owns the entire issued share capital of Blue Sky BVI.

(2) Mr. Yu, Mr. Xie, Blue Sky BVI and White Clouds BVI entered into the Concert Party Agreement to align their shareholding interests in our Company. Pursuant to the Concert Party Agreement, Mr. Yu, Mr. Xie, Blue Sky BVI and White Clouds BVI agreed to vote in concert with each other for all operational and other matters at board meetings or shareholders' meetings of the Company (through himself, Blue Sky BVI or White Clouds BVI, as the case may be).

(3) Mr. Xie beneficially owns the entire issued share capital of White Clouds BVI.

Save as disclosed above, as at 31 December 2017, the Directors are not aware of any other person or corporation having an interest or short position in the Shares or the underlying Shares of the Company or its associated corporation(s) which would require to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEMES AND SHARE AWARD SCHEME

The Company has adopted Share Option Schemes (Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme) and Share Award Scheme for the purpose of incentivizing eligible participants for their contribution to the Group.

Pre-IPO Share Option Scheme ("Pre-IPO Option Scheme")

The following is a summary of the principal terms of the Pre-IPO Share Option Scheme which was adopted and effective on 27 November 2017. The terms of the Pre-IPO Option Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as no options would be granted under the Pre-IPO Option Scheme after the Listing.

Purpose
The purpose of the Pre-IPO Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole. The Pre-IPO Option Scheme provides the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to selected participants.

Participants
Under the Pre-IPO Option Scheme, the Board may determine any directors and employees of any member of the Group, who the Board considers, in its sole discretion, have contributed or will contribute to the Group, to take up options to subscribe for the Shares.

Maximum Number Of Shares Available For Issue
The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Pre-IPO Option Scheme at any time shall not exceed 45,500,000 Shares, which represents 2.25% of the issued share capital of the Company as at the date of this annual report.

Maximum Entitlement Of Each Participant
Under the Pre-IPO Option Scheme, the Board shall be entitled to make an offer to any participant for the grant of an option for the subscription of such number of Shares as the Board may determine.

Vesting And Exercising Period

The Board may in its absolute discretion makes an offer to a selected participant for the grant of an option to subscribe for such number of Shares and on such terms as determined by the Board. The terms of the offer may include but are not limited to, any minimum period(s) for which an option must be held and/or any minimum performance target(s) that must be achieved, before the option can be exercised in whole or in part, and may include at the discretion of the Board such other terms either on a case by case basis or generally.

An option may be exercised in accordance with the terms of the Pre-IPO Option Scheme at any time during a period to be determined and notified by the Directors to each grantee which period shall not expire later than 10 years from the Listing Date.

Amount Payable On Application Or Acceptance Of Option

An option may be accepted by a participant within ten business days from the date of the offer of grant of the option. A nominal consideration of RMB1.00 is payable upon acceptance of the grant of an option.

Exercise Price

The price for the subscription of Shares in relation to each option granted under the Pre-IPO Option Scheme shall be such price as may be determined by the Board. An option may be exercised in whole or in part by the grantee and the subscription price of the Shares shall be fully paid by the grantee to the Company upon exercise of the option.

Life Of The Pre-IPO Share Option Scheme

The Pre-IPO Option Scheme was adopted and effective on 27 November 2017 and valid up to 27 November 2017 (the "Pre-IPO Option Scheme Period"). After the expiry of the Pre-IPO Option Scheme Period, no further options shall be offered or granted, but in all other respects the provisions of the Pre-IPO Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto.

Options Granted Under The Pre-IPO Option Scheme

Pursuant to the resolutions passed by the Board on 27 November 2017, the following options with the rights for the subscription in aggregate 45,500,000 Shares at the exercise price of HK$6.45 per Share were granted on 14 December 2017:

Grantee	Balance at 19 May 2017 (date of incorporation)	Options granted during the year (number of underlying Shares)	Exercised, lapsed or cancelled during the year	Balance as at 31 December 2017 (number of underlying Shares)
Directors				
Yu Guo	–	10,000,000	–	10,000,000
Xie Ketao	–	10,000,000	–	10,000,000
Yu Kai	–	10,000,000	–	10,000,000
Xie Shaohua	–	10,000,000	–	10,000,000
Employees in aggregate	–	5,500,000	–	5,500,000
Total		45,500,000	–	45,500,000

On every anniversary of the Listing Date (from the first anniversary to the fifth anniversary), a maximum of 20% of the underlying Shares in respect of the options may be vested in the grantee, subject to the satisfaction of performance condition as determined by the Remuneration Committee at its discretion. In determining whether the performance condition is satisfied, the Remuneration Committee will assess the overall financial position and operating conditions of the Group on each vesting date, with a focus on growth, reputation, closing price of the Company's shares on the Stock Exchange, return to Shareholders, dividend paid and industry ranking. In particular, the Remuneration Committee will also benchmark the Group's key performance metrics that it considers appropriate against comparable companies in the education industry and listed on a recognised stock exchange. Notwithstanding the above, the Remuneration Committee may in its sole discretion amend the vesting schedule and vest any percentage of the underlying Shares in respect of the options.

The options may be exercised in whole or in part by the grantees at any time during the 10 years commencing from the Listing Date. The options were granted on 14 December 2017, the date immediately preceding the Listing Date, and the exercise price of the options was determined by the Board as HK$6.45 per underlying Share, which is equal to the final price of each of the Shares first offered by the Company for subscription by the public in December 2017.

Save and except as disclosed above, no other options have been granted or agreed to be granted by the Company under the Pre-IPO Option Scheme.

Post-IPO Share Option Scheme ("Post-IPO Option Scheme")

The following is a summary of the principal terms of the Post-IPO Option Scheme adopted by the resolutions in writing of the Shareholders passed on 29 November 2017.

Purpose

The purpose of the Post-IPO Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and Shareholders as a whole. The Post-IPO Option Scheme will provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to selected participants.

Participants

Any individual, being an employee, director, officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate who the Board considers, in its sole discretion, to have contributed or will contribute to the Group is entitled to be offered and granted options.

Maximum Number Of Shares Available For Issue

The total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Option Scheme and any other schemes is 200,000,000, being no more than 10% of the Shares in issue on the Listing Date (the "Post-IPO Option Scheme Mandate Limit") and represents 9.90% of the issued share capital of the Company as at the date of this annual report. Options which have lapsed in accordance with the terms of the Post-IPO Option Scheme (or any other share option schemes of the Company) shall not be counted for the purpose of calculating the Post-IPO Option Scheme Mandate Limit.

The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Option Scheme and any other share option schemes of the Company at any time (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the Shares in issue from time to time (the "Post-IPO Option Scheme Limit"). No options may be granted under any schemes of the Company if this will result in the Post-IPO Option Scheme Limit being exceeded.

The Post-IPO Option Scheme Mandate Limit may be refreshed at any time by obtaining prior approval of the Shareholders in general meeting. However, the refreshed Post-IPO Option Scheme Mandate Limit cannot exceed 10% of the Shares in issue as at the date of such approval.

The Company may also grant options in excess of the Post-IPO Option Scheme Mandate Limit, provided such grant is to specifically identified selected participant and is first approved by Shareholders in general meeting.

Maximum Entitlement Of Each Participant

Unless approved by the Shareholders, the total number of Shares issued and to be issued upon exercise of the options granted and to be granted under the Post-IPO Share Scheme and any other share option scheme(s) of the Company to each selected participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue (the "Individual Limit"). Any further grant of options to a selected participant which would result in the aggregate number of Shares issued and to be issued upon exercise of all options granted and to be granted to such selected participant (including exercised, cancelled and outstanding options) in the 12 month period up to and including the date of such further grant exceeding the Individual Limit shall be subject to separate approval of our Shareholders.

Where any grant of options to a substantial shareholder or an INED of the Company (or any of their respective associates) would result in the number of Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange), such further grant of options must also be first approved by the Shareholders in a general meeting.

Vesting And Exercising Period

The Post-IPO Option Scheme does not set out any performance targets that must be achieved before the options may be exercised. However, the Board may at its sole discretion specify, as part of the terms and conditions of any option, such performance conditions that must be satisfied before the option can be exercised.

The period during which an option may be exercised is determined and notified by the Board to each grantee at the time of making an offer for the grant of the option and such period shall not expire later than ten years from the date of grant of the option.

Amount Payable On Application Or Acceptance Of Option

An option may be accepted by a participant within 20 business days from the date of the offer of grant of the option. A nominal consideration of HK$1.00 is payable upon acceptance of the grant of an option.

Exercise Price

The amount payable for each Share to be subscribed for under an option shall be determined by the Board but shall be not less than the greater of:

(i) the closing price of a Share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant;

(ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share on the date of grant.

Life Of The Post-IPO Share Option Scheme

The Post-IPO Option Scheme shall be valid and effective for the period of ten years commencing from the Listing Date (after which, no further options shall be offered or granted under the Post-IPO Option Scheme), but in all other respects the provisions of the Post-IPO Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto.

Options Granted Under The Post-IPO Share Option Scheme

No options have been granted or agreed to be granted by the Company since the adoption of the Post-IPO Option Scheme on 29 November 2017.

SHARE AWARD SCHEME

The following is a summary of the principal terms of the Share Award Scheme conditionally adopted by the resolutions in writing of our Shareholders on 29 November 2017. The Share Award Scheme is not a share option scheme and is not subject to the provisions of Chapter 17 of the Listing Rules.

The Share Award Scheme Limit (as defined in the below section headed "Maximum number of Shares to be granted") is subject to further approval of the Shareholders in a general meeting.

The issuance of new Shares pursuant to the Share Award Scheme is subject to the application by the Company and the granting by the Listing Committee of the Stock Exchange for the listing of and permission to deal in such new Shares.

Purpose

The purpose of the Share Award Scheme is to align the interests of the eligible participants of the scheme with those of the Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares, and to encourage and retain the eligible participants to make contributions to the long-term growth and profits of the Group.

Participants

Any individual, being an employee, director, officer, consultant, adviser, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate (including nominees and/or trustees of any employee benefit trust established for them) who the Board, in its sole discretion, to have contributed or will contribute to the Group.

Maximum Number Of Shares To Be Granted

An award (the "Award") granted under the Share Award gives a selected participant a conditional right, when the Shares are vested, to obtain the Shares or, if in the absolute discretion of the Board, it is not practicable for the selected participant to receive the Award in Shares, the cash equivalent from the sale of the Shares. An Award includes all cash income from dividends in respect of those Shares from the date the Award is granted to the date the Award is vested. The Board at its discretion may from time to time determine that any dividends declared and paid by the Company in relation to the Shares be paid to the selected participant even though the Shares have not yet vested.

Save that the Board at its discretion may from time to time determine that any dividends declared and paid by the Company in relation to the Shares be paid to the selected participants even though the Shares have not yet vested, the selected participant only has a contingent interest in the Shares underlying an Award unless and until such Shares are actually transferred to the selected participant.

The maximum aggregate number of Shares underlying all grants made pursuant to the Share Award Scheme (excluding Shares which have been forfeited in accordance with the Share Award Scheme) is conditionally set at 40,000,000, being 2% of issued Shares of the Company as of the Listing Date (i.e. 2% of 2,000,000,000 Shares) (the "Share Award Scheme Limit") and represents 1.98% of the issued share capital of the Company as at the date of this annual report. The Share Award Scheme Limit is subject to further Shareholders' approval as disclosed above.

Maximum Entitlement Of Each Participant

Save as otherwise restricted by the Share Award Scheme Limit or the Listing Rules, there shall be no limit on the total number of non-vested Shares that may be granted to a selected participant under the Share Award Scheme.

Each grant of an Award to any Director or the chief executive officer shall be subject to the prior approval of the INEDs (excluding any INED who is a proposed recipient of the grant of an Award). The Company will comply with the relevant requirements under Chapter 14A of the Listing Rules for any grant of shares to connected persons of the Company.

Vesting Period

The Board may from time to time determine such vesting criteria and conditions or periods for the Awards to be vested under the scheme.

Life Of The Share Award Scheme

The Share Award Scheme shall be valid and effective during the Award Period, being the period of ten years commencing from the later of:

(a) the passing of resolution by the Shareholders at the general meeting of the Company to approve the Share Award Scheme Limit; or

(b) the granting of an approval by the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares of the Company which may fall to be allotted and issued pursuant to the Share Award Scheme.

After the expiry of the Award Period, no further Awards will be granted under the Share Award Scheme but the scheme shall be valid and effective for so long as there are any non-vested Shares granted prior to the expiration of the Share Award Scheme, in order to give effect to the vesting of such Shares Awards.

Awards Granted Under The Share Award Scheme

No awards have been granted or agreed to be granted by the Company since the conditional adoption of the Share Award Scheme on 29 November 2017.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities since the Listing Date and up to 31 December 2017.

BORROWINGS

As at 31 December 2017, the Group had no borrowings.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Schemes and Share Award Scheme as set out above, no equity-linked agreements were entered into by the Company during or subsisted at the end of the year 2017.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Save as disclosed under the section headed "Connected Transactions" of this report, no Director nor an entity connected with a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2017.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the Group's business subsisted during the year ended 31 December 2017.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

During the year under review, save as disclosed in the paragraph headed " Connected Transactions" in this report, no contracts of significance to which the Company or any of its subsidiaries was a party and in which any controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at the end of the financial year ended 31 December 2017 or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

Our customers are primarily our students. For the year ended 31 December 2017, the aggregate sales attributable to the Group's five largest customers were less than 30%.

Our suppliers primarily comprise book suppliers, teaching equipment vendors, human resources services providers, equipment and materials vendors. For the year ended 31 December 2017, the aggregate sales attributable to the Group's five largest suppliers were less than 30%.

For the years ended 31 December 2016 and the six months ended 30 June 2017, purchases from our five largest suppliers amounted to RMB23.7 million and RMB3.1 million respectively, which represented 5.9% and 1.9% of our total cost of revenue in the same period. During the same periods, purchases from our largest supplier amounted to RMB7.0 million and RMB0.7 million respectively, which represented 1.7% and 0.4% of our total cost of revenue in the same period. Guangzhou Yuntao Education Technology Company Limited (廣州雲濤教育科技有限公司), one of our top five suppliers during the year ended 31 December 2016, had been owned as to 70% by Ms. Xie Shaohua (our executive Director) and as to 30% by the spouse of Mr. Xie (our executive Director and a Controlling Shareholder) until May 2017, when they disposed their equity interests to Independent Third Parties.

Save as disclosed above, none of our Directors, their respective close associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, has any interest in any of our five largest suppliers during the year ended 31 December 2017.

CONNECTED TRANSACTIONS

Non-Exempt Continuing Connected Transactions – Contractual Arrangements

Reasons for entering into the Contractual Arrangements

Currently PRC laws and regulations restrict the operation of higher education institutions to Sino-foreign ownership. The Company operates the business through the consolidated affiliated entities in the PRC. In order to comply with the PRC laws while availing ourselves to international capital markets and maintaining effective control over all of our operations, the Company and its wholly-owned subsidiary, WFOE, entered into a number of continuing agreements and arrangements (the "Contractual Arrangements") with, among others, Mr. Yu, Mr. Xie, Huafang Education, Lihe Education, our PRC Operating Schools and our consolidated affiliated entities.

The Company do not hold any equity interests in the consolidated affiliated entities which are held directly or indirectly by Mr. Yu and Mr. Xie. However, through the Contractual Arrangements, the Company effectively control these consolidated affiliated entities and are able to derive substantially all of their economic benefits. The Contractual Arrangements enable the Company to (i) receive substantially all the economic benefits from the consolidated affiliated entities in consideration for the services provided by WFOE; (ii) exercise effective control over the consolidated affiliated entities; and (iii) hold an exclusive option to purchase all or part of the sponsor interests in the PRC Operating Schools when and to the extent permitted by PRC laws.

Listing Rules Implications

Mr. Yu and Mr. Xie are the executive Directors and substantial shareholders of the Company, and therefore each of them is a connected person of the Company under Rule 14A.07(1) of the Listing Rules. The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company the Listing Rules.

Waiver from the Stock Exchange and Annual Review

The Stock Exchange has granted a specific waiver to the Company from strict compliance with the connected transactions requirements of Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements, including (i) the announcement and independent Shareholders' approval requirements pursuant to Rule 14A.105 of the Listing Rule, (ii) the requirement of setting an annual cap under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules. The specific waiver granted by the Stock Exchange is subject to various conditions as disclosed in the "Connected Transactions" section of the Prospectus and which include, among the others, disclosure in our annual reports of the Contractual Arrangements in place during each financial period, the Company's auditor was engaged to report on the transactions carried out pursuant to the Contractual Arrangements in accordance with Hong Kong Standards on Assurance Engagement 3000 "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 and issued the letter in respect of the above continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules, and the INEDs to review the Contractual Arrangements annually and confirm in our annual report for the relevant year.

Contractual Arrangements In Place

Business Cooperation Agreements

Pursuant to the business cooperation agreements entered into by and between (i) WFOE, Jiangxi University of Technology and Mr. Yu dated 30 June 2017, (ii) WFOE, Guangdong Baiyun University and Mr. Xie dated 30 June 2017 and (iii) WFOE, Baiyun Technician College, Huafang Education, Lihe Education, Mr. Yu and Mr. Xie dated 14 August 2017 (the "Business Cooperation Agreements"), WFOE has the exclusive right to provide each of our consolidated affiliated entities technical services, management support services, consulting services, intellectual property licences and other additional services as the parties may mutually agree from time to time, and in return, our PRC Operating Schools and other consolidated affiliated entities shall make payments accordingly.

Exclusive Technical Services And Management Consultancy Agreements

Pursuant to the exclusive technical services and management consultancy agreements entered into between (i) WFOE and Jiangxi University of Technology dated 30 June 2017, (ii) WFOE and Guangdong Baiyun University dated 30 June 2017 and (iii) WFOE, Lihe Education, Huafang Education and Baiyun Technician College dated 14 August 2017 (the "Exclusive Technical Services and Management Consultancy Agreements"), WFOE has the exclusive right to provide, or designate any third party to provide, technical services to each of our PRC Operating Schools, Lihe Education and Huafang Education, including (a) design, development, update and maintenance of software for computer and mobile devices; (b) design, development, update and maintenance of webpages and websites necessary for the education activities of our PRC Operating Schools, Lihe Education and Huafang Education; (c) design, development, update and maintenance of management information systems necessary for the education activities of our PRC Operating Schools, Lihe Education and Huafang Education; (d) provision of other technical support necessary for the education activities of our PRC Operating Schools, Lihe Education and Huafang Education; (e) provision of technical consulting services; (f) provision of technical training; (g) engaging technical staff to provide on-site technical support; and (h) other technical services reasonably requested by our PRC Operating Schools, Lihe Education and Huafang Education.

Furthermore, WFOE agreed to provide exclusive management consultancy services to our PRC Operating Schools, Lihe Education and Huafang Education, including (a) design of curriculum; (b) preparation, selection and/or recommendation of course materials; (c) provision of teacher and staff recruitment and training support and services; (d) provision of student recruitment support and services; (e) provision of public relation services; (f) preparation of long term strategic development plans and annual working plans; (g) development of financial management systems and recommendation and optimisation on annual budget; (h) advising on design of internal structures and internal management; (i) provision of management and consultancy training; (j) conduct of market research; (k) preparation of market development plan; (l) building of marketing network; and (m) providing other services reasonably requested by our PRC Operating Schools, Lihe Education and Huafang Education.

Exclusive Call Option Agreements

Under the exclusive call option agreements entered into by and between (i) WFOE, Jiangxi University of Technology and Mr. Yu dated 30 June 2017, (ii) WFOE, Guangdong Baiyun University and Mr. Xie dated 30 June 2017 and (iii) WFOE, Baiyun Technician College, Mr. Yu, Mr. Xie, Huafang Education and Lihe Education dated 14 August 2017 (the "Exclusive Call Option Agreements"), Mr. Yu, Mr. Xie, Lihe Education and Huafang Education have irrevocably granted WFOE or its designated purchaser the right to purchase all or part of the interests in our PRC Operating Schools, Huafang Education or Lihe Education (as the case may be). The purchase price payable by WFOE in respect of the transfer of such sponsor interest upon exercise of the call option shall be the lowest price permitted under the PRC laws and regulations. WFOE or its designated purchaser shall have the right to purchase such proportion of the sponsor interest in our PRC Operating Schools or the equity interests in Huafang Education or Lihe Education as it decides at any time.

School Sponsors' and Directors' Rights Entrustment Agreements And Shareholders' Rights Entrustment Agreements

Pursuant to the school sponsors' and directors' rights entrustment agreements entered into by and between (i) WFOE, Mr. Yu and each director of Jiangxi University of Technology dated 30 June 2017, (ii) WFOE, Mr. Xie and each director of Guangdong Baiyun University dated 30 June 2017 and (iii) WFOE, Lihe Education and each director of Baiyun Technician College dated 14 August 2017 (the "School Sponsors' and Directors' Rights Entrustment Agreements"), the Registered School Sponsors have irrevocably authorised and entrusted WFOE to exercise all its rights as school sponsor of each of our PRC Operating Schools to the extent permitted by PRC laws.

Pursuant to the School Sponsors' and Directors' Rights Entrustment Agreements, each of the directors of each school (the "Appointees") has irrevocably authorised and entrusted WFOE to exercise all his/her rights as directors of our PRC Operating Schools as appointed by the Registered School Sponsors and to the extent permitted by PRC laws.

Pursuant to the shareholders' rights entrustment agreements entered into by and between (i) WFOE, Huafang Education, Mr. Yu and Mr. Xie and (ii) WFOE, Lihe Education and Huafang Education (the "Shareholders' Rights Entrustment Agreements"), Mr. Yu, Mr. Xie and/or Huafang Education have irrevocably authorised and entrusted WFOE to exercise all his/its rights as shareholders of each of Huafang Education and Lihe Education to the extent permitted by PRC laws.

Powers of Attorney

Pursuant to the School Sponsors' Powers of Attorney executed by the Registered School Sponsors in favour of WFOE, each of the Registered School Sponsors authorised and appointed WFOE as its agents to act on its behalf to exercise or delegate the exercise of all its rights as school sponsor of each of our PRC Operating Schools.

Pursuant to the Directors' Powers of Attorney executed by each of the Appointees in favour of WFOE, each of the Appointees authorised and appointed WFOE as his/her agent to act on his/her behalf to exercise or delegate the exercise of all of his/her rights as directors of our PRC Operating Schools.

Pursuant to the Shareholders' Powers of Attorney executed by each of Mr. Yu, Mr. Xie and Huafang Education in favour of WFOE (together with the Schools Sponsors' Powers of Attorney and the Directors' Powers of Attorney, the "Powers of Attorney"), each of Mr. Yu, Mr. Xie and Huafang Education authorised and appointed WFOE, as his or its agent to act on his or its behalf to exercise or delegate the exercise of all his or its rights as shareholders of Huafang Education and Lihe Education.

Receivables Pledge Agreements

Pursuant to the receivables pledge agreements entered into between (i) WFOE, Jiangxi University of Technology and Mr. Yu dated 30 June 2017 and (ii) WFOE, Guangdong Baiyun University and Mr. Xie dated 30 June 2017 (the "Receivables Pledge Agreements"), each of Mr. Yu, Mr. Xie, Jiangxi University of Technology and Guangdong Baiyun University unconditionally and irrevocably pledged and granted first priority security interests over all of his or its interest in (i) receivables from the schools' boarding and tuition fees, (ii) rent from the school's properties, (iii) receivables from services provided by the school and (iv) any proceeds from the sale or transfer of the sponsor interests in Guangdong Baiyun University or Jiangxi University of Technology by Mr. Xie or Mr. Yu (as the case may be), together with all related rights thereto to WFOE as security for performance of the Contractual Arrangements and all direct, indirect or consequential damages and foreseeable loss of interest incurred by WFOE as a result of any event of default on the part of Mr. Yu and Mr. Xie or each of Jiangxi University of Technology and Guangdong Baiyun University and all expenses incurred by WFOE as a result of enforcement of the obligations of Mr. Yu and Mr. Xie and/or each of Jiangxi University of Technology and Guangdong Baiyun University under the Contractual Arrangements (the "Secured Indebtedness").

Pursuant to the Receivables Pledge Agreements, without the prior written consent of WFOE, Jiangxi University of Technology and Guangdong Baiyun University shall not transfer the receivables or create further pledge or encumbrance over the pledged interest in the receivables.

Account Supervision Agreements

Pursuant to the account supervision agreements entered into by and between (i) WFOE, Jiangxi University of Technology, Mr. Yu and Nanchang Agriculture Bank Holdings Company Limited Qingshanhu Branch (南昌農村商業銀行股份有限公司青山湖支行) ("Jiangxi Bank") dated 15 August 2017, and (ii) WFOE, Guangdong Baiyun University, Mr. Xie and China Construction Bank Holdings Company Limited Guangzhou Baiyun Branch (中國建設銀行股份有限公司廣州白雲支行) ("Guangdong Bank") dated 28 August 2017 (the "Account Supervision Agreements"): (a) Mr. Yu and Jiangxi University of Technology shall each set up a bank account at Jiangxi Bank; and (b) Guangdong Baiyun University and Mr. Xie shall each set up a bank account at Guangdong Bank (together, the "Designated Accounts"), for the purpose of safeguarding the WFOE's interests under the Receivables Pledge Agreements. Mr. Yu, Mr. Xie, Jiangxi University of Technology and Guangdong Baiyun University shall only use the Designated Accounts in the ordinary course of business except otherwise used with WFOE's prior consent. WFOE shall have the right to supervise the daily operation of the Designated Accounts.

Each of Mr. Yu, Mr. Xie, Jiangxi University of Technology and Guangdong Baiyun University shall deposit all of his or its proceeds from receivables or the sale or transfer of sponsor interest (as the case may be) subject to the Receivables Pledge Agreements into his or its Designated Account. Under the Account Supervision Agreements, the daily operation of the Designated Accounts shall be under the supervision of Jiangxi Bank and Guangdong Bank (as the case may be) on behalf of WFOE.

Equity Pledge Agreement

There are no equity pledge arrangements in relation to Jiangxi University of Technology and Guangdong Baiyun University. Nevertheless, there is an equity pledge agreement in relation to Baiyun Technician College. Pursuant to the equity pledge agreement entered into by WFOE, Mr. Yu, Mr. Xie, Huafang Education and Lihe Education dated 14 August 2017 (the "Equity Pledge Agreement"), Mr. Yu, Mr. Xie and Huafang Education unconditionally and irrevocably pledged and granted first priority security interests over all of his or its equity interest in Lihe Education and Huafang Education, as the case may be, together with all related rights thereto to WFOE as security for performance of the Contractual Arrangements and all direct, indirect or consequential damages and foreseeable loss of interest incurred by WFOE as a result of any event of default on the part of Mr. Yu, Mr. Xie, Huafang Education, Lihe Education or Baiyun Technician College and all expenses incurred by WFOE as a result of enforcement of the obligations of Mr. Yu, Mr. Xie, Huafang Education, Lihe Education and/or Baiyun Technician College under the Contractual Arrangements (the "Secured Indebtedness").

Pursuant to the Equity Pledge Agreement, without the prior written consent of WFOE, Mr. Yu, Mr. Xie, Huafang Education shall not transfer the equity interest or create further pledge or encumbrance over the pledged equity interest.

Confirmation from INEDs

Our INEDs have reviewed the Contractual Arrangements and confirmed that during the year ended 31 December 2017 (i) the transactions carried out have been entered into in accordance with the relevant provisions of the Contractual Arrangements and that the profit generated by the consolidated affiliated entities has been substantially retained by the Group, (ii) no dividends or other distributions have been made by the consolidated affiliated entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group, (iii) no contracts were entered into, renewed or reproduced between the Group and the consolidated affiliated entities, and (iv) the transactions contemplated under the Contractual Arrangements were entered into in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmation from the Company's Independent Auditors

Deloitte Touche Tohmatsu Limited, the Company's independent 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 Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

For the purpose of Rule 14A.56 of the Listing Rules, Deloitte Touche Tohmatsu has provided a letter to the Board, confirming that the transactions contemplating under the Contractual Arrangements:

(a) have been approved by the Board;

(b) have been entered into in accordance with the relevant Contractual Arrangements;

(c) no dividends or other distributions have been made by the consolidated affiliated entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group.

The Directors confirmed that the Company has complied with the disclosure requirements of Chapter 14A of the Listing Rules in respect of all of its continuing connected transactions.

Risks relating to the Contractual Arrangements

The PRC government may find that the agreements that establish the structure for operating our business in China do not comply with applicable PRC laws and regulations, which may subject us to severe penalties and our business may be materially and adversely affected. The Contractual Arrangements may be subject to the scrutiny of the PRC tax authorities and additional tax may be imposed, which may materially and adversely affect our results of operations.

The Contractual Arrangements may not be as effective in providing us with control over our consolidated affiliated entities as direct ownership. The beneficial owners of our consolidated affiliated entities may have conflicts of interest with us, which may materially and adversely affect our business and financial condition. The sponsor interests in Jiangxi University of Technology held by Mr. Yu and in Guangdong Baiyun University held by Mr. Xie are not capable of being pledged in favour of our WFOE under PRC laws. Our Contractual Arrangements with respect to these universities contain alternative arrangements that may not achieve the level of protection equivalent to typical contractual arrangements with equity pledge arrangements.

Our exercise of the option to acquire the sponsor interests or equity interests of our consolidated affiliated entities may be subject to certain limitations and we may incur substantial costs. Any failure by our consolidated affiliated entities or their respective school sponsors/shareholders to perform their obligations under our Contractual Arrangements would potentially lead to the incurrence of additional costs and the expending of substantial resources on our part to enforce such arrangements, temporary or permanent loss of control over our primary operations or loss of access to our primary sources of revenue.

We rely on dividend and other payments from WFOE to pay dividends and other cash distributions to our Shareholders and any limitation on the ability of WFOE to pay dividends to us would materially and adversely limit our ability to pay dividends to our Shareholders. If any of our consolidated affiliated entities becomes subject to winding up or liquidation proceedings, we may lose the ability to use and enjoy certain important assets held by our consolidated affiliated entities, which could negatively impact our business and materially and adversely affect our ability to generate revenue.

UPDATES IN RELATION TO QUALIFICATION REQUIREMENT

Pursuant to the Foreign Investment Industries Guidance Catalogue (as amended in 2017) (《外商投資產業指導目錄》(2017年修訂)), the provision of higher education in the PRC falls within the "restricted" category. In particular, such catalogue explicitly restricts higher education institutions to Sino-foreign cooperation, which means that foreign investors may only operate higher education institutions through cooperating with PRC incorporated entities that are in compliance with the Sino-Foreign Regulation.

In relation to the interpretation of Sino-foreign cooperation, pursuant to the Sino-Foreign Regulation, the foreign investor in a Sino-foreign school (whether as a kindergarten, high school or higher education institution, a "Sino-Foreign School") must be a foreign educational institution with relevant qualification and high quality of education (the "Qualification Requirement"). Pursuant to the Sino-foreign Vocational Skills Training Measures, the foreign investor in a Sino-foreign technical school (a "Sino-Foreign Technical School") must be a foreign education institution or a foreign vocational skills training institution with relevant qualification and high quality (the "Qualification Requirement"). Furthermore, pursuant to the Implementation Opinions, the foreign portion of the total investment in a Sino-Foreign School should be below 50% (the "Foreign Ownership Restriction") and the establishment of these schools is subject to approval of education authorities at the provincial or national level.

The Company's PRC Legal Adviser has advised that the laws and regulations are currently uncertain as to what specific criteria must be met by a foreign investor (such as length of experience and form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant authority that it meets the Qualification Requirement. Notwithstanding the foregoing, the Company is committed to working towards meeting the Qualification Requirement and have implemented a business plan to ensure our compliance with Qualification Requirement and with a view to expanding our education operations overseas.

In 2017 the Company established a wholly owned subsidiary in the State of California, the United States, namely University of Science and Technology, for the operation and management of our education business in the State of California. The Company also engaged an independent education consultant with extensive experience and background in private post-secondary education to advise on and assist the Company in the establishment of our institution in the State of California which would initially offer two undergraduate degree programmes, namely, Bachelor of Science in Computer Science and Bachelor of Science in Business Management. As at the date of this report, University of Science and Technology has submitted licensing application to the Bureau for Private Post-secondary Education in California. We will continue to disclose our progress in the implementation of our overseas expansion plans and updates to the Qualification Requirement in our annual and interim reports.

LAND USE RIGHT CERTIFICATE, BUILDING OWNERSHIP CERTIFICATES AND FIRE CONTROL ASSESSMENT REQUIREMENTS

As disclosed in the section headed "Business – Properties – Non-compliance with respect to the Land and Buildings of Guangdong Baiyun University and Baiyun Technician College" in the Prospectus, land use right certificate for a parcel of land of Guangdong Baiyun University has not been obtained (the "Land Issue"), and building ownership certificates for certain buildings of Guangdong Baiyun University and Baiyun Technician College have not been obtained and the relevant fire control assessment requirements have not been complied with (the "Building and Fire Control Issues"). We have been in discussion with the relevant parties and in the process of applying for re-compliance of the relevant certificates, permits and fire control assessment procedures (the "Rectification"). As at the date of this report, the application is in progress and we have not obtained any formal approvals from the relevant government authorities for the submissions that we made in relation to the Rectification.

Since Rectification would involve protracted discussions with various government authorities and time-consuming government administrative processes, it is expected that it may take no less than two to three years for the completion of Rectification.

We had commissioned qualified independent third parties to undertake a seismic resistance assessment on the buildings that do not have building ownership certificates and to undertake a fire safety assessment on the buildings that have not complied with fire control assessment requirements. According to the assessment reports, no material safety issues were identified and the relevant buildings had passed the assessments.

Furthermore, as disclosed in the Prospectus, we acquired the land use right certificate for the first phase of the site of Zhongluotan Land with a site area of 188,666 sq.m. which would be developed into a new campus of Guangdong Baiyun University. The new campus would have ample capacity to accommodate the expansion of the school and to facilitate the relocation of the existing operations of the buildings (the "Old Buildings") affected by the Land Issue, and the Building and Fire Control Issues. Barring unforeseen circumstances, it is anticipated that the new campus will commence operation in the 2018/2019 school year and the operations in the Old Buildings would also be gradually relocated to the new campus. We will continue to disclose our progress in the rectification and the relocation of the existing operations of the Old Buildings in our annual and interim report.

In view of the mitigating actions that have been taken by the Group, the Directors considered that the Land Issue, and the Building and Fire Control Issues of the Old Buildings would not have a material adverse effect on the operation of the schools.

RELATED PARTY TRANSACTIONS

During the financial year ended 31 December 2017, the Group entered into certain transactions with the related parties, details of which were disclosed in note 40 to the consolidated financial statements. Such related party transactions ceased to subsist at the Listing Date.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

None of the Directors or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or have any other conflict of interests with the Group.

EMPLOYEES AND REMUNERATION POLICIES

Recruitment

We strictly follow the PRC "Labor Law", "Labor Contract Law", "Employment Promotion Law", "Labor Dispute Mediation and Arbitration Law" as well as provincial and local labor laws and regulations (of where the our operating schools locate and operate) in our recruitment process. We prohibit discrimination by age, sex, race, nationality, religion or disability, ensuring everyone has equal employment opportunities and respects.

Schools hire talents based on business development and operational needs, as well as candidates' integrity and professionalism. Our talent selection policy does not only focus on professional knowledge, experience, relevant qualification, but also on candidates' morality, professional ethics and discipline. Our schools carry out their recruitment works based on "Teacher and employee manual" and "Methods for implementing teachers' recruitment work", and continuously to improve and refine their recruitment processes. School staff recruitment procedures/cycle can be summarized as follows: pre-hiring advertisement, resume screening, interview invitation, HR interview, professional qualification assessment, employer business assessment, departmental and school senior management interview, background investigation, conditional employment offer, physical examination, and formal employment offer. All candidates with employment offer will have to sign the employment contract no later than one month since the first day report to work, and we stipulate the probation period according to law. Near the end of the probation period, HR department will work with the candidates' respective departments to conduct comprehensive assessments on new employees' performance and personality fit during the probation period, to decide whether we should officially offer the position as scheduled or before, or terminate the employment.

We actively attract talents through contacting the target colleges, participating in talent recruitment fairs and industry conference, and encouraging our staff in their respected departments to take advantage of social media to refer and recommend talented candidates to join us. In addition, we provide pre-career training for newly hired teachers to help their transitions faster and easier.

Remuneration

As of 31 December 2017, the Group had 4,660 employees (3,975 as of 31 December 2016). The remuneration packages of the employees of the Group are determined with reference to individual qualification, experience, performance, contribution to the Group and prevailing market rate.

Remuneration policy of our schools is formulated under the guidance of the PRC law and is also based on the industry characteristics as well as various market factors. Staff congress, president's office, and board of directors of the schools together approve the compensation range. Schools determine their respective compensation standards based on the employment by function (teachers, teaching assistants, administrative personnel and worker etc.) and position (entry-level, team lead, manager, etc.). Schools pay fixed annual salary to senior management and top talents such as directors, deans/department heads, administrative leads and professors. Schools pay social insurance (pension, medical, unemployment, work injury and maternity insurance), housing provident fund, and enterprise annuity, and provide a variety of benefits for employees, under the guidance of relevant national, provincial, and municipalities policies, such as "Provisional Regulations for payment of Wages" and "Housing Provident Fund Regulations".

The Group participates a Mandatory Provident Fund Scheme ("MPF Scheme") under rules and regulations of MPF Schemes Ordinance for all of its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the MPF Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, contributions are made based on a percentage of the participating employees' relevant income from the Group and are charged to the profit or loss as they become payable in accordance with the rules of the MPF Scheme. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. When an employee leaves the MPF Scheme, the mandatory contributions are fully vested with the employee.

The employees of the Group in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

REMUNERATION OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

The Remuneration Committee is responsible for making recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration, having regard to relevant Director's experience, duties and responsibilities, performance and achievement, and market rate. None of the Directors will determine their own remuneration. Details of the Directors' remuneration and the five highest paid individuals in the Group are set out in note 12 to the consolidated financial statements in this annual report.

PRE-EMPTIVE RIGHTS

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

PUBLIC FLOAT

The Company has maintained the public float as required by the Listing Rules since the Listing Date and up to the date of this report.

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The Company issued 520,202,000 new Shares at the issue price of HK$6.45 per Share in connection with the Listing. The net proceeds (before the effect of the exercise of the over-allotment option in January 2018) after deducting the underwriting commission and issuing expenses arising from the Listing amounted to HK$2,618.5 million. The net proceeds has been applied in the manner as set out in the section headed "Future Plans and Use of Proceeds" of the Company's prospectus dated 5 December 2017. As at the date of this report, the Company has applied the net proceeds of approximately RMB253.4 million in repaying of the Group's bank borrowings. The unutilised net proceeds are generally placed in licensed financial institutions as short-term deposits.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year ended 31 December 2017 amounted to HK$1,000,000.

TAX RELIEF AND EXEMPTION

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

DIRECTORS' PERMITTED INDEMNITY PROVISION

Under the Articles of Association, the Directors or the officers of the Company acting in relation to any of the affairs of the Company 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 may incur or sustain in or about the execution of their duty in their respective offices.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2017, the Group was not aware of material non-compliance with the relevant laws and regulations that have a significant impact on the business and operations of the Group.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 5 January 2018, the Over-allotment Option described in the Prospectus was partially exercised by BNP Paribas Securities (Asia) Limited and pursuant to which the Company allotted and issued 20,202,000 Shares at HK$6.45 per Share.

Subsequent to 31 December 2017, the Group entered into agreements for the proposed acquisition of 80% interests in a company which owns the entire school sponsor interests of a vocational training school located in Zhengzhou, the PRC, namely 鄭州城軌交通中等專業學校, at the consideration of RMB855,000,000 subject to various adjustments in accordance with the terms and conditions set out in the respective agreements for respective acquisition. Details of the transactions were disclosed in the announcement of the Company dated 13 March 2018 and titled "Discloseable transaction – acquisition of a vocational school in Zhengzhou".

Subsequent to 31 December 2017, the Group also entered into agreements for the proposed acquisition of 62% interests in a company which indirectly owns the entire school sponsor interests of a technician college located in Xian, the PRC, namely 西安鐵道技師學院, at the consideration of RMB576,600,000 subject to various adjustments in accordance with the terms and conditions set out in the respective agreements for respective acquisition. Details of the transactions were disclosed in the announcement of the Company dated 13 March 2018 and titled "Discloseable transaction – acquisition of a technician college in Xi'an".

AUDITOR

A resolution will be proposed at the forthcoming AGM for the re-appointment of Deloitte Touche Tohmatsu as the independent auditor of the Company.

On behalf of the Board
Yu Guo and **Xie Ketao**
Co-Chairmen

Hong Kong, 13 March 2018

INDEPENDENT AUDITOR'S REPORT

Deloitte. **德勤**

TO THE SHAREHOLDERS OF
CHINA EDUCATION GROUP HOLDINGS LIMITED
中國教育集團控股有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Education Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 120 to 216, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or 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 a summary of significant accounting policies.

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 2017, 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 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 MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was 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 the matter.

KEY AUDIT MATTER (continued)

Key audit matter	How our audit addressed the key audit matter
Acquisition of a business and impairment assessment of goodwill and intangible asset with indefinite useful life	
We identified the acquisition of a business and impairment assessment of goodwill and intangible asset with indefinite useful life arising on this acquisition as a key audit matter due to the complexity and significant estimates involved in the assessment process by the management of the Group. As disclosed in note 35 to the consolidated financial statements, the Group acquired 廣州白雲工商高級技工學校 (廣州市白雲工商技師學院) (Guangzhou Baiyun Senior Technician School of Business and Technology (Guangzhou Baiyun Technician College of Business and Technology)) ("Baiyun Technician College") during the year ended 31 December 2017 at a consideration of RMB750,000,000. The Group has recognised goodwill and intangible assets of RMB325,629,000 and RMB239,547,000 (inclusive of intangible asset with indefinite useful life of RMB200,396,000) respectively as at 31 December 2017. With the use of independent valuers, the valuation of intangible assets, representing brand name and student rosters, on the acquisition date, is performed based on key assumptions and estimation used by the management including discount rates, growth rates and useful lives of the intangible assets.	Our procedures in relation to the acquisition of a business and impairment assessment of goodwill and intangible asset with indefinite useful life arising on this acquisition included: • Checking the arithmetical accuracy of the calculations underlying the purchase price allocation ("PPA"); • Understanding the nature of the intangible assets being acquired and inquiring of the management of the Group for the factors that goodwill is arisen; • Evaluating the competence, capabilities and objectivity of the independent valuers engaged by management in assessing the PPA and the discount rate applied in calculating the value in use for impairment assessment as at 31 December 2017;

KEY AUDIT MATTER (continued)

Key audit matter	How our audit addressed the key audit matter
Acquisition of a business and impairment assessment of goodwill and intangible asset with indefinite useful life (continued)	
For the purpose of assessing impairment of goodwill and intangible asset with indefinite useful life, respective recoverable amounts have been determined by the management of the Group based on calculation of value in use, using financial budgets with reference to Baiyun Technician College's past performance and management's expectations for the market development, where the key assumptions and estimates included the growth rates and discount rate used in the value in use calculation. Based on the management's assessment, no impairment loss in relation to goodwill and intangible assets arising on this acquisition has been recognised for the year ended 31 December 2017.	• Involving our internal valuation expert to review the valuations performed by the independent valuers in respect of the PPA and the discount rate applied in calculating the value in use for impairment assessment as at 31 December 2017; • Assessing the appropriateness of the key assumptions adopted in the discounted cash flows for impairment assessment, by checking historical budget against historical results and management's expectation for the market development; • Testing source data on a sample basis to supporting evidence, such as approved budgets and available market data; and • Evaluating the appropriateness of the disclosures in respect of the acquisition of Baiyun Technician College and impairment assessment of goodwill and intangible assets in 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 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 judgment and maintain professional skepticism 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- 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, related safeguards.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 matter. 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 Lee Ka Kei.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
13 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	Year ended 31 December 2017 RMB'000	2016 RMB'000
Continuing operations			
Revenue	5	**949,171**	861,289
Cost of revenue		**(389,448)**	(404,577)
Gross profit		**559,723**	456,712
Other income	6	**54,814**	73,879
Investment income	7a	**14,568**	17,861
Other gains and losses	7b	**1,105**	2,627
Selling expenses		**(9,676)**	(9,367)
Administrative expenses		**(133,369)**	(101,523)
Listing expenses		**(45,498)**	–
Finance costs	8	**(18,472)**	(14,889)
Profit before taxation		**423,195**	425,300
Taxation	9	**(1,730)**	(1,949)
Profit and total comprehensive income for the year from continuing operations		**421,465**	423,351
Discontinued operations			
Profit (loss) and total comprehensive income (expenses) for the year from discontinued operations	11	**7,407**	(10,836)
Profit and total comprehensive income for the year	10	**428,872**	412,515
Profit (loss) and total comprehensive income (expenses) for the year attributable to owners of the Company			
– from continuing operations		**421,465**	423,351
– from discontinued operations		**7,419**	(11,997)
		428,884	411,354

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
(Loss) profit and total comprehensive (expense) income for the year attributable to non-controlling interests			
– from discontinued operations		(12)	1,161
		428,872	412,515
From continuing and discontinued operations			
Earnings per share			
Basic (RMB cents)	14	28.16	27.42
Diluted (RMB cents)		28.16	N/A
From continuing operations			
Earnings per share			
Basic (RMB cents)	14	27.67	28.22
Diluted (RMB cents)		27.67	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	At 31 December 2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**2,638,560**	2,415,697
Prepaid lease payments	16	**54,946**	50,663
Goodwill	17	**325,629**	–
Intangible assets	17	**239,547**	–
Amounts due from related parties	29	**–**	1,526
Deposits paid for prepaid lease payments	19	**40,496**	66,130
Deposits paid for acquisition of property, plant and equipment		**2,405**	3,147
		3,301,583	2,537,163
CURRENT ASSETS			
Inventories		**254**	316
Trade receivables, deposits, prepayments and other receivables	20	**71,563**	39,612
Amounts due from related parties	29	**–**	168,952
Amounts due from directors	29	**–**	446,032
Held for trading investments	21	**3,402**	7,356
Structured deposits	22	**50,500**	418,201
Prepaid lease payments	16	**1,506**	1,321
Bank balances and cash	23	**3,243,144**	247,133
		3,370,369	1,328,923

	Notes	At 31 December 2017 RMB'000	2016 RMB'000
CURRENT LIABILITIES			
Deferred revenue	24	**727,280**	595,208
Trade payables	25	**10,715**	9,296
Other payables and accrued expenses	26	**196,908**	207,684
Amounts due to related parties	29	**–**	38,478
Income tax payable		**12,214**	9,283
Bank borrowings	27	**–**	209,936
		947,117	1,069,885
NET CURRENT ASSETS		**2,423,252**	259,038
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,724,835**	2,796,201
NON-CURRENT LIABILITIES			
Deferred revenue	24	**25,905**	25,722
Bank borrowings	27	**–**	243,140
Deferred tax liability	28	**59,887**	–
		85,792	268,862
		5,639,043	2,527,339

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Note	At 31 December 2017 RMB'000	2016 RMB'000
CAPITAL AND RESERVES			
Share capital/paid-in capital	30	**17**	181,680
Reserves		**5,639,026**	2,341,938
Equity attributable to owners of the Company		**5,639,043**	2,523,618
Non-controlling interests		**–**	3,721
		5,639,043	2,527,339

The consolidated financial statements on pages 120 to 216 were approved and authorised for issue by the Board of Directors on 13 March 2018 and are signed on it behalf by:

Mr. Yu Guo	Mr. Xie Ketao
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company									
	Share capital/ paid-up capital RMB'000	Share premium RMB'000	Merger reserve RMB'000 (Note i)	Other reserve RMB'000 (Note ii)	Share options reserve RMB'000	Statutory surplus reserve RMB'000 (Note iii)	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2016	181,680	–	–	(27,642)	–	972,882	991,536	2,118,456	2,560	2,121,016
Profit and total comprehensive income for the year	–	–	–	–	–	–	411,354	411,354	1,161	412,515
Transfer	–	–	–	–	–	98,906	(98,906)	–	–	–
Deemed distribution to equity holders	–	–	–	(6,192)	–	–	–	(6,192)	–	(6,192)
At 31 December 2016	181,680	–	–	(33,834)	–	1,071,788	1,303,984	2,523,618	3,721	2,527,339
Profit (loss) and total comprehensive income (expense) for the year	–	–	–	–	–	–	428,884	428,884	(12)	428,872
Transfer	–	–	–	–	–	78,060	(78,060)	–	–	–
Deemed contribution from equity holders from early repayment of non-current interest-free loan	–	–	–	2,250	–	–	–	2,250	–	2,250
Capital contribution from one of the equity holders	–	–	–	17,166	–	–	–	17,166	–	17,166
Disposal of subsidiaries (note 36)	–	–	–	(17,891)	–	(7)	17,898	–	(1,957)	(1,957)
Arising from reorganisation	(181,679)	–	181,679	–	–	–	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(1,752)	(1,752)
Recognition of equity-settled share-based payments	–	–	–	–	3,077	–	–	3,077	–	3,077
Issuance of new shares (note 30 (e))	17	2,746,286	–	–	–	–	–	2,746,303	–	2,746,303
Repurchase of share	(1)	–	–	–	–	–	–	(1)	–	(1)
Transaction cost attributable to issue of new shares	–	(82,254)	–	–	–	–	–	(82,254)	–	(82,254)
At 31 December 2017	17	2,664,032	181,679	(32,309)	3,077	1,149,841	1,672,706	5,639,043	–	5,639,043

Notes:

i. Amounts represent the transfer of the combined paid-in capital of the Consolidated Affiliated Entities (defined in note 1) to the merger reserve upon the Company became the holding company of the Consolidated Affiliated Entities which was effective from the date of Contractual Arrangements (defined in note 1).

ii. The other reserve represents (i) the difference between the principal amounts of consideration paid and the relevant share of carrying value of the subsidiary's net assets acquired from/disposed to the non-controlling interests; (ii) the deemed distribution to equity holders which represents the differences between the fair value of the lower-than-market interest rate advances to Mr. Yu Guo ("Mr. Yu") and Mr. Xie Ketao ("Mr. Xie"), controlling equity holders and an entity controlled by Mr. Xie and the principal amount of the advances at initial recognition; (iii) the deemed contribution from equity holders which represents the differences between the carrying amount of the lower-than-market interest rate advances to Mr. Yu and Mr. Xie and the amount received for the settlement and (iv) capital contribution from Mr. Yu through a company controlled by him. Details of the advances to Mr. Yu and Mr. Xie are disclosed in note 29.

iii. Pursuant to the relevant laws in the People's Republic of China (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 board of directors of the relevant PRC subsidiaries. These reserves include (i) general reserve of the limited liabilities companies and (ii) the development fund of schools.

    (i) For PRC subsidiaries with limited liability, they are required to make annual appropriations to general reserve of 10% of after-tax profits as determined under the PRC laws and regulations at each year-end until the balance reaches 50% of the relevant PRC entity's registered capital.

    (ii) According to the relevant PRC laws and regulations, for private school that does not require for reasonable return, it is required to appropriate to development fund of not less than 25% of the net income of the relevant schools as determined in accordance with generally accepted accounting principles in the PRC. The development fund shall be used for the construction or maintenance of the schools or procurement or upgrading of educational equipment.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
OPERATING ACTIVITIES			
Profit for the year		428,872	412,515
Adjustments for:			
Income tax		1,733	2,862
Share-based payment expenses		3,077	–
Depreciation for property, plant and equipment		127,546	112,705
Release of prepaid lease payments		1,390	1,321
Amortisation of intangible assets		7,448	–
Finance costs		18,472	14,889
Written-off of trade receivables		1,285	367
Unrealised loss on held for trading investments		1,021	2,904
Asset related government grants		(7,130)	–
Net gain on structured deposits		(8,982)	(6,040)
Imputed interest income from amounts due from directors		(8,045)	(11,763)
Imputed interest income from amount due from a related party		(2,012)	(2,356)
Interest income from banks		(4,637)	(3,807)
Loss on disposal of property, plant and equipment		276	142
Gain on disposal of subsidiaries	36	(15,559)	–
Gain on disposal of an available-for-sale investment		–	(4,600)
Foreign exchange loss, net		5,295	–
Operating cash flows before movements in working capital		550,050	519,139
(Increase) decrease in inventories		(2)	21
Increase in trade receivables, deposits, prepayments and other receivables		(23,376)	(4,780)
Decrease in held for trading investments		2,933	–
Decrease (increase) in amount due from a related party		93,526	(47,175)
Increase (decrease) in deferred revenue		116,649	(11,952)
(Decrease) increase in trade payables		(413)	2,452
(Decrease) increase in amounts due to related parties		(3,735)	3,631
(Decrease) increase in other payables and accruals		(29,471)	19,444
Cash generated from operations		706,161	480,780
Income tax paid		(26)	(229)
NET CASH FROM OPERATING ACTIVITIES		706,135	480,551

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
INVESTING ACTIVITIES			
Net cash outflow from acquisition of a business	35	(657,282)	–
Purchase of structured deposits		(370,500)	(1,031,300)
Payments for additions of property, plant and equipment		(112,376)	(285,224)
Advances to directors		(56,774)	(303,693)
Advances to related parties		(23,159)	(20,603)
Net cash outflow from disposal of subsidiaries	36	(5,741)	–
Deposits paid for acquisition of property, plant and equipment		(231)	–
Redemption of structured deposits		794,183	876,140
Repayment from directors		513,101	207,973
Repayments from related parties		15,926	1,600
Government grants received		9,377	10,692
Repayment from third parties		7,315	–
Interest income from banks		4,637	3,807
Proceeds from disposal of property, plant and equipment		1,217	434
Deposits paid for prepaid lease payments		–	(31,714)
Advances to third parties		–	(6,515)
Proceeds from disposal of available-for-sale investment		–	5,600
NET CASH FROM (USED IN) INVESTING ACTIVITIES		119,693	(572,803)

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
FINANCING ACTIVITIES		
Proceeds from issue of shares	2,746,303	–
New bank borrowings raised	110,000	224,770
Capital contribution from one of the equity holders	17,166	–
Advance from a director	3,898	–
Repayment of bank borrowings	(563,076)	(232,339)
Listing expenses paid	(77,355)	–
Repayment to a former related party	(34,532)	–
Interest paid	(21,171)	(26,925)
Repayment to a director	(3,898)	–
Dividend paid to non-controlling interests	(1,752)	–
Repayments to related parties	(211)	(1,498)
Advances from related parties	–	1,523
NET CASH FROM (USED IN) FINANCING ACTIVITIES	2,175,372	(34,469)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,001,200	(126,721)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	247,133	373,854
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(5,189)	–
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTING BANK BALANCES AND CASH	3,243,144	247,133

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL

China Education Group Holdings Limited (the "Company") was incorporated in the Cayman Islands and registered as an exempted company with limited liability under the Companies Law Chapter 22 of the Cayman Islands on 19 May 2017. Its ultimate controlling parties are Mr. Yu and Mr. Xie (Mr. Yu and Mr. Xie collectively as the "Controlling Equity Holders"), who are the Co-chairmen of the board and executive directors of the Company. The shares of the Company had been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15 December 2017 (the "Listing"). The address of the registered office the Company is the offices of Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands and the address of principal place of business of the Company is 17/F, Wheelock House, 20 Pedder Street, Central, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are mainly engaged in the operation of private higher and vocational education institutions.

The main operating activities of the Company and its subsidiaries (collectively referred to as "the Group") were carried out by 江西科技學院 (Jiangxi University of Technology), 廣東白雲學院 (Guangdong Baiyun University) and Baiyun Technician College, which were established in the PRC and engaged in the provision of higher education and vocational education.

Throughout the years ended 31 December 2017 and 2016, Mr. Yu has been the school sponsor of Jiangxi University of Technology and Mr. Xie has been the school sponsor of Guangdong Baiyun University. On 18 December 2007, Mr. Yu and Mr. Xie, Jiangxi University of Technology and Guangdong Baiyun University entered into a cooperation agreement (the "Cooperation Agreement"), pursuant to which Mr. Yu and Mr. Xie have the power to exercise collective management and control over Jiangxi University of Technology and Guangdong Baiyun University as concert parties, while Mr. Yu and Mr. Xie each agreed to transfer 50% of their respective sponsor interest in Jiangxi University of Technology and Guangdong Baiyun University respectively to the other party. Further, each of Mr. Yu and Mr. Xie agreed to, at the request of the other party, apply to the relevant authority for a change in school sponsor of Jiangxi University of Technology and Guangdong Baiyun University respectively, and to use the best endeavors to execute all relevant documents to affect the change of school sponsor.

1. GENERAL (continued)

In preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, the Group underwent the reorganisation through entering into contractual arrangements (the "Contractual Arrangements") between Jiangxi University of Technology and Guangdong Baiyun University.

Pursuant to the reorganisation as more fully explained in the paragraph headed under the sections headed "History, Reorganisation and Corporate Structure" and "Contractual Arrangements" in the prospectus dated 5 December 2017, the Company became the holding company of the companies now comprising the Group on 30 June 2017, except for Baiyun Technician College, which was acquired by the Group on 14 August 2017. Since the Controlling Equity Holders control all the companies now comprising the Group, except for Baiyun Technician College before and after the reorganisation, the Group comprising the Company and its subsidiaries (including the Consolidated Affiliated Entities as defined below, except for Baiyun Technician College) is regarded as a continuing entity. The consolidated financial statements for the years ended 31 December 2017 and 2016 have been prepared on the basis as if the Company had been always been the holding company of the Group except for Baiyun Technician College using the principal of merger accounting.

On 14 August 2017, Baiyun Technician College was acquired through entering into contractual arrangements as detailed in note 35.

Due to regulatory restrictions on foreign ownership in the schools in the PRC, the Group conducts a substantial portion of the business through Jiangxi University of Technology, 江西江科科技園管理有限公司 (Jiangxi Jiangke Technology Park Management Company Limited) ("Jiangxi Technology Park"), 江西科技學院附屬中學 (the Affiliated High School of the Jiangxi University of Technology) ("Jiangxi Affiliated High School"), 江西科技學院基金會 (Jiangxi University of Technology Foundation) ("Jiangxi Foundation") and 江西紅綠藍科技有限公司 (Jiangxi Red Green and Blue Technology Co., Ltd) ("Jiangxi Red Green and Blue") (collectively known as the "Jiangxi Educational Group") and Guangdong Baiyun University, Baiyun Human Resources and 天星社會工作服務中心 ("Tianxing Social Services Centre") (collectively known as the "Guangdong Educational Group") (Jiangxi Educational Group, Guangdong Educational Group, together with Baiyun Technician College, are collectively known as the "Consolidated Affiliated Entities") in the PRC.

1. GENERAL (continued)

Except for Jiangxi University of Technology, Guangdong Baiyun University and Baiyun Technician College, all other entities of the Consolidated Affiliated Entities were disposed of during the year as detailed in note 36. A wholly-owned subsidiary of the Company, 華教教育科技(江西)有限公司 (Huajiao Education Technology (Jiangxi) Company Limited) ("Huajiao Education") has entered into the Contractual Arrangements with Jiangxi University of Technology, Guangdong Baiyun University, Baiyun Technician College, 贛州市華方教育諮詢有限公司 (Ganzhou Huafang Education Consulting Company Limited) ("Huafang Education"), 禮和教育諮詢(贛州)有限公司 (Lihe Education Consulting (Ganzhou) Company Limited ("Lihe Education") and the Controlling Equity Holders which, enable Huajiao Education and the Group to:

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

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

– receive substantially all of the economic interest returns generated by the Consolidated Affiliated Entities in consideration for the technical services, management support, consulting services, intellectual property licenses and other additional services provided by Huajiao Education; and

– obtain an irrevocable and exclusive right to purchase all or part of the sponsor interests in the Consolidated Affiliated Entities from the Controlling Equity Holders at nil consideration or a minimum purchase price permitted under the PRC laws and regulations. Huajiao Education may exercise such options at any time until it has acquired all sponsor interests 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 Huajiao Education.

1. GENERAL (continued)

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 is therefore 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 Jiangxi Educational Group, Guangdong Educational Group and Baiyun Technician College in the consolidated financial statements for the years ended 31 December 2017 and 2016.

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

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Revenue	**970,572**	901,307
Profit before taxation	**482,724**	415,377

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Non-current assets	**3,265,852**	2,537,163
Current assets	**1,443,132**	1,328,923
Current liabilities	**917,689**	1,069,885
Non-current liabilities	**93,348**	268,862

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

The Group has consistently applied all IFRSs issued by the International Accounting Standard Board ("IASB"), which are effective for the Group's financial year beginning 1 January 2017.

New and revised IFRSs in issue but not yet effective

The Group has not early adopted the following new and revised IFRSs that have been issued but are not yet effective.

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contract[4]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendment to IAS 40	Transfers of Investment Property[1]
Amendment to IAS28	As part of the Annual Improvements to IFRSs 2014-2016 Cycle[1]
Amendment to IFRSs	Annual Improvements to IFRSs 2015 – 2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2021.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

IFRS 9 "Financial Instruments"

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant to the Group are described below:

- All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of IFRS 9:

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

IFRS 9 "Financial Instruments"

Classification and measurement

All financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under IAS39.

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of IFRS 9 will result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and the respective items that subject to impairment provisions of IFRS 9.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the amount of impairment loss to be recognised by the Group would not be significantly different as compared to the amount estimated under IAS 39 mainly attributable to expected credit losses provision on trade receivables.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company have assessed the revenue from tuition, boarding and ancillary services, for which these performance obligations are satisfied over time and the input method currently used to measure the progress towards complete satisfaction of these performance obligations will continue to be appropriate under IFRS 15.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

IFRS 15 "Revenue from Contracts with Customers" (continued)

The directors of the Company intend to apply the full retrospective method of transition to IFRS 15.

Apart from providing more extensive discourses on the Group's revenue transactions, the directors do not anticipate that the application of IFRS 15 will have a significant impact on the financial position and/or financial performance of the Group.

IFRS 16 "Leases"

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 "Leases" and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

IFRS 16 "Leases" (continued)

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of approximately RMB81,154,000 as disclosed in note 37. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of RMB6,563,000 as rights under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

IFRIC 23 "Uncertainty over Income Tax Treatments"

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires an entity to determine whether uncertain tax positions are assessed separately or as a group; and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings.

As disclosed in note 9, the detailed implementation rules of New Law for Promoting Private Education has not yet been announced, the schools of the Group have not yet elected to be for-profit or not-for-profit schools, there will be uncertainty whether the schools could follow previous PRC Enterprise Income Tax ("EIT") exemption treatment for the tuition related income when facts and circumstances change or new information become available. The directors of the Company would reassess any judgements and estimates if the facts and circumstances change or new information becomes available.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

The directors of the Company anticipate that the application of other new standards, amendments and interpretations will have no material impact on the consolidated financial statements of the Group in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the following accounting policies which conform with IFRSs issued by IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial investments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements are determined on such a basis, except for leasing transactions that are within the scope of IFRS 2 "Share-based Payment", IAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The principal accounting policies are set out below.

Basis of consolidation

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

(i) has power over the investee;

(ii) is exposed, or has rights, to variable returns from its involvement with the investee; and

(iii) 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 statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

3. SIGNIFICANT ACCOUNTING POLICIES (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 policy.

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.

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, 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).

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the fair value of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the fair value of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combination (continued)

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal (or any of the cash-generating unit within group of cash-generating units in which the Group monitors goodwill).

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Tuition and boarding fees received from universities, primary schools, secondary schools and vocational schools are generally paid in advance at the beginning of school term, and are initially recorded as deferred revenue. Tuition and boarding fees are recognised proportionately over the relevant period of the applicable programme. The portion of tuition and boarding payments received from students but not earned is recorded as deferred revenue and is reflected as a current liability as such amounts represent revenue that the Group expects to earn within one year.

Ancillary service income is recognised when services are provided.

Other service income is recognised when services are provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

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 exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated financial statements and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to defined contribution retirement benefit plan, state-managed retirement benefit scheme and Mandatory Provident Fund Scheme ("MPF Scheme") are charged as expenses when employees have rendered services entitling them to the contributions.

Short-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. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment arrangements

Equity-settled share-based payment transactions

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 options 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 options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to 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 options reserve will also be transferred to retained profits.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and it further excludes 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 each reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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, and 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 goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. 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, 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 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 when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each 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.

Current and deferred tax are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress 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, plant 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.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Intangible assets acquired in a business combination (continued)

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 tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those 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). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) (continued)

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. 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. 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. 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) 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) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

The Group's financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchase 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 marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees 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, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in other gains or losses.

Financial asset at FVTPL

Financial assets are classified as at FVTPL when the financial assets are held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

– it has been acquired principally for the purpose of selling in the near term; or

– on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial asset at FVTPL (continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the other gains and losses line item. Fair value is determined in the manner described in note 34(c).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, deposits and other receivables, amounts due from related parties, amounts due from directors, and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified either as 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 group entities are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, amounts due to related parties and bank borrowings, are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash 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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liability 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.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management of the Group is required to make judgments, 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 ongoing 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 accounting judgments

The following are the critical judgments, apart from those involving estimations, that the management of the Group 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.

(a) Contractual Arrangements

The Group conducts a substantial portion of the business through the Consolidated Affiliated Entities in the PRC due to regulatory restrictions on foreign ownership in the Group's schools in the PRC. The Group does not have any equity interest in the Consolidated Affiliated Entities. The management of the Group 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 management of the Group 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.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Critical accounting judgments (continued)

(a) Contractual Arrangements (continued)

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 management of the Group, based on the advice of its legal counsel, considers that the Contractual Arrangements among Huajiao Education, Ganzhou Huafang Education, Lihe Education, the Consolidated Affiliated Entities and the Controlling Equity Holders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

(b) Intangible asset with indefinite useful life

The management consider that the brand name, as set out in note 17, for all practical purposes has indefinite useful life and is therefore not amortised until its useful life is determined to be finite. The brand name is tested for impairment annually.

(c) Income taxes

Management judgement is required in interpreting the relevant tax rules and regulation so as to determine whether the Group is subject to EIT as disclosed in note 9. New information may become available that causes the Group to change its judgement regarding the adequacy of the tax liabilities. Such changes to tax liabilities will impact tax expense in the period that such determination is made.

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 each reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

(d) Impairment assessment of goodwill and intangible asset with indefinite useful life

Determine whether goodwill and brand name with indefinite useful life are impaired requires an estimation of the recoverable amount of the cash-generating unit ("CGU") to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the present value of the future cash flows expected to arise from the CGU containing goodwill and brand name using suitable discount rates. Key assumptions and estimation including the growth rates and discount rate were used in the value in use calculation. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash, a material impairment may arise. As at 31 December 2017, the carrying amounts of goodwill and brand name were approximately RMB325,629,000 and RMB200,396,000, respectively. Details of the calculation of recoverable amounts are disclosed in note 18.

(e) Useful life and impairment of property, plant and equipment

The Group's management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is based on the management's experience of the actual useful lives of property, plant and equipment of similar nature and functions. In addition, the management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable. The management will increase the depreciation charge where useful lives are estimated to be shorter than previously estimated, or will write off or write down obsolete assets that have been abandoned or impaired. At 31 December 2017, the carrying amount of property, plant and equipment was approximately RMB2,638,560,000 (2016: RMB2,415,697,000). Any changes in these estimates may have a material impact on the results of the Group.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

(f) Useful life and recoverability of prepaid lease payments

The Group's management determines the estimated lease period and the amortisation method in determining the related amortisation charges for its prepaid land lease payments. The Group's prepaid land lease payments are amortised on a straight-line basis over a period of 50 years, which is based on the lease terms or estimated by the management with reference to the normal lease terms in the PRC. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of prepaid land lease payments may not be recoverable. Management will increase the amortisation charge where useful lives are estimated to be shorter than previously estimated, or will write off or write down obsolete assets that have been abandoned or impaired. At 31 December 2017, the carrying amount of prepaid land lease payments was approximately RMB56,452,000 (2016: RMB51,984,000). Any change in these estimates may have a material impact on the results of the Group.

5. REVENUE AND SEGMENT INFORMATION

The Group is mainly engaged in the provision of private higher and vocational education institution services in the PRC.

Revenue represents services income from tuition, boarding fee and ancillary services.

Information reported to the Group's chief operating decision maker ("CODM"), Mr. Yu and Mr. Xie, for the purpose of resource allocation and assessment of segment performance, was focused on a single operating segment, being the operation of private higher education prior to the acquisition as set out in note 35. After the acquisition, it is changed to be based on the basis of categories of education institution, namely higher education and vocational education (which is newly acquired under business combination during the current year as set out in note 35). Each category of institution constitutes an operating segment. The services provided and type of customers are similar in each operating segment, and each operating segment is subject to similar regulatory environment. Accordingly, their segment information is aggregated as a single reportable segment which is the same as the consolidated statement of profit or loss and other comprehensive income as disclosed on pages 120 and 121. The accounting policies of the reportable segment are the same as the Group's accounting policies described in note 3. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM.

5. REVENUE AND SEGMENT INFORMATION (continued)

Provision of primary and secondary education and other services was discontinued during the year ended 31 December 2017. The segment information reported does not include any amounts for these discontinued operations, which are described in more details in note 11.

Revenue from major services

The following is an analysis of the Group's revenue from continuing operations from the major service lines:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Tuition fees	**857,539**	786,285
Boarding fees	**65,279**	53,779
Ancillary services	**26,353**	21,225
	949,171	861,289

Geographical information

The Group operates in the PRC. All of the Group's revenue from continuing operations and the non-current assets of the Group are located in the PRC.

Information about major customers

No single customer contributes over 10% or more of total revenue of the Group during the years ended 31 December 2017 and 2016.

6. OTHER INCOME

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Continuing operations		
Consultancy income	6,750	47,175
Academic administration income	14,907	10,358
Management fee income	5,817	6,861
Staff quarter income	3,164	1,959
Government grants (Note)	12,478	2,524
Internet service income	2,753	2
Utilities income	3,004	1,244
Others	5,941	3,756
	54,814	73,879

Note: Government grants mainly represent subsidies from government for procurement of laboratory apparatus and equipment, conducting educational programmes and congratulatory subsidies on the Listing.

7a. INVESTMENT INCOME

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Continuing operations		
Imputed interest income from amounts due from directors	8,045	11,763
Imputed interest income from amount due from a related party	2,012	2,356
Interest income from banks	4,511	3,742
	14,568	17,861

7b. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Continuing operations		
Foreign exchange loss, net	(5,295)	–
Written-off of trade receivables	(1,285)	(367)
Fair value loss on held for trading investments	(1,021)	(2,904)
Loss on disposal of property, plant and equipment, net	(276)	(142)
Net gain on structured deposits	8,982	6,040
	1,105	2,627

8. FINANCE COSTS

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Continuing operations		
Interest expenses on bank borrowings	21,171	26,925
Less: amounts capitalised in the cost of property, plant and equipment	(2,699)	(12,036)
	18,472	14,889

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.08% per annum (2016: 5.79% per annum), to expenditure on property, plant and equipment (construction in progress).

9. TAXATION

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Continuing operations		
Current tax – EIT	7,610	1,949
Overprovision in prior years – EIT	(4,019)	–
Deferred tax (note 28)	(1,861)	–
	1,730	1,949

The income tax expense can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Profit before taxation (from continuing operation)	423,195	425,300
Tax at PRC EIT rate of 25%	105,799	106,325
Tax effect of income not taxable for tax purposes	(248,980)	(231,859)
Tax effect of expenses not deductible for tax purposes	150,069	127,483
Overprovision in respect of prior years	(4,019)	–
Effect of tax exemption granted to Huajiao Education	(1,139)	–
Tax charge for the year (relating to continuing operation)	1,730	1,949

9. TAXATION (continued)

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profit subject to Hong Kong Profits Tax for both years.

Pursuant to the Enterprise Income Tax law and Implementation Regulations of the Law of the PRC (the "EIT Law of PRC"), the statutory tax rate of PRC subsidiaries is 25% for both years, except for Huajiao Education which has been granted concessionary tax rate of 15% for the period between 1 January 2017 and 31 December 2017 from tax authority of Ganzhou, the PRC, and Lihe Education which is eligible for a lower tax rate of 20% as a small profit enterprise.

According to the relevant provisions of Old Implementation Rules for the Law for Promoting Private Education (abolished on 31 August 2017)/New Implementation Rules for the Law for Promoting Private Education with effective from 1 September 2017, private schools for which the school sponsors do not require reasonable returns/schools are elected as to be not-for-profit schools are eligible to enjoy the same preferential tax treatment as public schools. As a result, private schools, which are providing academic qualification education, are eligible to enjoy income tax exemption treatment if the school sponsors of such schools do not require reasonable returns/the schools are elected to be not-for-profit schools. Given that the detailed implementation rules of New Law for Promoting Private Education has not yet been announced, Jiangxi University of Technology, Guangdong Baiyun University and Baiyun Technician College have not yet elected to be for-profit or not-for-profit schools. According to the relevant in-charge tax bureau, since the relevant tax policy for schools that have not yet elected to be for-profit or not-for-profit is not yet announced and if the school nature has not yet been changed, the schools could follow previous EIT exemption treatment for the tuition related income. During the year ended 31 December 2017, the non-taxable tuition related income amounted to approximately RMB927,436,000 (2016: RMB917,389,000), and the related non-deductible expense amounted to approximately RMB606,858,000 (2016: RMB509,932,000).

10. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Profit and total comprehensive income for the year from continuing operations has been arrived at after charging:		
Staff costs, including directors' remuneration		
– salaries and other allowances	**222,543**	188,494
– retirement benefit scheme contributions	**37,328**	34,966
– share-based payments	**3,077**	–
Total staff costs	**262,948**	223,460
Depreciation of property, plant and equipment	**124,646**	109,532
Amortisation of prepaid lease payments	**1,390**	1,321
Amortisation of intangible assets	**7,448**	–
Auditor's remuneration	**3,700**	36
Minimum operating lease rental expense in respect of rented premises	**10,819**	11,052

11. DISCONTINUED OPERATIONS

During the year, the Group completed disposals of a group of subsidiaries, which were mainly engaged in provision of primary and secondary education and other services (as disclosed in note 36). The disposals are consistent with the Group's long-term policy to focus its activities on operation of private higher and vocational education institutions.

The profit (loss) for the year from the discontinued operation is set out below.

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Loss of discontinued operations for the year	**(8,152)**	(10,836)
Gain on disposal of discontinued operations (note 36)	**15,559**	–
	7,407	(10,836)

11. DISCONTINUED OPERATIONS (continued)

The results of the discontinued operations were as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Revenue	21,401	40,018
Cost of revenue	(27,141)	(36,987)
Other income	3,566	199
Other gains and losses	300	4,591
Selling expenses	(18)	(835)
Administrative expenses	(6,257)	(16,909)
Loss before taxation from the discontinued operations	(8,149)	(9,923)
Taxation	(3)	(913)
Loss for the year from the discontinued operations	(8,152)	(10,836)
Loss for the year from discontinued operation include the following:		
Depreciation of property, plant and equipment	2,900	3,173
Gain on disposal of an available-for-sale investment	–	4,600

The net cash flows generated from (used in) discontinued operations are as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Operating activities	37,814	3,434
Investing activities	(10,257)	(15,588)
Financing activities	(10,219)	7,346
Net cash inflow (outflow)	17,338	(4,808)

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors and chief executive

Details of the emoluments paid or payable by the entities comprising the Group to the directors and chief executive of the Company (including emoluments for services as employees/directors of the group entities prior to becoming the directors of the Company) for the year are as follows:

	Directors' fee	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Equity–settled share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2017						
Executive directors:						
Mr. Yu (Note i)	135	329	–	12	682	1,158
Mr. Xie (Note i)	135	275	1,633	55	682	2,780
Yu Kai ("Dr. Yu") (Note ii)	102	43	–	7	682	834
Xie Shaohua ("Ms. Xie") (Note iii)	102	271	794	55	682	1,904
Independent non-executive directors:						
Rui Meng (Note iv)	11	–	–	–	–	11
Wu, Kin Bing (Note iv)	11	–	–	–	–	11
Gerard A. Postiglione (Note iv)	11	–	–	–	–	11
	507	918	2,427	129	2,728	6,709
For the year ended 31 December 2016						
Executive directors:						
Mr. Yu (Note i)	–	276	–	12	–	288
Mr. Xie (Note i)	–	286	1,583	57	–	1,926
Dr. Yu (Note ii)	–	42	–	–	–	42
Ms. Xie (Note iii)	–	282	744	57	–	1,083
	–	886	2,327	126	–	3,339

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

Directors and chief executive (continued)

The executive directors' emoluments shown above were paid for their services in connection with the management of affairs and for their services as directors of the Company and the Group for the year. Certain executive directors of the Company are entitled to discretionary bonus which are determined with regard to the performance of individuals and market trends. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Notes:

i. Mr. Yu and Mr. Xie were appointed as directors of the Company on 19 May 2017.

ii. Being appointed as a director of the Company on 28 August 2017, Dr. Yu, son of Mr. Yu, is also the chief executive of the Company and his emoluments disclosed above included those for services rendered by him as an employee of the Group.

iii. Ms. Xie, sister of Mr. Xie, was appointed as director of the Company on 28 August 2017.

iv. All independent non-executive directors were appointed on 5 December 2017.

Employees

The five highest paid individuals of the Group included 3 directors for the year ended 31 December 2017 (2016: 2 directors) whose emoluments are included in the disclosures above. The emoluments of the remaining 2 individuals for the year ended 31 December 2017 (2016: 3 individuals) are as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Salaries and other benefits	3,632	2,178
Retirement benefit scheme contributions	37	107
Equity-settled share-based payments	174	–
	3,843	2,285

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

Employees (continued)

The number of the highest paid individuals, other than directors of the Company, whose emoluments fell within the following bands is as follows:

	Year ended 31 December	
	2017	2016
	Number of employees	Number of employees
Nil to Hong Kong Dollar ("HK$") 1,000,000	–	3
HK$1,000,001 to HK$1,500,000	1	–
HK$3,000,001 to HK$3,500,000	1	–

During both years, no emoluments were paid by the Group to the directors of the Company or the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

None of the directors of the Company or the chief executive of the Company waived or agreed to waive any emoluments during the year.

During the year ended 31 December 2017, certain directors and employees were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 32.

13. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year (2016: nil), nor has any dividend been proposed since the end of the reporting period.

14. EARNINGS PER SHARE

For continuing operations

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

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Profit for the purpose of calculating basic and diluted earnings per share from continuing operations	421,465	423,351

Number of shares:

	Year ended 31 December	
	2017	2016
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,523,288	1,500,000
Effect of dilutive potential ordinary shares:		
Over-allotment options	14	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,523,302	N/A

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the reorganisation as set out in the prospectus dated 5 December 2017 and the share allotments of 1,500,000,000 shares as described in note 30 had been in effect on 1 January 2016.

The computation of diluted earnings per share does not assume the exercise of the Company's share options granted under the Pre-IPO Option Scheme as defined in note 32 as the potential ordinary shares are anti-dilutive for the year ended 31 December 2017.

No diluted earnings per share for 2016 was presented as there were no potential ordinary shares in issue for 2016.

14. EARNINGS PER SHARE (continued)

For continuing and discontinued operations

The calculation of the basic and diluted earnings per share from continuing and discontinued operations attributable to the owners of the Company during the year is based on the consolidated profit attributable to the owners of the Company and the denominators detailed above for basic and diluted earnings per share.

For discontinued operations

Basic and diluted earnings per share for the discontinued operations are RMB0.49 cents per share and RMB0.49 cents per share respectively (2016: basic loss per share of RMB0.8 cents), based on the profit for the year from the discontinued operations of RMB7,419,000 (2016: loss of RMB11,997,000) and the denominators detailed above for both basic and diluted earnings per share.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2016	2,000,392	246,349	36,830	387,054	141,178	2,811,803
Additions	–	81,920	739	75,617	140,023	298,299
Transfer	263,029	–	–	–	(263,029)	–
Disposals	–	–	(1,074)	(6,047)	–	(7,121)
At 31 December 2016	2,263,421	328,269	36,495	456,624	18,172	3,102,981
Additions	–	3,827	1,717	36,632	98,533	140,709
Acquisition of a business (note 35)	192,111	34,212	1,583	18,854	1,644	248,404
Transfer	21,944	12,372	–	20,240	(54,556)	–
Disposals	–	–	(4,215)	(18,650)	–	(22,865)
Disposal of subsidiaries (note 36)	–	(14,960)	(197)	(29,280)	–	(44,437)
At 31 December 2017	2,477,476	363,720	35,383	484,420	63,793	3,424,792
DEPRECIATION						
At 1 January 2016	275,631	33,783	29,268	242,442	–	581,124
Provided for the year	40,356	29,246	2,237	40,866	–	112,705
Eliminated on disposals	–	–	(859)	(5,686)	–	(6,545)
At 31 December 2016	315,987	63,029	30,646	277,622	–	687,284
Provided for the year	44,884	33,715	1,820	47,127	–	127,546
Eliminated on disposals	–	–	(3,719)	(17,653)	–	(21,372)
Disposal of subsidiaries (note 36)	–	(1,237)	(45)	(5,944)	–	(7,226)
At 31 December 2017	360,871	95,507	28,702	301,152	–	786,232
CARRYING VALUES						
At 31 December 2017	2,116,605	268,213	6,681	183,268	63,793	2,638,560
At 31 December 2016	1,947,434	265,240	5,849	179,002	18,172	2,415,697

15. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment, other than construction in progress, after taking into account their estimated residual value, are depreciated on a straight-line basis at the following useful life:

Leasehold land and buildings	Over the shorter of 50 years or the terms of the leases
Leasehold improvements	Over the shorter of 10 years or the terms of the leases
Motor vehicles	4 – 5 years
Furniture and fixtures	4 – 5 years

At 31 December 2017, the Group is in the process of obtaining the property certificates for the leasehold land and buildings with carrying value of approximately RMB327,463,000 (2016: RMB214,978,000) which are located in the PRC. In the opinion of the management of the Group, the absence of formal title does not impair the value of the relevant leasehold land and buildings. In the opinion of the management of the Group, the formal title of these leasehold land and buildings will be granted to the Group in due course.

16. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise leasehold land in the PRC and are analysed for reporting purposes as:

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Non-current assets	**54,946**	50,663
Current assets	**1,506**	1,321
	56,452	51,984

The prepaid lease payments are amortised on a straight-line basis over a period of 50 years, which is based on the lease terms or estimated by the management with reference to the normal terms in the PRC.

At 31 December 2017, the carrying value of the prepaid lease payments of RMB26,074,000 (2016: RMB26,872,000) is allocated by the government, which have no definite lease term stated in the relevant land use rights certificates. However, without the relevant administrative authorities' permission, the Group cannot transfer, lease or pledge as security such land use rights allocated by the government.

17. GOODWILL AND INTANGIBLE ASSETS

		Intangible assets		
	Goodwill RMB'000 (Note (i))	Brand name RMB'000 (Note (ii))	Student roster RMB'000 (Note (iii))	Total RMB'000
COST				
At 1 January 2016 and 31 December 2016	–	–	–	–
Acquisition of a business (note 35)	325,629	200,396	46,599	246,995
At 31 December 2017	325,629	200,396	46,599	246,995
AMORTISATION				
At 1 January 2016 and 31 December 2016	–	–	–	–
Charge for the year	–	–	7,448	7,448
At 31 December 2017	–	–	7,448	7,448
CARRYING VALUE				
At 31 December 2017	325,629	200,396	39,151	239,547

Notes:

i. Particulars regarding impairment testing on goodwill are disclosed in note 18.

ii. Brand name is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The brand name will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. Particulars of the impairment testing are disclosed in note 18.

iii. Student roster has finite estimated useful lives and it is amortised based on expected usage of student roster.

18. IMPAIRMENT TEST ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For the purposes of impairment testing, goodwill and brand name with indefinite useful lives set out in note 17 have been allocated to a CGU representing the business of vocational education operation. The carrying amounts of goodwill and brand name (net of accumulated impairment losses, if any) as at 31 December 2017 are approximately RMB325,629,000 (2016: Nil) and RMB200,396,000 (2016: Nil), respectively.

During the year ended 31 December 2017, the management of the Group determines that there is no impairment of CGU which contains goodwill and brand name with indefinite useful lives.

The basis of the recoverable amounts of its CGU and its major underlying assumptions are summarised below:

Vocational Education

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period, and discount rate of 16.43%. Vocational education's cash flows beyond the five-year period are extrapolated using a steady 3% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include salary costs of teachers, growth rate of student number and growth rate of tuition fee, such estimation is based on the unit's past performance and the management's expectations for the market development.

An increase by 10% in the discount rate would result in the aggregate carrying amount of the CGU to exceed its corresponding recoverable amount up to RMB5,529,000; if the discount rate rose to 17.82%, the recoverable amount of the CGU would be approximately equal to its carrying amount; save for the above scenario, the management of the Group believes that any reasonably possible change in any of the aforementioned key assumptions other than discount rate would not cause the aggregate carrying amount of the CGU to materially exceed the recoverable amount of the CGU.

19. DEPOSITS PAID FOR PREPAID LEASE PAYMENTS

The amount represented the deposits paid to local government authorities for prepaid lease payments mainly located in Guangdong province, the PRC.

20. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Trade receivables (Note i)	**24,679**	10,312
Loans to third parties (Note ii)	**440**	7,315
Staff advances	**1,018**	1,512
Receivables from educational bureau	**21,693**	–
Other receivables	**11,809**	4,601
Deposits	**6,563**	4,365
Prepayments	**5,361**	11,507
Total	**71,563**	39,612

Notes:

i. The students are required to pay tuition fees and boarding fees in advance for the upcoming school years, which normally commences in September except for adult education which normally commences in January, February or March. The outstanding receivables represent amounts related to students who have applied for the delayed payment of tuition fees and boarding fees. There is no fixed term for delayed payments. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of individual students, there is no significant concentration of credit risk. The Group does not hold any collaterals or other credit enhancements over its trade receivable balances.

ii. The amounts of loans to the third parties are unsecured, repayable on demand and non-interest bearing as at 31 December 2017 and 2016.

As at 31 December 2017, the Group's entire trade receivable balance with aggregate carrying amount of approximately RMB24,679,000 (2016: RMB10,312,000) which are all past due as at reporting date for which the Group has not provided for impairment loss.

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Ageing of trade receivables which are past due but not impaired		
0 – 90 days	**30**	157
91 – 120 days	**15,829**	5,074
121 – 365 days	**–**	–
Over 365 days	**8,820**	5,081
Total	**24,679**	10,312

20. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (continued)

Receivables that were past due but not impaired are attributable to a number of independent students who are in temporary financial difficulties but are within reasonable period where the management of the Group considers the amounts recoverable. Based on the individual assessment, the management of the Group is of the opinion that no impairment is necessary in respect of amount of tuition fee outstanding is attributable to each individual student based on historical settlement pattern from students.

21. HELD FOR TRADING INVESTMENTS

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Equity securities listed in the PRC	**3,402**	7,356

The investments held for trading are carried at their fair values determined by reference to bid prices quoted in active markets. Details of the fair value measurement for the held for trading investments are set out in note 34(c).

22. STRUCTURED DEPOSITS

As at 31 December 2017, the structured deposits were issued by banks in the PRC.

The structured deposits are with expected rates of return (not guaranteed), depending on the market price of underlying financial instruments, including listed shares, bonds, debentures and other financial assets, as follow:

	At 31 December	
	2017	2016
Structured deposits	**1.80% to 4.60%**	1.80% to 5.10%

As at 31 December 2017, the structure deposits are redeemable at any time with prior notice (2016: at expected maturity dates ranging from 8 to 102 days after the end of each reporting period or at any time with prior notice).

The structured deposits are designated at FVTPL on initial recognition as they contain non-closely related embedded derivatives. The management of the Group considers the fair values of the structured deposits, which are based on the prices provided by the counterparty banks which represented the prices they would pay to redeem the deposits at the end of each reporting period, approximate to their carrying values at the same day.

23. BANK BALANCES AND CASH

Bank balance and cash comprise cash and short-term deposits held by the Group with an original maturity of three months or less.

As at 31 December 2017, the Group's bank deposits carried weighted-average interest rates of 0.74% per annum (2016: 1.16% per annum).

24. DEFERRED REVENUE

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Current		
Tuition fees	**652,114**	534,039
Boarding fees	**51,935**	39,262
Ancillary services	**10,506**	7,372
Government grants (Note)	**12,725**	14,535
	727,280	595,208
Non-current		
Government grants (Note)	**25,905**	25,722
	753,185	620,930

Note: The amounts represent subsidies receipt in advance from government mainly for procurement of laboratory apparatus and equipments and conducting educational programmes.

25. TRADE PAYABLES

The credit period granted by suppliers on purchase of consumables and provision of services ranged from 30 days to 60 days.

The following is an aged analysis of trade payables presented based on invoice date at end of each reporting period.

	At 31 December	
	2017	2016
	RMB'000	RMB'000
0 – 30 days	7,207	5,349
31 – 90 days	53	104
91 – 365 days	1,106	2,943
Over 365 days	2,349	900
	10,715	9,296

26. OTHER PAYABLES AND ACCRUED EXPENSES

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Discretionary government subsidies receipt in advance (Note)	15,108	40,386
Receipt on behalf of ancillary services providers	65,989	74,990
Retention money payables	10,795	18,872
Construction cost payables	–	15,698
Listing expenses payables	21,366	–
Accrued staff benefits and payroll	38,280	21,917
Other payables and accruals	29,132	27,999
Other taxes payables	16,238	7,822
	196,908	207,684

Note: The amounts represent scholarships received from the government to be distributed to students and teachers of the universities.

27. BANK BORROWINGS

	At 31 December 2017 RMB'000	2016 RMB'000
Variable rate bank borrowings:		
– Secured	–	240,700
– Unsecured	–	212,376
Total borrowings	–	453,076
The carrying amounts of the above borrowing are repayable:		
– Within one year	–	209,936
– More than one year, but not exceeding two years	–	106,920
– More than two years, but not exceeding five years	–	136,220
	–	453,076
Less: Amounts due within one year shown under current liabilities	–	(209,936)
	–	243,140

27. BANK BORROWINGS (continued)

Notes:

i. The Group had variable-rate borrowings which carry interest with reference to the Benchmark Borrowing Rate of The People's Bank of China. The range of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings was as follows:

	At 31 December 2016
Effective interest rate:	
Variable-rate bank borrowings	4.62% – 5.51%

ii. All of the borrowings were denominated in RMB which was the same as the functional currency of the relevant group entities.

iii. The Group's bank borrowings were secured by the rights to receive the tuition fees and boarding fees of Jiangxi University of Technology and the respective rights had been released during the year ended 31 December 2017.

iv. As at 31 December 2016, bank borrowings amounting approximately RMB324,076,000 were guaranteed by certain related parties and a third party, respectively, at no cost. The guarantee amounts provided by the related parties and the third party at 31 December 2016 were as follows:

	31 December 2016 RMB'000
Mr. Yu	250,000
Mr. Yu and his spouse	300,000
Mr. Yu and his spouse and 江西藍天駕駛培訓中心有限公司 (Jiangxi Lantian Driving Training Centre Company Limited) ("Lantian Driving") and a third party*	558,000
	1,108,000

* Lantian Driving was controlled by a close family member of Mr. Yu, one of the Controlling Equity Holders of the Company. During the year ended 31 December 2017, Lantian Driving has been disposed of to a third party by the relevant related party.

The guarantees by these related parties have been fully released during the year ended 31 December 2017.

28. DEFERRED TAX LIABILITY

The following is the deferred tax liability recognised and movement thereon during the current year:

	Fair value adjustments of intangible assets on business combination RMB'000
At 1 January 2016 and 31 December 2016	–
Acquisition of a business (note 35)	61,748
Credit to profit or loss (note 9)	(1,861)
At 31 December 2017	59,887

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. As at 31 December 2017, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences which are attributable to accumulated profits of PRC subsidiaries amounting to RMB8,774,000 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

29. AMOUNTS DUE FROM (TO) RELATED PARTIES/AMOUNTS DUE FROM DIRECTORS

Name of directors	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000	At 1 January 2016 RMB'000	Maximum amount outstanding during year ended 31 December 2017 RMB'000	Maximum amount outstanding during year ended 31 December 2016 RMB'000
Amounts due from directors					
Mr. Yu (Note i)	–	367,287	305,289	411,559	425,106
Mr. Xie (Note ii)	–	78,745	39,452	91,247	90,387
	–	446,032	344,741		
Analysed for reporting purpose as:					
Current assets	–	446,032	191,296		
Non-current assets	–	–	153,445		
	–	446,032	344,741		
Amounts due from related parties					
Name of related parties					
Baiyun Technician College	–	165,552	95,418	181,058	168,579
廣東阿博特數碼紙業有限公司 (Guangdong Abote Digital and Paper Company Limited) ("Abote") (Note iv)	–	1,526	1,526	1,526	1,526
南昌市二乎裝飾工程有限公司 (Nanchang Erhu Decoration Engineering Company Limited) ("Erhu") (Note v)	–	3,400	5,000	3,400	5,000
南昌新景川企業管理諮詢有限公司 (Nanchang Xinjingchuan Enterprise Management Company Limited) ("Xinjingchuan") (Note v)	–	–	–	11,000	–
	–	170,478	101,944		
Analysed for reporting purpose as:					
Current assets	–	168,952	52,325		
Non-current assets	–	1,526	49,619		
	–	170,478	101,944		

29. AMOUNTS DUE FROM (TO) RELATED PARTIES/AMOUNTS DUE FROM DIRECTORS (continued)

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Amounts due to related parties		
Name of related parties		
江西江科駕駛培訓有限公司 (Jiangxi Jiangke Driving Training Company Limited) ("Jiangxi Driving") (Note vi)	–	34,532
廣州雲濤教育科技有限公司 (Guangzhou Yuntao Education Technology Company Limited) ("Yuntao") (Note vii)	–	3,570
Baiyun Technician College (Note iii)	–	211
Abote (Note iv)	–	165
	–	38,478

Notes:

i. During the year ended 31 December 2017, the amount due from a director with effective interest rate of 4.8% per annum (2016: 4.8% per annum) has been repaid in its entirely. The imputed interest income recognised in profit or loss for the year ended 31 December 2017 was approximately RMB6,486,000 (2016: RMB9,482,000).

ii. During the year ended 31 December 2017, the amount due from a director with effective interest rate of 4.8% per annum (2016: 4.8% per annum) has been repaid in its entirely. The imputed interest income recognised in profit or loss for the year ended 31 December 2017 was approximately RMB1,559,000 (2016: RMB2,281,000).

29. AMOUNTS DUE FROM (TO) RELATED PARTIES/AMOUNTS DUE FROM DIRECTORS (continued)

Notes: (continued)

iii. As at 31 December 2016, Baiyun Technician College was a related party which was wholly owned by Mr. Xie, one of the Controlling Equity Holders of the Company. The amounts due from Baiyun Technician College were unsecured, non-interest bearing and repayable on demand. The amounts of RMB93,526,000 as at 31 December 2016 which were trade in nature, the remaining amounts were non-trade in nature.

The following was an aged analysis of the trade balance presented based on the date of debit note at the end of the year:

	At 31 December 2016 RMB'000
0 – 90 days	26,542
91 – 120 days	–
121 – 365 days	20,633
Over 365 days	46,351
	93,526

The amount due to Baiyun Technician College was non-trade in nature, unsecured, non-interest bearing and repayable on demand.

iv. The amount due from Abote was non-trade in nature, unsecured, non-interest bearing and repayable on demand, which was repaid in full during the year ended 31 December 2017. The amount due to Abote was trade in nature, unsecured, non-interest bearing and repayable on demand with ageing of 0-90 days, which was repaid in full during the year ended 31 December 2017.

v. The amounts due from Erhu and Xinjingchuan, which were controlled by Mr. Yu, one of the Controlling Equity Holders of the Company, were non-trade in nature, unsecured, non-interest bearing and repayable on demand, which were repaid in full during the year ended 31 December 2017.

vi. The amount due to Jiangxi Driving, which was controlled by the son of Mr. Yu, one of the Controlling Equity Holders of the Company, was non-trade in nature, unsecured, non-interest bearing and repayable on demand. During the year ended 31 December 2017, Jiangxi Driving has been disposed of to a third party by the relevant related party and the amount due to Jiangxi Driving was reclassified to other payables and repaid in full thereafter.

vii. The amount due to Yuntao, which was controlled by a sister of Mr. Xie, one of the Controlling Equity Holders of the Company, was trade in nature, unsecured, non-interest bearing and repayable on demand, and with ageing of 0-90 days based on invoice date. During the year ended 31 December 2017, Yuntao has been disposed of to third parties by the relevant related party.

30. SHARE CAPITAL/PAID-IN CAPITAL

The paid-in capital as at 31 December 2016 represented the combined paid-in capital of Jiangxi University of Technology and Guangdong Baiyun University. The share capital as at 31 December 2017 represented the issued and fully paid share capital of the Company and details of movements of anthorised and issued capital of the Company up to 31 December 2017 are as follow:

	Number of shares	Share capital	Shown in the consolidated financial statements
			RMB'000
Ordinary shares			
Authorised			
At date of incorporation (Note a)	50,000	US$50,000	
Increase during the year (Note c)	50,000,000,000	HK$500,000	
Cancelled during the year (Note d)	(50,000)	(US$50,000)	
At 31 December 2017	50,000,000,000	HK$500,000	
Issued and fully paid			
At date of incorporation (Note b)	100	US$100	1
Allotment of shares (Note d)	1,500,000,000	HK$15,000	13
Repurchase of shares (Note d)	(100)	(US$100)	(1)
Issue of new shares upon listing (Note e)	500,000,000	HK$5,000	4
At 31 December 2017	2,000,000,000	HK$20,000	17

30. SHARE CAPITAL/PAID-IN CAPITAL (continued)

Notes:

(a) The Company was incorporated on 19 May 2017 with an authorised share capital of United States Dollar ("US$") 50,000 divided into 50,000 ordinary shares of US$1 each.

(b) On 19 May 2017, Blue Sky Education International Limited ("Blue Sky BVI"), which is incorporated in the British Virgin Islands (the "BVI"), acquired one ordinary share in the Company at par value and 49 ordinary shares were further issued and allotted to Blue Sky BVI as fully-paid at par value; and another 50 ordinary shares were issued and allotted to White Clouds Education International Limited ("White Clouds BVI") as fully-paid at par value.

(c) On 30 August 2017, the authorised share capital of the Company was increased by HK$500,000 divided into 50,000,000,000 ordinary shares of par value HK$0.00001 each.

(d) On 30 August 2017, the Company allotted and issued 750,000,000 ordinary shares for a subscription price of HK$7,500 to each of Blue Sky BVI and White Clouds BVI. Immediately following the allotment and issue of the 1,500,000,000 ordinary shares, the Company repurchased 50 ordinary shares of par value US$1.00 each from each of Blue Sky BVI and White Clouds BVI at a consideration of HK$7,500 which was paid out of the proceeds of the aforesaid subscription. Immediately following the repurchase, the authorised share capital of the Company was reduced by the cancellation of 50,000 shares of par value US$1.00 each.

(e) During the year ended 31 December 2017, the Company issued 500,000,000 ordinary shares of par value HK$0.00001 each pursuant to the Listing at the price of HK$6.45 per ordinary share.

31. RETIREMENT BENEFIT PLANS

Effective from 14 August 2017, the Group has joined the MPF Scheme for its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme.

The employees of the Group in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

The amounts of contributions made by the Group in respect of the retirement benefit scheme during the year are disclosed in note 10.

32. SHARE-BASED PAYMENTS

(a) Share option scheme of the Company

The Company has adopted two share option schemes, namely pre initial public offering share option scheme (the "Pre-IPO Share Option Scheme") and post initial public offering share option scheme (the "Post-IPO Share Option Scheme").

Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme was adopted pursuant to a resolution passed on 27 November 2017 for the primary purpose of providing incentives to directors and eligible employees, and will expire no later than 10 years from the date of the Listing. Under the Pre-IPO Share Option Scheme, the directors of the Company may grant options to eligible directors and employees to subscribe for shares in the Company, up to a total of 45,500,000 share on such terms as determined by the directors of the Company. The terms of the offer may include but are not limited to, any minimum period(s) for which an option must be held and/or any minimum performance target(s) that must be achieved, before the option can be exercised in whole or in part, and may include at the discretion of the Board such other terms either on a case by case basis or generally.

An option may be exercised in accordance with the terms of the Pre-IPO Option Scheme at any time during a period to be determined and notified by the directors of the Company to each grantee which period shall not expire later than 10 years from the date of Listing.

The price for the subscription of ordinary shares in relation to each option granted under the Pre-IPO Option Scheme shall be such price as may be determined by the directors of the Company. An option may be exercised in whole or in part by the grantee and the subscription price of the ordinary shares shall be fully paid by the grantee to the Company upon exercise of the option.

On every anniversary of the Listing (from the first anniversary to the fifth anniversary), a maximum of 20% of the underlying Shares in respect of the options may be vested in the grantee, subject to the satisfaction of performance condition as determined by the remuneration committee at its discretion.

At 31 December 2017, the number of shares in respect of which options had been granted and remained outstanding under the Pre-IPO Share Option Scheme was 45,500,000, representing 2.28% of the shares of the Company in issue at that date.

32. SHARE-BASED PAYMENTS (continued)

(a) Share option scheme of the Company (continued)

Pre-IPO Share Option Scheme (continued)

Details of specific categories of options are as follows:

	Date of grant	Vesting period	Exercise period	Exercise Price HK$	Fair value at grant date RMB'000
Pre-IPO Share Option	14 December 2017	15 December 2017 – 14 December 2018	15 December 2018 – 14 December 2027	6.45	26,529
	14 December 2017	15 December 2017 – 14 December 2019	15 December 2019 – 14 December 2027	6.45	27,151
	14 December 2017	15 December 2017 – 14 December 2020	15 December 2020 – 14 December 2027	6.45	27,902
	14 December 2017	15 December 2017 – 14 December 2021	15 December 2021 – 14 December 2027	6.45	28,630
	14 December 2017	15 December 2017 – 14 December 2022	15 December 2022 – 14 December 2027	6.45	29,287

32. SHARE-BASED PAYMENTS (continued)

(a) Share option scheme of the Company (continued)

Pre-IPO Share Option Scheme (continued)

The following table discloses movements of the Company's Pre-IPO Share Options held by the directors of the Company and employees during the year:

Option type	Outstanding at 1 January 2017	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 December 2017
Directors					
Dr. Yu	–	10,000,000	–	–	10,000,000
Mr. Xie	–	10,000,000	–	–	10,000,000
Mr. Yu	–	10,000,000	–	–	10,000,000
Ms. Xie	–	10,000,000	–	–	10,000,000
Directors in aggregate	–	40,000,000	–	–	40,000,000
Employees in aggregate	–	5,500,000	–	–	5,500,000
Total	–	45,500,000	–	–	45,500,000
Weighted average exercise price	–	HK$6.45	–	–	HK$6.45
Exercisable at the end of the year					–

During the year ended 31 December 2017, 45,500,000 share options were granted on 14 December 2017. The estimated fair value of the share options granted on that date was RMB139,499,000.

32. SHARE-BASED PAYMENTS (continued)

(a) Share option scheme of the Company (continued)

Pre-IPO Share Option Scheme (continued)

These fair values were calculated using the Binomial model. The inputs into the model were as follows:

	2017
Weighted average share price	HK$6.45
Exercise price	HK$6.45
Expected volatility	52.58%
Expected life	10 years
Risk-free rate	1.79%
Expected dividend yield	0%

Expected volatility was determined by using quoted prices of comparable companies in active markets. The expected life used in the model has been adjusted, based on the management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of RMB3,077,000 for the year ended 31 December 2017 in relation to share options granted by the Company.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the best estimate of the directors of the Company.

32. SHARE-BASED PAYMENTS (continued)

(a) Share option scheme of the Company (continued)

Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme was adopted pursuant to a resolution passed on 29 November 2017 for the primary purpose of providing incentives to employee, director, officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate who the directors of the Company consider, in its sole discretion, to have contributed or will contribute to the Group is entitled to be offered and granted options, and will expire no later than 10 years from the date of the Listing. Under the Post-IPO Share Option Scheme, the total number of ordinary shares which may be issued upon exercise of all options to be granted under the Post-IPO Option Scheme and any other schemes is 200,000,000, being no more than 10% of the ordinary shares in issue on the date of Listing. The overall limit on the number of ordinary shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Option Scheme and any other share option schemes of the Company at any time must not exceed 30% of the ordinary shares in issue from time to time (the "Post-IPO Option Scheme Limit"). Post-IPO Option Scheme Limit may be refreshed at any time by obtaining prior approval of the shareholders of the Company in general meeting. However, Post-IPO Option Scheme Limit cannot exceed 10% of the ordinary shares in issue as at the date of such approval.

Unless approved by the shareholders of the Company, the total number of ordinary shares issued and to be issued upon exercise of the options granted and to be granted under the Post-IPO Share Scheme and any other share option scheme(s) of the Company to each selected participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of ordinary shares in issue (the "Individual Limit"). Any further grant of options to a selected participant which would result in the aggregate number of Shares issued and to be issued upon exercise of all options granted and to be granted to such selected participant (including exercised, cancelled and outstanding options) in the 12 month period up to and including the date of such further grant exceeding the Individual Limit shall be subject to separate approval of shareholders of the Company.

32. SHARE-BASED PAYMENTS (continued)

(a) Share option scheme of the Company (continued)

Post-IPO Share Option Scheme (continued)

Where any grant of options to a substantial shareholder or independent non-executive directors of the Company (or any of their respective associates) would result in the number of ordinary shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (i) representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the ordinary shares in issue; and (ii) having an aggregate value, based on the closing price of the ordinary shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange), such further grant of options must also be first approved by the shareholders of the Company in a general meeting.

The Post-IPO Option Scheme does not set out any performance targets that must be achieved before the options may be exercised. However, the directors of the Company may at its sole discretion specify, as part of the terms and conditions of any option, such performance conditions that must be satisfied before the option can be exercised.

The period during which an option may be exercised is determined and notified by the directors of the Company to each grantee at the time of making an offer for the grant of the option and such period shall not expire later than ten years from the date of grant of the option.

The exercise price shall be determined by the directors of the Company, but shall be not less than the greater of (i) the closing price of an ordinary share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant, (ii) the average closing price of the ordinary shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share on the date of grant.

No share option has been granted since the adoption of the Post-IPO Share Option Scheme.

32. SHARE-BASED PAYMENTS (continued)

(b) Share award scheme of the Company

The Company's share award scheme (the "Share Award Scheme") was adopted pursuant to a resolution passed on 29 November 2017. The objective of the Share Award Scheme is for the primary purpose of providing incentives to employee, director, officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate who the directors of the Company consider, in its sole discretion, to have contributed or will contribute to the Group is entitled to be offered and granted options, and will expire no later than 10 years from the date of the Listing.

A share award includes all cash income from dividends in respect of those ordinary shares from the date the share award is granted to the date the share award is vested. The directors of the Company at its discretion may from time to time determine that any dividends declared and paid by the Company in relation to the ordinary shares be paid to the selected participant even though the ordinary shares have not yet vested.

Save that the directors of the Company at its discretion may from time to time determine that any dividends declared and paid by the Company in relation to the ordinary shares be paid to the selected participants even though the Shares have not yet vested, the selected participant only has a contingent interest in the Shares underlying an Award unless and until such Shares are actually transferred to the selected participant.

The maximum aggregate number of ordinary shares underlying all grants made pursuant to the Share Award Scheme (excluding ordinary shares which have been forfeited in accordance with the Share Award Scheme) is conditionally set at 40,000,000, being 2% of issued shares of the Company as of the date of the Listing (i.e. 2% of 2,000,000,000 Shares) (the "Share Award Scheme Limit"). The Share Award Scheme Limit is subject to further shareholders' approval as disclosed above.

The directors of the Company may from time to time determine such vesting criteria and conditions or periods for the awards to be vested under the Share Award Scheme.

Save as otherwise restricted by the Share Award Scheme Limit or the Listing Rules, there shall be no limit on the total number of non-vested ordinary shares that may be granted to a selected participant under the Share Award Scheme.

32. SHARE-BASED PAYMENTS (continued)

(b) Share award scheme of the Company (continued)

Each grant of an award to any director of the Company or the chief executive officer shall be subject to the prior approval of the independent non-executive directors (excluding any independent non-executive director who is a proposed recipient of the grant of share award). The Company will comply with the relevant requirements under Chapter 14A of the Listing Rules for any grant of shares to connected persons of the Company.

No share award has been granted since the adoption of the Share Award Scheme.

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continues as a going concern while maximising the return to equity holders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in note 27, net of cash and cash equivalent, and equity attributable to the owners of the Group, comprising share capital, reserves and retained profits.

The management of the Group reviews 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 recommendations of the management of the Group, the Group will balance its overall capital structure through new share issues as well as the issue of new debts as well as the redemption of the existing debts.

34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Financial assets		
Designated at FVTPL – structured deposits	50,500	418,201
Held for trading investments	3,402	7,356
Loans and receivables (including cash and cash equivalents)	3,309,346	891,748
	3,363,248	1,317,305
Financial liabilities		
Amortised cost	139,841	663,537

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, deposits and other receivables, amounts due from (to) related parties, bank balances and cash, amounts due from directors, held for trading investments, structured deposits, trade payables, other payables and bank borrowings. Details of these financial instruments are disclosed in the respective notes.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. These risks include market risk (currency risk, interest rate risk, other price risk), credit risk and liquidity risk.

34. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk

Currency risk

The Group has certain foreign currency bank balances and other payables denominated in HK$ and US$, currencies other than the functional currency of the group entities ("foreign currency"), which expose the Group to foreign currency risk.

The carrying amounts of the Group's monetary assets and monetary liabilities at the reporting date that are denominated in foreign currency are as follows:

	Assets		Liabilities	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
HK$	1,928,415	–	858	–
US$	–	–	16,614	–

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

Sensitivity analysis

The Group is mainly exposed to the fluctuation of relevant foreign currency against RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in the relevant foreign currency against the functional currency of the relevant group entities. 5% represents the reasonably possible change in foreign exchange rates if currency risk is to be assessed by key management. The sensitivity analysis includes only outstanding relevant foreign currency denominated monetary items, The sensitivity analysis adjusts their translation at the year end for a 5% change in foreign currency rates. A positive (negative) number below indicates an increase (decrease) in post-tax profit where the relevant foreign currency weakens 5% against RMB. For a 5% strengthening of the relevant foreign currency against HK$, there would be an equal and opposite impact on the profit.

34. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

Currency risk (continued)

Sensitivity analysis (continued)

	2017 RMB'000	2016 RMB'000
HK$ impact	72,316	–
US$ impact	(592)	–

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group's fair value interest rate risk relates primarily to its fixed-rate deposits. The Group is exposed to cash flow interest rate risk through the impact of rate changes on variable interest bearing financial assets and liabilities, mainly bank balances and cash and variable-rate bank borrowings (see note 27 for details). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Benchmark Borrowing Rate of the People's Bank of China. It is the Group's policy to keep certain borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowings and bank balances at the end of each reporting period and assumed that the amount outstanding at the end of each reporting period was outstanding for the whole year. A 10 basis point increase or decrease for bank balances and 50 basis point increase or decrease for variable-rate bank borrowings are used when reporting interest rate risk internally to key management personnel and represents the management's assessment of the reasonably possible change in interest rates.

If interest rates had been 10 or 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year would increase/decrease by approximately RMB1,121,000 (2016: decrease/increase by RMB1,514,000). This is mainly attributable to the Group's exposure to interest rates on its bank balances and bank borrowings with variable rate.

34. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk (continued)

Sensitivity analysis (continued)

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure at the end of the reporting period does not reflect the exposure during the year.

Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments operating in different industry sectors quoted in the Shanghai Stock Exchange and the Shenzhen Stock Exchange. The Group will consider hedging the risk exposure should the need arise. The price risk on structured deposits is limited because maturity period of these investments is short.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of each reporting period. If the prices of the respective equity investments had been 5% higher/lower, the Group's post-tax profit for the year would have increased/decreased by approximately RMB128,000 (2016: RMB276,000) as a result of the changes in fair value of held for trading investments.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform its obligations is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk on trade and other receivables, amounts due from related parties and amounts due from directors, the management makes periodic collective assessments as well as individual assessment on the recoverability of trade and other receivables based on historical settlement records, reasons for extended repayment period and past experience. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of trade and other receivables. In addition, the credit risk on amounts due from related parties and directors is reduced as the Group can closely monitor the repayment of the related parties.

The credit risk on bank balances and structured deposits is limited because the counterparties are reputable financial institutions.

34. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitor and maintain levels 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 Group relies on bank loans as a significant source of liquidity.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has 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.

	Weighted average effective interest rate	On demand or less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables	–	139,841	–	–	–	139,841	139,841
At 31 December 2017	–	139,841	–	–	–	139,841	139,841
Trade and other payables	–	171,983	–	–	–	171,983	171,983
Amounts due to related parties	–	38,478	–	–	–	38,478	38,478
Bank borrowings							
– variable rate	5.13	1,937	16,373	191,510	285,845	495,665	453,076
At 31 December 2016		212,398	16,373	191,510	285,845	706,126	663,537

34. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments

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 technique(s) and inputs used).

Financial assets	Fair value	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship unobservable inputs to fair value
Held for trading investments	As at 31 December 2017: RMB3,402,000 (31 December 2016: RMB7,356,000)	Level 1	Quoted prices in active markets	N/A	N/A
Structured deposits	As at 31 December 2017: RMB50,500,000 (31 December 2016: RMB418,201,000)	Level 3	Discounted cash flow – Future cash flows are estimated based on estimated return, and discounted at a rate that reflects the credit risk of various counterparties.	Estimated return	The higher the estimated return, the higher the fair value, vice versa

34. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments (continued)

Reconciliation of Level 3 Measurements

The following table presents the reconciliation of Level 3 Measurements of the structured deposits during the year:

	RMB'000
At 1 January 2016	257,001
Purchase of structured deposits	1,031,300
Redemption of structured deposits	(876,140)
Net gain on structured deposits	6,040
At 31 December 2016	418,201
Acquisition of a business (note 35)	47,000
Purchase of structured deposits	370,500
Redemption of structured deposits	(794,183)
Net gain on structured deposits	8,982
At 31 December 2017	50,500

There were no transfers into or out of Level 3 during the year.

Fair value of financial instruments that are recorded at amortised cost

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values at the end of each reporting period.

35. ACQUISITION OF A BUSINESS

On 14 August 2017, Huajiao Education, Mr. Xie, Ganzhou Huafang Education, Lihe Education and Baiyun Technician College entered into an acquisition framework agreement (the "Acquisition Agreement") pursuant to which Huajiao Education will acquire Baiyun Technician College (the "Acquisition") through entering into contractual arrangements (the "Technician College Contractual Arrangements") for a cash consideration of RMB750 million. The Acquisition is accounted for using the acquisition method.

Baiyun Technician College is engaged in the provision of vocational education for technical workers and technicians in the PRC. The directors of the Company are of the view that the completion of the Acquisition would significantly expand and diversify the Group's schools portfolio, complement the Group's existing business and give rise to further synergy through economies of scale (including shared management and operational resources of Baiyun Technician College and Guangdong Baiyun University, as well as the expansion and further leverage of the "Baiyun" brand name). The acquisition was completed on the same date and the consideration of RMB750 million was settled in full in August 2017.

Pursuant to the Acquisition Agreement, Mr. Xie guaranteed to Huajiao Education that profit after taxation of Baiyun Technician College (after adding back the fees payable by Baiyun Technician College to Huajiao Education pursuant to the Technician College Contractual Arrangements) (the "Adjusted Net Profit") for the year ending 31 December 2018 shall be no less than RMB60,000,000. If the net profit after taxation of Baiyun Technician College (after adding back the fees payable by Baiyun Technician College to Huajiao Flucation pursuant to the Technician College Contractual Arrangements) for the year ending 31 December 2018 (the "2018 Actual Adjusted Net Profit") is less than RMB60,000,000, Mr. Xie shall compensate Huajiao Education with a cash sum calculated according to the formula set out as below:

35. ACQUISITION OF A BUSINESS (continued)

Compensation Sum = (RMB60 million – 2018 Actual Adjusted Net Profit) x 12.5

Consideration transferred

	RMB'000
Cash	750,000

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	248,404
Prepaid lease payment	5,858
Intangible assets	246,995
Deposits, prepayments and other receivables	23,505
Structured deposits	47,000
Bank balances and cash	92,718
Trade and other payable	(40,700)
Amounts due to related parties	(86,197)
Income tax payable	(268)
Deferred revenue	(51,196)
Deferred tax liability	(61,748)
	424,371

The fair values of intangible assets are based on estimation used by the management of the Group with reference to valuation carried out by independent valuers, key assumptions and estimation used by the management included discount rates, growth rates and useful lives of the intangible assets. The fair value of deposits and other receivables at the date of acquisition amounted to RMB22,783,000, which is also the gross contractual amounts of those deposits and other receivables.

35. ACQUISITION OF A BUSINESS (continued)

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	750,000
Less: net assets acquired	(424,371)
Goodwill arising on acquisition	325,629

Goodwill arose in the acquisition of Baiyun Technician College because the consideration paid for the acquisition effectively included amounts in relation to better geographic arrangement and networking effect as benefits of expected synergies, better revenue growth prospect, future market development, and the assembled workforce of Baiyun Technician College. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow on acquisition of Baiyun Technician College

	RMB'000
Cash consideration paid	750,000
Less: cash and cash equivalent balances acquired	(92,718)
	657,282

Included in the profit for the year is RMB36,000,000 attributable to the additional business generated by Baiyun Technician College. Revenue for the year includes RMB67,421,000 generated from Baiyun Technician College.

Had the acquisition been completed on 1 January 2017, total group revenue for the year would have been RMB1,082,775,000, and profit for the year would have been RMB470,315,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future results.

36. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Tianxing Social Services Centre

On 24 May 2017, Guangdong Baiyun University entered into an equity transfer agreement with an independent third party, pursuant to which Guangdong Baiyun University agreed to dispose of its 100% equity interest in Tianxing Social Services Centre at a consideration of RMB30,000. The management of the Group considered that it was commercially beneficial to enter into the disposal since the entity was not related to higher education. The disposal was completed on 24 May 2017.

(b) Disposal of Baiyun Human Resources

On 19 May 2017, Guangdong Baiyun University entered into an equity transfer agreement with an independent third party, pursuant to which Guangdong Baiyun University agreed to dispose of its 70% equity interest in Baiyun Human Resources at a consideration of RMB3,500,000. The management of the Group considered that it was commercially beneficial to enter into the disposal since the entity was not related to higher education. The disposal was completed on 23 May 2017.

(c) Disposal of Jiangxi Technology Park

On 3 May 2017, Jiangxi University of Technology entered into an equity transfer agreement with two independent third parties, pursuant to which Jiangxi University of Technology agreed to dispose of its 100% equity interest in Jiangxi Technology Park for RMB5,800,000, which was effective upon approval from shareholders. The management of the Group considered that it was commercially beneficial to enter into the disposal since the entity was not related to higher education. The disposal was completed on 9 May 2017.

(d) Disposal of Jiangxi Affiliated High School

On 20 April 2017, Jiangxi University of Technology entered into a transfer agreement with an independent third party, pursuant to which Jiangxi University of Technology assigned the sponsorship license of the Jiangxi Affiliated High School to an independent third party. Pursuant to the transfer agreement, Jiangxi University of Technology agreed to transfer the entire sponsor interest for RMB26,000,000. The management of the Group considered that it was commercially beneficial to enter into the disposal since the entity was not related to higher education. All relevant approvals from the competent regulatory authorities in the PRC under the applicable PRC laws and regulations for the transfer have been obtained, and the transfer was completed on 27 May 2017.

36. DISPOSAL OF SUBSIDIARIES (continued)

(d) Disposal of Jiangxi Affiliated High School (continued)

Further details of the consideration, and assets and liabilities disposed of in the above disposals are set out below:

	Tianxing Social Services Centre RMB'000	Baiyun Human Resources RMB'000	Jiangxi Technology Park RMB'000	Jiangxi Affiliated High School RMB'000	Total RMB'000
Consideration					
Cash received	30	3,500	5,800	26,000	35,330
Analysis of assets and liabilities over which control was lost:					
Property, plant and equipment	286	30	1,282	35,613	37,211
Deposits paid for acquisition of property, plant and equipment	–	–	–	973	973
Amount due from a former related party	–	1,526	–	–	1,526
Inventories	–	–	–	64	64
Trade and other receivables	883	3	–	3,676	4,562
Bank balances and cash	100	11,735	5,399	23,837	41,071
Deferred revenue	–	–	–	(37,837)	(37,837)
Amount due to former group company	(2,000)	–	–	(5,218)	(7,218)
Other payables	(229)	(5,866)	(610)	(11,014)	(17,719)
Income tax payable	–	(905)	–	–	(905)
Net (liabilities) assets disposed of	(960)	6,523	6,071	10,094	21,728
Gain on disposal					
Consideration	30	3,500	5,800	26,000	35,330
Net liabilities (assets) disposed of	960	(6,523)	(6,071)	(10,094)	(21,728)
Non-controlling interests	–	1,957	–	–	1,957
	990	(1,066)	(271)	15,906	15,559

36. DISPOSAL OF SUBSIDIARIES (continued)

(d) Disposal of Jiangxi Affiliated High School (continued)

	Tianxing Social Services Centre RMB'000	Baiyun Human Resources RMB'000	Jiangxi Technology Park RMB'000	Jiangxi Affiliated High School RMB'000	Total RMB'000
Net cash inflow arising on disposal					
Cash consideration received	30	3,500	5,800	26,000	35,330
Less: bank balances and cash disposed of	(100)	(11,735)	(5,399)	(23,837)	(41,071)
	(70)	(8,235)	401	2,163	(5,741)

37. OPERATING LEASES

The Group as lessee

At the end of each reporting period, the Group's commitments for future minimum lease payments under non-cancellable operating leases fall due as follows:

	At 31 December 2017 RMB'000	2016 RMB'000
Within one year	**8,210**	6,815
In the second to fifth year inclusive	**58,392**	25,040
Over five years	**14,552**	33,558
	81,154	65,413

Operating lease payments represent rentals payable by the Group for certain of its academic and dormitory premises. Leases are negotiated and rentals are fixed for lease terms of one to ten years.

38. CAPITAL COMMITMENTS

	At 31 December 2017 RMB'000	2016 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of		
– property, plant and equipment	**1,646**	16,435
– prepaid lease payment	**367,190**	43,802
	368,836	60,237

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.

	Dividends payable RMB'000	Accrued issue costs RMB'000	Bank borrowings RMB'000	Amounts due to related parties/ directors RMB'000	Amounts due to a former related party RMB'000	Total RMB'000
At 1 January 2016	–	–	460,645	34,718	–	495,363
Financing cash flows (Note i)	–	–	(34,494)	25	–	(34,469)
Finance cost recognised	–	–	26,925	–	–	26,925
At 31 December 2016	–	–	453,076	34,743	–	487,819
Financing cash flows (Note i)	(1,752)	(77,355)	(474,247)	(211)	(34,532)	(588,097)
Reclassification (Note ii)	–	–	–	(34,532)	34,532	–
Capitalisation of finance costs	–	–	2,699	–	–	2,699
Dividends declared to non-controlling interests	1,752	–	–	–	–	1,752
Issue costs accrued/finance cost recognised	–	82,254	18,472	–	–	100,726
At 31 December 2017	–	4,899	–	–	–	4,899

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (continued)

Notes:

i The cash flows for bank borrowings represent the addition of and repayment of borrowings and interest paid in the consolidated statement of cash flows.

ii During the year ended 31 December 2017, Jiangxi Driving has been disposed of to a third party by the relevant related party and the amount due to Jiangxi Driving was reclassified to other payables and repaid in full thereafter.

40. RELATED PARTIES DISCLOSURES

During the year, the Group entered into the following transactions with related parties:

Related party	Relationship	Nature of transactions	Year ended 31 December 2017 RMB'000	2016 RMB'000
Baiyun Technician College	Controlled by Mr. Xie, one of the Controlling Equity Holders of the Company	Consultancy income received	**6,750**	47,175
Equity Holders				
Yuntao	Controlled by a close family member of Mr. Xie, one of the Controlling Equity Holders of the Company	Online course service fee paid	–	4,120
Abote	Controlled by a close family member of Mr. Xie, one of the Controlling Equity Holders of the Company	Purchase of paper products	**53**	61

Balances with related parties are set out in the consolidated statement of financial position from pages 184 to 186 in note 29.

40. RELATED PARTIES DISCLOSURES (continued)

Compensation of key management personnel

The remuneration of directors of the Company and other members of key management of the Group during the year is as follows:

	At 31 December 2017 RMB'000	2016 RMB'000
Short-term benefits	7,209	3,213
Post-employment benefits	184	126
Equity-settled share-based payments	3,077	–
	10,470	3,339

The remuneration of director and key executives is determined having regard to the performance of individuals and market trends.

41. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries:

Name of subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interests attributable to the Group As at 31 December 2017	2016	Principal activities
Directly owned					
BVI China Education Group	17 May 2017 BVI	US$100	100%	N/A	Investment holding
Indirectly owned					
China Education Group (Hong Kong) Limited	25 May 2017 Hong Kong	HK$100	100%	N/A	Investment holding

41. PARTICULARS OF SUBSIDIARIES (continued)

Name of subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interests attributable to the Group As at 31 December		Principal activities
			2017	2016	
Huajiao Education	13 June 2017 The PRC	HK$10,000,000	**100%**	N/A	Provision of educational consultancy services
Jiangxi University of Technology*	20 July 1999 The PRC	RMB51,680,000	**100%**	100%	Operation of private higher and vocational education institution
Jiangxi Affiliated High School	14 May 2015 The PRC	RMB26,000,000	**–** **(Note (i))**	100%	Provision of primary and secondary education
Jiangxi Technology Park	30 December 2015 The PRC	RMB6,000,000	**–** **(Note (ii))**	100%	Provision of research and development consultation service and property
Jiangxi Foundation	18 September 2009 The PRC	RMB2,000,000	**–** **(Note (iii))**	100%	Operation of poverty relief fund, together with fund for scholarship
Jiangxi Red Green related and Blue	17 December 2015 The PRC	RMB5,000,000	**–**	100% (Note (ii))	Provision of services to electronic products and research and development consultancy services
Guangdong Baiyun University*	12 March 1999 The PRC	RMB130,000,000	**100%**	100%	Operation of private higher and vocational education institution
Baiyun Technician College	9 April 1996 The PRC	RMB60,000,000	**100%**	–	Provision of vocational education for technical workers and technicians in the PRC

41. PARTICULARS OF SUBSIDIARIES (continued)

Name of subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interests attributable to the Group As at 31 December 2017	2016	Principal activities
Baiyun Human Resource	9 February2004 The PRC	RMB5,000,000	– (Note (iv))	70%	Provision of career related services for post-graduates and under-graduates
Tianxing Social Service Centre	8 June 2012 The PRC	RMB30,000	– (Note (v))	100%	Provision of spectrum of services to address the needs of individuals and families in the community
University of Science and Technology	10 July 2017 The United States	US$100	100%	N/A	Provision of higher education in the California
Huafang Education	2 August 2017 The PRC	RMB4,800,000	100%	N/A	Provision of education consulting services
Lihe Education	26 July 2017 The PRC	RMB4,800,000	100%	N/A	Provision of education consulting services

* The English names are for identification purpose only.

Notes:

i. Jiangxi Affiliated High School was disposed of on 27 May 2017. Details of the disposal are included in note 36.

ii. Jiangxi Technology Park, together with its wholly owned subsidiary Jiangxi Red Green and Blue, were disposed of on 9 May 2017. Details of the disposal are included in note 36.

iii. Jiangxi Foundation was liquidated on 6 June 2017.

iv. Baiyun Human Resource was disposed of on 23 May 2017. Details of the disposal are included in note 36.

v. Tianxing Social Services Centre was disposed of on 24 May 2017. Details of the disposal are included in note 36.

None of the subsidiaries had issued any debt securities during the year or at the end of the year.

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 RMB'000
NON-CURRENT ASSET	
Investment in a subsidiary	1
CURRENT ASSETS	
Amount due from a subsidiary	721,920
Amounts due from shareholders	13
Other receivables	1,242
Bank balances and cash	1,924,439
	2,647,614
CURRENT LIABILITIES	
Other payables	21,740
Amounts due to subsidiaries	10,032
	31,772
NET CURRENT ASSETS	2,615,842
	2,615,843
CAPITAL AND RESERVES	
Share capital	17
Reserves	2,615,826
	2,615,843

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Movement in the Company's reserves

	Share premium RMB'000	Share options reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At date of incorporation	–	–	–	–
Loss and other comprehensive expense	–	–	(51,283)	(51,283)
Recognition of equity-settled share-based payments	–	3,077	–	3,077
Issuance of new shares upon listing	2,746,286	–	–	2,746,286
Expenses incurred in connection with the issuance of ordinary shares	(82,254)	–	–	(82,254)
At 31 December 2017	2,664,032	3,077	(51,283)	2,615,826

43. EVENTS AFTER REPORTING PERIOD

On 5 January 2018, the over-allotment option described in the prospectus dated 5 December 2017 has been partially exercised by BNP Paribas Securities (Asia) Limited in respect of an aggregate of 20,202,000 ordinary shares of the Company. The Over-allotment Shares were issued and allotted by the Company at HK$6.45 per share.

Subsequent to 31 December 2017, the Group has entered into agreements for the proposed acquisition of 80% interest in a vocational school in Zhengzhou ("Zhengzhou acquisition") and 62% interest in a vocation school in Xi'an ("Xi'an acquisition"). Zhengzhou acquisition and Xi'an acquisition are proposed to be at a consideration RMB855,000,000 and RMB576,600,000, subject to various adjustments in accordance with the terms and conditions set out in respective acquisition agreements for the respective acquisition. Completion of these acquisitions are subject to the completion of terms and conditions in the agreements for the respective acquisition, and up to the date of this report, the aforementioned transactions were not yet completed.

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December			
	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017 RMB'000**
Continued operations				
Revenue	821,934	846,016	861,289	**949,171**
Cost of revenue	(408,683)	(415,897)	(404,577)	**(389,448)**
Gross profit	413,251	430,119	456,712	**559,723**
Profit before taxation	313,362	364,407	425,300	**423,195**
Profit for the year from continuing operation	309,426	361,901	423,351	**421,465**
Discontinued operations				
Profit (loss) for the year from discontinued operations	93	(13,642)	(10,836)	**7,407**
Profit for the year	309,519	348,259	412,515	**428,872**
Core net profit (Note 1)	309,519	348,259	412,515	**474,370**

	Year ended 31 December			
Profitability Margins	2014	2015	2016	**2017**
Gross profit margin	50.3%	50.8%	53.0%	**59.0%**
Adjusted net profit margin	37.7%	41.2%	47.9%	**50.0%**

Note 1
Core net profit was derived from the profit for the year after adjusting for listing expenses.

OPERATIONAL DATA

	At the end of school year			Year ended 31 December
	2014/2015	2015/2016	2016/2017	**2017/2018**
Total student enrollment	63,548	63,367	75,255	**76,204**
Total number of schools	2	2	3	**3**
Estimated total capacity for students	56,059	55,355	71,177	**70,027**
Overall utilisation rate	98.9%	98.2%	91.5%	**92.6%**

ASSETS AND LIABILITIES

	At 31 December			
	2014	2015	2016	**2017**
	RMB'000	RMB'000	RMB'000	**RMB'000**
Non-current assets	2,143,281	2,523,329	2,537,163	**3,301,583**
Current assets	744,188	915,078	1,328,923	**3,370,369**
Current liabilities	836,965	1,033,843	1,069,885	**947,117**
Net current (liabilities)/assets	(92,777)	(118,765)	259,038	**2,423,252**
Total assets less current liabilities	2,050,504	2,406,564	2,796,201	**5,724,835**
Total equity	1,800,884	2,121,016	2,527,339	**5,639,043**
Non-current liabilities	249,620	285,548	268,862	**85,792**
Total equity and non-current liabilities	2,050,504	2,406,564	2,796,201	**5,724,835**

	At 31 December			
Selected Major Items	2014	2015	2016	**2017**
	RMB'000	RMB'000	RMB'000	**RMB'000**
Property, plant and equipment	1,969,425	2,230,679	2,415,697	**2,638,560**
Bank balances and cash	332,081	373,854	247,133	**3,243,144**
Bank borrowings	288,000	460,645	453,076	**–**
Deferred revenue	602,824	622,190	620,930	**753,185**

	At 31 December			
Liquidity	2014	2015	2016	**2017**
Gearing ratio (Note 2)	16.0%	21.7%	17.9%	**0.0%**

Note 2 The gearing ratio was calculated as total borrowings divided by total equity as at the end of the relevant financial year.

GLOSSARY

"affiliate"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AGM"	annual general meeting of the Company
"Articles" or "Articles of Association"	the articles of association of the Company
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Baiyun Technician College"	Guangzhou Baiyun Senior Technical School of Business and Technology (Guangzhou Baiyun Technician College of Business and Technology) (廣州白雲工商高級技工學校(廣州市白雲工商技師學院)), one of our PRC Operating Schools
"Blue Sky BVI"	Blue Sky Education International Limited (藍天教育國際有限公司), a controlling shareholder of the Company
"Board"	the board of directors of the Company
"BVI"	the British Virgin Islands
"BVI China Education Group"	China Education Group Holdings (BVI) Limited (中國教育集團控股(英屬維爾京群島)有限公司), a wholly-owned subsidiary of the Company
"Cayman Companies Law"	the Companies Law of the Cayman Islands as amended, supplemented or otherwise modified from time to time
"CG Code"	Corporate Governance Code contained in Appendix 14 to the Listing Rules
"China" or "PRC"	the People's Republic of China and for the purposes of this document only, except where the context requires otherwise, references to China or the PRC exclude Hong Kong, Macau and Taiwan
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Company", "our Company", or "the Company"	China Education Group Holdings Limited (中國教育集團控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange

"Concert Party Agreement"	the agreement dated 29 November 2017 and entered into among Mr. Yu, Mr. Xie, Blue Sky BVI and White Clouds BVI who agreed to vote in concert with each other for all operational and other matters at board meetings or shareholders' meetings of the Company
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"consolidated affiliated entities" or "consolidated affiliated entity"	the entities we control through the Contractual Arrangements, namely Huafang Education, Lihe Education, and our PRC Operating Schools and their respective subsidiaries
"Contractual Arrangements"	the series of contractual arrangements entered into by, among others, the Company, WFOE, Mr. Yu, Mr. Xie, Huafang Education, Lihe Education, our PRC Operating Schools and our consolidated affiliated entities
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Yu, Mr. Xie, Blue Sky BVI and White Clouds BVI and each of them shall be referred to as a Controlling Shareholder
"Director(s)"	the director(s) of our Company
"Dr. Yu"	Dr. Yu Kai (喻愷), an executive director and the chief executive officer of the Company
"Gaokao"	the National Entrance Examination for Regular Higher Education Institution (普通高等學校招生全國統一考試), an academic examination held annually in the PRC
"Group", "our Group", "the Group", "we", "us", or "our"	the Company, its subsidiaries and its consolidated affiliated entities from time to time
"Guangdong Baiyun University"	Guangdong Baiyun University (廣東白雲學院), one of our PRC Operating Schools
"HK China Education Group"	China Education Group (Hong Kong) Limited (中國教育集團(香港)有限公司), a wholly-owned subsidiary of the Company
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Securities and Futures Ordinance" or "SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

"Huafang Education"	Ganzhou Huafang Education Consulting Company Limited (贛州市華方教育諮詢有限公司), one of our consolidated affiliated entities
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"Independent Third Party(ies)"	any entity(ies) or persons who is not a connected person of the Company within the meaning ascribed thereto under the Listing Rules
"INED"	the independent non-executive Directors
"Jiangxi University of Technology"	Jiangxi University of Technology (江西科技學院), one of our PRC Operating Schools
"Lihe Education"	Lihe Education Consulting (Ganzhou) Company Limited (禮和教育諮詢(贛州)有限公司), one of our consolidated affiliated entities
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	15 December 2017, the date on which the shares were listed and on which dealings in the shares were first permitted to take place on the Main Board of the Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"MOE"	the Ministry of Education of the PRC (中華人民共和國教育部)
"Mr. Xie"	Mr. Xie Ketao (謝可滔), an executive Director, co-chairman of the Board and a controlling shareholder of our Company
"Mr. Yu"	Mr. Yu Guo (于果), an executive Director, co-chairman of the Board and a Controlling Shareholder
"Nomination Committee"	the nomination committee of the Board
"PRC Operating Schools"	Jiangxi University of Technology, Guangdong Baiyun University and Baiyun Technician College
"Registered School Sponsors"	Mr. Yu, Mr. Xie and Lihe Education, and each of them's a Registered School Sponsor
"Remuneration Committee"	the remuneration committee of the Board

"RMB" or "Renminbi"	Renminbi, the lawful currency of China
"Shareholder(s)"	holder(s) of our Share(s)
"Shares"	ordinary shares in our Company of par value HK$0.00001 each
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"substantial shareholder"	has the meaning ascribed to it in the Listing Rules
"University of Science and Technology" or "UST"	University of Science and Technology, a wholly-owned subsidiary of our Company
"US dollars", "U.S. dollars" or "US$"	United States dollars, the lawful currency of the United States
"WFOE"	Huajiao Education Technology (Jiangxi) Company Limited (華教教育科技(江西)有限公司), an indirectly wholly-owned subsidiary of the Company
"White Clouds BVI"	White Clouds Education International Limited (白雲教育國際有限公司), a Controlling Shareholder
"Zhongluotan Land"	a parcel of land located in Zhongluotan Town, Baiyun District, Guangzhou, Guangdong province, the PRC
"%"	per cent