卓越教育集团

China Beststudy Education Group

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3978

ANNUAL REPORT 2018

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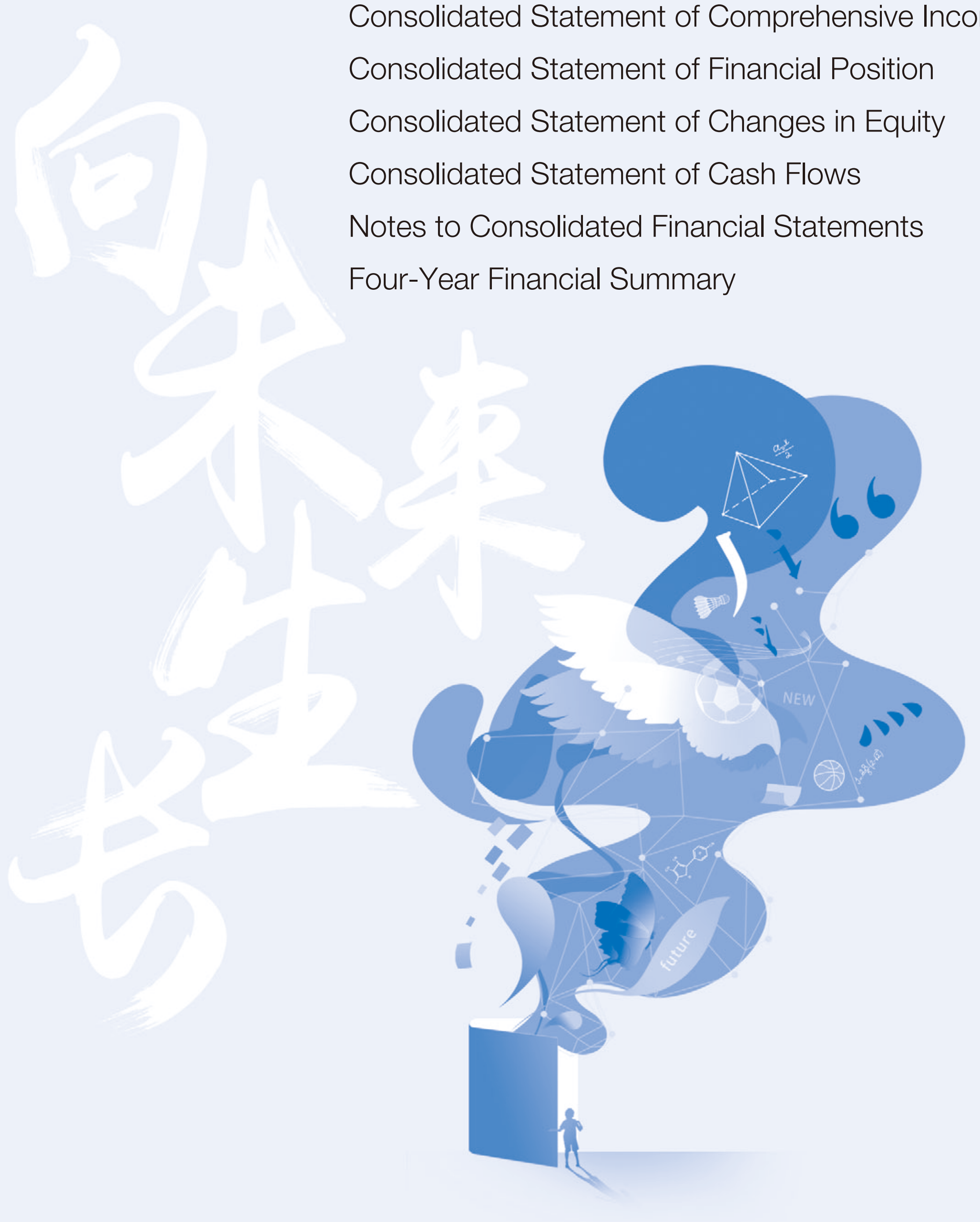

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Wenhui Xu
Ms. Wen Li

Independent Non-executive Directors

Mr. Yingmin Wu
Ms. Yu Long
Mr. Peng Xue

AUDIT COMMITTEE

Mr. Peng Xue (Chairman)
Ms. Yu Long
Mr. Wenhui Xu

REMUNERATION COMMITTEE

Ms. Yu Long (Chairlady)
Mr. Junjing Tang
Mr. Peng Xue

NOMINATION COMMITTEE

Mr. Junjing Tang (Chairman)
Mr. Yingmin Wu
Ms. Yu Long

JOINT COMPANY SECRETARIES

Mr. Changxu Zhu
Ms. Chau Hing Ling (LLM, FCIS, FCS)

AUTHORIZED REPRESENTATIVES

Mr. Junjing Tang
Ms. Chau Hing Ling (LLM, FCIS, FCS)

AUDITOR

Ernst & Young
Certified Public Accountant

LEGAL ADVISER

Lu & Partners LLP

COMPLIANCE ADVISER

Central China International Capital Limited

PRINCIPAL BANKS

China Merchants Bank Guangzhou Liwan Branch
Industrial and Commercial Bank of
China Guangzhou Nanfang Branch

REGISTERED OFFICE

4th Floor, Harbour Place
103 South Church Street
P.O.Box 10240
Grand Cayman, KY1-1002
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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China International Centre
No. 33 Zhongshansan Road
Yuexiu District, Guangzhou
Guangdong, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Lee Garden One
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Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Harneys Fiduciary (Cayman) Limited
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103 South Church Street
P.O.Box 10240
Grand Cayman, KY1-1002
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

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

STOCK CODE

3978

COMPANY'S WEBSITE

www.beststudy.com

INVESTOR RELATIONS

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Email:	ir@zy.com

LISTING DATE

27 December 2018

COMPANY PROFILE

In the 21 years since its establishment in 1997, China Beststudy Education Group (hereinafter referred to as the "Group") has developed into a large-scale K-12 after-school education service provider with 3,242 full-time teachers and annual enrollments of nearly 600,000 students. On 27 December 2018, the Group was successfully listed on the main board of the Hong Kong Stock Exchange and became the first K-12 after-school education service provider listed in Hong Kong.

As of 31 December 2018, the Group had a total of 242 education centres nationwide, which are mainly distributed in major cities in the Greater Bay Area such as Guangzhou, Foshan, Shenzhen, Dongguan, Zhongshan and Zhuhai. The main teaching products and services provided by our Group are the Premium Learning Program (for academic subjects), Elite Talent Program (for quality subjects) and Full-time Test Preparation Program. Our Premium Learning Program (for academic subjects) is designed to improve students' academic performance, and covers all key academic subjects taught in primary schools, middle schools, and high schools in China. Our Elite Talent Program (for quality subjects) is designed to nurture the all-round development of our students and make the learning process more engaging and enjoyable. Our Full-time Test Preparation Program aims to help middle school and high school graduates achieve admission to their preferred schools through Zhongkao (中考) and Gaokao (高考).

The Group has been deep plowing the South China area and radiating across the country. Through 21 years of efforts and development, our "Zhuoyue Education" (卓越教育) brand and reputation have also been recognized and welcomed by students and parents. In FY 2018, we obtained the award of "2018 Outstanding Private Education Institution of Guangzhou" (2018年度廣州民辦教育先進集體) issued by Private Education Association of Guangdong Province and the "Top 10 Education Institution in the 2018 Shenzhen 3-15 Net Promoter Score Ranking" (2018年3-15消費者NPS口碑指數排行榜深圳市教育培訓行業前十名) accredited by Shenzhen Consumer Council. The recognition of students, parents and all walks of life will help us to enlarge our student pool and further strengthen our market position in the K-12 after-school education training industry in China.

FINANCIAL HIGHLIGHTS

	For the Year ended 31 December 2018 RMB'000	2017 RMB'000	% Change
Revenue	**1,473,748**	1,141,701	+29.1%
Gross Profit	**598,031**	482,750	+23.9%
Net Profit	**73,971**	65,809	+12.4%
Adjusted Net Profit(Note 1)	**121,265**	106,570	+13.8%
Net Profit from Core Business(Note 2)	**115,712**	91,038	+27.1%
Number of Enrollments	**593,252**	500,409	+18.6%
Number of Tutoring Hours	**13,562,869**	11,179,556	+21.3%
Number of Education Centres	**242**	180	
Number of Newly Established Education Centres	**60**(Note 3)	22(Note 4)	

Notes:

1. Adjusted Net Profit eliminates the effect of non-recurring items and certain items that were not incurred in relation to the Group's principal business such as equity-settled share compensation costs, discontinued operations, listing expenses and other one-off expenses.

2. Net Profit from Core Business was used to evaluate the financial performance of the Company by eliminating the impact of items that the Company does not consider indicative of the performance of our core business, which represents the Adjusted Net Profit excluding the effect of share of profits or losses of associates and a joint venture and fair value changes on unlisted equity investments through profit or loss.

3. The 63 newly added education centres in 2018 include 60 newly established education centres and three education centres that were separated from existing education centres and were managed independently thereafter.

4. The 39 newly added education centres in 2017 include 22 newly established education centres and 17 education centres that were separated from the existing education centres and were managed independently thereafter.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Beststudy Education Group (the "Company") and its subsidiaries (the "Group"), I am pleased to present the annual report of the Group for the year ended 31 December 2018 (the "Year").

OVERVIEW

As the largest K-12 after-school education service provider in southern China and the fifth largest nationwide, we have been successfully listed on the Hong Kong Stock Exchange Limited (the "Exchange") on 27 December 2018, thus becoming the first K-12 after school education service provider listed on the Exchange. In the 21 years since the establishment of the Group, the group has consistently adhered to the business objective of "All for children". We offer a diverse spectrum of K-12 after-school education services and products, including the Premium Learning Program (for academic subjects) and the Elite Talent Program (for quality subjects), as well as other school subject-related courses including the Full-time Test Preparation Program.

INDUSTRY OVERVIEW

China's K-12 education system comprises three years in kindergarten, nine years of compulsory education in primary and middle schools, followed by three years in high school. Students may then proceed to matriculate into colleges or universities. In order to be admitted to colleges or universities in China, high school graduates are required to take the national college entrance examinations, or "Gaokao." The Gaokao is the most critical set of examinations in a student's education as the results determine whether a student will be able to attend a highly-ranked college, or any at all, which in turn has a significant impact on the student's future job prospects. In addition, there is a gap between the huge number of students and the limited number of quality colleges and universities. In 2017, the acceptance rates of four-year degree colleges and the top 50 universities in China were only 39.6% and 2.5%.

Due to the fierce competition for quality undergraduate education in China, students prepare themselves fervently for the high school and middle school entrance examinations, and to improve their academic performance in primary schools. Therefore, in order to increase their chances of eventually being admitted to top universities, many students start working diligently at a very young age in the hope of excelling in every stage of their education, for a spot in the schools of their choice.

BUSINESS REVIEW

In 2018, various regulatory institutions of mainland China promulgated a series of laws, regulations and rules for implementation for the after-school education industry and the after-school education institutions. The industry underwent unprecedented and serious challenges. The tightened regulatory policies changed the consumers' consumption pattern and after-school education services providers' operating strategy. The Group has maintained a consistent operating guideline to abide by the laws, comply with the regulations and provide educational services conforming to the standards, and to actively adjust our operations to adapt to the new requirements imposed by the new policies.

For example, on 22 August 2018, the General Office of the State Council has promulgated the No. 80 Opinion of the State Council (the "Opinion No. 80"), providing various guidelines for standardizing the market of after-school education services to primary to middle school students. In light of this, our Group has adjusted the tutoring time in our education centres since September, among which, all of our night classes now end before 8:30 p.m. In addition, to comply with the aforementioned Opinion No. 80, all the prepayments we collect from the students and/or their parents does not exceed three months' fee.

During the Year where many new policies were promulgated, our Group has maintained our continued operations and development, achieved a satisfactory operating result.

- In 2018, our Group had a revenue of RMB1,473.7 million, achieving a notable increase of approximately 29.1% compared to 2017. In 2018, the one-on-three individualised course we introduced to the market was widely appreciated by the consumers, which the student enrollment number exceeded 10,000.

- In 2018, our student enrollment number was 593,252, and the total tutoring hours were approximately 13,562,869 hours, increasing by approximately 18.6% and approximately 21.3% respectively compared to 2017. In 2018, our student retention rate[1] was approximately 84.2% in our Premium Learning Program (for academic subjects), which had a moderate increase compared to 75.0% in 2017. Despite many new education centres were added this year, the department of Premium Learning Program (for academic subjects) has reached a 65.0% full class rate[2], maintaining a relatively good level of enrollment.

- Meanwhile, our Group has also achieved a notable increase in terms of area expansion and market share. As of 31 December 2018, the number of our education centres is 242. The newly added 60 education centres, 54 of which are located in major cities in the "Greater Bay Area" such as Guangzhou, Foshan, Shenzhen, Dongguan, Zhongshan and Zhuhai, demonstrating the Group's strategy of accelerating expansion in these areas.

- We plan to maintain our selling expenses at a relatively low level. In 2018, although we added 60 new education centres, the percentage of selling expenses in terms of revenue was approximately 8.9%, which is a relatively low level compared to other providers in the industry.

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1 The "student retention rate" refers to the number of students who, after completing one semester tutoring course on a certain subject, continue to enroll in our tutoring course on the same subject for the consecutive semester or every other semester as a percentage of the total number of students who complete our K-12 after-school tutoring courses during a calendar year.

2 "Full class rate" of the Premium Learning Program is the ratio of the actual enrollment number to the maximum enrollment number of Premium Learning Program.

- We were committed and will continue to commit to improving our research and development capabilities by continually developing, updating and improving our curricula and teaching materials, so that we could maintain and improve our high standard of education quality. As of 31 December 2018, we had an in-house development team of 566 employees.

- We were committed to and will continue to commit to building a high-quality teaching team. As of 31 December 2018, our Group had 3,242 full-time teachers, which is critical to the consistency of the quality of our education services. We placed and will continue to place strong emphasis on providing comprehensive and systematic training for our teachers by establishing a training and career development department, which we named "Zhuoyue Academy," to develop and provide comprehensive training programs for our teachers.

- In 2018, more than half of the students and/or their parents enrolled in our courses online, which is advantageous for the improvement of our operating efficiency.

PROSPECTS

Our goal is to maintain and strengthen our established leading position in China's K-12 after-school education market. We intend to pursue the following strategies to achieve our goal and further grow our business and expand our market share. In order to realise our goals, we will place emphasis of our future development on the following five aspects:

1. Increase existing market penetration and expand our geographic coverage

In response to the increasing demand for K-12 after-school education services, we plan to continue to penetrate our existing markets where we already have established presences and improve our existing education centres' performance. Leveraging our influential brand and reputation, we plan to significantly increase our market share in these markets by opening additional education centres. We also plan to enhance the quality of our education services by upgrading the teaching equipment and facilities in our existing education centres. In addition, we plan to extend our education service network into additional geographic markets in China. We will primarily focus on major cities in southern China. We will also seek to identify and selectively enter into new geographic markets outside Guangdong province that are economically developed and exhibit strong enrollment potential. We plan to conduct comprehensive market research, apply rigorous market and location selection processes and implement our unified teaching and operation approach in these new markets in order to maintain consistent quality of our services and achieve a sustainable growth.

2. Continue to optimise and diversify our service offerings

We believe the breadth and quality of our service offerings are critical to our continued success and future growth. We plan to optimise and diversify our service offerings by launching the following initiatives to broaden our student base and enhance our profitability.

(1) ***Enrich and optimize our present education program offerings.*** We focus on a strategy of "Chinese Dominance", making Chinese education a major target of our Group from the perspectives of branding, product managing and marketing. For example, we have cooperated with universities in mainland to endorse two Chinese products, namely Beststudy Chinese Subject and Beststudy Macro Chinese, participated Chinese Youth League to increase our publicity, designed marketing events revolving annual traditional Chinese cultural festivals, and held master's forums and a series of activities to market the two products.

(2) ***Expand one-on-three course offerings under our individualised tutoring program.*** As an important component of our multi-faceted product combination, our one-on-three courses will focus on quality and services as a guideline for development. We will continue developing our teaching substance, maintaining the teaching principle of training student's knowledge, quality and overall ability, to improve the one-on-three class mode. We also continuously upgrade our one-on-three education services, providing cost-efficient education services to our students.

(3) ***Develop the art major candidate market.*** In Guangzhou, given an increasingly growing student base of art major candidates, we started to provide Gaokao preparation courses to art major candidates from 2017, and we plan to further develop the market in Guangzhou.

3. Explore online education

We believe that the launch of the online course offerings, including the online small class and the online one-on-one tutoring courses, could provide students and parents with more convenient and flexible tutoring solutions. We established a dedicated product development team, focusing on the design, research, development and promotion of our online education products. In 2019, we will commit to exploring online education by increasing the budget allocated to online education, building our team and improving our online technologies, product reserve and marketing, in order to provide content-rich, need-based and sustainable online education products and services to our students.

4. Achieve informatization and digitization in teaching and operational management

We plan to continuously upgrade our information technology platforms to achieve informatization and digitization of our teaching and teaching management. We will employ information technology to a larger extent in our teaching process (such as artificial-intelligence based study tools), in order to gather and analyze the data of our students and create accurate profiles of the students. This will enable us to design more effective and individualised learning plans and methods for each student.

Moreover, information technology will be applied to our teaching management system, integrating and centrally-managing the daily operation to improve our operational efficiency.

5. Pursue selective strategic alliances and acquisitions

There is a consolidation trend in the highly fragmented K-12 after-school education service market in mainland China. We intend to seize the opportunity by pursuing selective strategic alliances and/or acquisitions to diversify our service offerings, complement our business strategies and enhance our growth potential as and when appropriate. When suitable opportunity arises, we may acquire or make strategic investments in certain regionally renowned K-12 after-school education service providers, namely those with competitiveness and ranked highly in the local market, to increase market coverage into some of our targeted local markets.

In the future, we believe that our Group could grasp the opportunity of expansion and integration of the fragmented K-12 after-school education industry by firmly executing strategic plans, in order to provide higher quality services products for the students, a vast platform of development for the employees and a larger return to the shareholders and investors.

APPRECIATION

As the time flies by, "Beststudy Education" has celebrated its 21-year anniversary upon establishment. I would like to express my gratitude to the Beststudy people who strides with us during the years. Becoming listed on the Stock Exchange is our brand-new start, we are now on a higher platform, with more influence, and more responsibility. We shall not only conform to education principles of providing satisfactory services to our students, but also conform to the economics principles, to provide satisfactory results to our employees, shareholders and investors in the course of our Group's development.

FINANCIAL REVIEW

Revenue

The following table sets forth a breakdown of our Group's revenue by type of educations services we provide in 2018 and 2017:

	For the Year ended 31 December		
	2018	2017	% Increase
	RMB'000	*RMB'000*	
Small Group Tutoring	**750,241**	554,769	35.2%
Individualised Tutoring	**551,685**	458,694	20.3%
Full-time Test Preparation Program	**129,545**	99,981	29.6%
Elite Talent Program	**39,516**	26,695	48.0%
Others	**2,761**	1,562	76.8%
Total	**1,473,748**	1,141,701	29.1%

Our Group's revenue is principally generated from the tuition fees we collect from our students. During the year of 2018, our Group's revenue increased by 29.1% to approximately RMB1,473.7 million from RMB1,141.7 million in 2017. All main education services increased for more than 20% when compared to 2017, mainly attributable to the increased number of enrollments, tutoring hours and per-hour charges.

(i) Number of enrollments

	For the Year ended 31 December		
	2018	2017	% increase
Small Group Tutoring	**458,205**	383,592	19.5%
Individualised Tutoring	**114,743**	98,802	16.1%
Full-time Test Preparation Program	**5,422**	4,846	11.9%
Elite Talent Program	**14,882**	13,169	13.0%

(ii) Tutoring hours

	For the Year ended 31 December		
	2018	2017	% increase
Small Group Tutoring	**10,728,002**	8,725,190	23.0%
Individualised Tutoring	**2,285,133**	2,027,882	12.7%
Full-time Test Preparation Program	**N/A**	N/A	N/A
Elite Talent Program	**549,734**	426,484	28.9%

(iii) Per-hour charges

	For the Year ended 31 December		
	2018	2017	% increase
	RMB	*RMB*	
Small Group Tutoring	**70**	64	9.4%
Individualised Tutoring	**241**	226	6.6%
Full-time Test Preparation Program	**N/A**	N/A	N/A
Elite Talent Program	**72**	63	14.3%

Cost of Sales

Cost of sales increased by approximately 32.9% to approximately RMB875.7 million in 2018 from approximately RMB659.0 million in 2017, primarily due to (i) the addition of 60 new education centres in 2018, compared to 22 new education centres in 2017, (ii) the increased power, utilities and properties management fee as a result of the increased number of enrollments in 2018, and (iii) the increased teaching material costs as a result of enriched contents, increased quality and the addition of video tutoring and other value-added services.

Gross Profit and Gross Profit Margin

As a result of the above principal factors, our Group's gross profit increased by approximately 23.9% from approximately RMB482.8 million in 2017 to approximately RMB598.0 million in 2018. The gross profit margin of our Group for 2017 was approximately 42.3%, whilst in 2018 it was approximately 40.6%. The decrease in gross profit margin was primarily due to the cost of expansion into new education centres by our Group in 2018 which are important investment for our future developments.

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

The fair value changes on investments at fair value through profit or loss, including the fair value changes through profit or loss of wealth-management products, unlisted equity investments and listed equity investments, increased from approximately RMB33.3 million in 2017 to approximately RMB34.5 million in 2018. This is mainly attributable to (i) the purchase of low-risk wealth-management products increased the fair value changes on wealth-management products through profit or loss by approximately RMB15.8 million; (ii) the fair value changes on unlisted equity investments through profit or loss changed from approximately RMB19.4 million in 2017 to approximately RMB6.6 million in 2018.

Selling Expenses

During the Year, our Group's total selling expenses increased by approximately 37.1% from approximately RMB95.1 million in 2017 to approximately RMB130.4 million in 2018. The increase was mainly due to the increase of the advertising expenses in the amount of approximately RMB24.3 million. The increase in marketing expenses of our business aligns with our business growth, which was demonstrated by an increase in our revenue in 2018. Despite the increase, our selling expenses as a percentage of revenue has maintained at a relatively stable level (8.3% in 2017 and 8.9% in 2018).

Administrative Expenses

Administrative expenses include the compensation for administrative staff, office rental costs and daily operational expenses. During the Year, our Group's total administrative expenses increased by approximately 4.4% from approximately RMB177.9 million in 2017 to approximately RMB185.8 million in 2018. This was mainly due to the adjustments of employees' compensations packages, the increase in rental expenses for new offices and the increased recruiting expenses, offset by the decrease in the equity-settled share compensation costs to employees.

Research and Development Expenses

During the Year, our Group's research and development expenses increased by approximately 21.8% from approximately RMB140.1 million in 2017 to approximately RMB170.7 million in 2018. This was mainly due to the increase of the compensations of the employees' in the research and development department of approximately RMB27.8 million. The increase in research and development expenses is the investment for the Group's continuous business development.

Other Expenses

Our Group's other expenses in 2018 were the listing expenses at approximately RMB41.7 million. In 2017, the Group's other expenses of the proposed A-Share listing were RMB5.2 million.

Profit for the Year

Our Group's profit for the year increased from approximately RMB65.8 million in 2017 to approximately RMB74.0 million in 2018, representing a growth of approximately 12.4%.

Adjusted Net Profit[1]

The Adjusted Net Profit eliminates the effect of non-recurring items and certain items that were not incurred in relation to the Group's principal business such as equity-settled share compensation costs, discontinued operations, listing expenses and other one-off expenses. The following table reconciles the Adjusted Net Profit for the year presented to profit for the year, the most directly comparable financial measure calculated and presented in accordance with IFRSs:

	For the Year ended 31 December		
	2018	2017	% increase
	RMB'000	*RMB'000*	
Profit for the year	**73,971**	65,809	12.4%
Add:			
Discontinued Operations	**(914)**	9,599	
Other one-off expenses	**–**	5,202	
Equity-settled share compensation costs	**6,481**	25,960	
Listing Expenses	**41,727**	–	
Adjusted Net Profit	**121,265**	106,570	13.8%

Net Profit from Core Business[1]

The Net Profit from Core Business represents the Adjusted Net Profit excluding the effect of share of profits or losses of associates and a joint venture and fair value changes on unlisted equity investments through profit or loss, which is increased from approximately RMB91.0 million in 2017 to approximately RMB115.7 million in 2018, representing an increase of approximately 27.1%. The following table reconciles the Profit from Core Business to Adjusted Net Profit:

	For the Year ended 31 December		
	2018	2017	% increase
	RMB'000	*RMB'000*	
Adjusted Net Profit	**121,265**	106,570	13.8%
Add:			
Share of profits or losses of associates and a joint venture	**1,069**	3,895	
Fair value changes on unlisted equity investments through profit or loss	**(6,622)**	(19,427)	
Profit from Core Business	**115,712**	91,038	27.1%

1 To supplement our consolidated financial statements, which are presented in accordance with IFRSs, we also use Adjusted Net Profit and Profit from Core Business as additional financial measures. We believe these non-IFRSs measures provide additional information to investors and others in understanding and evaluating our results of operations.

Profit for The Year Attributable to the Owners of the Parent

Profit for the year attributable to the owners of the parent for the Year amounted to RMB54.9 million, representing an increase of 12.0% from RMB49.0 million in that of 2017.

Non-GAAP Measurements Related to the Profit for the Year Attributable to the Owners of the Company

The equity interests in the Company held by persons other than the Controlling Shareholders were deemed to be non-controlling interests until completion of the reorganisation as at 18 June 2018 when the equity interests held by persons other than the Controlling Shareholders were deemed to be acquired by the Company with nil consideration and the entire balance of non-controlling interests had been transferred to other reserve by applying the principles of merger accounting for the purpose of presenting the historical financial information of the Company in its initial public offering. The operating profit for the Year attributable to this respect was approximately RMB25.1 million.

If without the above accounting treatment, profit attributable to the owners of the Company for the Year would have been approximately RMB80.0 million.

Liquidity and Financial Resources

As at 31 December 2018, cash and cash equivalents of our Group were approximately RMB468.0 million, representing an increase of approximately 188.5% as compared with approximately RMB162.2 million as at 31 December 2017. This was mainly attributable to (i) the increase of prepayments and deposits from enrolled students, (ii) the redemption of investments, and (iii) the listing proceeds received.

Current and Gearing Ratio

As at 31 December 2018, the current ratio of our Group was approximately 1.47, representing an increase from approximately 1.26 as at 31 December 2017. The current ratio is equal to total current assets divided by the total current liabilities.

As at 31 December 2018, the gearing ratio of our Group was approximately 56.8%, representing a decrease from approximately 67.5% as at 31 December 2017. The gearing ratio is equal to total debts divided by the sum of total equity and total debts.

Human Resources Management

As at 31 December 2018, our Group had a total of 6,082 (2017: 5,161) employees. To ensure that our Group is able to attract and retain staff capable of attaining the best performance levels, remuneration packages are reviewed on a regular basis. The employees' share option scheme is employed by our Group. The total equity-settled share compensation costs to employees in 2018 was approximately RMB6.5 million and approximately RMB26.0 million in 2017. The decrease was mainly attributable to the variation of vesting period of the share options granted to employees. In addition, discretionary bonus is offered to eligible employees by reference to our Group's results and individual performance.

Foreign Exchange Exposure

Our Group's sales and purchase during the Year were mostly denominated in RMB. As at 31 December 2018, the proceeds received from the listing were denominated in HKD. Therefore, the foreign exchange risk assumed by us primarily arises from movements in the HKD/RMB exchange rates. During the Year, the Group did not experience any significant difficulties in or impacts on its operations or liquidity due to fluctuations in currency exchange rates. Our Group did not enter into any financial instrument for hedging purpose.

Capital Expenditure

During the Year, the total property, plant and equipment of our Group was approximately RMB160.8 million, representing an increase of approximately 186.1% from approximately RMB56.2 million in 2017. This was mainly attributable to the constructions of the new education centres and improvements and renovations of the old education centres in 2018. Accordingly, the prepayments for purchase of property, plant and equipment of our Group increased from approximately RMB13.6 million in 2017 to approximately RMB29.2 million in 2018 due to the increase in the constructions of new education centres.

Contingent Liabilities

As of 31 December 2018, our Group did not have any unrecorded significant contingent liabilities, guarantees or any litigation against our Group.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

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

Executive Directors

Mr. Junjing Tang (唐俊京), aged 49, is an executive Director, the chairman of the Board and our chief executive officer, being responsible for the overall development, operation and management of our Company. Mr. Junjing Tang co-founded our Group as a key senior management member of Guangzhou Beststudy Training Centre (廣州卓越教育培訓中心) (formerly known as "Guangzhou Beststudy Tuition Centre (廣州卓越教育補習中心)" from June 1998 to September 2000) in October 1997. He was appointed as a Director on 27 August 2010 and designated as an executive Director on 13 June 2018, and was appointed as the chairman of the Board and our chief executive officer on 13 June 2018. He has served as a director and the chairman of the board of directors of Guangzhou Beststudy since July 2000 and served as the principal of Guangzhou Beststudy Training Centre from October 1997 to June 2000. Mr. Junjing Tang has over 20 years' experience in the PRC education industry.

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

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

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

Mr. Junying Tang (唐俊膺), aged 49, is an executive Director and a senior vice president, being responsible for the overall management of our Company and for the overall operation and management of the business division of Premium Learning Program. Mr. Junying Tang was appointed as a Director on 21 January 2011 and designated an executive Director on 13 June 2018. Mr. Junying Tang co-founded our Group as a key senior management member of Guangzhou Beststudy Training Centre in October 1997. He was the legal representative of Guangzhou Beststudy Training Centre from March 1999 to March 2000. Mr. Junying Tang has over 20 years' experience in the PRC education industry.

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

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

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

Mr. Gui Zhou (周貴), aged 46, is an executive Director, a senior vice president being responsible for the overall management of our Company, and administration, campus construction, and investment and strategic cooperation. Mr. Zhou co-founded our Group as a senior management member of Guangzhou Beststudy Training Centre in October 1997. He was appointed as a Director on 21 January 2011 and designated as an executive Director on 13 June 2018. Mr. Zhou has over 20 years' experience in the PRC education industry.

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

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

Non-executive Directors

Mr. Wenhui Xu (徐文輝), aged 49, is a non-executive Director, being responsible for overseeing the corporate development and strategic planning of our Group. Mr. Xu joined our Group in January 2011, serving as a director of Guangzhou Beststudy since then. He was appointed as a Director on 21 January 2011 and designated as a non-executive Director on 13 June 2018. Mr. Xu has over 15 years' experience in corporate finance and corporate management.

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

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

Ms. Wen Li (李雯), aged 49, is a non-executive Director, being responsible for overseeing the corporate development and strategic planning of our Group. Ms. Li joined our Group in February 2017 as a director of Guangzhou Beststudy, and was appointed as a non-executive Director in June 2018.

Ms. Li has served as an executive director and the general manager of Shenzhen Dezhiqing Investment Co., Ltd. (深圳市德之青投資有限公司), an executive director and the general manager of Shenzhen Deqing Investment Co., Ltd. (深圳德青投資有限公司) and a vice president of Shenzhen Dexun Investment Co., Ltd. (深圳市德迅投資有限公司) since December 2016, June 2014 and August 2007, respectively.

Ms. Li passed the higher education accounting specialist examination (高等教育會計專業專科考試) at Jinan University (暨南大學) in December 2002. Ms. Li obtained the certificate of accounting professional (intermediate level) in the PRC (中國中級會計資格) granted by the Ministry of Personnel of the PRC (中華人民共和國人事部) in May 2004.

Independent non-executive Directors

Mr. Yingmin Wu (吳穎民), aged 68, is an independent non-executive Director, being responsible for supervising and providing independent judgment to our Board. Mr. Wu was appointed as an independent non-executive Director on 3 December 2018 and served as an independent director of Guangzhou Beststudy from May 2017 to March 2018. Mr. Wu has over 30 years' experience in the PRC education industry.

Mr. Wu has been the president of the Association of Principals of Guangdong Province (廣東省中小學校長聯合會) since March 2013. He has been the vice president of The Chinese Society of Education (中國教育學會) since May 2012. Mr. Wu successively served as the vice principal and the principal of the affiliated high school of South China Normal University (華南師範大學附屬中學) and the vice principal of South China Normal University (華南師範大學) during the period from November 1984 to January 2013.

Mr. Wu graduated from South China Normal University (華南師範大學) in July 1976 and obtained a bachelor's degree in chemistry in September 1989.

Ms. Yu Long (隆雨), aged 43, is an independent non-executive Director, being responsible for supervising and providing independent judgment to our Board. Ms. Long was appointed as an independent non-executive Director on 3 December 2018 and served as an independent director of Guangzhou Beststudy from May 2017 to March 2018.

Ms. Long has been a director of JD.com International (Singapore) Pte. Limited and the head of the CHO&GC system of Beijing Jingdong Century Trade Co., Ltd. (北京京東世紀貿易有限公司), both of which are subsidiaries of JD.com, Inc., a company listed on NASDAQ (stock code: JD) and primarily engaged in e-commerce, since November 2014 and August 2012, respectively.

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

Mr. Peng Xue (薛鵬), aged 48, is an independent non-executive Director, being responsible for supervising and providing independent judgment to our Board. Mr. Xue was appointed as an independent non-executive Director on 3 December 2018. Mr. Xue has 20 years' experience in corporate finance.

Mr. Xue has been a joint company secretary of SITC International Holdings Company Limited ("SITC," together with its subsidiaries, "SITC Group"), a company listed on the Main Board of the Stock Exchange (stock code: 1308), since May 2013. He has been the general manager of the operations management centre of SITC International Holdings Company Limited since July 2017 and an executive director of SITC since April 2010. From January 2008 to May 2013, he served as the chief financial officer of SITC.

From April 2006 to January 2008, Mr. Xue served as the financial manager of SITC Group Company Limited and SITC Shipping Agency (HK) Company Limited (新海豐船務代理(香港)有限公司). He served as the general manager of the finance department of SITC Group Company Limited from April 2006 to January 2008 and a deputy general manager of the finance centre of SITC Maritime Group Co., Ltd. (山東海豐國際航運集團有限公司) from January 2003 to April 2006. From February 2002 to January 2003, he served as the general manager of the supervision department in SITC Maritime Group Co., Ltd. From March 1999 to February 2002, he served as the finance manager of SITC Japan Co., Ltd. From January 1998 to March 1999, he served as a financial manager in SITC Container Lines (Shandong) Co., Ltd. and SITC Maritime Group Co., Ltd.

Mr. Xue attended long distance learning courses and obtained a bachelor's degree in accounting from Renmin University of China (中國人民大學) September 2006. He received a master's degree in business administration from China Europe International Business School in October 2011. He attends a senior enterprise governance workshop program (高級企業管治研修班) jointly organized by The Open University of Hong Kong (香港公開大學) and East China University of Science and Technology (華東理工大學) starting from September 2016. He obtained the certificate of accounting professional (intermediate level) in the PRC (中國中級會計資格) granted by the Ministry of Personnel of the PRC (中華人民共和國人事部) in May 2004.

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

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

SENIOR MANAGEMENT

Ms. Weiying Guan (關瑋瑩), aged 48, is a vice president of our Company, being responsible for the overall management of the business division of Premium Learning Program, the tutorial class products department and the Guangzhou Branch. Ms. Guan joined our Group in February 2009 and was appointed as a vice president of the Company on 13 June 2018. She has served as a vice president of Guangzhou Beststudy since September 2017. She served as the marketing director of our Group from February 2009 to August 2017.

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

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

Mr. Changxu Zhu (朱常敘), aged 49, is a joint company secretary of our Company, being responsible for our Company's secretarial work, legal and securities affairs. Mr. Zhu joined our Group in August 2015 and was appointed as a joint company secretary of our Company on 13 June 2018. He has served as the secretary of the board of directors and the director of the securities and legal department of Guangzhou Beststudy since August 2015. Mr. Zhu has over 15 years' experience in corporate management.

Prior to joining our Group, Mr. Zhu served as the secretary of board of directors of Hucais Printing Co., Ltd. (虎彩印藝股份有限公司), a company quoted on NEEQ (stock code: 834295) and primarily engaged in printing and packaging business, from October 2013 to October 2014. From December 2001 to July 2002, he served as the secretary of the board of directors of Guangdong Kelon Electrical Holding Company Limited (廣東科龍電器股份有限公司), which is currently known as Hisense Kelon Electrical Holdings Company Limited (海信科龍電器股份有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 921) and Shenzhen Stock Exchange (stock code: 000921), and primarily engaged in houseware manufacturing. From January 1991 to June 2000, he successively served as a manager and a vice president of Gaoming Sub-branch (高明支行) and Shunde Sub-branch (順德支行) of Foshan Branch (佛山分行), Bank of China Limited (中國銀行股份有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 3988) and Shanghai Stock Exchange (stock code: 601988) and quoted on the OTC Markets Group Inc. in the United States of America (stock codes: BACHF and BACHY).

Mr. Zhu obtained his bachelor's degree in laws from Sun Yat-sen University in July 1990. Mr. Zhu obtained the lawyer qualification granted by Guangdong Department of Justice (廣東省司法廳) in April 1994.

Mr. Hongzhang Zheng (鄭洪章), aged 46, is the chief financial officer of our Company, being responsible for financial management of our Company. Mr. Zheng joined our Group in February 2017 and was appointed as the chief financial officer of our Company on 13 June 2018. He has served as the chief financial officer of Guangzhou Beststudy since February 2017. Mr. Zheng has over 14 years' experience in finance management.

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

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

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

JOINT COMPANY SECRETARIES

Mr. Changxu Zhu (朱常敘), see "– Senior Management" for details.

Ms. Chau Hing Ling (周慶齡), aged 44, is a joint company secretary of our Company.

Ms. Chau has over 16 years of experience in the corporate services industry. She joined Vistra Corporate Services (HK) Limited in June 2013 and has been serving as a director of Corporate Services, where she leads a team of professional staff to provide a full range of corporate services and listed company secretary services. She is currently the company secretary or joint company secretary of several companies listed on the Stock Exchange. She received a master of laws majoring in corporate and financial law from The University of Hong Kong in November 2007. She has been a fellow member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries since May 2013.

DIRECTORS' REPORT

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

GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on 27 August 2010 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company's ordinary shares (the "**Shares**") were listed on the Stock Exchange on 27 December 2018 (the "**Listing Date**") with issuance of 151,400,000 Shares (the "**Listing**"). On 16 January 2019, an over-allotment option of 1,680,000 Shares was exercised by CMB International Capital Limited and CEB International Capital Corporation Limited, the joint global coordinators of the Listing.

PRINCIPAL ACTIVITIES

The Company offers a comprehensive suite of premium after-school education services for the full spectrum of K-12 student groups of preparing for their transition from kindergarten into high school. Our distinctive education programs not only focus on academic performance and quantitative learning results, but also aim to stimulate students' overall interest in learning, helping them develop effective learning capabilities and nurturing their all-round development.

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

BUSINESS REVIEW

A review of the Group's business during the year, which includes a discussion of the principal risks and uncertainties facing by the Group is disclosed in the paragraph below, an analysis of the Group's performance using financial key performance indicators and an indication of likely future developments in the Group's business, could be found in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" in this annual report. In addition, a discussion on relationships with its key stakeholders is included in the section headed "ESG Report". The review and discussion form part of this directors' report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's businesses, financial condition, results of operations or growth prospects may be affected by risks and uncertainties pertaining to the Group's businesses. The factors set out below are those that the Group believes could result in the Group's businesses, financial condition, results of operations or growth prospects differing materially from expected or historical results. These factors are by no means exhaustive or comprehensive, and there may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

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

During the Year, the increase in our revenue depends primarily on the increase in the number of students enrolled in our education programs. Therefore, our ability to continue to recruit and retain students for our education programs at reasonable costs is critical to the continued success and growth of our business. This in turn will be subject to several factors, including our ability to:

- enhance existing education programs and services to respond to market changes and student demands;
- continue to attract new students and incentivize our existing students to continue to enroll our classes;
- develop new programs and services that appeal to our students and their parents;
- expand our education centres and geographic reach to satisfy our strategic needs;
- manage our growth while maintaining consistent and high teaching quality;
- recruit and retain teachers and other school personnel;
- maintain our reputation and enhance our brand recognition;
- effectively market and precisely target our programs to a broader base of prospective students; and
- respond effectively to competitive pressure.

Furthermore, our business performance is sensitive to demographic changes in China. Student enrollments in private education in China are directly affected by the number of potential students in an area, which in turn may be affected by various external factors, including policies of the PRC government on family planning. Should the PRC government introduce policies that further restrict child birth in the future, it could have a negative impact on the growth of the education industry in China, resulting in further competitive pressure on us. This is particularly true with respect to any demographic factors that affect Guangzhou where most of our education centres are located. See paragraph headed "We are exposed to geographical concentration risks as our operations are heavily concentrated in Guangzhou."

If we are unable to continue to attract students and parents without significantly decreasing tuition or incurring significant increase in our selling and marketing expenses, our revenue may decline or we may not be able to maintain profitability, either of which could have a material adverse effect on our business, results of operations and financial condition.

We face intense competition in the PRC education industry which could lead to adverse pricing pressure, reduced operating margins, loss of market share, departure of qualified employees and increased capital expenditures if we are unable to compete effectively.

The education sector in China is rapidly evolving, highly fragmented and competitive, and we expect competition in this sector to persist and intensify. We primarily compete with K-12 after-school education service providers that offer similar education programs. We compete with these education service providers across a range of factors, including, among others, program and curriculum offerings, level of tuition, school location and premises, quality of teaching materials and competency of teachers and other key personnel. Our competitors may adopt similar curricula and marketing approaches, with different pricing and service packages that may have greater appeal than our offerings. In addition, some of our competitors may have more resources than we do and may be able to devote greater resources than we can to the development and promotion of their services and respond more quickly than we can to the changes in student preferences, testing materials, admission standards, market needs or new technologies. If we reduce tuition fees or increase spending in response to competition in order to retain or attract students and qualified teachers, or pursue new market opportunities, our revenue may decrease and our expenses may increase as a result of such actions which may adversely affect our profitability. If we are unable to successfully compete for students, maintain or increase our level of tuition, attract and retain competent teachers or other key personnel, maintain our competitiveness in terms of the quality of our education services in a cost-effective manner, our business and/or results of operations may be materially and adversely affected.

We are exposed to geographical concentration risks as our operations are heavily concentrated in Guangzhou.

We derived approximately 80%, 80%, 80% and 81% of our total revenue for 2015, 2016 and 2017 and the six months ended 30 June 2018, respectively, from our operations in Guangzhou. Going forward, we expect our operations in Guangzhou to continue to constitute the major source of our revenue. The concentration of our business in Guangzhou exposes us to geographical concentration risks related to this region. Any material adverse social, economic and political developments, such as a serious economic downturn, natural disaster or outbreak of contagious disease in this region, may negatively affect the demand for and/or our ability to provide K-12 after-school education services. Furthermore, in the event that the local government adopts regulations relating to private education that place additional restrictions or burdens on us, or the market in Guangzhou experiences an increase in the level of competition for the types of services we offer, our overall business and results of operations may be materially and adversely affected.

Our business is subject to seasonal fluctuations, which may cause our results of operations to fluctuate from time to time. This may result in volatility and adversely affect the price of our Shares.

Our business is subject to seasonal fluctuations, primarily due to seasonal changes in student enrollments. For example, our small group tutoring programs tend to have the lower student enrollments from January to February each year due to the Chinese New Year. However, our expenses vary, and certain of our expenses do not necessarily correspond with changes in our student enrollments and revenue. We expect to continue to experience seasonal fluctuations in our revenue and results of operations. These fluctuations could result in volatility and adversely affect the price of our Shares.

We may not be able to maintain or increase our tuition fee.

Our results of operations are affected by the pricing of our education services. We determine our tuition rates primarily based on the demand for our educational programs, the cost of our operations, the geographic market where we operate our schools, the tuition rates charged by our competitors, our pricing strategy to gain market share and general economic conditions in the PRC. Our ability to maintain the premium fee level or raise tuition is primarily dependent on the innovative and high-quality services and products we offer and the perception of our brand. Although we have been able to increase the tuition we charge our students in the past, we cannot guarantee that we will be able to maintain or increase our tuition in the future without adversely affecting the demand for our education services.

Failure to adequately and promptly respond to changes in examination systems, admission standards, test materials, teaching methods and regulation changes in the PRC could render our courses and services less attractive to students.

In China, school admissions rely heavily on examination results, and students' performance in these examinations is critical to their education and future employment prospects. It is therefore common for students to take after-school tutoring classes to improve their test performance, and the success of our business to a large extent depends on the continued use of entrance examinations or tests by schools in their admissions. However, such heavy emphasis on examination scores may decline or fall out of favor with educational institutions or government authorities in China.

Admission and assessment processes undergo continuous changes, in terms of subject and skill focus, question type, examination format and the manner in which the processes are administered. We are therefore required to continually update and enhance our curricula, teaching materials and teaching methods. For example, in response to the increasing emphasis on liberal arts education, we have developed several courses focusing on improving students' comprehensive reading and writing abilities, including "Zhuoyue Macro-Chinese" and "Art of Skillful Questioning," which we believe have gained tremendous popularity among our students. Any failure to respond to the changes in a timely and cost-effective manner will adversely impact the marketability of our services and products.

Regulations and policies that decrease the weight of scholastic competition achievements in the admissions process mandated by government authorities or adopted by schools have had, and may continue to have, an impact on our enrollments. For example, the MOE issued certain implementation guidelines in January 2014 to clarify that local educational administrative departments at all levels, public schools and private schools are not allowed to use examinations to select their students for admission to middle schools from primary schools. Public schools may not use various competitions or examination certificates as the criteria or basis for enrollment. On February 13, 2018, the General Office of the MOE, together with three other government authorities, promulgated the Circular on Special Enforcement Campaign concerning After-school Education Institutions to Alleviate Extracurricular Burden on Students of Primary Schools and Middle Schools (關於切實減輕中小學生課外負擔開展校外培訓機構專項治理行動的通知), ("Circular 3"), which aims to alleviate after-school burden on primary and middle school students through inspection and rectification on after-school tutoring institutions. Circular 3 prohibits, among other things, (1) extracurricular private training schools and institutions providing courses that do not follow the formal school curricula, and providing trainings to strengthen testing abilities for students; (2) extracurricular private training schools and institutions organizing after-school examinations and competitions for primary and middle school students, or any activities linking students' performance in extracurricular private training schools with admission of primary and middle schools; and (3) teachers in primary and middle schools from engaging in part-time jobs to provide training services in after-school education institutions. Pursuant to the Measures for the Supervision and Administration of For-profit Private After-school Education Institutions (《營利性民辦培訓機構的監督管理辦法》, the "Guangdong Measures") jointly promulgated by the Education Department of Guangdong Province (廣東省教育廳), Human Resources and Social Security Department of Guangdong Province (廣東省人力資源和社會保障廳) and Administration for Industry and Commerce of Guangdong Province (廣東省工商行政管理局) on May 28, 2018, the tutoring activities on Chinese, mathematics, foreign language, physics, chemistry and other subjects in compulsory education stage provided by after-school education institutions should conform to the educational rules (教育規律) and the characteristics of the physical and mental development of the minors and should be based on the relevant curriculum standards. It is strictly prohibited to unduly raise learning requirements, speed up learning progress and increase learning difficulty in the tutoring activities. We do not conduct any of the prohibited activities and believe that our current programs will not be directly impacted by Circular 3 and Guangdong Measures. (During the Track Record Period, we generated substantially all of our revenue from education centres located in Guangdong. With the assistance of our PRC legal advisers, we consulted the policies and regulations division of the Education Department of Guangdong Province (廣東省教育廳), and we were advised by the Education Department of Guangdong Province that our Group was well-regulated and they did not find any violation of Circular 3 and Guangdong Plan by our Group in material aspects. We were further advised that our Group is among the most well-regulated education institutions in Guangdong that were invited to the consultation conferences by the Ministry of Education and the Education Department of Guangdong Province, when formulating the relevant regulatory rules. In addition, we consulted the education bureau of Shanghai Yangpu District, Beijing Haidian District, Beijing Changping District and Guangxi Province Nanning Qingxiu District, and we were advised by these education authorities that they are not aware of any operation of our Group in violation of Circular 3 in any material aspects. Our PRC legal advisers confirm that these education authorities are the competent authorities and are competent to provide the above confirmations.) However, uncertainties exist as the relevant authorities have discretion as to how Circular 3 and the Guangdong Measures should be interpreted and implemented. We cannot assure you that our business will continue to be in compliance with these regulations if the relevant authorities change their interpretation of these regulations, and our operation of business might be adversely affected.

Our investments in wealth management products may be subject to certain counterparty risks and market risks.

During the Track Record Period, we invested certain amounts of cash in wealth management products. These investments are generally short-term low-risk wealth management products issued by licensed commercial banks in the PRC. Accordingly, we are subject to the risks that any of our counterparties, such as the banks that issued wealth management products, may not perform their contractual obligations, such as in the event that any such counterparty declares bankruptcy or becomes insolvent. Any material non-performance of our counterparties with respect to the wealth management products we invested in could materially and adversely affect our financial position and cash flow. Furthermore, our short-term investments are subject to the overall market conditions, including the capital markets. Any volatility in the market or fluctuations in interest rates may reduce our financial position or cash flow, which, in turn, could materially and adversely impact our financial condition. In addition, general economic and market conditions affect the fair value of these wealth management investments. If circumstances indicate that the carrying amount of these investments may not be recoverable, such investments may be considered "impaired," and an impairment loss would be recognized in accordance with accounting policies and charged to our statements of profits or loss for the relevant period. Accordingly, any material decline in the fair value of these short-term investments may have a material adverse effect on our results of operations.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Details of the Group's environmental policies and performance is included in the section headed "Environmental, Social and Governance Report". The report forms part of this directors' report.

RESULTS AND DIVIDEND

The consolidated results of the Group for the Year, 2018 are set out on pages 102 to 103 of this annual report.

The Board does not recommend the payment of a final dividend to the shareholders for the Year.

DIVIDEND POLICY

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

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

   a) The financial position of our Group;

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

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

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

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

f) Any other factors deemed reasonable by the Board.

2. Our Company shall comply with the Companies Law of the Cayman Islands, the articles of association of our Company and any restrictions under any applicable laws, rules and regulations.

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 8 May 2019 to 14 May 2019, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2019 AGM. In order to be eligible to attend and vote at the 2019 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 7 May 2019.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last four financial years is set out on page 198 of this report.

PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries of the Company are set out in Note 1 to the consolidated financial statements on pages 111 to 123 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property and equipment of the Group during the Year, 2018 are set out in Note 13 to the consolidated financial statements on pages 163 to 164 of this annual report.

SHARE CAPITAL

Details of the movements in share capital of the Company during the Year, 2018 are set out in Note 23 to the consolidated financial statements on page 175 of this annual report.

RESERVES

Details of the movement in the reserves of the Group and of the Company during the Year are set out in Note 24 to the consolidated financial statements on pages 176 to 178 and Note 36 to the consolidated financial statements on pages 196 to 197 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company's distributable reserves were RMB364.7 million.

BANK LOANS AND OTHER BORROWINGS

As at 31 December 2018, the Company did not have bank loans and other borrowings.

LOAN AND GUARANTEE

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

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

The Shares have been listed on the Stock Exchange since the Listing Date. During the period from the Listing Date to 31 December 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

USE OF PROCEEDS FROM THE LISTING

The net proceeds from the Listing (including from the partial exercise of the over-allotment option) amounted to HK$299.5 million, after deducting the underwriting fees and other listing expenses borne by the Company. None of the net proceeds raised from the Listing were applied as at 31 December 2018. The Directors are not aware of any material change to the planned use of the proceeds as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. In 2019, the Company will use the proceeds raised from the Listing in accordance with its development strategies, market conditions and intended use of such proceeds set forth in the Prospectus.

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

Business objective as stated in the Prospectus	Percentage of use of proceeds as stated in the Prospectus	Planned use of net proceeds from the Listing Date to 31 December 2018[1]	Actual use of net proceeds during the period from the Listing Date to 31 December 2018	Proceeds unused[2]	Intended use of the proceeds	Expected timeline
		HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	
For expansion of the business network	50%	149.7	–	149.7	149.7	2019-2020
For seeking strategic alliances and acquisitions to support and expand the operations	30%	89.9	–	89.9	89.9	As of the date of this annual report, we had no finalised or definitive understandings, commitments or agreements for investment or acquisition and had not engaged in any related negotiations.
For investments to improve the teaching quality	20%	59.9	–	59.9	59.9	As of the date of this annual report, we had no finalised or definitive plan.

Notes:

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

2. As at 31 December 2018, the unused net proceeds were deposited into current deposits.

DIRECTORS

The Board currently consists of the following eight Directors:

Executive Directors

Mr. Junjing Tang *(Chairman)*
Mr. Junying Tang
Mr. Gui Zhou

Non-executive Directors

Mr. Wenhui Xu
Ms. Wen Li

Independent Non-executive Directors

Mr. Yingmin Wu
Ms. Yu Long
Mr. Peng Xue

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group as at the date of this annual report are set out on pages 17 to 22 in the section headed "Directors and Senior Management" to this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company. The initial term of their service contracts shall commence from the date of their appointment and continue for a period of three years after or until the third annual general meeting of the Company since the date of the Prospectus, whichever is earlier (subject always to re-election as and when required under the Articles), until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other no less than three months' prior notice in writing.

Each of the non-executive Directors has entered into an appointment letter with the Company. The initial term for their appointment letters shall be three years from the date of the Prospectus or until the third annual general meeting of the Company since the Listing Date, whichever is sooner, (subject always to re-election as and when required under the Articles) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

Each of the independent non-executive Directors has entered into an appointment letter with the Company. The initial term for their appointment letters shall be three years from the date of the Prospectus or until the third annual general meeting of the Company since the Listing Date, whichever is sooner, (subject always to re-election as and when required under the Articles) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

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

CONTRACT WITH CONTROLLING SHAREHOLDERS

Other than disclosed in the sections headed "Connected Transaction", "Related Party Transactions" and "Management Discussion and Analysis" and Note 31 to the consolidated financial statements contained in this annual report, no contract of significance was entered into between the Company or any of its subsidiaries and the Controlling Shareholders or any of its subsidiaries during the Year or subsisted at the end of the year and no contract of significance for the provision of services to the Company or any of its subsidiaries by a Controlling Shareholder or any of its subsidiaries was entered into during the Year or subsisted at the end of the year.

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

Other than disclosed in the sections headed "Connected Transaction", "Related Party Transactions" and "Management Discussion and Analysis" and Note 31 to the consolidated financial statements contained in this annual report, no transaction, arrangement or contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, and in which a Director or any entity connected with such a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Year.

EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

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

Details of the Directors' emoluments and emoluments of the five highest paid individual in the Group are set out in Note 7 and Note 8 to the consolidated financial statements on pages 155 to 157 of this annual report.

For the Year, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived or agreed to waive any emoluments for the Year, except that Mr. Yingmin Wu, an independent non-executive Director, has waived emoluments.

The Company has also adopted the RSU Scheme and the Share Option Scheme as incentive for Directors and eligible employees. Details of the said schemes are set out under the section headed "RSU Scheme and Share Option Scheme" in this annual report and in Note 23 and Note 25 to the consolidated financial statements on page 175 and pages 179 to 181 of this annual report.

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

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

DEED OF NON-COMPETITION

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

The Controlling Shareholders confirmed that they have complied with the Deed of Non-competition for the Year. The independent non-executive Directors have conducted such review for the Year and also reviewed the relevant undertakings and are satisfied that the Deed of Non-competition has been fully complied with.

MANAGEMENT CONTRACTS

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

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the Year.

RSU SCHEME AND SHARE OPTION SCHEME

RSU Scheme

The Company approved and adopted the RSU Scheme on 3 December 2018, the principal terms of which are set out in the section headed "Statutory and General Information – D. Share Incentive Schemes – 1. RSU Scheme" in Appendix IV of the Prospectus.

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

We have appointed Ms. Huojuan Zhou as the trustee to assist in the administration of the RSU Scheme, pursuant to which, (i) 27,292,396 existing Shares were reserved and (ii) 43,540,000 new Shares were allotted and issued at par value to Soarise Bulex Limited (the "**RSU Nominee**") on the Listing Date will be reserved for the vesting of RSUs granted under the RSU Scheme. As the RSU Scheme does not involve the grant of options by the Company to subscribe for new Shares, the RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules.

As at 31 December 2018, no RSUs have been granted under the RSU Scheme.

Share Option Scheme

On 3 December 2018, the Company adopted the Share Option Scheme, which falls within the ambit of, and is subject to, the regulations under Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to attract, retain and motivate employees, Directors and such other participant, and to provide a means of compensating them through the grant of options pursuant to the terms of the Share Option Scheme for their contribution to the growth and profits of the Group, and to allow such employees, Directors and other persons to participate in the growth and profitability of the Group.

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

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

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

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

No options were granted, exercised, cancelled or lapsed by the Company under the Share Option Scheme during the Year and there were no outstanding share options under the Share Option Scheme as at 31 December 2018 and up to the date of this annual report.

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

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at 31 December 2018, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long position in ordinary Shares

Name of Director	Capacity	Number of ordinary shares interested[1]	Approximate percentage+ of the Company's issued share capital
Mr. Junjing Tang[2]	Interest in a controlled corporation; interest held jointly with another person	456,934,231 (L)	53.88%
Mr. Junying Tang[3]	Interest in a controlled corporation; interest held jointly with another person	456,934,231 (L)	53.88%
Mr. Gui Zhou[4]	Interest in a controlled corporation; interest held jointly with another person	456,934,231 (L)	53.88%
Mr. Wenhui Xu[5]	Interest in a controlled corporation	49,531,466 (L)	5.84%

Notes:

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

(2) Under the SFO, Mr. Junjing Tang is deemed to be interested in all Shares held by Elite BVI, a company which is wholly-owned by him. He is also deemed to be interested in all Shares held by Mr. Junying Tang and Mr. Gui Zhou as they are parties acting in concert.

(3) Under the SFO, Mr. Junying Tang is deemed to be interested in all Shares held by Texcellence BVI, a company which is wholly-owned by him. He is also deemed to be interested in all Shares held by Mr. Junjing Tang and Mr. Gui Zhou as they are parties acting in concert.

(4) Under the SFO, Mr. Gui Zhou is deemed to be interested in all Shares held by Jameson Ying BVI, a company which is wholly-owned by him. He is also deemed to be interested in all Shares held by Mr. Junjing Tang and Mr. Junying Tang as they are parties acting in concert.

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

+ The percentage represents the number of ordinary shares/underlying shares interested divided by the number of the Company's issued shares as at 31 December 2018.

Save as disclosed in this annual report and to the best knowledge of the Directors, as at 31 December 2018, none of the Directors or the chief executive of the Company has any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

So far as is known to any Director or chief executive of the Company, as at 31 December 2018, the following corporations/persons (other than Directors or the chief executive of the Company) had interests of 5% or more in the issued shares of the Company according to the register of interests required to be kept by the Company under section 336 of the SFO:

Name	**Capacity**	**Number of ordinary shares interested**[1]	**Approximate percentage+ of the Company's issued share capital**
Ms. Yanyun Huang[2]	Spouse interest	456,934,231 (L)	53.88%
Elite Education Investment Co. Ltd. ("**Elite BVI**")	Beneficial owner	456,934,231 (L)	53.88%
Ms. Hua Yu[3]	Spouse interest	456,934,231 (L)	53.88%
Texcellence Holding Company Limited ("**Texcellence BVI**")	Beneficial owner	456,934,231 (L)	53.88%
Ms. Xiaoying Zhang[4]	Spouse interest	456,934,231 (L)	53.88%
Jameson Ying Industrial Co. Ltd. ("**Jameson Ying BVI**")	Beneficial owner	456,934,231 (L)	53.88%
Commqua Holding Co. Ltd.	Beneficial owner	49,531,366 (L)	5.84%
Soarise Bulex Limited[5]	Nominee for another person (other than a bare trustee)	70,832,396 (L)	8.35%
Ms. Huojuan Zhou[5]	Trustee	70,832,396 (L)	8.35%

Notes:

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

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

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

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

(5) Pursuant to the RSU Scheme, (i) 27,292,396 existing Shares were reserved and (ii) 43,540,000 new Shares were allotted and issued at par value to Soarise Bulex Limited on the Listing Date will be reserved for the vesting of RSUs granted under the RSU Scheme. Ms. Huojuan Zhou has been appointed as the trustee of the RSU Scheme and Soarise Bulex Limited has been appointed as the nominee of the RSU Scheme. To the extent permitted under applicable laws and regulations, the trustee shall procure the nominee to exercise the voting rights attached to the underlying Shares in accordance with the instructions of the Board. As of 31 December 2018, no RSU has been granted under the RSU Scheme.

\+ The percentage represents the number of ordinary Shares interested divided by the number of the issued Shares as at 31 December 2018.

Save as disclosed above and to the best knowledge of the Directors, as at 31 December 2018, no person (other than the Directors or chief executives of the Company) had registered an interest or a short position in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

MAJOR SUPPLIERS AND CUSTOMERS

In the year under review, the Group's largest customers accounted for 0.015% of the Group's total revenue. The Group's five largest customers accounted for 0.065% of the Group's total revenue.

In the year under review, the Group's largest suppliers accounted for 6.0% of the Group's total purchase. The Group's five largest suppliers accounted for 18.5% of the Group's total purchase.

None of the Directors or any of their close associates (as defined under the Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest suppliers or the Group's five largest customers.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

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

HUMAN RESOURCES

The Group had approximately 6,082 employees as at 31 December 2018, as compared to 5,161 employees as at 31 December 2017. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination.

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

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

RETIREMENT BENEFITS SCHEME

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

Details of the pension obligations of the Company are set out in Note 2.4 to the consolidated financial statements in this annual report.

EQUITY-LINKED AGREEMENTS

During the Year, other than the RSU Scheme and the Share Option Scheme as set out in the section under "RSU Scheme and Share Option Scheme" and Note 23 and Note 25 to the consolidated financial statements, the Company has not entered into any equity-linked agreement.

STRUCTURED CONTRACTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) Parties: Registered Shareholders; and WFOE

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

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

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

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

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

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

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

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

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

- The following table sets forth the financial contributions of the PRC operating entities to the Group：

	Financial Contribution to the Group		
	Revenue as at 31 Dec 2018	**Net Profit as at 31 Dec 2018**	**Total Asset as at 31 Dec 2018**
PRC Operating Entities	100%	109%	91%

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

- the Structured Contracts as a whole and each of the agreements comprising the Structured Contracts are legal, valid and binding on the parties thereto, enforceable under PRC laws and regulations, and in particular, the Structured Contracts do not violate the provisions of the PRC Contract Law including "concealing illegal intentions with a lawful form," the General Principles of the PRC Civil Law and other applicable PRC laws and regulations; upon signing, the Structured Contracts will be valid and effective under PRC laws and regulations; each of the Structured Contracts is not in violation of provisions of the articles of association of our PRC Operating Entities; entering into and the performance of the Structured Contracts are not required to obtain any approvals or authorizations from the PRC governmental authorities except that (1) the pledge of any equity interest in company in favor of WOFE is subject to registration requirements with relevant Administration of Industry and Commerce; (2) the transfer of the equity interests in the Company contemplated under the Structured Contracts is subject to applicable approval and/or registration requirements under the then applicable PRC laws; and (3) any arbitral awards in relation to the performance of the Structured Contracts are subject to application to competent PRC courts for recognition and enforcement.

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

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

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

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

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

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

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

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

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

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

(g) Material change in the Structured Contracts:

No Structured Contract has been supplemented or modified since the date of execution of all such Structured Contracts.

(h) Unwinding of the Structured Contracts:

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

CONNECTED TRANSACTION

Non-exempted Continuing Connected Transaction

Structured Contracts

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

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

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

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

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

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

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

(b) No change without independent Shareholders' approval

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

(c) Economic benefits flexibility

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

(d) Renewal and reproduction

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

(e) Ongoing reporting and approvals

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

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

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

- the auditors of the Company will carry out review procedures annually on the transactions carried out pursuant to the Structured Contracts and will provide a letter to the Directors with a copy to the Stock Exchange, confirming that the transactions have received the approval of the Directors, have been entered into in accordance with the relevant Structured Contracts and that no dividends or other distributions have been made by the PRC Operating Entities to the Registered Shareholders which are not otherwise subsequently assigned or transferred to the Group;

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

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

The independent non-executive Directors and the audit committee (the "**Audit Committee**") have reviewed the Structured Contracts for the period from 18 June 2018 to 31 December 2018 and have confirmed that:

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

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

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

In accordance with the requirement of Rule 14A.56 of the Listing Rules, the Board has engaged the auditors to perform certain procedures on the above continuing connected transactions. The auditors have reviewed the above transactions 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 confirmed that the continuing connected transactions:

(1) have received the approval of the Board;

(2) have been entered into in accordance with the relevant Structured Contracts;

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

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

Save as disclosed under the section headed "Related Party Transactions" stated in Note 31 to the consolidated financial statements contained in this annual report, no contract of significance in relation to the Group's business to which the Group was a party and in which a Director had a material interest, whether directly or indirectly, subsisted during the Year.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the Year are set out in Note 31 to the consolidated financial statements contained herein.

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

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code for securities transaction by directors of listed issuers as set out in appendix 10 of the Listing Rules (the "Model Code") as its code of conduct regarding dealings in the securities of the Company by the Directors and our Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to our Group or our Company's securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the period from the Listing Date to 31 December 2018. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of our Group during the period from the Listing Date to 31 December 2018.

EVENTS AFTER THE REPORTING PERIOD

Our Directors have confirmed there were no material change or investments after the reporting period.

SUFFICIENCY OF PUBLIC FLOAT

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

INDEMNITY OF DIRECTORS

During the period from the Listing Date to 31 December 2018, the Company has arranged directors' and officers' liability insurance for all Directors and senior management. These insurances provided protection to the liability incurred from related cost, fees, expense and legal actions resulting from corporate activities. Pursuant to Article 192 of the Articles of Association, the Directors, managing directors, alternate Directors, Auditors, Secretary and other officers for the time being of the Company and the trustees (if any) for the time being acting in relation to any of the affairs of the Company, and their respective executors or administrators, shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their executors or administrators, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty, and none of them shall be answerable for the acts, receipts, neglects or defaults of any other of them, or for joining in any receipt for the sake of conformity, or for any bankers or other persons with whom any moneys or effects of the Company shall be lodged or deposited for safe custody, or for the insufficiency or deficiency of any security upon which any moneys of the Company shall be placed out or invested, or for any other loss, misfortune or damage which may arise in the execution of their respective offices or trusts, or in relation thereto, except as the same shall happen by or through their own fraud, dishonesty or recklessness. The Company may take out and pay the premium and other moneys for the maintenance of insurance, bonds and other instruments for the benefit either of the Company or the Directors (and/or other officers) or any of them to indemnify the Company and/or Directors (and/or other officers) named therein for this purpose against any loss, damage, liability and claim which they may suffer or sustain in connection with any breach by the Directors (and/or other officers) or any of them of their duties to the Company.

CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the code provisions set out in the CG Code as its own code to govern its corporate governance practices.

In the opinion of the Directors, the Company has complied with the relevant code provisions contained in the CG Code during the period from the Listing Date to 31 December 2018.

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

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on page 52 to 70 of this annual report.

DONATIONS

During the Year, the Group made a donation of RMB30,000 to the Civil Affairs Bureau for condolences and a donation of RMB10,000 to the Walk for Millions.

AUDIT COMMITTEE

The Audit Committee had reviewed together with the management and external auditor the accounting principles and policies adopted by the Company and the audited consolidated financial statements for the Year.

AUDITOR

The Shares were only listed on the Stock Exchange on 27 December 2018, and there has been no change in auditors since the Listing Date. The consolidated financial statements for the Year have been audited by Ernst & Young, Certified Public Accountants, who are proposed for reappointment at the forthcoming AGM.

COMPLIANCE WITH LAWS AND REGULATIONS

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

CHANGES IN THE BOARD AND THE DIRECTORS' INFORMATION

There was no change in the Board and the information of Directors since the date of the Prospectus.

On behalf of the Board

Junjing Tang
Chairman

Hong Kong, 12 March, 2019

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE

The Group have been listed on the Stock Exchange since the Listing Date. The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code. During the period from the Listing Date to 31 December 2018 and up to the date of this annual report, the Company has fully complied with the CG Code except for code provision A.2.1. Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. Under the current organisation structure of the Company, Mr. Junjing Tang is the chairman and chief executive officer of the Company. With extensive experience in the education industry, Mr. Junjing Tang is responsible for overall development, operation and management of the Company and is instrumental to the growth and business expansion since the establishment of the Group. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced individuals. The Board currently comprises three executive Directors (including Mr. Junjing Tang), two non-executive Directors and three independent non-executive Directors and therefore has a fairly strong independence element in its composition. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

THE BOARD

(1) Responsibilities

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

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

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

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

(3) Board Composition

As at the date of this annual report, the Board comprises three executive Directors, two non-executive Directors and three independent non-executive Directors.

Executive Directors

Mr. Junjing Tang *(Chairman)*
Mr. Junying Tang
Mr. Gui Zhou

Non-Executive Directors

Mr. Wenhui Xu
Ms. Wen Li

Independent Non-Executive Directors

Mr. Yingmin Wu
Ms. Yu Long
Mr. Peng Xue

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

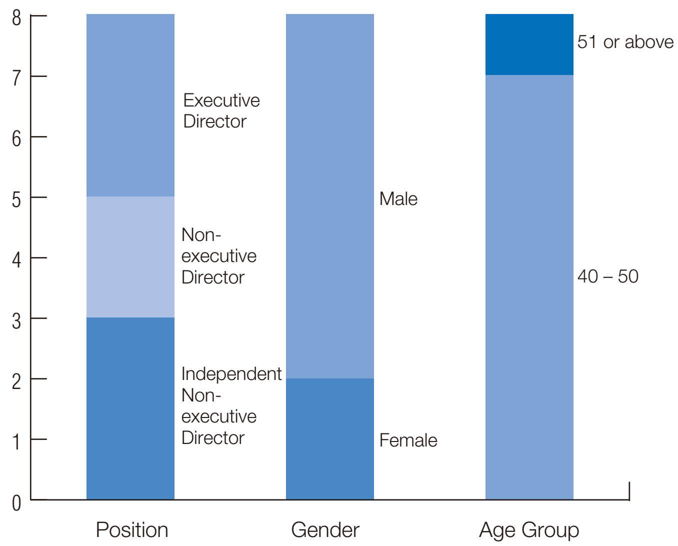
For the period from the Listing Date to 31 December 2018 and up to the date of this annual report, the Board at all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10(A) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise and the appointment of independent non-executive Directors representing at least one-third of the Board. Among the three independent non-executive Directors, Mr. Peng Xue has appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

(4) Board Diversity Policy

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

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

As at the date of this annual report, the diversity of the Board is illustrated as below. Further details on the biographies and experience of the Directors are set out on page 17 to page 22 of this annual report.



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

(5) Measurable Objectives

	Measurable Objectives	Progress for Achieving Objectives
Objective 1	Consider candidates for appointment as independent non-executive directors from a wide pool of backgrounds, skills, experience and perspectives that would complement the existing Board	1. On-going search for appropriate candidates to be appointed as independent non-executive directors; 2. In the ordinary course of the Board succession process.
Objective 2	Report annually against the objectives and other initiatives taking place within the Company which promote diversity	1. The Board evaluation process includes an assessment of the Board's diversity helping to objectively consider the Board composition and effectiveness; 2. FY2018/19 and ongoing.
Objective 3	Report annually on the outcome of the composition and structure of the Board as well as any issues and challenges the Board is facing when considering the diverse make-up of the Company	1. Make use of the Board evaluation process as an important means of monitoring the progress; 2. Remain committed to getting the right balance of the composition of the Board and work towards understanding and managing some of the challenges we face in the management of corporate development strategy sector, particularly in online education, offline expansion and merger and acquisition areas; 3. FY2018/19 and ongoing.

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

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

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

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

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

(7) Induction and Continuous Professional Development

Pursuant to the code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

Pursuant to the code provision A.6.1 of the CG Code, each newly appointed Director should be provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations. During the period from the Listing Date to 31 December 2018 and up to the date of this annual report, the Directors were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations.

All Directors, namely Mr. Junjing Tang, Mr. Junying Tang, Mr. Gui Zhou, Mr. Wenhui Xu, Ms. Wen Li, Mr. Yingmin Wu, Ms. Yu Long and Mr. Peng Xue, have been updated with the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. In addition, continuing briefing and professional development to Directors will be arranged whenever necessary.

Prior to the listing of the Company, each of the aforesaid Directors have attended the training courses conducted by the legal adviser of the Company. The content of such training related to the duties of directors and on-going obligations of listed companies.

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

(8) Chairman and Chief Executive Officer

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. Under the current organisation structure of the Company, Mr. Junjing Tang is the chairman and chief executive officer of the Company. With extensive experience in the education industry, Mr. Junjing Tang is responsible for overall development, operation and management of the Company and is instrumental to the growth and business expansion since the establishment of the Group. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced individuals. The Board currently comprises three executive Directors (including Mr. Junjing Tang), two non-executive Directors and three independent non-executive Directors and therefore has a fairly strong independence element in its composition. Save as disclosed above, the Company is in compliance with all code provisions of the CG Code as set out in Appendix 14 to the Listing Rules.

(9) Appointment and Re-Election of Directors

Each of the executive Directors has entered into a service contract with the Company. The initial term of their service contracts shall commence from the date of their appointment and continue for a period of three years after or until the third annual general meeting of the Company since the date of the Prospectus, whichever is earlier (subject always to re-election as and when required under the Articles), until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other not less than three months' prior notice in writing.

Each of the non-executive Directors has entered into an appointment letter with the Company. The initial term for their appointment letters shall be three years from the date of the Prospectus or until the third annual general meeting of the Company since the Listing Date, whichever is sooner, (subject always to re-election as and when required under the Articles) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

Each of the independent non-executive Directors has entered into an appointment letter with the Company. The initial term for their appointment letters shall be three years from the date of the Prospectus or until the third annual general meeting of the Company since the Listing Date, whichever is sooner, (subject always to re-election as and when required under the Articles) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

Save as disclosed above, none of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

In accordance with the Company's articles of association, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a casual vacancy shall submit himself/herself for election by shareholders at the first general meeting of the Company after appointment and any new Director appointed as an addition to the Board shall submit himself/herself for re-election by the Shareholders at the next following annual general meeting of the Company after appointment.

The procedures and process of appointment, re-election and removal of directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, monitoring and make recommendations to the Board on the appointment, re-election and succession planning of Directors, in particular the Chairman and the Chief Executive Officer.

(10) Board Meetings and Committee Meetings

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

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

Apart from the regular Board Meetings, the Chairman also held a meeting on 12 March 2019 with all independent non-executive Directors without the presence of executive Directors.

Since the Listing Date and up to the date of this annual report, two board meetings were held and the attendance of the individual Directors at these meetings is set out in the table below:

Directors	**Attended in person/ Eligible to attend**
Mr. Junjing Tang *(Chairman, Chief Executive Officer and Executive Director)*	2/2
Mr. Junying Tang *(Executive Director)*	2/2
Mr. Gui Zhou *(Executive Director)*	2/2
Mr. Wenhui Xu *(Non-executive Director)*	2/2
Ms. Wen Li *(Non-executive Director)*	2/2
Mr. Yingmin Wu *(Independent Non-executive Director)*	2/2
Ms. Yu Long *(Independent Non-executive Director)*	2/2
Mr. Peng Xue *(Independent Non-executive Director)*	2/2

(11) Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made of all the Directors and each of the Directors has confirmed that he/she has complied with the Model Code since the Listing Date and up to the date of this annual report.

(12) Delegation by the Board

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

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

(13) Corporate Governance Function

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

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

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

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

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

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

BOARD COMMITTEES

(1) Nomination Committee

As at the date of this report, the Nomination Committee currently comprises three members, namely Mr. Junjing Tang (chairman and chief executive officer), Mr. Yingmin Wu and Ms. Yu Long (each being an independent non-executive Director). The majority of the committee members are independent non-executive Directors. Mr. Junjing Tang is the chairman of this committee.

The principal duties of the Nomination Committee include the followings:

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

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

- To assess the independence of independent non-executive directors;

- To make recommendations to the Board on the appointment or reappointment of directors and succession planning for directors, in particular the chairman and the chief executive; and

- To regularly review and report to the Board on the performance and suitability of the senior management to ensure they are in compliance with the employment terms and the performance goals and make recommendations to the Board on the reappointment or replacement of any senior management.

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

Due to the fact that the Company was listed on 27 December 2018, no Nomination Committee meeting was held during the Year.

One meeting of the Nomination Committee was held on 12 March 2019 and the attendance record of the Nomination Committee members is set out in the table below:

Directors	Attended in person/ Eligible to attend
Mr. Junjing Tang *(Chairman)*	1/1
Mr. Yingmin Wu	1/1
Ms. Yu Long	1/1

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

(2) Nomination Policy

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

Selection criteria

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

– character and integrity;

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

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

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

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

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

Nomination Procedures

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

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

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

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

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

– where nominating an independent non-executive Director for election at general meetings, having due consideration of matters under code provision A.5.5 of the CG Code;

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

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

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

(3) Remuneration Committee

As at the date of this report, the Remuneration Committee comprises three members, namely Ms. Yu Long (an independent non-executive Director), Mr. Junjing Tang (chairman and chief executive officer) and Mr. Peng Xue (an independent non-executive Director), the majority of whom are independent non-executive Directors. Ms. Yu Long is the chairlady of this committee.

The Remuneration Committee has adopted the second model described in paragraph B.1.2(c) under Appendix 14 to the Listing Rules (i.e. make recommendation to the Board on the remuneration packages of individual executive Director and senior management member).

The principal duties of the Remuneration Committee include the followings:

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

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

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

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

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

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

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

- To ensure that no director of the Company or any of his associates is involved in deciding his own remuneration; and

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

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

Due to the fact that the Company was listed on 27 December 2018, no Remuneration Committee meeting was held during the Year.

One meeting of the Remuneration Committee was held on 12 March 2019 and the attendance record of the Remuneration Committee members is set out in the table below:

Directors	Attended in person/ Eligible to attend
Ms. Yu Long *(Chairlady)*	1/1
Mr. Junjing Tang	1/1
Mr. Peng Xue	1/1

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

Details of the remuneration by band of the members of the senior management and Directors of the Company for the Year are set out below:

Remuneration band (RMB)	Number of individual
1,500,001-2,000,000	4
2,000,001-2,500,000	2
2,500,001-3,000,000	0
3,000,001-3,500,000	0
3,500,001-4,000,001	1

(4) Audit Committee

As at the date of this report, the Audit Committee comprises three members, namely Mr. Peng Xue (an independent non-executive Director), Mr. Wenhui Xu (a non-executive Director) and Ms. Yu Long (an independent non-executive Director), the majority of whom are independent non-executive Directors. Mr. Peng Xue is the chairman of this committee. The main duties of the Audit Committee include the following:

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

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

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

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

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

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

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

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

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

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

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

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

- To act as the key representative body for overseeing the Company's relations with the external auditors;
- To report to the Board on the matters stated herein above and other matters, if any, in the code provisions of Corporate Governance Code contained in Appendix 14 of the Listing Rules (as amended from time to time);
- To perform the Company's corporate governance functions with details set out in the paragraph headed "THE BOARD – (13) Corporate Governance Function" above.

Due to the fact that the Company was listed on 27 December 2018, no Audit Committee meeting was held during the Year.

One meeting of the Audit Committee was held on 12 March 2019 and the attendance record of the Audit Committee members is set out in the table below:

Directors	**Attended in person/ Eligible to attend**
Mr. Peng Xue *(Chairman)*	1/1
Mr. Wenhui Xu	1/1
Ms. Yu Long	1/1

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

The Audit Committee also reviewed the annual results of the Company and its subsidiaries for the Year as well as the audit report prepared by the external auditor relating to accounting issues and major findings in course of audit.

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

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

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

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

The Board's Responsibility for Risk Management and Internal Control

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

The Board is responsible for evaluating and determining the nature and extent of the risks the Group is willing to take in achieving its strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems. The Board should oversee management in the design, implementation and monitoring of the risk management and internal control systems, and management should provide a confirmation to the Board on the effectiveness of these systems.

Characteristics of Risk Management and Internal Control Systems

During the 2018 reporting period, the Board supervised the management's design, implementation and monitoring of the risk management and internal control systems, and reviewed the adequacy and effectiveness of the risk management and internal control systems of the Group on an ongoing basis; such review covered all major control aspects of the Group, including financial, operational and compliance controls.

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

Risk Management Organizational System

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

Risk Management and Internal Control and Management Procedures

Assisted by external professional advisors, the management of the Company identified and evaluated the risks of the Group and analysed core risks, by interviewing the company president and relevant senior management. By communicating with each responsible department relating to core risks and by examining all kinds of systems, standards and relevant documents, the management of the Company could gain a clear picture of the current control of each core risk and the direction of continuous improvement. Furthermore, we formulated a manual of risk management which specified the roles and responsibilities of the management and the Board in risk management, and will continuously monitor the risk management according to the manual. Identifying that risk management is led by the risk management committee of the Company, which is responsible for assessing the risks and its corresponding strategies of the Group, and assessing annually for the Group to provide the Board of the Group with decision-making basis for risk management.

The Company has established an internal audit team to carry out its internal audit functions by assisting the Board to implement the internal control systems of the Group. The internal audit team is primarily responsible for the plan, organisation, execution, post-tracking and compliance-related matters of the internal audit work of the Group, and conducting risk-oriented internal audits for all departments, project departments, business units and education centres of the Group on a regular basis. Such results and recommendations have been reported to the Audit Committee and the Board.

Risk Management and Internal Control Systems Review for 2018

The Board, through the Audit Committee, has reviewed the adequacy and effectiveness of the Group's risk management and internal control systems. The Audit Committee has received a report of risk management and internal control prepared by the internal audit team. As of 31 December 2018, the Audit Committee has conducted a review of the effectiveness of the risk management and internal control systems of the Company, and considered the risk management and internal control systems of the Group remain adequate and effective with no material issues to be brought to the Board's attention. The annual review also took into consideration of the adequacy of resources, staff qualifications and experiences, training programs and budget of the Group's accounting and financial reporting function.

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

AUDITOR'S REMUNERATION

Audit fees of the Group for the Year payable to the external auditors were approximately RMB1.4 million. And the Group incurred approximately RMB8.6 million in 2018 for non-audit services related to the professional services rendered as the reporting accountant in relation to the listing of the Company's shares on the Main Board of the Stock Exchange and other services.

COMPANY SECRETARY AND PRIMARY CONTACT OF THE COMPANY

The Company engaged Ms. Chau Hing Ling, the director of Corporate Services of Vistra Corporate Services (HK) Limited (a company secretarial service provider), as a joint company secretary of the Company. Mr. Changxu Zhu, secretary of the Board, is another joint company secretary of the Company, and is the primary contact of Ms. Chau Hing Ling at the Company.

In compliance with Rule 3.29 of the Listing Rules, Mr. Changxu Zhu and Ms. Chau Hing Ling both undertook not less than 15 hours of relevant professional training to update their skills and knowledge during the Year.

GENERAL MEETING

The Company became listed on 27 December 2018. No general meeting was held after the Listing.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

SHAREHOLDERS' RIGHTS

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

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

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

In accordance with Article 64 of the Articles 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 to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

(2) Procedures for putting forward proposals at general meeting

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

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

(3) Enquiries to the Board

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

Address: 35/F, Tower B, China International Centre, No. 33 Zhongshansan Road, Yuexiu District, Guangzhou, Guangdong, PRC

Attention:	Board or Directors office
Tel:	+86 20 3897 0078
Fax:	+86 20 8388 7242

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

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Articles of Association has been amended and restated with effect from the Listing Date, and are available on the respective website of the Stock Exchange and the Company.

ESG REPORT

ABOUT THIS REPORT

This report is the first annual Environmental, Social and Governance ("ESG") Report released by China Beststudy Education Group. It summarizes the Group's philosophy and practice in the areas of teaching management, employee rights, environmental protection and social welfare in a simplified manner.

Basis of Preparation

This report was prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Scope of the Report

This report covers information regarding China Beststudy Education Group, its training centres and subsidiaries. The reporting period covers from 1 January 2018 to 31 December 2018. Certain content may be beyond the aforesaid period.

Reliability Statement

The information in the report is derived from documents and statistical reports of the Group and its subsidiaries to ensure the authenticity and accuracy of the contents of the report. The report was confirmed by the management of the Company and approved by the board of directors on 12 March 2019.

Feedback

Your valuable opinions on our ESG performance are of vital importance to the Group's continuous improvement. If you have any comments or suggestions, please email us via ir@zy.com.

SUSTAINABILITY MANAGEMENT

Corporate Culture

Established in 1997, Beststudy has been fulfilling our mission of "Nurturing excellent individuals for the future of our country" and in pursuit of our vision "to become children and parent's favorite and most trusted place of learning and growth" for 21 years.

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

Responsibility Operation

Responsibility management

The board of directors of the Company is responsible for strategic planning, operational management and administrative management, and leads the Group's overall development path by guiding the Group's campus construction, investment and strategic cooperation. The headquarters of the Group has set up functions including human resources development centre, financial management centre and marketing centre for the daily operations of the Company.

Since its listing at the end of 2018, the Group has closely followed the disclosure requirements of the Stock Exchange in relation to environmental,social and governance (ESG), and has formed a ESG working group comprising financial management centre and legal department as coordinating departments, together with human resources development centre, marketing centre, internal audit compliance department, campus construction and compliance department, Zhuoyue Academy, product divisions and campuses at all levels as collaborations. The working group carries out management and decision-making on ESG information disclosure under the guidance of the senior management and truly reflects the management situation on sustainable development of the Company in such aspects as business operation, education quality, employee development, environmental protection and community dedication.

In the future, the Group will improve the ESG management participation of the board of directors, formulate long-term planning and goals for sustainable development, continuously optimize the functions of the ESG working group, improve the ESG management system, implement ESG management measures to gradually realize the healthy development of Beststudy.

Lawful operation

Through continuously improving the organizational structure, clarifying positioning and responsibilities of each department, and integration of information technology, Beststudy continuously improves and optimizes its internal management methods and management norms, so as to strengthen compliance operation management and control. The Group provides employees, customers, suppliers and other interested parties with methods to report information relating to alleged violation of laws and regulations or violation of the Company's policies through preparing a *Guidelines for the Use of Compliance Hotline Mailbox* (《合規熱線郵箱使用指引》) and establishing a Compliance Hotline Mailbox. The report information shall be followed up by the Internal Audit and Compliance Department in a timely manner and kept confidential according to the law.

- **Compliance**

  Beststudy conducts its education services according to related laws and regulations such as *the Education Law of the PRC* (《中華人民共和國教育法》), *the Law for Promoting Private Education of the PRC* (《中華人民共和國民辦教育促進法》), *the Implementation Rules for the Law for Promoting Private Education of the PRC* (《中華人民共和國民辦教育促進法實施條例》) and *Opinions on Regulating Development of After-school Education Institutions by the General Office of the State Council* (《國務院辦公廳關於規範校外培訓機構發展的意見》. The Group is required to obtain and maintain various approvals, licenses and permits and fulfill registration and filing requirements in operating the education centres, so as to ensure the compliance. Currently, with its presence in Guangdong Province, the service range of teaching offerings of Beststudy covers the South China region and establishes presence in key cities such as Beijing, Shanghai and Shenzhen. As of the end of 2018, we have a total of 64 PRC Operating Entities, of which 30 are private non-enterprise unit and 34 are limited liability companies.

- **Integrity Office**

  Beststudy promotes the construction of its corporate culture of anti-corruption and enhancement of governance through continuously improving the integrity strategy, comprehensively progressing integrity promotion and training, and strengthening supervision. The Group has formulated internal policies such as *Anti-fraud Management System* (《反舞弊管理制度》)" and *Risk Assessment Management System* (《風險評估管理制度》) in accordance with *the PRC Company Law* (《中華人民共和國公司法》), *the PRC Anti-Money Laundering Law* (《中華人民共和國反洗錢法》) and *Interim Provisions on Banning Commercial Bribery* (《關於禁止商業賄賂行為的暫行規定》) and other relevant laws and regulations.

  The Group establishes a risk assessment team and set up an anti-fraud permanent department to create an anti-fraud corporate culture environment. We implement and monitor anti-bribery and anti-corruption measures. The management of the Group conducts fraud and bribery risk assessments in an annual basis, and the Audit Committee approves the results and policies of the risk assessment each year. Moreover, the Group provides mandatory training courses for new employees and continuous training to existing employees, so as to enhance their knowledge and awareness towards relevant regulations and internal rules. During the reporting period, the Group was not involved in any litigation case caused by corruption or fraud.

- **Property Rights Protection**

  Beststudy established a sound intellectual property protection mechanism. Pursuant to *the Trademark Law of the PRC* (《中華人民共和國商標法》), *the Copyright Law of the PRC* (《中華人民共和國著作權法》), *the Anti-Unfair Competition Law of the PRC* (《中華人民共和國反不正當競爭法》) and other relevant laws and regulations, it prepared internal system documents such as *the Administrative Measures on Intellectual Property* (《知識產權管理辦法》), the "*Approval Form for Patent Administration* (《專利管理審批單》)" and "*Approval Form for Copyright Administration* (《著作權管理審批單》)". We strictly protect and manage the intellectual property based on the principle of "centralized management and implementation on a level basis".

  The securities and legal department and functional departments of the Group are dedicated to protecting the intangible assets of the Company, including but not limited to patents, trademarks, goodwill and non-patented technologies. The Group has established a stable application process for property rights protection, i.e. the functional department proposes the application requirements for trademarks, patents and copyrights, the securities and legal department will approve the application as an expert and complete the application for intellectual property protection with the assistance of external professional institutions. As of 2018, we have 31 software copyrights and 8 copyrights.

- **Brand Promotion**

  The Group attaches great importance to compliance promotion and strictly abides by *the Advertising Law of the PRC* (《中華人民共和國廣告法》) and *the Trademark Law of the PRC* (《中華人民共和國商標法》) and other laws and regulations to ensure the authenticity and accuracy of brand promotion, and strive to give a true picture of Beststudy based on the principle of seeking truth from facts. The brand promotion of Beststudy has achieved remarkable results and won high praise and trust from all stakeholders.

- **Privacy Protection**

  We pay high attention to protecting privacy of customer. According to the relevant provisions of *the Law of the PRC on Protection of Consumer Rights and Interests* (《中華人民共和國消費者權益保護法》) and *the Tort Law of the PRC* (《中華人民共和國侵權責任法》), Beststudy has established a comprehensive student data retention business system. Campus management personnel is required to always pay attention to the confidentiality of information security of the campus, including customer information, employee information, core product content, and receivables. The Group requires all campuses and departments to strictly protect the privacy and rights and interests of students, and may not infringe the right of portrait of students and disclose personal data of students without authorization. The principal of the campus shall strictly control the export permission of the customer data, properly keep and use the paper materials in the campus, keep confidentiality, and destroy unnecessary materials in a regular basis.

Responsible Communication

Internal or external communication

Beststudy regards the understanding and support of stakeholders as a solid foundation for the Company's sustained and stable development. We identified key internal and external stakeholders that affect or are affected by the Company's important decisions, including government and regulatory authorities, investors/shareholders, suppliers/partners, students, parents, teachers/employees and media/public, and established numerous channels for responsible communication. We also proactively understand and timely respond to the appeals and expectations of stakeholders, with a view to developing a good development environment for the Company.

Types of stakeholders	Appeals and Expectations	Communications and responds
Government and regulatory authorities	Operation in compliance with laws and regulations In line with the government policies Students' safety and health protection	Continuous reinforcement of corporate compliance management Actively responding to relevant national policies Implementation of relevant safety management measures
Investors/shareholders	Create market value Compliance operation	Improvement of the Company's risk management standards Continuous development of operation results

Types of stakeholders	Appeals and Expectations	Communications and responds
Suppliers/partners	Cooperation and mutual benefit Promotion of industrial development	Improvement of supplier assessment and management mechanism Regular convening of tendering and bidding conference Development of a sustainable supply chain
Students	Students' satisfaction Diversification of educational models	Regular conduct of satisfaction surveys Improvement of the quality of educational offerings and services
Parents	Teaching environment security and health protection Assessment and improvement of teaching quality Improvement of handling process for responding to complaint and service	Conduct of diversified communication channels with parents and collecting feedback on a regular basis Improvement of feedback and complaint handling mechanism Implementation of related safety management measures
Teachers/employees	Employee remuneration and welfare system Management and structure of teacher team Promotion of employees' development	Development of a competitive remuneration and welfare system guarantee mechanism Establishment of a diversified development platform Organization of employee training and improvement of the promotion mechanism Conduct of employee caring activities and enhancement of communication
Media/public	Participation in social charity activities Provision of employment opportunities	Proactive participation in social charity activities Conduct of campus recruitment and social recruitment

Types of stakeholders	Appeals and Expectations	Communications and responds
Environment	Green teaching and office environment Environmental awareness development and course development	Implementation of energy conservation and emission reduction measures Reinforcement of office waste management Improvement of environmental management system

Responsibility Issues

✓ **Establishment of issues**

Based on the ESG guidelines of the Stock Exchange, international initiatives, the education industry and the actual development of the Company, we selected 26 responsibility issues to establish a survey questionnaire;

✓ **Screening and prioritizing of issues**

Through survey questionnaire, we screened issues of high importance based on the importance to the Company and stakeholders, and ranked the issues;

✓ **Reviewing of issues**

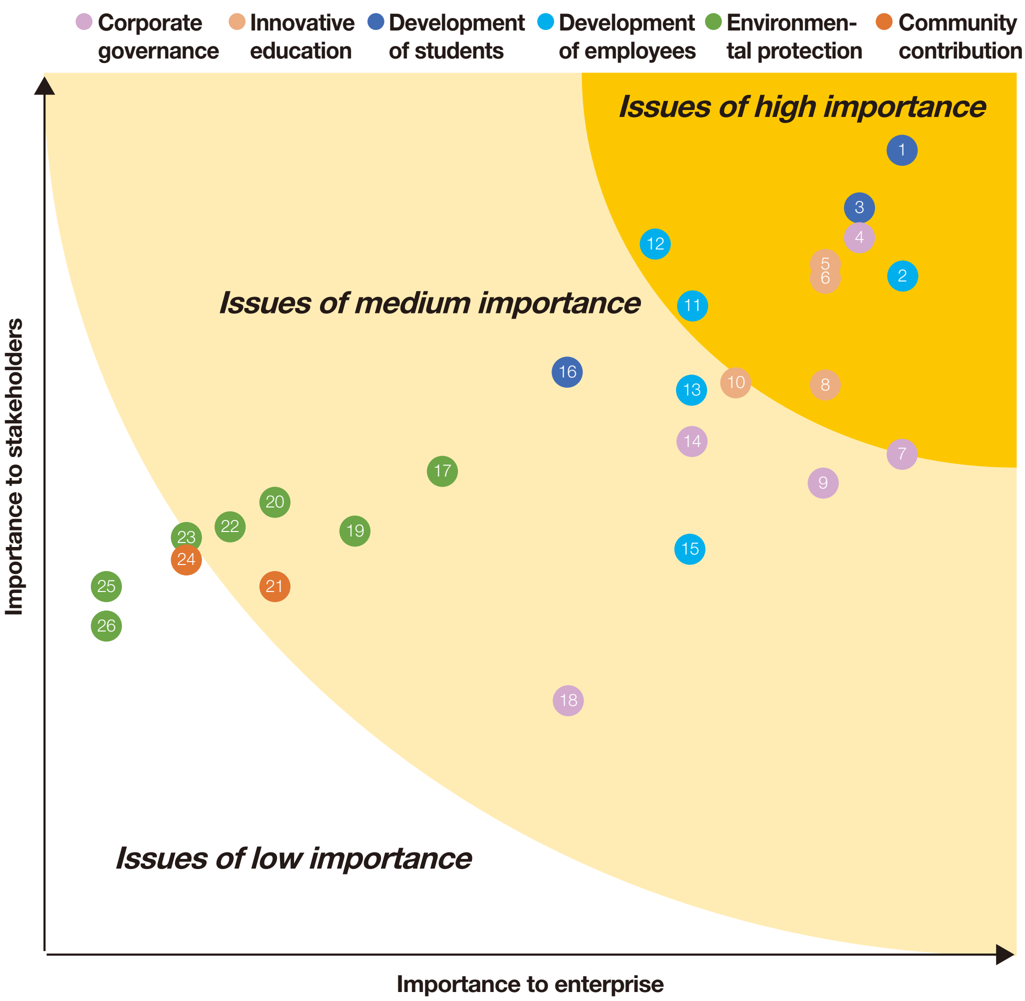
The internal management and external experts of the Company reviewed and confirmed the rank of issues and analysis results;

✓ **Responses to issues**

We focused on the disclosure of issues of high importance in the report and integrated into the Company's strategic considerations and prepared respective action plans.

Table – Priority List of ESG Issues in 2018

Classification of issues	Priorities	Issues/options
High importance	1	Teaching environment security and health protection
	2	Management and structure of teacher team
	3	Students' satisfaction
	4	Protection of student and parent privacy and information security
	5	Assessment and improvement of teaching quality
	6	Development and innovation of after-school education service
	7	Sustainable development concept, plan, management system and risk response system
	8	Educational offerings and intellectual property protection
	9	Compliance operation and anti-corruption
	10	Diversification of educational models
	11	Protection of employees' safety and occupational health
	12	Employees training measures and career development management
	13	Teachers' appearance, teachers' ethics and morality development and supervision
Medium importance	14	Improvement of handling process for responding to students and parents' complaint and service
	15	Employee remuneration and welfare system
	16	Communication between teacher and parent, and information release
	17	Green teaching and office environment
	18	Employment, review and management of suppliers
	19	Cultivation and course of environmental awareness
	20	Greenhouse gas emissions and emission reduction treatment
	21	Local cultural education, protection and development
	22	Water use and water saving performance
Low importance	23	Impact on the environment of surrounding community
	24	Participation in community development and social charity activities
	25	Energy consumption management
	26	Waste management



Picture – Matrix of ESG Issues of High Importance in 2018

FOR HEALTHY GROWTH OF CHILDREN

Beststudy understands the importance of healthy growth of children. It adheres to taking the value of education as the guide, pays attention to the healthy development of students' physical and mental health, and strives to develop students' abilities in all aspects. In terms of teaching, the Group carries out diversified teaching projects, is proactive in development and innovation, and improves teaching quality. In terms of safety, the Group strictly follows relevant laws and regulations in which it operates, actively implements internal systems, and establishes a sound security system.

Educational Philosophy

The educator Dewey put forward "Education is growth". Each child is like a seed, with his/her natural development direction and regularity. Growth is to respect each child's own characteristics and help in their ideal growth. Since its establishment, Beststudy has always adhered to the educational ideas of "the top priority of guaranteeing the healthy growth of children", with considerations for the future of children to promote the all-round development of every child.

We adhere to "happy education and successful education" and have always been keeping the mission of "development of students with outstanding quality for the future of nation" in mind, and put forward the quality education ideas of "growth for future" and new brand strategy, and strive to develop a sound teaching service system and special offerings system featuring diversity, innovation, happiness and harvest. We implement teaching in accordance with the students' aptitude and attach importance to develop multi-dimensional qualities of students. While teaching the correct learning methods, we are also stimulating the motivation of students through flexible and diverse ways, cultivate students' self-learning ability, lay a solid foundation for children's healthy growth, and strive to become the "children's best-loved and the parents' most trusted learning and growth place".

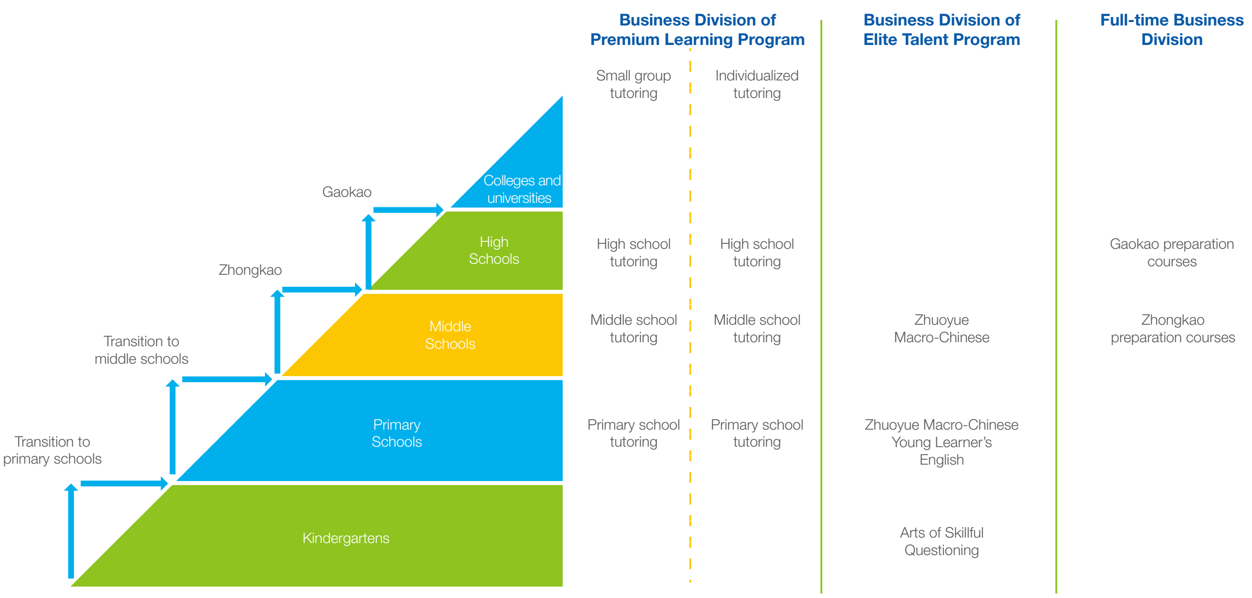
Educational Project

Beststudy always adheres to the quality teaching ideas, and elaborately develops high-quality teaching offerings according to the development trend of the market and the needs of users. The Group divides its teaching business into three core divisions: the Business Division of Premium Learning Program, the Business Division of Elite Talent Program and the Full-time Business Division, providing a diverse range of teaching programs for pre-school to high school student base. In addition, we actively cooperate with external organizations to develop diversified educational offerings and upgrade teaching offerings through internet tools to enhance teaching effects, and increase the rates of customers' satisfaction.

✓ With the mission of "development of excellent learning ability", and the target of improvement of students' academic results, the Business Division of Premium Learning Program pays attention to developing children's self-learning interest, exploration capabilities and efficient learning habits, insisting on teaching in accordance with the students' aptitude, and providing Zhuoyue Chinese, Zhuoyue mathematics, Zhuoyue English, One-on-one teaching and other subjects offerings. The Business Division of Premium Learning Program focuses on forward-looking research of Entrance Policy, and communicates regularly with the local teaching and research office to update the schools' materials in a timely manner, so that closely tracking the standard K-12 curricula of China's K-12 education system and cover all core K-12 subjects;

✓ By adhering to the concept of "innovation, growth, perfection and integration", the Business Division of Elite Talent Program launches an all-round development quality education platform, develops a variety of proprietary K-12 after-school course offerings, and beyond the standard K-12 education system, with a view to nurturing the all-round development of students. The offerings of the Business Division of Elite Talent Program include Zhuoyue Macro-Chinese (卓越大語文), Zhuoyue Maker College (卓越創客學院), Arts of Skillful Questioning (巧問教育), Easy Talk (易啟說英語), Miracle Essays (奇趣作文), and Zhuoyue Education – Guangdong Star Miracle Club (廣東明星奇趣俱樂部);

✓ The Full-time Business Division focuses on providing full-time high-quality placement services for students in the K-12 stage, include full-time subject programs such as the Zhongkao repeat school, Gaokao repeat school, and Gaokao preparation cultural course for the art students, covering all core K-12 subjects in the China's education system.



Quality of Education

With a rigorous and perseverant attitude towards study, Beststudy promotes the progress of students with high-quality teaching, pays attention to the growth of children with a caring attitude, and contributes to the healthy growth of each child. In 2018, Beststudy continued to introduce leading educational ideas, and constantly pursued the improvement of the service quality of educational offerings from many aspects,including the teaching team, offerings development and teaching methods.

✓ On the basis of the quality of the teaching team: We adopt stringent teacher recruitment standards and selection and appointment process, and engage full-time teachers who embraced their roles in education cause to ensure the consistency of educational service quality and provide systematic teacher training;

✓ Focusing on innovation of product research and development: In order to ensure the quality of teaching, we had a dedicated team of 566 employees focusing on development, updating and improvement of course materials and teaching methods;

✓ Through the medium of technology tool applications: We focus on the development of various technologies used in teaching services and operations, and effectively utilize a number of innovative tools supported by advanced information technology systems.

Beststudy develops a *Teaching Quality System* (《教學品質系統》) to direct the management of campus to strengthen teaching quality control and assessment, and improve overall teaching standards. In daily teaching, we start from teachers' preparing lessons, tailoring class plans for students, ensuring efficiency of in-class and management of teaching results in an all round manner for strictly guaranteeing the quality of teaching. In addition, the campus regularly organizes the teaching management team to attend classes, conduct sampling on evaluation of the teaching quality, and timely feedback the results to students and parents.

In order to ensure the continuous improvement of the quality of teaching services, the customer service department of Beststudy has set up a complaint hotline and promised to respond within 24 hours to propose solutions to major complaints in a timely manner. During the reporting period, the Group's response and handling rate against all customer complaints was 100%.

Campus Safety

Beststudy strictly abides by the *Law of the PRC on Protection of Minors* (《中華人民共和國未成年人保護法》) and *the Administrative Measures of Students' Injuries and Accidents* (《學生傷害事故處理辦法》) by the MOE and other relevant regulations on student health and safety, and prepares internal management system such as *the Campus Safety Management System* (《校區安全管理制度》), *the Management of Outing Activities of Teachers and Students* (《師生外出活動管理》), *the Safety Management of Disease Prevention and Control* (《疾病防治安全管理》) and *the Handbook of Campus Operation System* (《校區運營系統手冊》), with a view to developing a learning environment that is comfortable to the students and satisfactory to the parents..

The Group implements measures such as security precautions against all visitors at reception, environmental governance surrounding the campus, fire safety management and establishment of emergency response teams to ensure a healthy and safe learning environment for children. Each campus has a safety training gallery, develops and promotes safety-related knowledge for students who attend the class for the first time.

In terms of fire safety, the Group implements the work policy of "precaution comes first with a combination of prevention and fighting" according to *the Law of the PRC on Fire Prevention* (《中華人民共和國消防法》) and the laws and regulations on fire safety and related policy provisions in which the campus operates. It prepared and implemented in earnest the internal fire management regulations such as *the Fire Safety Management System* (《消防安全管理制度》) and *Fire Safety Responsibility Letter at Campus* (《校區消防安全責任書》) according to the actual situations of each campus. Moreover, we have engaged an independent third-party professional institute with qualification for fire safety checking and detecting, facility maintenance and inspection to inspect the fire facilities of the Group's property in a regular basis.

In terms of emergency management, the Group has set up emergency teams in each campus. The team is responsible for formulating emergency plans such as *the Fire Extinguishing and Evacuation Plan* (《滅火疏散預案》) according to the building structure of each campus and personnel evacuation, conducting inspection and on-site investigation for emergencies, taking control measures according to the actual situation, and reporting the incident to the higher authorities in a timely manner. In addition, the administrative departments of each campus shall ensure that all relevant personnel who meet the requirements are on duty 24 hours a day, and practically implement the "Being ready to serve whenever called upon and combat problems in service". During the reporting period, there was no fire safety accident, or inappropriate fire safety violations occurred in Beststudy.

FOR REALIZATION OF VALUE OF EMPLOYEES

Team Management

By adhering to the "people-oriented" operating philosophy and recruitment principle, and insisting on the basic rules of three "respects", Beststudy strives to build the team cultures of execution and coaching, and provides a broad platform for the occupational development and growth of our employees.

✓ Respect differences: We positively welcome candidates with different backgrounds and respect voice from everyone;

✓ Respect contributions: We implement a performance growth system which targets advancing employee cultivation and development;

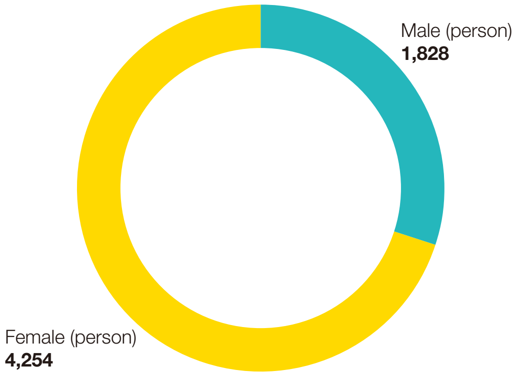
✓ Respect growth: We shall make customized personal development plans for team members as an immediate superior.

In strict accordance with *the Labor Law of the PRC* (《中華人民共和國勞動法》), *the Teachers Law of the PRC* (《中華人民共和國教師法》) and other relevant national and local laws and regulations of the places where we operate, the Group has developed an internal *Human Resources System* (《人力資源體系》), which contains explicit management regulations on human resources including recruitment, employee training, occupational development, path for promotion, and remuneration and benefits.

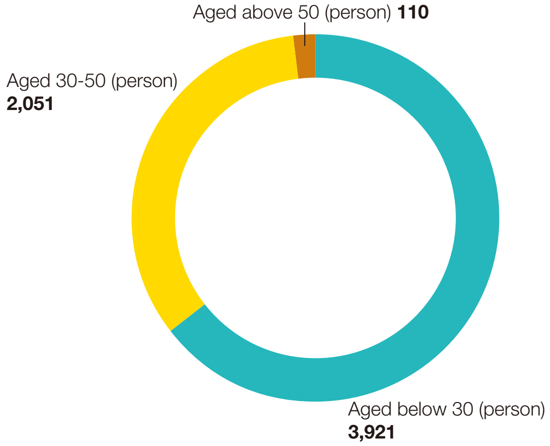
- **Employee Employment**

In employment of new employees, the Group positively provides equal opportunities for candidates with varied educational background, nationality, race, gender, religious belief or cultural background, and enters into relevant legal labor contract with employees under the principles of fairness and impartiality. During the reporting period, Beststudy had a total of 6,082 employees, whose structure by different type was set out below:

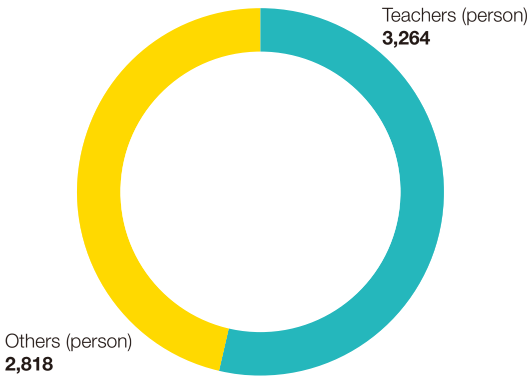
Employee structure by gender



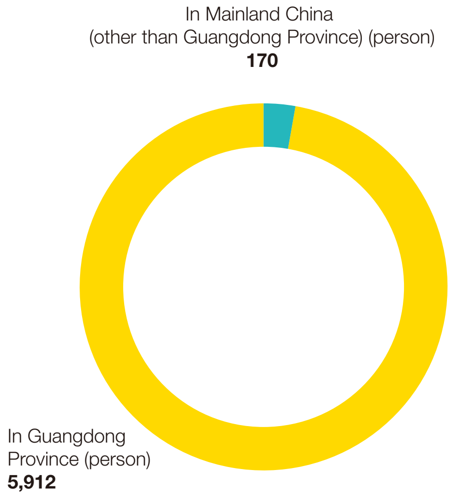
Employee structure by age



Employee structure by function



Employee structure by region



- **Labor management**

  The Group manages our labors in strict accordance with *the Law of the PRC on Protection of Minors* (《中華人民共和國未成年人保護法》), *Regulations on Prohibiting Use of Child Labor* (《禁止使用童工規定》) and other laws and regulations regarding labor employment. During our recruitment process, the human resources team strictly checks the identification information of the candidates, and absolutely rejects the employment of any minors once detected. The Company adopts a 40 working hours per week system according to the relevant government regulations, and the business department conducts workforce arrangement based on our business. During the reporting period, the Group was not aware of use of any child labor or forced labor.

- **Employee incentive**

  Beststudy has developed the *Employee Handbook* (《員工手冊》), to advocate our cultural values to employees by ways of share incentives and other positive means, and evaluate employees by three levels including the Group level, business division level and campus level in terms of their actual work. The Group devises several incentive plans annually to recognize the high-efficiency performance of the teams and employees, bring the best of them and improve the internal working atmosphere of the Group. In 2018, the Group set 50 special personal awards and 16 team awards, including the President Award, Outstanding Team Award, Outstanding Principal Award, Top Ten New Employees, Top Ten Teachers and Anniversary Service Award, and also issued the Dispatched Employee Contribution Awards and Long-term Service Awards based on the actual conditions.

- **Employee communication**

  Beststudy stresses improving the supervisor-subordinate communication efficiency by requiring the senior management to work in an open-space office environment while encouraging the employees to communicate and exchange more with their superiors. The Company offers various communication channels to ensure flexible communications:

  ✓ The Company has set up an internal communication system, which achieves the President's direct access to the corporate internal WeChat messages and emails, makes public the President's open letters, and arranges one-to-one communication between the superior and employee where necessary;

  ✓ The Company organizes regular meetings for the management and employees to understand the current conditions and existing problems of each department and campus, listens to the ideas of employees and discusses countermeasures;

  ✓ The Company announces new policies, formulas, products or imminent marketing activities at the staff meeting;

  ✓ The Company ensures employees get fully informed of our information and dynamics through cultural bulletin board, internal publication for employees, pre-joining briefing and other methods.

- **Health and safety**

  It is our basic duty to ensure the safety of external customers and employees. In strict compliance with the relevant laws and regulations, including but not limited to, *the Law of the PRC on Prevention and Control of Occupational Diseases* (《中華人民共和國職業病防治法》), *the Food Hygiene Law of the PRC* (《中華人民共和國食品衛生法》), *the Regulations on Work-Related Injury Insurance of the PRC* (《中華人民共和國工傷保險條例》), and *the Administrative Measures for Preventive Health Examination* (《預防性健康檢查管理辦法》), Beststudy strictly requires the campus management to take the safety responsibility for the campus, adopts measures to prevent the robbery of the Company's financial and personal property, and gives immediate notice to relevant entity upon any robbery to protect the interests of the Company and employees. Upon discovery of any safety hazard in the campus, a timely application for repair shall be made to external professionals with a written report being submitted to the superior at the same time. The Group also provides annual physical check for employees with a service length of nine months free of charge, and encourages them to participate in the group insurance of insurance companies or purchase medical insurance from insurance companies cooperating with the Group. During the reporting period, there were no work-related fatalities or lost days due to work-related injuries within Beststudy.

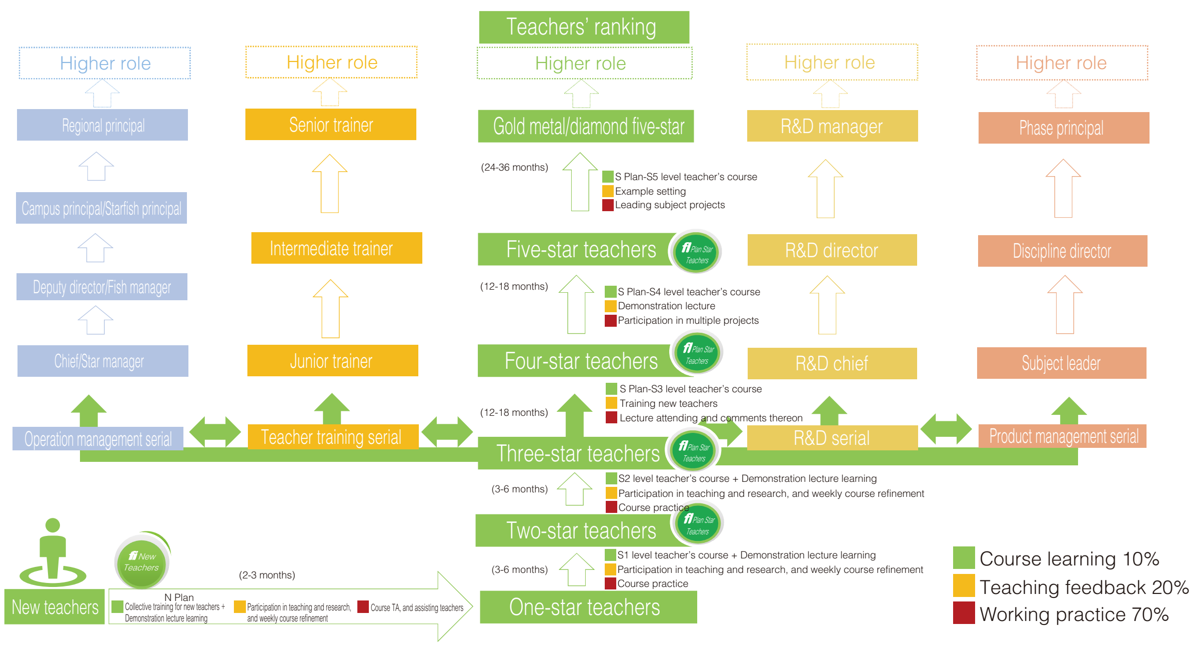
- **Development of teachers' professional ethics and morality**

  As "the development of education lies in teachers and the cultivation of teachers lies in morality", Beststudy lays emphasis on the cultivation of occupational morality and professional ethics of our teacher team. We cultivate our teachers to care for students, devote themselves wholeheartedly to work, and march forward through advancement of corporate culture building, and regulate and assess teachers' performance and behaviors as supplemented by the *Employee Handbook* (《員工手冊》), performance assessment and other management methods, to continually improve the connotation that "teachers are the model for students".

Talent Cultivation

Beststudy firmly believes that talent is the core competitiveness for corporate development. Through implementing the diversified training model of "self-learning + practicing training + training course", we provide training courses relating to improvement in professional competence and management capability for employees, to form a talent promotion system.

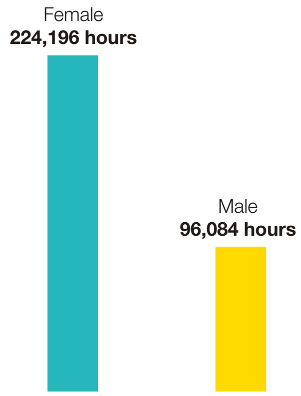
In 2012, by adhering to the value concept that "a student will truly learn when he changes his habits", the Group established an internal talent training centre, the Zhuoyue Academy, with a view to developing a platform featuring "honor, learning, happiness and growth" for the systematic development of talents. Zhuoyue Academy covers four serials including operation management, teacher training, R&D and product management, and offers tailored training course system for each level of employees.



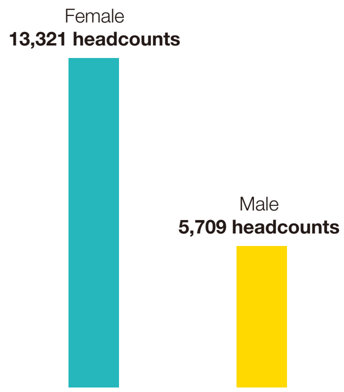
Zhuoyue Academy endeavors to build the coaching culture. Employees will receive help from corresponding coach to rapidly grasp vocational skills at each stage after trained by diversified learning tools. In 2018, Zhuoyue Academy further launched four plans including the "N Plan for New Teachers", "S Plan for Starred Teachers", "T Plan for Trainers", and "P Plan for Product Managers" to promote teachers' cross-sector development, fully improve teachers' abilities at class guidance and special training, assist in managers' shift to economic roles, and convey guidance to teachers on business improvement by using the business thinking formula.

Zhuoyue Academy delivered remarkable training results, which fully enhanced the operation and management capabilities of all employees, and offered inexhaustible driving force for the business development of the Company through more cohesive employees and more rapid team growth.

Trained hours by gender



Headcount of employees trained by gender



Diverse Development

Beststudy formulates tailored development plans for employees based on their performance, qualifications, personal intention and business opportunities, and achieves the internal vertical development of the departments and systems as well as horizontal trans-department development through rotationship, reallocation, dispatching, promotion and other methods. Meanwhile, the Group is committed to providing employees with opportunities for diverse development and different occupational experience, actively developing an internal entrepreneurial platform, and encouraging commercial model for teams, so as to build a platform for the diverse occupational development of teachers.

As a solid backup for employees, the Group offers resources and guarantees for internal entrepreneurship, assists in the steady implementation of projects, and helps employees' good ideas come into reality. To improve the organizational functions of the Company, we have launched the "Starfish Plan", which brings out our initiative to cope with corporate difficulties by applying the double functions of the organization and employees and developing an independent management mode; meanwhile, we have developed the "Swan Plan" to encourage employees with an intention of entrepreneurship to make regional expansion as a venture partner of start-ups leveraging on their extensive management experience and resources and with the support from the Company's matured model and sound resources, thereby achieving common development and win-win with the enterprises.

The Group's talent strategy of diverse development is well supported by all employees. They take an active part in the exercising opportunities on different platforms, cultivating a multi-cultural atmosphere for the Company. Through advanced talent development model and effective talent management, the Company has gradually realized the consistency in employees' personal development and performance development.

Case Internal Entrepreneurship Project "Niu Shi Bang"

For the ongoing improvement of our personalized tutoring services, the Group's employees actively participated in the internal entrepreneurial opportunities by designing and developing the "Niu Shi Bang", an interactive tutoring service platform, to achieve a seamless connection between the students and their parents with our teachers. Such platform includes various unique functions to facilitate the use of students and their parents through computer and mobile devices, such as course registration and selection and evaluation of teachers, which greatly improves customer's using experience. It also enables the teachers to gain access to the front-end market through organizational functions, which finally realizes the platform-oriented values for training agencies. At the 2017 ceremony for the Best Education of China held by China.com on 12 December 2017, Liu Yucong, the CEO of Niu Shi Bang under Beststudy, won the "Internet+ Heroic Figure" award issued by China.com.

Employee Care

Pursuant to *the Labor Law of the PRC* (《中華人民共和國勞動法》), *the Law of the PRC on Prevention and Control of Occupational Diseases* (《中華人民共和國職業病防治法》) and other laws and regulations, and in combination with the internal *Human Resources System* (《人力資源體系》), Beststudy has developed the *Employee Handbook* (《員工手冊》) to show our care for the employees under the "people-oriented" principle. The Group develops internal benefit policy, organizes cultural and sport activities, and gets timely informed of employees' dynamics to deliver our sincere care for employees and promote their physical and mental development.

In strict accordance with the relevant labor policies and regulations, the Company provides employees with social insurance, housing provident fund and paid annual leave, as well as commercial insurance, interest-free housing loans, residence registration indicators given by the government and other benefits. We also provide qualified employees with wedding cash gift, maternity cash gift, mutual fund, hospitality visit, discounts on Beststudy courses for kids of employees, etc. In addition, the Group organizes medium or long distance team building activities at least once annually, at the costs of the Company for a certain amount.

To offer better care for our employees, the Group has established 12 employee clubs and organized weekly sport activities, providing sound sport facilities for over 1,500 employees. In addition, Beststudy has also set up a Beststudy's second-generation club, to serve kids of employees and cultivate excellent second-generation of Beststudy. Since its establishment, the Beststudy's second-generation club has formed three serials of activities including "Flower Market Entrepreneurial Activity for Beststudy's second-generation", "Beststudy Kindergarten" and "Beststudy's second-generation Attending the Year-end Meeting". In 2018, the Beststudy's second-generation club held a total of eight online and offline activities including the custody at Beststudy Kindergarten during summer vacation time, light painting activity, and little flower market entrepreneurs.

Case Beststudy's Second-generation Club

The Beststudy's Second-generation Club offers safe and worry-free custody and teaching services for the kids of our teachers during the summer vacation time. In 2018, 121 kids participated in the activity with enriched courses. On the basis of the existing art course, go chess course and outdoor football course, new quality resources, such as magics course and mortise-and-tenon course, were continuously added and well favored by the kids. As the kids learned happily and the parents had no worries, Beststudy's Second-generation Club was continuously well received and recognized by our employees.

FOR HARMONIOUS DEVELOPMENT OF SOCIETY

Supply Chain Management

Beststudy strictly controls suppliers. We select quality engineering-type, service-type and materials-type suppliers, conduct regular assessment on suppliers, advance the sustainable development of suppliers through procurement business, and mitigate supply risks, to ensure our ongoing high-standard educational service product quality in the industry and improve our ESG performance.

- **Supplier development**

  For fulfillment of internal needs by ongoing development of new suppliers, the Group has developed *the Suppliers Development Procedures* (《供應商開發流程》) , to regulate entry standards for suppliers. We have set up a supplier development group, to conduct assessment on supplier's qualifications, carry out field research on suppliers and issue a research report thereon. In addition, on fair and impartial selection of quality suppliers for provision of services to the Company, we have developed *the Bidding and Tendering Procedures* (《招投標流程》) , to ensure various interests of suppliers on the premise of considering the efficiency, risks and compliance, and control the bidding and tendering procedures level by level to make sure selection of quality suppliers. During the reporting period, Beststudy had 179 suppliers from Guangdong Province and 43 suppliers from other provinces.

- **Supplier appraisal and management**

  The Group has drafted *the Supplier Appraisal Rules* (《供應商考核細則》) and *Procurement Policy* (《採購制度》), to conduct semi-annual, annual appraisal and project appraisal on registered suppliers, the results of which will be categorized into five grades of A, B, C, D, and E, representing strategic, quality, optional, eliminated and blacklisted supplier respectively, and will be input into the PMS. For high-graded suppliers in the system, they may be allocated with more proportion of procurement and enjoy privilege in cooperation opportunities; for low-graded suppliers, they will enjoy less cooperation opportunities, and will be required to make rectification within a specified time, and may face termination of partnership if serious problems.

- **Supplier ability building and sustainable performance**

  Beststudy also carries out various training and guidance for suppliers to guide them to improve their product quality and operating efficiency, and encourages them to stress environmental protection, implement the adoption and use of environmentally-friendly materials and enhancement of waste recycling, thereby co-building a sustainable supply chain.

Case Training for Construction Fitting-out Suppliers

In the first half of 2018, we invited project managers and designers for relevant core fitting-out project suppliers to illustrate the campus design philosophy, budgeting, construction process and other standards for different educational projects of Beststudy at our training program, requiring suppliers to preferentially adopt and use construction materials in line with the environmental standards, deliver construction garbage to third parties for proper recycling or treatment, and equip air purifier to guarantee indoor air quality.

Environmental Protection

Beststudy keeps improving our environmental management system and is highly responsive to the government's call for energy conservation and emission reduction in strict accordance with *the Environmental Protection Law of the PRC* (《中華人民共和國環境保護法》) and other relevant national and local laws and regulations of the places where we operate. We encourage all employees to raise their environmental awareness and minimize the impacts on environment during daily work. During the reporting period, Beststudy was not aware of any events which had a material impact on the environment and natural resources.

We attach great importance to waste management by positive reduction in and proper treatment of waste generated during our teaching and office process. We implement the measures as follows: multimedia presentation is adopted for teaching to replace the traditional blackboard and reduce the consumption of chalks, markers, etc.; and to save papers, we maintain unified records of paper consumption, put relevant paper-saving signs in our printing room to remind all employees, advocate two-sided printing and recycle used paper as we can. In 2018, Beststudy Guangzhou Branch consumed 92.4 tons of papers. Office domestic waste will be collected by relevant property management company of each operating place on a unified basis, and then delivered to the urban environmental sanitation department for disposal. At present, we are in the process of positively improving the waste management of the Group and all campuses, and relevant information will be disclosed in the future.

In line with the increasingly severe threats to the entire planet from climate changes, we realize that relevant countermeasures must be taken to reduce greenhouse gas emission and cut energy and resource consumption, thereby achieving a green development. We implement the following measures: conduct routine patrol on the electricity use in classrooms and offices, and timely turn off the lightning facility; set the air-conditioners at a reasonable temperature in summer, and encourage less use of air-conditioners and no use when the classroom or office is empty to save electricity; advocate employees to develop a water-saving habit, post water-saving signs in the washrooms, and conduct regular patrol to avoid any wastage of water. During the reporting period, the Group consumed a total of 14,889,650 kWh of electricity and 329,666 tons of water for day-to-day operations, and the greenhouse gas emission brought by externally-purchased electricity amounted to 8,072 tCO2e. The water used in all operating places of the Group was from the municipal water supply with no issue in sourcing water.

Community Dedication

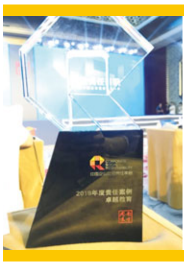
As a front-runner in the educational sector, Beststudy has been actively assuming our social responsibilities by leveraging on our strengths in educational resources, striving to advance the development of public welfare. With an original intention of “for the sake of kids’ healthy growth”, we focus on rural education from the prospective of “human”. Through provision of teaching skills training for rural teachers, we carry out book donations and other charitable activities to assist the study of kids in rural areas, and raise public attention to the current conditions of rural teachers and rural education, with a view to enabling rural kids to explore a promising future after stepping out of their villages.

Since 2017, we have made nearly RMB1.30 million of charitable investment in total, in which RMB0.04 million was invested in 2018.

Case Candle Protection Plan – Focusing on Assisting Rural Teachers

Beststudy launched the “Candle Protection · Caring Rural Teachers Plan” jointly with Guangdong Youth Development Foundation, delivering excellent teaching experience and philosophy to rural teachers so as to help improve their teaching skills and broaden their horizons. Since 2018, Beststudy has carried out “Candle Protection Plan Online Training” based on Beststudy Online School platform, which provides systematic online training courses for 335 rural teachers and helps them timely resolve the problems relating to classroom management and other actual works.

Through four years of development, the Candle Protection Plan has helped over 500 rural teachers get improved and developed. By virtue of such plan, Beststudy was honored with the 2018 Chinese Enterprise Annual Responsibility Case Award, the Annual Social Responsibility Brand Award, etc., receiving recognition and praise from the media and all social sectors.



Case Library Building – Creating a Literal Yuexiu

In 2018, the Gongyuanqian Campus & Yuexiu Library Guangta Branch was established jointly by Beststudy, Guangzhou Yuexiu Library and Guangta Street Culture Station. With a collection of 15,000 books of various type, such branch is divided into learning zone, innovation zone, health zone, leisure zone, etc., and is open to all citizens and available for book borrowing and returning citywide. The establishment of such library branch with a beautiful environment and full of culture made Yuexiu a profoundly literal district.


APPENDIX I KEY INDICATOR

ESG Indicator		Unit	Data in 2018
A. Environment			
A1.2	**Greenhouse gas emissions in total and intensity**		
	Greenhouse gas emissions in total	tCO_2e	8,072
	Greenhouse gas intensity	tCO_2e/million RMB revenue	5.5
A2. Use of resources			
A2.1	Energy consumption in total and intensity		
	Purchased electricity	kWh	14,889,650
	Intensity of purchased electricity	kWh/million RMB revenue	10,103.3
A2.2	Water consumption in total and intensity		
	Water for office and domestic use	ton	329,666
	Water consumption intensity	ton/million RMB revenue	223.7
B. Society			
B1. Employment			
B1.1	Number of employees: by gender, employment type, age group and geographical region		
	Number of employees	person	6,082
By gender	Male	person	1,828
	Female	person	4,254
By employment type	Teachers	person	3,264
	Others	person	2,818
By age group	Below 30	person	3,921
	30–50	person	2,051
	Above 50	person	110

ESG Indicator		Unit	Data in 2018
By geographical region	Gaungdong province	person	5,912
	Mainland China (other than Guangdong province)	person	170
Others	Labor contract coverage	%	100%
	Social security coverage	%	100%
B2. Health and safety			
B2.1	Number of work-related fatalities		
	Number of work-related fatalities.	person	0
	Number of work injury	times	0
B2.2	Lost days due to work injury		
	Lost days due to work injury	day	0
	Percentage of employees received the health check	%	100%
B3. Development and training			
B3.1	Number of employees trained: employees trained by gender and employee category		
	Total employees trained	person	19,030
By gender	Male	person	5,709
	Female	person	13,321
By employee category	Teachers	person	17,864
	Other	person	1,166

ESG Indicator		Unit	Data in 2018
B3.2	Training hours completed: by gender and employee category		
	Total training hours completed	hour	320,280
By gender	Male	hour	96,084
	Female	hour	224,196
By employee category	Teachers	hour	295,536
	Other	hour	24,744
	Average training hours completed: by gender and employee category		
	Average training hours completed	hour/person	52.7
By gender	Male	hour/person	52.6
	Female	hour/person	52.7
By employee category	Teachers	hour/person	90.5
	Other	hour/person	8.8
B5. Supply chain management			
B5.1	Number of suppliers by geographical region		
	Suppliers within Guangdong province	n/a	179
B6. Product responsibility			
	Suppliers in Mainland China(other than Guangdong province)	n/a	43
B7. Anti-corruption			
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period		
	Number of concluded legal cases regarding corrupt practices brought	case	0
B8. Community investment			
B8.2	Resources contributed to the focus area		
	Money or donation	RMB0'000	40

APPENDIX II ESG INDICATOR INDEX

ESG KPI	Guidance requirements	Report Section/Statement
A1:Emissions	General disclosure	For harmonious development of society – Environmental protection
	A1.1 The types of emissions and respective emissions data.	The Group does not involve significantly in wastewater and waste gas emission in its operation
	A1.2 Greenhouse gas emissions in total and intensity.	For harmonious development of society – Environmental protection/Appendix I
	A1.3 Total hazardous waste produced and intensity.	The Group does not involve significantly in the generation of hazardous waste in its operation
	A1.4 Total non-hazardous waste produced and intensity.	The Group is gradually improving waste management and plans to disclose this information in the future
	A1.5 Description of measures to mitigate emissions and results achieved.	For harmonious development of society – Environmental protection
	A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	For harmonious development of society – Environmental protection
A2:Use of resources	General disclosure	For harmonious development of society – Environmental protection
	A2.1 Direct and/or indirect energy consumption by type in total and intensity.	For harmonious development of society – Environmental protection/Appendix I
	A2.2 Water consumption in total and intensity.	For harmonious development of society – Environmental protection/Appendix I
	A2.3 Description of energy use efficiency initiatives and results achieved.	For harmonious development of society – Environmental protection
	A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	For harmonious development of society – Environmental protection
	A2.5 Total packaging material used for finished products with reference to per unit produced.	The Group does not involve in the use of any finished product packaging materials in its operation
A3:The environment and natural resources	General disclosure	For harmonious development of society – Environmental protection
	A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	For harmonious development of society – Environmental protection

ESG KPI	Guidance requirements	Report Section/Statement
B1: Employment	General disclosure	For realization of value of employees – Team management
	B1.1 Total workforce by gender, employment type, age group and geographical region.	For realization of value of employees – Team management/Appendix I
	B1.2 Employee turnover rate by gender, age group and geographical region.	Not disclosed
B2:Health and safety	General disclosure	For realization of value of employees – Team management
	B2.1 Number and rate of work-related fatalities.	For realization of value of employees – Team management/Appendix I
	B2.2 Lost days due to work injury.	For realization of value of employees – Team management/Appendix I
	B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.	For realization of value of employees – Team management
B3:Development and training	General disclosure	For realization of value of employees – Talent development
	B3.1 The percentage of employees trained by gender and employee category	For realization of value of employees – Talent development/Appendix I
	B3.2 The average training hours completed per employee by gender and employee category.	For realization of value of employees – Talent development/Appendix I
B4:Labour standards	General disclosure	For realization of value of employees – Team management
	B4.1 Description of measures to review employment practices to avoid child and forced labour.	For realization of value of employees – Team management
	B4.2 Description of steps taken to eliminate such practices when discovered.	For realization of value of employees – Team management
B5:Supply chain management	General disclosure	For harmonious development of society – Supply chain management
	B5.1 Number of suppliers by geographical region	For harmonious development of society – Supply chain management/Appendix I
	B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	For harmonious development of society – Supply chain management

ESG KPI	Guidance requirements	Report Section/Statement
B6:Product responsibility	General disclosure	For healthy growth of children-Educational philosophy/Education project/Quality of education
	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	The Group does not involve in quality inspection and recycling of products in its operation
	B6.2 Number of products and service related complaints received and how they are dealt with.	For healthy growth of children – Quality of education/Appendix I
	B6.3 Description of practices relating to observing and protecting intellectual property rights.	Responsibility Operation-Lawful operation
	B6.4 Description of quality assurance process and recall procedures.	The Group does not involve in quality inspection and recycling of products in its operation
	B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored.	Responsibility Operation-Lawful operation
B7:Anti-corruption	General disclosure	Responsibility Operation-Lawful operation
	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.	Responsibility Operation-Lawful operation/ Appendix I
	B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Responsibility Operation-Lawful operation
B8:Community investment	General disclosure	For harmonious development of society-Community dedication
	B8.1 Focus areas of contribution.	For harmonious development of society-Community dedication
	B8.2 Resources contributed to the focus area.	For harmonious development of society-Community dedication/Appendix I

INDEPENDENT AUDITOR'S REPORT

To the shareholders of China Beststudy Education Group
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Beststudy Education Group (the "Company") and its subsidiaries (the "Group") set out on pages 102 to 197, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
The Group typically collects tutoring fees from students in advance for the classes that they enroll and then recognises the fees as revenue proportionally as the tutoring services are delivered. The occurrence of the Group's revenue is of high inherent risk because of the large volume of students' enrolments with cash transactions and bank remittance transactions processed. In addition, revenue is one of the key performance indicators of the Group and there is an inherent risk of manipulation of the timing of recognition of revenue by management to meet specific targets or expectations. Given the significant amount and volume of transactions and the risk of manipulation of revenue, we therefore consider the recognition of the revenue as a key audit matter. The accounting policy for revenue recognition and disclosure of the amount of revenue are included in notes 2.4 and 5 to the financial statements.	As to our audit procedures, we: • tested the controls on the collection of tutoring fees and the controls designed and applied by the Group to calculate the contract liabilities and the corresponding amount of revenue; • extracted data from the systems and performed data analysis and on a sample basis, reviewed and checked the relevant supporting documentation including the student payment records and attendance records, and the payment remittance receipts of tutoring fees; and • performed trend analysis on tutoring fees and performed substantive analytical procedures to test the accuracy and reasonableness of the amount of revenue recognised for tutoring fees.
Fair values of unlisted equity investments	
The Group held material investments in certain unlisted equity investments, which were accounted for as equity investments at fair value through profit or loss with the total amount of RMB71.3 million as at 31 December 2018. These investments were classified as Level 3 in the fair value hierarchy, as their fair values were measured using valuation techniques with significant unobservable inputs. The selection of valuation techniques and assumptions for these financial assets can be subjective. The use of different valuation techniques and assumptions could produce significantly different estimates of fair value. The balance of these investments, the valuation techniques and significant unobservable inputs used in the measurement of the fair value of these investments are disclosed in notes 17 and 33 to the financial statements.	As to our audit procedures, we: • tested the valuation, verification and model approval processes, and evaluated the design and operating effectiveness of the internal controls over those processes; • compared inputs and assumptions used against industry benchmarks and investigated significant differences; and • involved our internal valuation specialists to assess the valuation techniques against industry practice and valuation guidelines and performed our own independent valuations where applicable.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than 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 THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made solely to you, as a body, 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.

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

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

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

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

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

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

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

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

We communicate with the Audit Committee 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.

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

We also provide the Audit Committee 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.

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

The engagement partner on the audit resulting in this independent auditor's report is M.L. Chau.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

12 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CONTINUING OPERATIONS			
Revenue	5	**1,473,748**	1,141,701
Cost of sales		**(875,717)**	(658,951)
Gross profit		**598,031**	482,750
Other income and gains, net	5	**6,648**	18,858
Investment income		**164**	751
Selling expenses		**(130,443)**	(95,107)
Research and development expenses		**(170,739)**	(140,060)
Administrative expenses		**(185,801)**	(177,856)
Share of losses of associates	15	**(1,233)**	(3,895)
Share of profits of a joint venture	16	**164**	–
Fair value changes on investments at fair value through profit or loss	17	**34,514**	33,259
Other expenses		**(43,530)**	(5,918)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**107,775**	112,782
Income tax expense	9	**(34,718)**	(37,374)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**73,057**	75,408
DISCONTINUED OPERATIONS			
Profit/(loss) for the year from discontinued operations	10	**914**	(9,599)
PROFIT FOR THE YEAR		**73,971**	65,809
Attributable to:			
Owners of the parent		**54,899**	48,982
Non-controlling interests		**19,072**	16,827
		73,971	65,809
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted			
– For profit for the year		**RMB8.7 cents**	RMB7.8 cents
– For profit from continuing operations		**RMB8.6 cents**	RMB9.4 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
PROFIT FOR THE YEAR	**73,971**	65,809
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	**180**	(2,699)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**180**	(2,699)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**180**	(2,699)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**74,151**	63,110
Attributable to:		
Owners of the parent	**55,042**	46,730
Non-controlling interests	**19,109**	16,380
	74,151	63,110

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**160,768**	56,228
Intangible assets	14	**9,586**	10,644
Investments in associates	15	**14,997**	16,230
Investment in a joint venture	16	**5,512**	5,275
Equity investments at fair value through profit or loss	17	**71,299**	64,581
Prepayments for purchases of property, plant and equipment		**29,179**	13,608
Deferred tax assets	22	**10,817**	4,750
Total non-current assets		**302,158**	171,316
CURRENT ASSETS			
Short-term investments measured at amortised cost	17	**–**	10,008
Short-term investments measured at fair value through profit or loss	17	**–**	561,635
Short-term debt investments measured at fair value through profit or loss	17	**517,907**	–
Short-term equity investments measured at fair value through profit or loss	17	**412**	–
Prepayments, deposits and other receivables	18	**147,539**	77,233
Restricted cash	19	**2,347**	–
Cash and cash equivalents	19	**468,041**	162,150
Other current assets		**1,218**	782
		1,137,464	811,808
Assets of a disposal group classified as held for sale	10	**–**	55,869
Total current assets		**1,137,464**	867,677
CURRENT LIABILITIES			
Other payables and accruals	20	**192,079**	127,825
Contract liabilities	21	**562,841**	517,171
Tax payable		**21,410**	15,193
		776,330	660,189
Liabilities directly associated with the assets classified as held for sale	10	**–**	26,011
Total current liabilities		**776,330**	686,200

continued/...

	Notes	2018 RMB'000	2017 RMB'000
NET CURRENT ASSETS		**361,134**	181,477
TOTAL ASSETS LESS CURRENT LIABILITIES		**663,292**	352,793
NON-CURRENT LIABILITIES			
Rental payables		**41,210**	15,026
Total non-current liabilities		**41,210**	15,026
Net assets		**622,082**	337,767
EQUITY			
Equity attributable to owners of the parent			
Share capital	23	**303**	164
Reserves	24	**622,821**	254,360
		623,124	254,524
Non-controlling interests		**(1,042)**	83,243
Total equity		**622,082**	337,767

Tang Junjing
Director

Tang Junying
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Notes	Share capital RMB'000 Note 23	Share premium* RMB'000 Note 24(g)	Shares held for the RSU scheme* RMB'000 Note 24(h)	Share-based payment reserve* RMB'000 Note 25	Statutory surplus reserve* RMB'000	Other reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to owners of the parent										
At 1 January 2017		164	–	-	13,015	75,107	39,635	(19,616)	281,527	389,832	64,247	454,079
Profit for the year		–	–	-	–	–	–	–	48,982	48,982	16,827	65,809
Other comprehensive loss for the year:												
Exchange differences on translation of financial statements		–	–	–	–	–	–	(2,252)	–	(2,252)	(447)	(2,699)
Total comprehensive income for the year		–	–	–	–	–	–	(2,252)	48,982	46,730	16,380	63,110
Equity-settled share option arrangements		–	–	–	25,960	–	16,192	–	–	42,152	–	42,152
Repurchase of vested share options		–	–	–	(3,960)	–	–	–	–	(3,960)	–	(3,960)
Acquisition of non-controlling interests	24(a(1))	–	–	–	–	–	(230)	–	–	(230)	(580)	(810)
Establishment of subsidiaries with non-controlling interests	24(b(1)(2))	–	–	–	–	–	–	–	–	–	940	940
Capital contribution from non-controlling shareholders	24(c)	–	–	–	–	–	–	–	–	–	554	554
Deregistration of a subsidiary with non-controlling interests		–	–	–	–	–	–	–	–	–	1,702	1,702
Dividends paid	11	–	–	–	–	–	–	–	(220,000)	(220,000)	–	(220,000)
Transfer from retained profits	24(d)	–	–	–	–	27,527	–	–	(27,527)	–	–	–
Conversion into a joint stock limited company	24(e)	–	–	–	–	(22,451)	61,809	–	(39,358)	–	–	–
At 31 December 2017		164	–	–	35,015	80,183	117,406	(21,868)	43,624	254,524	83,243	337,767

continued/...

		Attributable to owners of the parent										
	Notes	Share capital RMB'000 Note 23	Share premium* RMB'000 Note 24(g)	Shares held for the RSU scheme* RMB'000 Note 24(h)	Share-based payment reserve* RMB'000 Note 25	Statutory surplus reserve* RMB'000	Other reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018		164	-	-	35,015	80,183	117,406	(21,868)	43,624	254,524	83,243	337,767
Profit for the year		-	-	-	-	-	-	-	54,899	54,899	19,072	73,971
Other comprehensive loss for the year:												
Exchange differences on translation of financial statements		-	-	-	-	-	-	143	-	143	37	180
Total comprehensive income for the year		-	-	-	-	-	-	143	54,899	55,042	19,109	74,151
Issue of shares		87	-	(24)	-	-	-	-	-	63	-	63
Issue of shares for the initial public offering ("IPO")		52	319,702	-	-	-	-	-	-	319,754	-	319,754
Share issue expenses		-	(21,636)	-	-	-	-	-	-	(21,636)	-	(21,636)
Equity-settled share option arrangements		-	-	-	6,481	-	-	-	-	6,481	-	6,481
Acquisition of non-controlling interests	24(a(2))	-	-	-	-	-	2,283	-	-	2,283	(2,793)	(510)
Disposal of subsidiaries with non-controlling interests	26	-	-	-	-	-	-	-	-	-	5,562	5,562
Establishment of subsidiaries with non-controlling interests	24(b(3))	-	-	-	-	-	-	-	-	-	450	450
Dividends paid	11	-	-	-	-	-	-	-	(100,000)	(100,000)	-	(100,000)
Transfer from retained profits	24(d)	-	-	-	-	18,269	-	-	(18,269)	-	-	-
Reorganisation	24(f)	-	-	-	-	-	106,613	-	-	106,613	(106,613)	-
At 31 December 2018		303	298,066	(24)	41,496	98,452	226,302	(21,725)	(19,746)	623,124	(1,042)	622,082

* These reserve accounts comprise the reserves of RMB622,821,000 (2017: RMB254,360,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax			
From continuing operations		**107,775**	112,782
From discontinued operations	10	**965**	(9,648)
Adjustments for:			
Finance costs		**524**	695
Interest income	5	**(1,230)**	(7,655)
Investment income		**(164)**	(751)
Loss on disposal of items of property, plant and equipment	6	**254**	119
Deregistration of subsidiaries	6	**–**	50
Equity-settled share compensation costs	6	**6,481**	25,960
Depreciation	13	**41,651**	24,611
Amortisation of intangible assets	14	**2,181**	1,280
Share of losses of associates	15	**1,233**	3,895
Share of profits of a joint venture	16	**(164)**	–
Change in fair value of investments measured at fair value through profit or loss	17	**(34,514)**	(33,259)
Gain on disposal of subsidiaries	26	**(9,298)**	(152)
		115,694	117,927
Increase in prepayments, deposits and other receivables		**(42,686)**	(16,180)
Decrease in amount due from a related party		**–**	3,000
Increase in other current assets		**(436)**	(13,769)
Increase in other payables and accruals		**90,369**	44,784
Increase in contract liabilities		**45,670**	117,201
Increase in rental payables		**26,184**	3,728
Decrease in government grants		**–**	(660)
Cash generated from operations		**234,795**	256,031
Interest received		**1,353**	8,132
Corporate income tax paid		**(34,619)**	(25,748)
Net cash flows from operating activities		**201,529**	238,415

continued/...

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income received		**28,886**	7,509
Purchases of short-term investments measured at fair value through profit or loss		**(2,039,223)**	(2,362,491)
Receipt from maturity of short-term investments measured at fair value through profit or loss		**2,081,242**	1,957,037
Purchase of short-term investments measured at amortised cost		**–**	(87,544)
Receipt from maturity of short-term investments measured at amortised cost		**10,000**	87,928
Purchase of equity investments at fair value through profit or loss		**–**	(1,000)
Proceeds from disposal of an equity investment at fair value through profit or loss		**–**	500
Proceeds from disposal of items of property, plant and equipment and intangible assets		**407**	6
Purchases of items of property, plant and equipment		**(151,949)**	(73,977)
Purchases of items of intangible assets	14	**(1,669)**	(2,482)
Acquisition of associates	15	**–**	(750)
Disposal of associates	15	**–**	29,939
Purchase of a shareholding in a joint venture	16	**–**	(5,275)
Collection of a loan to a third party		**–**	30,000
Acquisition of subsidiaries		**–**	(8,400)
Disposal of subsidiaries	26	**11,015**	156
Receipt of the deposit for investments		**–**	28,264
Net cash flows used in investing activities		**(61,291)**	(400,580)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares on IPO		**279,660**	–
Share issue expenses		**(21,636)**	–
Borrowings from a non-controlling interest		**–**	15,889
Capital contribution		**513**	17,686
Dividends paid	11	**(100,000)**	(220,000)
Interest paid		**(524)**	(322)
Repurchase of vested share options		**–**	(3,960)
Acquisition of non-controlling interests of subsidiaries		**(510)**	(810)
Net cash flows from/(used in) financing activities		**157,503**	(191,517)

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	Notes	2018 RMB'000	2017 RMB'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**297,741**	(353,682)
Cash and cash equivalents at beginning of year		**169,813**	526,195
Effect of foreign exchange rate changes, net		**487**	(2,700)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**468,041**	169,813
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	19	**468,041**	162,150
Cash and bank balances attributable to discontinued operations	10	**–**	7,663
Cash and cash equivalents as stated in the statement of cash flows		**468,041**	169,813

1. CORPORATE AND GROUP INFORMATION

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

The Company is an investment holding company. During the year, the Company and its subsidiaries (collectively referred to as the "Group") were engaged in the provision of preparing kindergarten students for their transition into primary schools to Grade 12 ("K-12") after-school education services, including small group tutoring courses and tutoring courses for individuals, elite talent programs and full-time test preparation courses in Mainland China.

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

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
China Bestudy Education Group ("Bestudy")	Cayman Islands 27 August 2010	United States dollar ("US$") 50,000	100	–	Investment holding
China Beststudy Education (HK) Limited ("Beststudy HK")	Hong Kong 9 September 2010	US$12,860	–	100	Investment holding
Guangzhou Zhuoxue Information Technology Co., Ltd. 廣州市卓學信息科技有限公司 ("Zhuoxue Information")*	PRC/Mainland China 19 October 2016	US$2,000,000	–	100	Provision of management consultancy services
Guangzhou Beststudy Enterprise Co., Ltd. 廣州市卓越里程教育科技有限公司 ("Guangzhou Beststudy")*#	PRC/Mainland China 2 June 2000	RMB43,000,000	–	100	K-12 after-school education services

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Foshan Nanhai Beststudy Frontline Education and Training Centre 佛山市南海區卓越前線教育培訓中心 ("Foshan Nanhai Beststudy")*#	PRC/Mainland China 21 October 2013	RMB300,000	–	100	K-12 after-school education services
Guangzhou Baiyun Beststudy Education and Training School 廣州市白雲區卓越教育培訓學校 ("Guangzhou Baiyun")*#	PRC/Mainland China 1 March 2012	RMB200,000	–	100	K-12 after-school education services
Guangzhou Conghua Beststudy Education and Training Centre 廣州市從化區卓越教育培訓中心 ("Guangzhou Conghua")*#	PRC/Mainland China 1 July 2013	RMB50,000	–	100	K-12 after-school education services
Guangzhou Panyu Learning Frontline Education and Training Centre 廣州市番禺區學習前線教育培訓中心 ("Guangzhou Panyu")*#	PRC/Mainland China 16 October 2009	RMB100,000	–	100	K-12 after-school education services
Guangzhou Haizhu Beststudy Education and Training Centre 廣州市海珠區卓越教育培訓中心 ("Guangzhou Haizhu")*#	PRC/Mainland China 26 October 2012	RMB100,000	–	100	K-12 after-school education services

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Guangzhou Zengcheng Beststudy Education and Training Centre 廣州市增城區卓越教育培訓中心 ("Zengcheng Beststudy")*#	PRC/Mainland China 15 May 2012	RMB100,000	–	100	K-12 after-school education services
Guangzhou Huadu Beststudy Education and Training Centre 廣州市花都區卓越教育培訓中心 ("Huadu Beststudy")*#	PRC/Mainland China 26 April 2011	RMB300,000	–	100	K-12 after-school education services
Guangzhou Beststudy Education and Training Centre 廣州卓越教育培訓中心 ("Guangzhou Beststudy Centre")*#	PRC/Mainland China 15 January 2007	RMB100,000	–	100	K-12 after-school education services
Guangzhou Gaofen Network Technology Co., Ltd. 廣州高分網絡科技有限公司 ("Guangzhou Gaofen")*#	PRC/Mainland China 21 December 2015	RMB1,000,000	–	100	Internet information services
Guangzhou Qizuo Education Consulting Co., Ltd. 廣州奇作教育諮詢有限公司 ("Guangzhou Qizuo")*#	PRC/Mainland China 20 December 2010	RMB5,000,000	–	100	Internet information services
Guangzhou Yuyou Education Technology Co., Ltd. 廣州譽優教育科技有限公司 ("Guangzhou Yuyou")*#	PRC/Mainland China 28 October 2014	RMB5,080,000	–	100	K-12 after-school education services

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Guangzhou Fengbei Network Technology Co., Ltd. 廣州蜂背網絡科技有限公司 ("Guangzhou Fengbei")*#	PRC/Mainland China 12 March 2015	RMB100,000	–	100	Internet information services
Guangzhou Zhuoye Information Technology Co., Ltd. 廣州卓業信息技術有限公司 ("Guangzhou Zhuoye")*#	PRC/Mainland China 6 December 2010	RMB19,779,000	–	100	Provision of technical support and development services
Dongguan Dongcheng Learning Frontline Training Centre 東莞市東城學習前線培訓中心 ("Dongguan Frontline")*#	PRC/Mainland China 27 December 2011	RMB278,188	–	100	K-12 after-school education services
Dongguan Dongcheng Beststudy Training Centre 東莞市東城卓越培訓中心 ("Dongguan Dongcheng")*#	PRC/Mainland China 13 March 2012	RMB215,800	–	100	K-12 after-school education services
Dongguan Dongcheng Beststudy Second Training Centre 東莞市東城卓越第二培訓中心 ("Dongguan Second')*#	PRC/Mainland China 11 October 2014	RMB200,337	–	100	K-12 after-school education services
Dongguan Guancheng Beststudy Training Centre 東莞市莞城卓越培訓中心 ("Dongguan Guancheng")*#	PRC/Mainland China 6 March 2013	RMB150,000	–	100	K-12 after-school education services

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Dongguan Houjie Beststudy Training Centre 東莞市厚街卓越培訓中心 ("Dongguan Houjie")*#	PRC/Mainland China 10 October 2014	RMB150,000	–	100	K-12 after-school education services
Foshan Chancheng Learning Frontline Education and Training Centre 佛山市禪城區學習前線教育培訓中心 ("Foshan Chancheng")*#	PRC/Mainland China 4 June 2013	RMB300,000	–	100	K-12 after-school education services
Foshan Nanhai Xinzhuoyue Education and Training Centre 佛山市南海區新卓越教育培訓中心 ("Foshan Nanhai Xinzhuoyue")*#	PRC/Mainland China 16 May 2013	RMB300,000	–	100	K-12 after-school education services
Foshan Shunde Lecong Learning Frontline Education and Training Centre 佛山市順德區樂從鎮學習前線教育培訓中心 ("Shunde Lecong")*#	PRC/Mainland China 25 June 2013	RMB200,000	–	100	K-12 after-school education services
Shenzhen Bosijie Culture Development Co., Ltd. 深圳市博思傑文化發展有限公司 ("Shenzhen Bosijie")*#	PRC/Mainland China 26 June 2009	RMB200,000	–	90	K-12 after-school education services

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Shenzhen Beststudy Education and Training Centre 深圳市卓越教育培訓中心 ("Shenzhen Beststudy Centre")*#	PRC/Mainland China 17 November 2011	RMB15,200,000	–	100	K-12 after-school education services
Shenzhen Wandie Education and Training Centre 深圳萬蝶教育培訓中心 ("Shenzhen Wandie Education")*#	PRC/Mainland China 17 November 2011	RMB2,000,000	–	100	K-12 after-school education services
Zhuhai Chuangsi Language Training School 珠海創思語言培訓學校 ("Zhuhai Chuangsi")*#	PRC/Mainland China 26 May 1998	RMB1,100,000	–	100	K-12 after-school education services
Zhuhai Xiangzhou District Siqi Cultural Training Centre 珠海市香洲區思奇文化培訓中心 ("Zhuhai Siqi")*#	PRC/Mainland China 28 October 2004	RMB100,000	–	100	K-12 after-school education services
Shanghai Yangpu Beststudy Education and Training Centre 上海楊浦區卓越教育培訓中心 ("Shanghai Yangpu")*#	PRC/Mainland China 9 April 2012	RMB2,000,000	–	100	K-12 after-school education services

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Zhongshan Zhuoye Consulting Management Co., Ltd. 中山市卓業諮詢管理顧問有限公司 ("Zhongshan Zhuoye")*#	PRC/Mainland China 26 October 2011	RMB300,000	–	100	K-12 after-school education services
Zhongshan East District Zhuoye Boda Jiahui Garden Education and Training Centre 中山市東區卓業博達嘉惠菀教育培訓中心 ("Zhongshan Jiahui Garden")*#	PRC/Mainland China 10 February 2012	RMB50,000	–	100	K-12 after-school education services
Zhongshan East District Zhuoye Boda Shuiyunxuan Education and Training Centre 中山市東區卓業博達水雲軒教育培訓中心 ("Zhongshan Shuiyunxuan")*#	PRC/Mainland China 10 February 2012	RMB50,000	–	100	K-12 after-school education services
Zhongshan East District Zhuoye Boda Zhuyuan Education and Training Centre 中山市東區卓業博達竹菀教育培訓中心 ("Zhongshan Zhuyuan")*#	PRC/Mainland China 10 February 2012	RMB50,000	–	100	K-12 after-school education services
Zhongshan Shizhuo Zhuoye Boda Hengji Education and Training Centre 中山市石岐卓業博達恒基教育培訓中心 ("Zhongshan Hengji")*#	PRC/Mainland China 10 February 2012	RMB50,000	–	100	K-12 after-school education services

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Zhongshan Shizhuo Zhuoye Boda Guanxi Education and Training Centre 中山市石岐卓業博達岐關西教育培訓中心 ("Zhongshan Qiguanxi")*#	PRC/Mainland China 17 April 2013	RMB50,000	–	100	K-12 after-school education services
Zhongshan West District Zhuoye Boda Huating Education and Training Centre 中山市西區卓業博達華庭教育培訓中心 ("Zhongshan Huating")*#	PRC/Mainland China 17 January 2012	RMB50,000	–	100	K-12 after-school education services
Zhongshan Xiaolan Zhuoye Boda Education and Training Centre 中山市小欖卓業博達教育培訓中心 ("Zhongshan Xiaolan")*#	PRC/Mainland China 29 July 2008	RMB50,000	–	100	K-12 after-school education services
Zhuhai Beststudy Enterprise Co., Ltd. 珠海市卓越里程企業有限公司 ("Zhuhai Beststudy")*#	PRC/Mainland China 16 December 2015	RMB100,000	–	100	K-12 after-school education services
Guangzhou Aiyuwen Technology Information Consulting Co., Ltd. 廣州市愛語文科技諮詢有限公司 ("Guangzhou Aiyuwen")*#	PRC/Mainland China 18 December 2015	RMB750,000	–	100	Internet information service

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Guangzhou Liwan Beststudy Education and Training Centre 廣州市荔灣區卓越教育培訓中心 ("Liwan Beststudy")*#	PRC/Mainland China 19 February 2016	RMB100,000	–	100	K-12 after-school education services
Guangzhou Huangpu Beststudy Education and Training Centre 廣州市黃埔區卓越教育培訓中心 ("Guangzhou Huangpu")*#	PRC/Mainland China 30 November 2016	RMB100,000	–	100	K-12 after-school education services
Beijing Niushibang Education Technology Co., Ltd. 北京牛師幫教育科技有限公司 ("Beijing Niushibang")*#	PRC/Mainland China 29 September 2015	RMB1,538,461,000	–	64	Internet information service
Beijing Qiaowen Education Technology Co., Ltd. 北京巧問教育科技有限公司 ("Beijing Qiaowen")*#	PRC/Mainland China 11 October 2014	RMB2,000,000	–	100	K-12 after-school education services
Dongguan Zhuoyue Education Consulting Service Co., Ltd. 東莞市卓越教育諮詢服務有限公司 ("Dongguan Zhuoyue")*#	PRC/Mainland China 11 December 2015	RMB100,000	–	100	K-12 after-school education services
Foshan Beststudy Culture Communication Co., Ltd. 佛山市卓越里程文化傳播有限公司 ("Foshan Culture")*#	PRC/Mainland China 18 December 2015	RMB100,000	–	100	K-12 after-school education services

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Shenzhen Zhuoyue Education Training Co., Ltd. 深圳市卓越教育培訓有限公司 ("Shenzhen Zhuoyue Education")*#	PRC/Mainland China 7 December 2015	RMB100,000	–	100	K-12 after-school education services
Shenzhen Wandie Culture Development Co., Ltd. 深圳市萬碟文化發展有限公司 ("Shenzhen Wandie Culture")*#	PRC/Mainland China 8 December 2006	RMB4,100,000	–	100	K-12 after-school education services
Tibet Zhuoye Venture Capital Investment Management Co., Ltd. 西藏卓業創業投資管理有限公司 ("Tibet Zhuoye")*#	PRC/Mainland China 21 April 2016	RMB30,000,000	–	100	Investment
Guangxi Nanning YuZhiYou Education Technology Co., Ltd. 廣西南寧譽智優教育科技有限公司 ("Nanning YuZhiYou")*#	PRC/Mainland China 21 April 2017	RMB2,010,000	–	99	K-12 after-school education services
Huizhou Yuyou Education Technology Co., Ltd. 惠州譽優教育科技有限公司 ("Huizhou Yuyou") *#	PRC/Mainland China 19 October 2017	RMB1,000,000	–	85	K-12 after-school education services

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Guangzhou Beststudy Wendao Travel Service Co., Ltd. (廣州卓越問道旅行社有限公司) ("Guangzhou Wendao")*#	PRC/Mainland China 20 March 2018	RMB1,000,000	–	80	Consulting services
Nanning Beststudy Education Technology Co., Ltd. 南寧卓越里程教育科技有限公司 ("Nanning Beststudy")*#	PRC/Mainland China 25 April 2018	RMB150,000	–	100	Investment
Guangzhou GROW Education Technology Co., Ltd. 廣州市果肉教育科技有限公司 ("Guangzhou GROW")*#	PRC/Mainland China 10 May 2018	RMB1,000,000	–	60	Internet information services and internet culture services
Dongguan Nancheng Beststudy Training Centre Co., Ltd. 東莞市南城卓越培訓中心有限公司 ("Dongguan Nancheng Zhuoyue")*#	PRC/Mainland China 20 June 2018	RMB215,765	–	100	K-12 after-school education services
Guangzhou Tianhe Beststudy Education and Training Centre Co., Ltd. 廣州市天河區卓越教育培訓中心有限公司 ("Tianhe Beststudy")*#	PRC/Mainland China 15 August 2018	RMB100,000	–	100	K-12 after-school education services

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Guangzhou Chuangxiangjia Education Investment Co., Ltd. 廣州創享家教育投資有限公司 ("Guangzhou Chuangxiangjia")*#	PRC/Mainland China 19 September 2018	RMB10,000,000	–	80	Investment
Guangzhou Yuyou Leshu Education Technology Co., Ltd. 廣州譽優樂數教育科技有限公司 ("Yuyou Leshu")*#	PRC/Mainland China 14 September 2018	RMB1,000,000	–	70	K-12 after-school education services
Guangzhou Yizhi Siwei Education Technology Co., Ltd. 廣州益智思維教育科技有限公司 ("Yizhi Siwei")*#	PRC/Mainland China 19 September 2018	RMB12,000,000	–	92	Internet information services
Guangzhou Huadu Beststudy After-school Education and Training Centre Co., Ltd. 廣州市花都區卓越課外教育培訓中心有限公司 ("Huadu Beststudy")*#	PRC/Mainland China 28 September 2018	RMB100,000	–	100	K-12 after-school education services
Gongguan Dongcheng Jinghu Beststudy Training Centre Co., Ltd. 東莞市東城景湖卓越培訓中心有限公司 ("Dongcheng Jinghu")*#	PRC/Mainland China 20 November 2018	RMB270,000	–	100	K-12 after-school education services

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Dongguan Dongcheng Xinshijie Beststudy Training Centre Co., Ltd. 東莞市東城新世界卓越培訓中心有限公司 ("Dongcheng Xinshijie")*#	PRC/Mainland China 23 November 2018	RMB200,000	–	100	K-12 after-school education services
Dongguan Dongcheng Shibo Beststudy Training Centre Co., Ltd. 東莞市東城世博卓越培訓中心有限公司 ("Dongcheng Shibo")*#	PRC/Mainland China 28 November 2018	RMB150,000	–	100	K-12 after-school education services
Guangzhou Baiyun District Beststudy Education Training Centre Co., Ltd. 廣州白雲區卓越教輔培訓中心有限公司 ("Baiyun Beststudy")*#	PRC/Mainland China 5 December 2018	RMB150,000	–	100	K-12 after-school education services
Guangdong Future Youth Palace Education Technology Co., Ltd. 廣東未來青少年宮教育科技有限公司 ("Future Youth Palace") *#	PRC/Mainland China 18 December 2018	RMB10,000,000	–	100	Internet information services

* The English names of all the above companies represent the best effort made by the directors of the Company (the "Directors") to translate the Chinese names as these companies have not been registered with any official English names.

\# These entities are owned through contractual arrangements.

Except for Zhuoxue Information, which was established as a wholly-foreign-invested enterprise, all the above PRC companies were established as domestic-invested enterprises.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and interpretations) issued by the International Accounting Standards Board ("IASB"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain equity investments and short-term investments which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 10 to these financial statements. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Except for IFRS 9 *Financial Instruments*, all IFRSs effective for the accounting period commencing from 1 January 2018, including IFRS 15 *Revenue from Contracts with Customers* and amendments to IFRS 15 *Clarifications to IFRS 15 Revenue from Contracts with Customers*, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of these financial statements throughout the reporting period.

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The effect of adopting IFRS 9 is described below:

(a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The assessment of the Group's business model was made as of 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 have had no significant impact on the Group. The Group has continued measuring at fair value all financial assets previously held at fair value under IAS 39.

The following describes the classification of the Group's financial assets upon the adoption of IFRS 9 as of 1 January 2018:

- Financial assets included in prepayments, deposits and other receivables of RMB59,608,000 previously classified as loans and receivables under IAS 39 are held to collect contractual cash flows and give rise to cash flows representing SPPI. These are now classified and measured as financial assets at amortised cost.

- Under IAS 39, wealth management products of RMB10,008,000, of which the principal and interests are guaranteed, were previously classified as financial assets at amortised cost. Other wealth management products of RMB547,567,000 were classified as financial assets at fair value through profit or loss. Under IFRS 9, they are now all classified and measured as financial assets at fair value through profit or loss (debt instruments). The return on these wealth management products is contractually linked to a pool of investments with concentration of credit risks through subordination and/or guarantee. The Group has no access to the underlying pool of investments and thus classifies the wealth management products at fair value through profit or loss in accordance with IFRS 9. For those wealth management products reclassified from financial assets at amortised cost to fair value through profit or loss, on the date of initial application of IFRS 9, the fair value of the wealth management products approximates its amortised costs.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The effect of adopting IFRS 9 is described below: (continued)

(a) Classification and measurement (continued)

- Equity investments in both listed and non-listed companies, amounting to RMB14,068,000 and RMB64,581,000, respectively, previously were designated as financial assets at fair value through profit or loss under IAS 39. Upon the adoption of IFRS 9, the Group did not elect to designate these equity investments as fair value through other comprehensive income, and these equity investments thus are classified and measured at fair value through profit or loss.

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

(b) Impairment

The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach.

IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon the adoption of IFRS 9, the Group assessed that the ECLs for financial assets included in prepayments, deposits and other receivables, short-term investments measured at amortised cost and cash and cash equivalents were immaterial.

(c) Hedge accounting

The Group has not applied hedge accounting under IFRS 9.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not early applied the following new and revised standards that have been issued but are not yet effective, in these consolidated financial statements:

Amendments to IFRS 3	*Definition of a Business*[2]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 1 and IAS 8	*Definition of Material*[2]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015–2017 Cycle	*Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23*[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 Mandatory effective date not yet determined

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, except IFRS 16 *Leases*, the Group considers that these new and revised IFRSs may result in changes in accounting policies but are unlikely to have a significant impact on the Group's results of operations and financial position.

Further information about IFRS 16 that is expected to be applicable to the Group is described below:

IFRS 16 *Leases*

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. For lessee accounting, the standard introduces a single lessee accounting model and requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use ("ROU") asset). For lessor accounting, IFRS 16 is substantially unchanged from the accounting requirements under IAS 17. Accordingly, lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases, and to account for those two types of leases differently.

The Group will adopt IFRS 16 from 1 January 2019. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2019.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

IFRS 16 *Leases* (continued)

As at 31 December 2018, the Group had payment commitments under non-cancellable operating leases of approximately RMB1,200,582,000 as disclosed in note 29 to the financial statements. Based on the preliminary assessment by the Directors, assuming all non-cancellation operating lease commitments as disclosed in note 29 to the financial statements meet the IFRS 16 criteria, the adoption of IFRS 16 will result in a recognition of ROU assets and financial liabilities. The financial liabilities will be measured on an amortised cost basis and the interest expense will be allocated over the lease term using the effective interest rate method. As for the financial performance impact on profit or loss, rental expenses will be replaced with straight-line depreciation expense on the ROU asset and interest expenses on the lease liability. The combination of the straight-line depreciation of the ROU asset and the effective interest rate method applied to the lease liability will result in a higher total charge to the consolidated statement of profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. 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. Under IFRS 16, lease payments in relation to lease liabilities will be allocated into principal and interest portions which will be presented as financing cash flows. The Group will need to perform a more detailed analysis to determine the amounts of ROU assets and lease liabilities arising from operating leases on initial adoption of IFRS 16, after taking into account the applicability of the practical expedient and the effects of discounting.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associates or joint ventures, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interests in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition-date fair value which is the sum of the acquisition-date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IFRS 9, it is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at December 31. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in these financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in these financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) as at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made as at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Office equipment	19.00% to 33.33%
Electronic equipment	31.67% to 33.33%
Motor vehicles	19.00% to 20.00%
Leasehold improvements	20.00% to 33.33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least as at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least as at each financial year end.

Intangible assets are qualified as having a finite life and are stated at cost less any impairment losses and are amortised on a straight-line basis over the respective estimated useful life. The annual rates used for this purpose are as follows:

Computer software	10% to 100%
Trademarks and domain names	10%

The annual rates for computer software are determined in accordance with the useful lives of the software which were assessed by the Group considering different purposes and usage of the software. The software serving as an underlying IT system or teaching platform system is amortised over a long period up to 10 years. Other software requiring fast updating is amortised over a shorter period.

Trademarks and domain names are depreciated over the estimated useful lives based on the Directors' best estimation.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (policies under IFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are SPPI on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (policies under IFRS 9 applicable from 1 January 2018) (continued)

Subsequent measurement (continued)

Financial assets at fair value through other comprehensive income (debt instruments)

The Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (policies under IFRS 9 applicable from 1 January 2018) (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Investments and other financial assets (policies under IAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss and loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (policies under IAS 39 applicable before 1 January 2018) (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as other income and gains in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in other income and gains for loans and in other expenses for receivables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (policies under IFRS 9 applicable from 1 January 2018 and policies under IAS 39 applicable before 1 January 2018)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets (policies under IFRS 9 applicable from 1 January 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (policies under IFRS 9 applicable from 1 January 2018) (continued)

General approach (continued)

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Impairment of financial assets (policies under IAS 39 applicable before 1 January 2018)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (policies under IAS 39 applicable before 1 January 2018) (continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (policies under IAS 39 applicable before 1 January 2018) (continued)

Available-for-sale financial investments (continued)

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities (policies under IFRS 9 applicable from 1 January 2018 and policies under IAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or loans and borrowings and payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include other payables and accruals.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, other than convertible redeemable preferred shares, financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities (policies under IFRS 9 applicable from 1 January 2018 and policies under IAS 39 applicable before 1 January 2018)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments (policies under IFRS 9 applicable from 1 January 2018 and policies under IAS 39 applicable before 1 January 2018)

Financial assets and financial liabilities are offset and the net amount is reported in the Group's statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences as at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, joint ventures and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed as at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed as at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to 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.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

(a) Revenue from contracts with customers

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Rendering of services

The Group offers various types of after-school education services to help students improve their academic performance and qualify for their desired schools and universities, including: (i) small group tutoring of premium learning programs; (ii) individualised group tutoring of premium learning programs; (iii) full-time test preparation programs; and (iv) elite talent programs.

Bundled package of services

Certain programs are offered at a discount or free of charge if ordered in a bundled package. Each program is identified as a separate performance obligation. The Group allocates the transaction price to each performance obligation based on the relative stand-alone selling price.

The performance obligations are satisfied over time because the customer simultaneously receives and consumes the benefits provided by the Group. Revenue from these services is recognised over time using an output method based on the unit of classes delivered to measure progress towards complete satisfaction of the service.

Advances received from customers

Generally, the Group receives short-term advances from its customers and recognises such advances as contract liabilities. The Group expects, at contract inception, that the period between the time the customer pays for the service and when the Group transfers that promised service to the customer will be one year or less.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(a) Revenue from contracts with customers (continued)

Variable consideration

Certain contracts provide customers with a right of refund when the customers complete the program but fail to achieve the predetermined test result. Rights of refund give rise to variable consideration.

At contract inception, the Group uses the expected value method to estimate the amount that will be refunded because this method best predicts the amount of variable consideration to which the Group will be entitled. The Group applies the requirements in IFRS 15 on constraining estimates of variable consideration to determine the amount of variable consideration that can be included in the transaction price. The Group records the amount that will be refunded as a refund liability in other payables and accruals in the consolidated statement of financial position. The revenue recognition is deferred until the associated uncertainty is subsequently resolved.

(b) Interest income

Interest income from a financial asset is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

(c) Revenue from operating leases

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for operating leases above.

Contract liabilities

A contract liability is the obligation to transfer services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Share-based payments

The Group operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including Directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 25 to these financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB. The functional currency of the Company is the United States dollar. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling as at the end of each reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of each reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing as at the end of each reporting period and their consolidated statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in these financial statements:

Contractual arrangements

The Group is mainly engaged in the provision of K-12 after-school education services, which falls in the scope of "Catalogue of Restricted Foreign Investment Industries" and foreign investors are prohibited to invest in such business.

The Group exercises control over the PRC operating entities and enjoys substantially all economic benefits of the PRC operating entities through a series of structured contracts.

The Group considers that it controls the structured entities notwithstanding the fact that it does not hold direct equity interest in the structured entities, as it has power over the financial and operating policies of the structured entities and receives substantially all of the economic benefits from the business activities of the structured entities through the contractual arrangements. Accordingly, the structured entities have been accounted for subsidiaries during the year.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty as at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets as at the end of each reporting period. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2018 was nil (2017: RMB916,000). The amount of unrecognised tax losses at 31 December 2018 was RMB56,036,000 (2017: RMB42,874,000). Further details are contained in note 22 to the financial statements.

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 33 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 3. The fair value of the unlisted equity investments at 31 December 2018 was RMB71,299,000 (2017: RMB64,581,000). Further details are included in note 33 to the financial statements.

Fair value of share-based compensation to employees

As set out in note 25 to the financial statements below, the Group awarded equity interests to the key employees during the years ended 31 December 2011, 2012, 2013, 2017 and 2018. The Group uses the discounted cash flow method to determine the fair value of these awards. Significant judgements on key assumptions, such as the discount rate and projection of future performance, are required to be made by the Group.

The share-based compensation expenses related to the awards in 2018 were RMB6,481,000 (2017: RMB25,960,000).

4. OPERATING SEGMENT INFORMATION

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

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

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

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

Information about major customers

No service provided to a single customer amounted to 10% or more of total revenue of the Group during the year.

5. REVENUE, OTHER INCOME AND GAINS, NET

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

An analysis of revenue is as follows:

	2018 **RMB'000**	2017 RMB'000
Revenue from contracts with customers		
Premium learning programs		
– Small group tutoring	**750,241**	554,769
– Individualised tutoring	**551,685**	458,694
Full-time test preparation programs	**129,545**	99,981
Elite talent programs	**39,516**	26,695
Others	**2,761**	1,562
	1,473,748	1,141,701

5. REVENUE, OTHER INCOME AND GAINS, NET (continued)

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

Segments	**Small group tutoring RMB'000**	**Individualised tutoring RMB'000**	**Full-time test preparation programs RMB'000**	**Elite talent programs RMB'000**	**Others RMB'000**	**Total RMB'000**
Timing of revenue recognition						
Services transferred at a point in time	**–**	**551,685**	**–**	**–**	**2,761**	**554,446**
Services transferred over time	**750,241**	**–**	**129,545**	**39,516**	**–**	**919,302**
	750,241	**551,685**	**129,545**	**39,516**	**2,761**	**1,473,748**

For the year ended 31 December 2017

Segments	Small group tutoring RMB'000	Individualised tutoring RMB'000	Full-time test preparation programs RMB'000	Elite talent programs RMB'000	Others RMB'000	Total RMB'000
Timing of revenue recognition						
Services transferred at a point in time	–	458,694	–	–	1,562	460,256
Services transferred over time	554,769	–	99,981	26,695	–	681,445
	554,769	458,694	99,981	26,695	1,562	1,141,701

5. REVENUE, OTHER INCOME AND GAINS, NET (continued)

Revenue from contracts with customers (continued)

(ii) Performance obligations

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

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

	2018	2017
	RMB'000	RMB'000
Other income and gains, net		
Interest income	**1,230**	7,655
Other service income, net	**2,000**	2,918
Subsidy income from the PRC government	**2,375**	5,816
Site use income	**389**	276
Licensing and consulting income	**451**	449
Others	**203**	1,744
	6,648	18,858

The subsidy income from the PRC government mainly represents subsidies granted by the local government to Guangzhou Beststudy, Guangzhou Beststudy Centre, Shanghai Yangpu, Foshan Culture and Guangzhou Haizhu as compensation for their operating expenses and as encouragement for their contribution to the local economy. There are no unfulfilled conditions or contingencies relating to such subsidies.

6. PROFIT BEFORE TAX

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

	Notes	2018 RMB'000	2017 RMB'000
Employee benefit expense (excluding Directors' remuneration) (note 7):			
Wages and salaries		**715,497**	554,081
Pension scheme contributions		**86,181**	66,645
Equity-settled share option expense		**6,481**	25,960
		808,159	646,686
Cost of services provided*		**875,717**	658,951
Depreciation	13	**41,651**	24,611
Amortisation of intangible assets	14	**2,181**	1,280
Minimum lease payments under operating leases		**200,724**	142,460
Fair value (gains)/losses:			
Unlisted equity investments at fair value through profit or loss	17	**(6,622)**	(19,427)
Listed equity investments	17	**1,783**	–
Wealth management products issued by banks	17	**(29,675)**	(13,832)
Auditor's remuneration		**1,380**	3,735
Listing expenses		**41,727**	–
Loss on disposal of items of property, plant and equipment		**254**	119
Interest income		**(1,230)**	(7,655)
Subsidy income from the PRC government		**(2,375)**	(5,816)
Foreign exchange difference, net**		**364**	(1,613)
Derecognition of subsidiaries		**–**	50

* The staff costs of RMB593,906,000 (2017: RMB460,746,000) and the depreciation and amortisation of RMB32,684,000 (2017: RMB18,255,000) are included in "Cost of services provided" in the consolidated statement of profit or loss.

** Included in "Other expenses" in the consolidated statement of profit or loss.

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2018 **RMB'000**	2017 RMB'000
Fees	**30**	34
Other emoluments:		
Salaries, allowances and benefits in kind	**3,369**	2,129
Performance related bonuses	**1,500**	2,818
Pension scheme contributions	**99**	102
	4,968	5,049
	4,998	5,083

(a) Independent Non-executive Directors

The fees paid to independent non-executive directors during the year were as follows:

	2018 **RMB'000**	2017 RMB'000
Mr. Yingmin Wu	**15**	17
Ms. Yu Long	**15**	17
Mr. Peng Xue	**–**	–
	30	34

There was no other emoluments payable to the independent non-executive directors during the year (2017: Nil).

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive Directors, Non-executive Directors and the Chief Executive

2018	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors:				
Mr. Junjing Tang	**1,124**	**500**	**35**	**1,659**
Mr. Junying Tang	**1,124**	**500**	**32**	**1,656**
Mr. Gui Zhou	**1,121**	**500**	**32**	**1,653**
	3,369	**1,500**	**99**	**4,968**
Non-executive directors:				
Mr. Wenhui Xu	**–**	**–**	**–**	**–**
Ms. Wen Li	**–**	**–**	**–**	**–**
	–	**–**	**–**	**–**
	3,369	**1,500**	**99**	**4,968**

2017	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors:				
Mr. Junjing Tang	718	958	34	1,710
Mr. Junying Tang	718	930	34	1,682
Mr. Gui Zhou	693	930	34	1,657
	2,129	2,818	102	5,049
Non-executive directors:				
Mr. Wenhui Xu	–	–	–	–
Ms. Wen Li	–	–	–	–
	–	–	–	–
	2,129	2,818	102	5,049

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2017: three directors), details of whose remuneration are set out in note 7 above. Details of the remuneration for the year of the remaining three (2017: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2018 **RMB'000**	2017 RMB'000
Salaries, allowances and benefits in kind	**2,415**	2,325
Performance related bonuses	**1,462**	1,385
Pension scheme contributions	**94**	67
Equity-settled share option expense	**4,382**	805
	8,353	4,582

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	2018	2017
Hong Kong dollars ("HK$") 2,000,001 to HK$2,500,000	**–**	1
HK$2,500,001 to HK$3,000,000	**2**	1
HK$3,000,001 to HK$3,500,000	**–**	–
HK$3,500,001 to HK$4,000,000	**–**	–
HK$4,000,001 to HK$4,500,000	**1**	–
	3	2

During the year, share options were granted to two (2017: two) non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 25 to the financial statements. The fair values of such options, which have been recognised in the statement of profit or loss over the vesting periods, were determined as at the date of grant and the amounts included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

9. INCOME TAX

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

Hong Kong Profits Tax

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

PRC Corporate Income Tax ("CIT")

Guangzhou Zhuoye was accredited as a Software Enterprise in 2013 and was exempted from CIT for two years, followed by a 50% reduction in the applicable tax rates for the next three years, commencing either from the first year of commercial operation or from the first year of profitable operation after offsetting tax losses generated from prior years. As a result, Guangzhou Zhuoye was subject to CIT at a statutory rate of 25% for the year (2017: 12.5%).

Zhuhai Chuangsi was certified as a small and micro-sized enterprise ("SME") in 2018 and was entitled to a preferential tax rate of 20% for the year (2017: 25%).

Guangzhou Wendao was established in 2018, and was certified as an SME. As a result, Guangzhou Wendao was entitled to a preferential tax rate of 20% for the Year.

Pursuant to the CIT Law and the respective regulations, the other PRC subsidiaries were subject to income tax at a statutory rate of 25% for the year (2017: 25%).

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

	2018 **RMB'000**	2017 RMB'000
Current – the PRC		
Charge for the year	**40,736**	25,288
Deferred (note 22)	**(6,018)**	12,086
Total tax charge for the year from continuing operations	**34,718**	37,374
Total tax charge/(credit) for the year from discontinued operations	**51**	(49)
	34,769	37,325

9. INCOME TAX (continued)

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

	2018 **RMB'000**	2017 RMB'000
Profit before tax from continuing operations	**107,775**	112,782
Profit/(Loss) before tax from discontinued operations	**965**	(9,648)
	108,740	103,134
Tax at the statutory tax rate	**27,185**	25,784
Lower tax rates for specific provinces or enacted by local authority	**–**	945
Losses attributable to the associates	**308**	974
Income not subject to tax	**(594)**	(345)
Expenses not deductible for tax	**3,096**	5,694
Tax losses utilised from previous periods	**(793)**	(852)
Tax losses not recognised	**5,567**	5,125
	34,769	37,325
Tax charge from continuing operations at the effective rate	**34,718**	37,374
Tax charge/(credit) from discontinued operations at the effective rate	**51**	(49)

10. DISCONTINUED OPERATIONS

On 5 December 2017, the Company announced the decision of its board of directors to dispose of the entire equity interests of 7 entities held by the Group, namely Guangdong Zhuoyue Qiancheng Education Services Co., Ltd. 廣東卓越前程教育服務有限公司 ("Guangdong Zhuoyue Qiancheng"), Shenzhen Beststudy Animation Technology Co., Ltd. 深圳市卓越動漫科技有限公司 ("Shenzhen Animation"), Dongguan Frontline Enterprise Management Consulting Co., Ltd. 東莞市前線企業管理諮詢有限公司 ("Dongguan Frontline Consulting"), Guangzhou Mite Information Technology Co., Ltd. 廣州米特信息技術有限公司 ("Guangzhou Mite"), Guangzhou Zhuoben Investment Management Co., Ltd. 廣州卓本投資管理有限公司 ("Guangzhou Zhuoben"), Guangzhou Baizhuo Education Consulting Co., Ltd. 廣州百卓教育諮詢有限公司 ("Guangzhou Baizhuo") and Guangzhou ZhuoYu Education Consulting Co., Ltd. 廣州市卓瑜教育諮詢有限公司 ("Guangzhou ZhuoYu"). The disposals were completed in 2018.

The results of the disposal groups for the year are presented below:

	2018 **RMB'000**	2017 RMB'000
Revenue	**9,771**	11,064
Cost of sales	**(12,761)**	(13,219)
Other income, net	**67**	–
Other expense	**–**	(133)
Gain from disposal of subsidiaries	**9,298**	152
Selling and distribution expenses	**(266)**	(359)
Administrative expenses	**(4,620)**	(6,458)
Finance costs	**(524)**	(695)
Profit/(loss) before tax from the discontinued operations	**965**	(9,648)
Income tax (expense)/credit	**(51)**	49
Profit/(loss) for the year from the discontinued operations	**914**	(9,599)

10. DISCONTINUED OPERATIONS (continued)

The major classes of assets and liabilities of the disposal groups classified as held for sale as at 31 December 2017 are as follows:

	2017 RMB'000
Assets	
Property, plant and equipment	13,162
Intangible assets	981
Goodwill	8,400
Deferred tax assets	49
Prepayments, deposits and other receivables	10,382
Cash and cash equivalents	7,663
Other current assets	15,232
Assets classified as held for sale	55,869
Liabilities	
Other payables and accruals	9,749
Long-term loan	8,298
Other long-term liabilities	7,964
Liabilities directly associated with the assets classified as held for sale	26,011
Net assets directly associated with the disposal group	29,858

11. DIVIDENDS

No dividend had been declared by the Company during the year.

During the year, Guangzhou Beststudy, a subsidiary of the Company, declared and paid cash dividends of RMB100,000,000 (2017: RMB220,000,000) to its then shareholders.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 627,862,355 (2017: 625,788,383) in issue during the year, as adjusted to reflect the rights issue during the year.

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 December 2018 and 2017 have been retrospectively adjusted for the effect of issue of shares as described in note 23(a) and arrived at after eliminating the shares of the Company held under the restricted stock unit scheme ("RSU Scheme") as described in note 23(a)(b).

The diluted earnings per share amount is equal to the basic earnings per share amount for the year ended 31 December 2018 and 2017, as there were no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017. RSUs are not included in the computation of diluted earnings per share as RSUs have not been granted under the RSU Scheme as at the date of this report.

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

	2018	2017
	RMB'000	RMB'000
Earnings		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	**53,985**	58,581
From discontinued operations	**914**	(9,599)
Profit attributable to ordinary equity holders of the parent	**54,899**	48,982

	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**627,862,355**	625,788,383

13. PROPERTY, PLANT AND EQUIPMENT

	Office equipment RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2018					
At 31 December 2017 and 1 January 2018:					
Cost	21,239	34,242	3,267	135,585	194,333
Accumulated depreciation	(14,597)	(20,088)	(2,925)	(100,495)	(138,105)
Net carrying amount	6,642	14,154	342	35,090	56,228
At 1 January 2018, net of accumulated depreciation	6,642	14,154	342	35,090	56,228
Additions	9,957	11,061	1,456	123,832	146,306
Disposals	(44)	(53)	(18)	–	(115)
Depreciation provided during the year (note 6)	(3,975)	(7,881)	(237)	(29,558)	(41,651)
At 31 December 2018, net of accumulated depreciation	12,580	17,281	1,543	129,364	160,768
At 31 December 2018:					
Cost	24,696	34,387	3,742	256,648	319,473
Accumulated depreciation	(12,116)	(17,106)	(2,199)	(127,284)	(158,705)
Net carrying amount	12,580	17,281	1,543	129,364	160,768

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Office equipment RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2017					
At 1 January 2017:					
Cost	15,425	25,015	3,341	103,149	146,930
Accumulated depreciation	(12,227)	(16,010)	(2,966)	(87,009)	(118,212)
Net carrying amount	3,198	9,005	375	16,140	28,718
At 1 January 2017, net of accumulated depreciation	3,198	9,005	375	16,140	28,718
Additions	6,998	11,689	165	46,557	65,409
Disposals	(36)	(83)	(7)	–	(126)
Assets included in discontinued operations (note 10)	(4)	(7)	–	(13,151)	(13,162)
Depreciation provided during the year (note 6)	(3,514)	(6,450)	(191)	(14,456)	(24,611)
At 31 December 2017, net of accumulated depreciation	6,642	14,154	342	35,090	56,228
At 31 December 2017:					
Cost	21,239	34,242	3,267	135,585	194,333
Accumulated depreciation	(14,597)	(20,088)	(2,925)	(100,495)	(138,105)
Net carrying amount	6,642	14,154	342	35,090	56,228

14. INTANGIBLE ASSETS

	Computer software RMB'000	Domain names RMB'000	Trademarks RMB'000	Total RMB'000
31 December 2018				
Cost at 1 January 2018, net of accumulated amortisation	**6,526**	**1,118**	**3,000**	**10,644**
Additions	**1,669**	**–**	**–**	**1,669**
Disposal	**(546)**	**–**	**–**	**(546)**
Amortisation provided during the year (note 6)	**(1,118)**	**(263)**	**(800)**	**(2,181)**
At 31 December 2018	**6,531**	**855**	**2,200**	**9,586**
At 31 December 2018:				
Cost	**12,994**	**2,657**	**8,000**	**23,651**
Accumulated amortisation	**(6,463)**	**(1,802)**	**(5,800)**	**(14,065)**
Net carrying amount	**6,531**	**855**	**2,200**	**9,586**

	Computer software RMB'000	Domain names RMB'000	Trademarks RMB'000	Total RMB'000
31 December 2017				
Cost at 1 January 2017, net of accumulated amortisation	5,236	1,387	3,800	10,423
Additions	2,482	–	–	2,482
Assets included in discontinued operations (note 10)	(981)	–	–	(981)
Amortisation provided during the year (note 6)	(211)	(269)	(800)	(1,280)
At 31 December 2017	6,526	1,118	3,000	10,644
At 31 December 2017:				
Cost	11,900	2,657	8,000	22,557
Accumulated amortisation	(5,374)	(1,539)	(5,000)	(11,913)
Net carrying amount	6,526	1,118	3,000	10,644

15. INVESTMENTS IN ASSOCIATES

	2018 RMB'000	2017 RMB'000
Investments in associates accounted for using the equity method		
– unlisted entities	**14,997**	16,230

	2018 RMB'000	2017 RMB'000
At the beginning of the year	**16,230**	71,045
Addition	**–**	750
Disposal	**–**	(17,438)
Transfer	**–**	(34,232)
Share of losses	**(1,233)**	(3,895)
At the end of the year	**14,997**	16,230

The Group directly holds ordinary shares of the associates. Redemption options were provided to the Group by certain investees if these investees are not about to complete qualified IPO before the pre-determined time. Based on the current situation of the investees, the redemption option is not material. As at 31 December 2018 and 2017, the Group invested in 6 and 6 associates respectively, which are not individually material.

16. INVESTMENT IN A JOINT VENTURE

	2018 RMB'000	2017 RMB'000
Share of net assets	**198**	33
Loan to a joint venture	**4,852**	5,093
Exchange realignment	**462**	149
At the end of the year	**5,512**	5,275

The loan to the joint venture is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the Directors, this loan is considered as part of the Group's net investment in the joint venture.

16. INVESTMENT IN A JOINT VENTURE (continued)

Particulars of the Group's joint venture are as follows:

			Percentage of			
Name	Particulars of issued shares held	Place of registration and business	Ownership interest	Voting power	Profit sharing	Principal activities
Gowise Education Holdings Pty Ltd.	Registered capital of Australian dollar 5 each	Australia	50	50	50	Property management and investment

Gowise Education Holdings Pty Ltd. was established in June 2017 by Beststudy HK and Hyper Property Pty Ltd., an entity incorporated in Australia.

The following table illustrates the summarised financial information in respect of Gowise Education Holdings Pty Ltd. adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2018 **RMB'000**	2017 RMB'000
Cash and cash equivalents	**400**	192
Freehold land	**4,851**	5,093
Loan to a related party	**4,846**	4,966
	10,097	10,251
Loans from shareholders	**(9,704)**	(10,186)
Net assets	**393**	65
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**50%**	50%
Group's share of net assets of the joint venture	**197**	33
Carrying amount of the investment	**197**	33
Interest income	**357**	–
Administrative expenses	**(17)**	–
Income for the year	**340**	–
Exchange differences on translation of financial statements	**(12)**	–
Income and total comprehensive income for the year	**328**	–

17. OTHER INVESTMENTS

	2018 RMB'000	2017 RMB'000
Current assets		
Short-term investments measured at amortised cost (i)	–	10,008
Short-term investments measured at fair value through profit or loss (ii)	–	561,635
Short-term debt investments measured at fair value through profit or loss (ii)	517,907	–
Short-term equity investments measured at fair value through profit or loss (ii)	412	–
	518,319	571,643
Non-current assets		
Equity investments at fair value through profit or loss		
– Unlisted equity investments (iii)	71,299	64,581

(i) Short-term investments measured at amortised cost

Short-term investments measured at amortised cost are national debts with guaranteed returns. They are denominated in RMB. None of these investments are past due.

(ii) Short-term investments measured at fair value through profit or loss

	2018 RMB'000	2017 RMB'000
Wealth management products	517,907	547,567
Listed equity investments	412	14,068
	518,319	561,635

Wealth management products were denominated in RMB, with an expected rate of return ranging from 4.20% to 4.80% (2017: 3.83% to 5.10%) per annum for the year.

None of these investments are past due. The fair values are based on cash flows discounted using the expected return based on management judgement and are within level 2 of fair value hierarchy.

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

17. OTHER INVESTMENTS (continued)

(iii) Unlisted equity investments

The fair values of the unlisted securities are measured using a valuation technique with unobservable inputs and hence categorised within level 3 of the fair value hierarchy. The major assumptions used in the valuation for investments in private companies are set out in note 33 to the financial statements.

(iv) Amounts recognised in profit or loss

	2018 **RMB'000**	2017 RMB'000
Fair value changes on unlisted equity investments	**6,622**	19,427
Fair value changes on listed equity investments	**(1,783)**	–
Fair value changes on wealth management products issued by banks	**29,675**	13,832
	34,514	33,259

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 **RMB'000**	2017 RMB'000
Prepaid operation expenses	**29,620**	15,764
Rental and other deposits	**49,218**	32,913
Receivables from payment channels	**10,353**	13,395
Loans to employees	**14,716**	7,706
Proceeds receivable	**40,094**	–
Government grant receivables	**–**	2,846
Staff advances	**502**	1,861
Interest receivables	**–**	123
Others	**3,036**	2,625
	147,539	77,233

The above balances, except for loans to employees, are interest-free and are not secured with collateral.

Included in the balance above, rental and other deposits, receivables from payment channels, loans to employees, proceeds receivable, government grant receivables, interest receivables and others are financial assets. None of the above financial assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Since 1 January 2018, the Group applies the general approach to provide for the ECL of the financial assets measured at amortised cost including rental and other deposits, receivables from payment channels, loans to employees, proceeds receivable, government grant receivables and others prescribed by IFRS 9. The Group assessed that the credit standing of the government and the payment agents is very strong, and the tenor of such receivables is short. For the loans to employees and the rental deposits, in the situation of a default, the Group might reduce the loss by negotiating settlement based on obtaining services or a right of use over lease assets. No ECLs were provided as it is assessed that the overall ECL rate for the above financial assets measured at amortised cost is less than 1%.

As at 31 December 2018, financial assets included in prepayments, deposits and other receivables were in Stage 1, and the provisions for impairment were assessed to be immaterial.

19. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	2018 RMB'000	2017 RMB'000
Cash and bank balances	**470,388**	162,150
Less: Restricted cash	**2,347**	–
Cash and cash equivalents	**468,041**	162,150

As at the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB202,643,000 (2017: RMB157,168,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

As at 31 December 2018, bank balances amounting to RMB2,347,000 are restricted and the details are as follows:

(1) A subsidiary of the Group is in dispute with a supplier. Pursuant to the property preservation, a bank balance amounting to RMB296,000 is restricted.

(2) Establishing an Education Reserve Account at the request of the local Education Bureau is a prerequisite for launching the private education business. Pursuant to this requirement, bank balances amounting to RMB2,051,000 could only be used with the permission of the local Education Bureau.

20. OTHER PAYABLES AND ACCRUALS

	2018 RMB'000	2017 RMB'000
Accrued staff benefits and payroll	**120,571**	98,790
Other tax payables	**7,195**	7,516
Refund liabilities	**3,648**	4,287
Payable for operating activities	**30,008**	11,312
Payable for listing expenses	**21,439**	–
Deposits	**3,096**	2,196
Others	**6,122**	3,724
	192,079	127,825

The above balances are unsecured and non-interest-bearing. The carrying amounts of other payables and accruals as at the end of the reporting period approximated to their fair values due to their short-term maturities.

21. CONTRACT LIABILITIES

	2018 RMB'000	2017 RMB'000
Contract liabilities		
– Tutoring fees	**562,841**	517,171

The contract liabilities primarily relate to the advance consideration received from the students for contracts, for which revenue is recognised when the services have been rendered.

Changes in contract liabilities during the year are as follows:

	2018 RMB'000	2017 RMB'000
At the beginning of the year	**517,171**	401,647
Revenue recognised that was included in the contract liabilities at the beginning of the year	**(517,171)**	(398,766)
Increases due to cash received, excluding amounts recognised as revenue during the year	**562,841**	514,290
At the end of the year	**562,841**	517,171

22. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax liabilities

	2018		
	Fair value adjustments arising from financial assets at fair value through profit or loss RMB'000	Other RMB'000	Total RMB'000
At 1 January 2018	5,888	225	6,113
Deferred tax credited to the statement of profit or loss during the year (note 9)	(4,937)	(225)	(5,162)
Gross deferred tax liabilities at 31 December 2018	951	–	951

Deferred tax assets

	2018			
	Impairment losses RMB'000	Deductible temporary differences RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2018	5,507	4,489	916	10,912
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 9)	2,085	(313)	(916)	856
Gross deferred tax assets at 31 December 2018	7,592	4,176	–	11,768

22. DEFERRED TAX (continued)

Deferred tax liabilities

2017			
	Fair value adjustments arising from financial assets at fair value through profit or loss RMB'000	Other RMB'000	Total RMB'000
At 1 January 2017	52	225	277
Deferred tax charged to the statement of profit or loss during the year (note 9)	5,836	–	5,836
Gross deferred tax liabilities at 31 December 2017	5,888	225	6,113

Deferred tax assets

2017				
	Impairment losses RMB'000	Deductible temporary differences RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2017	7,064	3,756	6,342	17,162
Deferred tax (charged)/credited to the statement of profit or loss during the year (note 9)	(1,557)	733	(5,426)	(6,250)
Gross deferred tax assets at 31 December 2017	5,507	4,489	916	10,912

22. DEFERRED TAX (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2018	2017
	RMB'000	RMB'000
Deferred tax assets recognised in the consolidated statement of financial position	**11,768**	10,912
Deferred tax liabilities recognised in the consolidated statement of financial position	**(951)**	(6,113)
Net deferred tax assets included in the disposal group (note 10)	**–**	(49)
Net deferred tax assets recognised in the consolidated statement of financial position	**10,817**	4,750

The Group also has tax losses arising in Mainland China of RMB56,036,000 (2017: RMB42,874,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised as it is not probable that taxable profits will be available against which the above items can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% (or a lower rate if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors) withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2018, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, the Group's earnings will be retained in Mainland China, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. As at 31 December 2018, the aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised was nil (2017: RMB43,624,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

23. SHARE CAPITAL

Shares

	2018 RMB'000	2017 RMB'000
Authorised:		
3,000,000,000 ordinary shares of US$0.00005 each as at 31 December 2018 (2017: 1,000,000,000 ordinary shares)	**1,070**	381
Issued and fully paid:		
848,040,000 ordinary shares as at 31 December 2018 (2017: 430,000,000 ordinary shares)	**303**	164

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

	Notes	Number of shares in issue	Share capital RMB'000
At 1 January 2017, 31 December 2017 and 1 January 2018		430,000,000	164
Issue of ordinary shares	a	223,100,000	72
Issue of shares held for RSU Scheme	b	43,540,000	15
Issue of ordinary shares upon listing	c	151,400,000	52
At 31 December 2018		848,040,000	303

(a) On 20 May 2018, the Company allotted and issued an aggregate of 223,100,000 new ordinary shares for cash at par value to the shareholders. In recognition of the contributions of the employees and to provide incentive, the 27,292,396 new shares issued to Soarise Bulex Limited were reserved for the vesting of RSUs granted under the RSU Scheme.

(b) On 27 December 2018, the Company allotted and issued 43,540,000 new shares at par value to Soarise Bulex Limited to provide for future RSU grants pursuant to the RSU Scheme.

(c) On 27 December 2018, the Company issued 151,400,000 new ordinary shares at a price of HK$2.40 per share in connection with the Company's initial listing.

24. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity on pages 106 to 107 of the financial statements.

(a) Transaction with the non-controlling interests

(1) Guangzhou Yuyou

In March 2017, Guangzhou Beststudy acquired a 30% equity interest in Guangzhou Yuyou from Mrs. Zhang Wenyi with a total consideration of RMB810,000. Upon completion of such equity transfer, Guangzhou Yuyou became a wholly-owned subsidiary of Guangzhou Beststudy.

(2) Foshan Nanhai Xinzhuoyue

During the year, Guangzhou Beststudy acquired a 20% equity interest in Foshan Nanhai Xinzhuoyue from the non-controlling shareholder with the consideration of RMB510,000. Upon completion of the equity transfer, Foshan Nanhai Xinzhuoyue became a wholly-owned subsidiary of Guangzhou Beststudy.

(b) Establishment of subsidiaries

(1) Guangzhou Baizhuo

On 20 March 2017, Guangzhou Baizhuo was established by Guangzhou Beststudy with the contribution of RMB510,000 for a 51% equity interest and Guangzhou Baiyao Education Consulting Co Ltd. with the contribution of RMB490,000 for a 49% equity interest.

(2) Guangzhou ZhuoYu

On 7 July 2017, Guangzhou ZhuoYu was established as a limited liability company by Guangzhou Beststudy with the contribution of RMB550,000 for a 55% equity interest and Mr. Weiyu Xu with the contribution of RMB450,000 for a 45% equity interest.

(3) Yizhi Siwei

On 19 September 2018, Yizhi Siwei was established as a limited liability company by Zhuoxue Information with the contribution of RMB11,025,000 for a 92% equity interest and Mr. Zheng Xu with the contribution of RMB450,000 for an 8% equity interest.

24. RESERVES (continued)

(c) Capital contribution from non-controlling shareholders

In June 2017, capital contribution from the non-controlling shareholders of Beijing Niushibang, a subsidiary of the Group, Mr. Yucong Liu, Mrs. Fang Shi and Mrs. Feng Wang, amounted to RMB400,000, RMB92,000 and RMB62,000, respectively.

(d) Statutory surplus reserve

Pursuant to the relevant laws in the PRC, the Company's subsidiaries in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the boards of directors of the relevant subsidiaries in the PRC. These reserves include (i) the general reserve of the limited liability companies; and (ii) the development fund of private non-enterprise units.

(1) In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve can be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(2) According to the relevant PRC laws and regulations, private non-enterprise units which require reasonable returns are required to appropriate for the development fund no less than 25% of the net income of the relevant institutions as determined in accordance with generally accepted accounting principles in the PRC. The development fund is for the construction or maintenance of the schools or procurement or upgrade of educational equipment.

(e) Conversion Into a Joint Stock Limited Company

On 28 February 2017, Guangzhou Beststudy was converted into a joint stock limited company in accordance with the PRC laws and renamed as Guangzhou Beststudy Educational Co., Ltd. Pursuant to the approval of shareholders and the board of directors, Guangzhou Beststudy's equity was converted into 44,902,109 ordinary shares with a par value of RMB1.00 each issued proportionately to its existing shareholders.

24. RESERVES (continued)

(f) Reorganisation

No subsidiaries had material non-controlling interests during the year. The equity interests in the Company held by persons other than Mr. Junying Tang, Mr. Junjing Tang and Mr. Gui Zhou (collectively, the "Controlling Shareholders") were deemed to be non-controlling interests until completion of the reorganisation as at 18 June 2018 when the equity interests held by persons other than the Controlling Shareholders were deemed to be acquired by the Company with nil consideration and the entire balance of non-controlling interests had been transferred to other reserve by applying the principles of merger accounting for the purpose of presenting the historical financial information of the company in its IPO.

(g) Share premium

The share premium of the Group represents the capital contribution premium from its then shareholders.

(h) Shares held for the RSU Scheme

The Company has appointed Ms. Huojuan Zhou as the trustee (the "RSU Trustee") and Soarise Bulex Limited as the nominee of the RSU Scheme (the "RSU Scheme nominee") to assist in the administration of the RSU Scheme. Pursuant to a resolution passed by the Board of Directors of the Company on 3 December 2018, (i) 27,292,396 existing shares of the Company held by Soarise Bulex Limited were reserved and (ii) 43,540,000 new shares to be allotted and issued at par value to Soarise Bulex Limited on the 27 December 2018 will be reserved for the vesting of granted under the RSU Scheme. In addition, the Company has entered into a trust deed with Ms. Huojuan Zhou and Soarise Bulex Limited on 3 December 2018, pursuant to which the RSU Trustee shall act as the administrator of the Company's RSU Scheme.

The Company has the power to direct the relevant activities of the RSU Scheme and it has the ability to use its power over the RSU Scheme to affect its exposure to returns. Therefore, the assets and liabilities of the RSU Scheme nominee are included in the Group's consolidated statement of financial position and the ordinary shares held for the Company's RSU scheme were presented as "shares held for RSU Scheme".

25. SHARE OPTION SCHEME

On 10 August 2011, Bestudy operates a share scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Eligible participants include the Group's management, key teachers and other employees. The Scheme became effective on 10 August 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Bestudy granted 12,162,200, 10,225,447, and 2,992,180 option shares to 243,253 and 31 employees eligible under the Scheme at an exercise price of RMB0.20, RMB0.45, and RMB0.50 per share on 31 August 2011, 31 August 2012 and 31 December 2013, respectively. The exercise period of these share options granted is determinable by the Directors, and commences after a vesting period of one to four years and ends on the expiry date of the Scheme. Every 25% of granted shares are vested on the first, second, third, and fourth anniversaries of the grant date respectively, on the condition that employees remain in service without any performance requirements. Accordingly, Bestudy measured the fair value of these shares and recorded the excess of the fair value over the subscription as a share-based compensation expense over the 4-year service period. In February 2017, due to the group restructuring, the options exercisable into Bestudy's ordinary shares have been modified to the options exercisable into Guangzhou Beststudy's ordinary shares on the same pro rata (10 Bestudy's option shares equal to approximately 1 Guangzhou Beststudy's option share) without changes in other vesting terms. There was no significant incremental value noted before and after the modification given Guangzhou Beststudy has represented substantially all of the businesses owned by Bestudy.

On 20 June 2017, Guangzhou Beststudy granted 1,134,367 shares to 17 employees at the consideration of RMB4.78 per share without any service period requirement. Accordingly, Guangzhou Beststudy measured the fair value of these shares and recorded the excess of the fair value over the subscription price as equity-settled compensation costs amounting to RMB25,889,000 (RMB22.82 each) on the grant date.

On 10 May 2018, Guangzhou Beststudy granted 159,728 restricted shares to 15 employees at RMB6.72 per share, which would be vested on the condition that employees remained in service before the Group went public. Accordingly, Guangzhou Beststudy measured the fair value of these shares and recorded the excess of the fair value over the subscription price as share-based compensation expense over the estimated service period. The above options exercisable into Guangzhou Beststudy's ordinary shares have been exchanged to the options exercisable into Bestudy's ordinary shares on the same pro-rata basis (1 Guangzhou Beststudy's option share equal to approximately 10 Bestudy's option shares) without changing other vesting terms.

25. SHARE OPTION SCHEME (continued)

The following share options of Bestudy were outstanding under the Scheme during the year:

	2018 Weighted average exercise price RMB per share	**2018** Number of options '000	2017 Weighted average exercise price RMB per share	2017 Number of options '000
At 1 January	**–**	**–**	0.32	14,788
Exchanged from Guangzhou Beststudy's options#	**0.67**	**1,597**	–	–
Exercised during the year	**0.67**	**(1,562)**		
Forfeited during the year	**0.67**	**(35)**	0.28	(308)
Repurchase of vested share options	**–**	**–**	0.29	(2,243)
Exchanged to Guangzhou Beststudy's options*	**–**	**–**	0.33	(12,237)
At 31 December		**–**		–

The following share options of Guangzhou Beststudy were outstanding under the Scheme during the year:

	2018 Weighted average exercise price RMB per share	**2018** Number of options '000	2017 Weighted average exercise price RMB per share	2017 Number of options '000
At 1 January	**–**	**–**	–	–
Exchanged from Bestudy's options*	**–**	**–**	3.22	1,255
Granted during the year	**6.72**	**160**	–	–
Exercised during the year	**–**	**–**	3.22	(1,255)
Exchanged to Bestudy's options#	**6.72**	**(160)**	–	–
At 31 December		**–**		–

* In February 2017, 12,237,000 option shares of Bestudy were exchanged for 1,255,000 option shares of Guangzhou Beststudy. The weighted average share price at the date of exchange for share options was RMB0.33 per share of Bestudy during the year.

\# In May 2018, 160,000 option shares of Guangzhou Beststudy were exchanged for 1,597,000 option shares of Bestudy. The weighted average share price at the date of exchange for share options was RMB0.67 per share of Bestudy during the year.

25. SHARE OPTION SCHEME (continued)

The fair value of ordinary shares of Guangzhou Beststudy and Bestudy was estimated as at the date of grant. The following table lists the inputs to the discounted cash flow method used to estimate the fair value:

	2018	2017
	Bestudy	Guangzhou Beststudy
Weighted average cost of capital (%)	**19.18%**	18.77%
Discount for lack of marketability (%)	**6.71%**	14.33%
Weighted average share price (RMB per share)	**4.77**	27.60

At the end of the reporting period, the Group had no (2017: nil) share options outstanding under the Scheme.

26. DISPOSAL OF SUBSIDIARIES

	2018	2017
	RMB'000	RMB'000
Net assets disposed of:		
Property, plant and equipment	**12,393**	4
Intangible assets	**981**	–
Goodwill	**10,763**	–
Deferred tax assets	**8**	–
Prepayments, deposits and other receivables	**21,548**	–
Cash and cash equivalents	**9,620**	844
Other current assets	**12,516**	–
Contract liabilities	**(1,246)**	–
Other payables and accruals	**(44,546)**	–
Other long-term liabilities	**(8,298)**	–
Long-term loan	**(7,964)**	–
Non-controlling interests	**5,562**	–
	11,337	848
Gain on disposal of subsidiaries	**9,298**	152
	20,635	1,000
Satisfied by:		
Cash	**20,635**	1,000

26. DISPOSAL OF SUBSIDIARIES (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2018 RMB'000	2017 RMB'000
Cash consideration	**20,635**	1,000
Cash and bank balances disposed of	**(9,620)**	(844)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**11,015**	156

27. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Dividend payables RMB'000	Long-term loan and other long-term liabilities included in liabilities directly associated with the liabilities classified as held for sale RMB'000
As at 1 January 2018	–	16,262
Changes from financing cash flows	(100,000)	(524)
Dividend declared	100,000	–
Interest expense included in profit for the year from discontinued operations	–	524
Decrease arising from disposal of subsidiaries	–	(16,262)
As at 31 December 2018	–	–

27. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Changes in liabilities arising from financing activities (continued)

	Dividend payables RMB'000	Long-term loan and other long-term liabilities included in liabilities directly associated with the liabilities classified as held for sale RMB'000
As at 1 January 2017	–	–
Changes from financing cash flows	(220,000)	15,567
Dividend declared	220,000	–
Interest expense included in loss for the year from discontinued operations	–	695
As at 31 December 2017	–	16,262

28. CONTINGENT LIABILITIES

As at the end of the reporting period, the Group did not have any significant contingent liabilities.

29. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain buildings under operating lease arrangements. Leases for buildings were negotiated for terms of 2 to 20 years.

As at 31 December 2018 and 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 **RMB'000**	2017 RMB'000
Within one year	**198,653**	123,566
In the second to fifth years, inclusive	**802,112**	323,846
Beyond five years	**199,817**	71,786
	1,200,582	519,198

30. COMMITMENTS

Except for the operating lease commitments detailed in note 29 above, as at the end of the reporting period, the Group did not have any significant commitments.

31. RELATED PARTY TRANSACTIONS

(a) Name and relationship of related parties

Name	Relationship
Hainan Yunjiang Technology Co., Ltd. 海南雲江科技有限公司 ("Yunjiang Technology")	Equity investee
Huoerguosi Lexue Venture Capital Co., Ltd. 霍爾果斯樂學創業投資有限公司 ("Lexue Venture Capital")	Controlled by three directors
Guangzhou Lexue Equity Investment Management Co., Ltd. 廣州市樂學股權投資管理有限公司 ("Guangzhou Lexue Equity Investment")	Controlled by three directors
Guangzhou Mite	Controlled by three directors

(b) Transactions with related parties

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

(1) Sales of consulting services to a related party

	2018 **RMB'000**	2017 RMB'000
Yunjiang Technology	**–**	388

The prices for the above services were determined according to the published prices and conditions offered to other customers of the Group.

(2) Purchases of teaching support services from a related party

	2018 **RMB'000**	2017 RMB'000
Guangzhou Mite	**720**	–

31. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties (continued)

(3) Transfer of investments to a related party

	2018 **RMB'000**	2017 RMB'000
Lexue Venture Capital	**6,140**	31,438
Guangzhou Lexue Equity Investment	**13,945**	–
	20,085	31,438

The Group transferred 3 subsidiaries of Guangzhou Zhuoben, Guangzhou Baizhuo and Dongguan Frontline Consulting to Guangzhou Lexue Equity Investment for a consideration of RMB13,945,000 with a gain on disposal of RMB1,647,000 and 3 subsidiaries of Guangdong Zhuoyue Qiancheng, Shenzhen Animation and Guangzhou Mite to Lexue Venture Capital for a consideration of RMB6,140,000 with a gain on disposal of RMB2,393,000 during the year (note 10).

The Group transferred the six equity investments including 4 associates, an unlisted equity investment (note 33) and a subsidiary (note 26) to Lexue Venture Capital for a total consideration of RMB31,438,000 during the year ended 31 December 2017 with a gain on disposal of RMB152,000 (note 26).

(c) Compensation of key management personnel of the Group

	2018 **RMB'000**	2017 RMB'000
Short term employee benefits	**13,596**	10,959
Pension scheme contributions	**301**	265
Equity-settled share option expense	**4,382**	805
Total compensation paid to key management personnel	**18,279**	12,029

Further details of directors' and the chief executive officer's emoluments are included in note 7 to the financial statements.

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2018

Financial assets

	Financial assets at fair value through profit or loss RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments at fair value through profit or loss	71,299	–	71,299
Short-term debt investments measured at fair value through profit or loss	517,907	–	517,907
Short-term equity investments measured at fair value through profit or loss	412	–	412
Financial assets included in prepayments, deposits and other receivables	–	117,417	117,417
Restricted cash	–	2,347	2,347
Cash and cash equivalents	–	468,041	468,041
	589,618	587,805	1,177,423

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Financial liabilities included in other payables and accruals	60,665	60,665
Rental payables	41,210	41,210
	101,875	101,875

32. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2017

Financial assets

	Financial assets at fair value through profit or loss RMB'000	Loans and receivables RMB'000	Total RMB'000
Equity investments at fair value through profit or loss	64,581	–	64,581
Short-term investments measured at fair value through profit or loss	561,635	–	561,635
Financial assets included in prepayments, deposits and other receivables	–	59,608	59,608
Short-term investments measured at amortised cost	–	10,008	10,008
Cash and cash equivalents	–	162,150	162,150
	626,216	231,766	857,982

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Financial liabilities included in other payables and accruals	17,232	17,232
Rental payables	15,026	15,026
	32,258	32,258

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		**Fair values**	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Equity investments at fair value through profit or loss	**71,299**	64,581	**71,299**	64,581
Short-term investments measured at fair value through profit or loss	**–**	561,635	**–**	561,635
Short-term debt investments measured at fair value through profit or loss	**517,907**	–	**517,907**	–
Short-term equity investments measured at fair value through profit or loss	**412**	–	**412**	–
	589,618	626,216	**589,618**	626,216

Management has assessed that the fair values of cash and cash equivalents, restricted cash, financial assets included in prepayments, deposits and other receivables, short-term investments measured at amortised cost, financial liabilities included in other payables and accruals and rental payables approximate to their carrying amounts largely due to the short-term maturities of these instruments.

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Short-term equity investments measured at fair value through profit or loss				
– Listed equity investments	**412**	**–**	**–**	**412**
Short-term debt investments measured at fair value through profit or loss				
– Wealth management products	**–**	**517,907**	**–**	**517,907**
Equity investments at fair value through profit or loss	**–**	**–**	**71,299**	**71,299**
	412	**517,907**	**71,299**	**589,618**

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Short-term investments measured at fair value through profit or loss				
– Listed equity investments	14,068	–	–	14,068
– Wealth management products	–	547,567	–	547,567
Equity investments at fair value through profit or loss	–	–	64,581	64,581
	14,068	547,567	64,581	626,216

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

The movements in fair value measurements within Level 3 during the year are as follows:

	2018 **RMB'000**	2017 RMB'000
Equity investments at fair value through profit or loss:		
At 1 January	**64,581**	8,500
Total gains recognised in the statement of profit or loss	**6,622**	19,427
Additions	**–**	37,154
Disposals	**–**	(500)
Exchange realignment	**96**	–
At 31 December	**71,299**	64,581

The fair values of equity investments at fair value through profit or loss have been estimated using the market approach. This method primarily requires research of comparable companies' benchmark multiples and proper selection of a suitable multiple to derive the fair value of the investee company. It is considered that the suitable multiple in this valuation is leading P/S ratio, which is used to compare a stock's market value to its sales. It is calculated by dividing the current market cap of the security by the forward 12 months sales estimated provided.

As at 31 December 2018, it is estimated that if the forward 12 months sales, as a significant unobservable input to the valuation of equity investments, increase or decrease by 5%, the fair value of the unlisted investments at fair value through profit or loss would have been increase or decrease by RMB3,464,000.

The Group did not have any financial liabilities measured at fair value as at the end of the reporting period.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and bank balances and term deposits. The Group has various other financial assets and liabilities such as deposits and other receivables and other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing the risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures mainly arise from the proceeds denominated in HK$ from IPO. The Group has not used any financial instruments to hedge against currency risk. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HK$ and US$ exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities).

	(Decrease)/increase in HK$/US$ rate %	Increase/(decrease) in profit before tax RMB'000
2018		
If RMB weakens against HK$	**(5%)**	**13,049**
If RMB strengthens against HK$	**5%**	**(13,049)**
If RMB weakens against US$	**(5%)**	**196**
If RMB strengthens against US$	**5%**	**(196)**
2017		
If RMB weakens against US$	(5%)	258
If RMB strengthens against US$	5%	(258)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

Maximum exposure and year-end staging as at 31 December 2018

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meets its contractual obligation. The Group has no concentration of credit risk from third party debtors. The carrying amounts of restricted cash, cash and cash equivalents, financial asses included in prepayments, deposits and other receivables in the statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

All restricted cash and cash and cash equivalents were deposited in high-credit-quality financial institutions without significant credit risk.

The Group has established a policy to perform an assessment of whether a financial instrument's credit risk has increase significantly since initial recognition, by considering the change in the credit risk of default occurring over the remaining life of the financial instrument. The Group classifies its other receivables into Stage 1 and Stage 2, as described below:

Stage 1 When other receivables are first recognised, the Group records an allowance based on 12 months' ECLs

Stage 2 When other receivables have shown a significant increase in credit risk since origination, the Group records an allowance for the lifetime ECLs

Management also regularly reviews the recoverability of these receivables and follow up the disputes or amount overdue, if any. Management is of the opinion that the risk of default by counterparties is low.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as of the reporting date with the risk of default as of the date of initial recognition. It considers available reasonable and supportive forward-looking information.

The Group applies the simplified approach to providing for ECLs prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The expected loss allowance provision for these balances was not material during the year.

The Group has applied IFRS 9, effective for annual periods beginning on or after 1 January 2018. As at 31 December 2018, the credit rating of other receivables was performing. The Group assessed that the ECLs for these receivables are not material under the 12 months' expected losses method. Thus, no loss allowance provision was recognised during the year.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure as at 31 December 2017

The credit risk of the Group's financial assets, which comprise cash and cash equivalents, restricted cash, short-term investments measured at amortised cost, other receivables and other assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group transacts mainly with recognised and creditworthy third parties including creditworthy banks, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty and by geographical region. There are no significant concentrations of credit risk within the Group as at 31 December 2017.

Liquidity risk

The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2018				
	On demand RMB'000	**Within 1 year RMB'000**	**1 to 5 years RMB'000**	**Total RMB'000**	**Carrying amount RMB'000**
Financial liabilities included in other payables and accruals	**60,665**	**–**	**–**	**60,665**	**60,665**
Rental payables	**–**	**–**	**41,210**	**41,210**	**41,210**
	60,665	**–**	**41,210**	**101,875**	**101,875**

	As at 31 December 2017				
	On demand RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Financial liabilities included in other payables and accruals	17,232	–	–	17,232	17,232
Rental payables	–	–	15,026	15,026	15,026
	17,232	–	15,026	32,258	32,258

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of business.

The Directors review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on the recommendations of the Directors, the Group will balance its overall capital structure through the raising of new debts as well as the redemption of the existing debt. The Group's overall strategy remains unchanged from prior years.

The Group monitors capital using a debt-to-asset ratio, which is total liabilities divided by total assets. The debt-to-asset ratios as at the end of the reporting period were as follows:

	2018 **RMB'000**	2017 RMB'000
Total liabilities	**817,540**	701,226
Total assets	**1,439,622**	1,038,993
Debt-to-asset ratios	**57%**	67%

35. EVENTS AFTER THE REPORTING PERIOD

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

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company as at the end of the reporting period is as follows:

	2018 **RMB'000**	2017 RMB'000
NON-CURRENT ASSET		
Investment in a subsidiary	**331**	331
CURRENT ASSETS		
Amounts due from shareholders	**148**	140
Amount due from a subsidiary of the Group	**68,727**	67,278
Prepayments, deposits and other receivables	**40,094**	–
Cash and bank balances	**261,150**	46
Total current assets	**370,119**	67,464
CURRENT LIABILITIES		
Other payables and accruals	**4,268**	–
Amounts due to subsidiaries of the Group	**1,131**	1,254
Total current liabilities	**5,399**	1,254
NET CURRENT ASSETS	**364,720**	66,210
TOTAL ASSETS LESS CURRENT LIABILITIES	**365,051**	66,541
Net assets	**365,051**	66,541
EQUITY		
Share capital (note 23)	**303**	164
Reserves	**364,748**	66,377
Total equity	**365,051**	66,541

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Shares held for the RSU scheme RMB'000	Retained profits/ (accumulated losses) RMB'000	Exchange fluctuation reserve RMB'000	Total reserves RMB'000
At 1 January 2017	–	–	91,710	(21,252)	70,458
Profit for the year	–	–	1	–	1
Other comprehensive loss for the year:					
Exchange differences on translation of financial statements	–	–	–	(4,082)	(4,082)
Total comprehensive income for the year	–	–	1	(4,082)	(4,081)
At 31 December 2017 and 1 January 2018	–	–	91,711	(25,334)	66,377
Loss for the year	**–**	**–**	**(1,809)**	**–**	**(1,809)**
Other comprehensive income for the year:					
Exchange differences on translation of financial statements	**–**	**–**	**–**	**2,138**	**2,138**
Total comprehensive income for the year	**–**	**–**	**(1,809)**	**2,138**	**329**
Issue of shares	**–**	**(24)**	**–**	**–**	**(24)**
Issue of shares pursuant to the IPO	**319,702**	**–**	**–**	**–**	**319,702**
Share issue expenses	**(21,636)**	**–**	**–**	**–**	**(21,636)**
At 31 December 2018	**298,066**	**(24)**	**89,902**	**(23,196)**	**364,748**

37. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board on 12 March 2019.

FOUR-YEAR FINANCIAL SUMMARY

The consolidated results, assets and liabilities of the Group for the last four financial years as extracted from the financial statements of the Groups are summarised below:

	Year ended 31 December			
	2015	2016	2017	**2018**
	RMB'000	RMB'000	RMB'000	**RMB'000**
RESULTS				
Revenue	759,991	896,131	1,141,701	**1,473,748**
Gross profit	315,614	376,319	482,750	**598,031**
Profit for the year	70,517	58,018	65,809	**73,971**

	As at 31 December			
	2015	2016	2017	**2018**
	RMB'000	RMB'000	RMB'000	**RMB'000**
ASSETS AND LIABILITIES				
Total non-current assets	83,331	140,610	171,316	**302,158**
Total current assets	836,821	833,930	867,677	**1,137,464**
Total current liabilities	561,072	508,503	686,200	**776,330**
Total non-current liabilities	6,565	11,958	15,026	**41,210**
Total equity	352,515	454,079	337,767	**622,082**