卓越教育集团

China Beststudy Education Group

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3978

ANNUAL REPORT 2019

向未来生长

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Wenhui Xu

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

Jingtian & Gongcheng 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

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Cayman Islands

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Hong Kong

STOCK CODE

3978

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www.beststudy.com

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LISTING DATE

27 December 2018

Company Profile

As the largest K-12 after-school education service provider in southern China and the fifth largest nationwide[1], China Beststudy Education Group (the "Company" or "Beststudy" and, together with its subsidiaries, collectively the "Group") has been established for 22 years. We provide quality and diversified education products and services to students and parents. Our Group mainly offers after-school education-related courses, including Small Group Tutoring, Individualised Tutoring, Talent Education and Fulltime Test Preparation Program.

As at 31 December 2019, the Group had a total of 265 education centres nationwide distributed in major cities in the Greater Bay Area such as Guangzhou, Shenzhen, Foshan, Dongguan, Zhongshan, Zhuhai, Huizhou and Beijing, Shanghai, and Nanning. The main education products and services provided by our Group are Small-Group Tutoring, Individualised Tutoring, Talent Education and Full-time Test Preparation Program. Our Small Group Tutoring and Individualised Tutoring, which are designed to improve students' academic performance, cover all key academic subjects taught in primary schools, middle schools, and high schools in China. Our Talent Education 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).

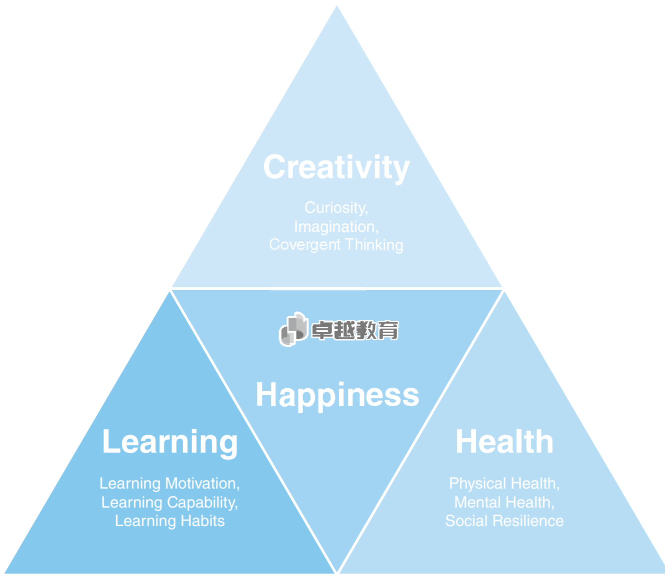
The Group has been deeply plowing South China area and radiating across the country. Through 22 years of efforts and development, our "Zhuoyue Education" (卓越教育) brand and reputation have also been recognised and welcomed by students and parents and all social sectors. In 2019, we obtained the award of "2018 Education Leader" (2018年度教育領航者) issued by "Yangcheng Evening News" (羊城晚報) and the "2019 Shenzhen Business Leading Brand in the New Consumption Era" (2019年新消費時代深圳商業領軍品牌) accredited by Shenzhen Special Zone Daily. The recognition of students, parents, and people from 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.

BESTSTUDY·EDUCATIONAL PHILOSOPHY AND VALUES

John Dewey, an American educator, put forward the philosophy of "Education is Growth". Beststudy is of the view that "growth" is to respect children's own characteristics, relieve them of passive learning and forced training, identify their potentials and embrace the possibilities of life. With regard to this, Beststudy proposed the brand strategy of "growth for future" in 2017, and regarded "future growth" as the motivation behind students' development in the future.

1 According to an industry report prepared by Frost & Sullivan based on 2017 statistics

Therefore, we present a "Future Growth Capability Model" covering learning, health, creativity and happiness. Developing a strong capability to learn and maintaining a good health status are preconditions for one to change the world with creativity. In an era with rapid changes in knowledge, technology and mindset, students are not able to strengthen their competitiveness without the capability to learn. Maintaining a good health status is essential for a child to overcome excessive learning stress, adapt to this rapidly changing world and become a person with healthy mind and body. Creativity is the most vital capability for children's further development in the future. The continual efforts that we and our children have jointly made eventually contribute to the meaning of our life journey: to enable every individual to live happily and help others to pursue happiness. The "Four-in-One" model of learning, health, creativity and happiness is crucial for students to develop core competitiveness for future challenges.



"All for children" is not only the first principle of our core values, but also the beginning and end of our journey. We embark on our work with a special focus on this core value. We encourage employees to be self-motived, utilize resources and grow amid challenges. Therefore, we propose "growing through challenges" as one of the corporate core values. "Being open and innovative to achieve the extraordinary" is also one the most important components of our core values. We hope to pursue continual innovation with an open mind in an attempt to achieve better customer experience and product experience. In addition, our core values also include an "result-oriented" approach, which requires us to benchmark our performance against key indicators and provide high-performance professionals with a greater development platform. These four aspects serve as the core values of Beststudy.

Financial and Key Operating Data Highlights

FINANCIAL AND KEY OPERATING DATA HIGHLIGHTS

	For the year ended 31 December		
	2019	2018	% Change
	RMB'000	*RMB'000*	
Revenue	**1,831,667**	1,473,748	+24.3%
Gross Profit	**767,623**	598,031	+28.4%
Net Profit	**134,881**	73,971	+82.3%
Adjusted Net Profit *(Note 1)*	**165,021** *(Note 2)*	121,265	+36.1%
Proposed final dividend per ordinary share	**HK5.3 cents**	–	N/A
Proposed final special dividend per ordinary share	**HK2.0 cents**	–	N/A
Number of Enrollments	**709,393**	593,252	+19.6%
Number of Tutoring Hours	**15,488,368**	13,562,869	+14.2%
Number of Education Centres	**265**	242	
Number of Newly Established Education Centres	**53**	60	

Note 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 compensation costs, discontinued operations and listing expenses.

Note 2: The difference between adjusted net profit and net profit for 2019 was due to the equity-settled compensation costs amounted to RMB30.1 million.

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 2019 (the "**Reporting Period**").

OVERVIEW

As the largest K-12 after-school education service provider in southern China and the fifth largest nationwide[1], our Group has been adhering to the "all for children" since our establishment 22 years ago. We provide quality and diversified education products and services to students and parents. Our Group mainly offers after-school education-related courses, including Small Group Tutoring, Individualised Tutoring, Talent Education and Fulltime Test Preparation Program.

As at 31 December 2019, the Group had a total of 265 education centres nationwide distributed in major cities in the Greater Bay Area such as Guangzhou, Foshan, Shenzhen, Dongguan, Zhongshan, Zhuhai and Huizhou. The main education products and services provided by our Group are Small Group Tutoring, Individualised Tutoring, Talent Education and Full-Time Test Preparation Program. Our Small Group Tutoring and Individualised Tutoring are designed to improve students' academic performance, and cover all key academic subjects taught in primary schools, middle schools, and high schools in China. Our Talent Education 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 deeply plowing the South China area and radiating across the country. Through 22 years of efforts and development, our "Zhuoyue Education" (卓越教育) brand and reputation have also been recognised and welcomed by students and parents. In 2019, we obtained the award of "2018 Education Leader" (2018年度教育領航者) accredited by "Yangcheng Evening News" (羊城晚報) and the "2019 Shenzhen Business Leading Brand in the New Consumption Era" (2019年新消費時代深圳商業領軍品牌) accredited by Shenzhen Special Zone Daily. The recognition of students, parents and people from 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.

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**". 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.

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 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.

In 2019, the Chinese governments at all levels promulgated several regulatory policies and regulations specific to private education, which demands higher requirements for the development of private education industry and brings the entire industry more challenges.

[1] According to an industry report prepared by Frost & Sullivan based on 2017 statistics

BUSINESS REVIEW

During the Reporting Period, our Group had a revenue of RMB1,831.7 million, achieving an increase of approximately 24.3% compared to 2018. It is worth noting that the revenue grew at a pace as high as 28.5% in the second half of 2019, which was a stronger drive to the annual results.

During the Reporting Period, the student enrollment number was 709,393, representing a year-on-year increase of 19.6% as compared with the year ended 31 December 2018. The total tutoring hours were 15,488,368 hours, growing by 14.2% as compared with 2018.

With respect to operational indicators, although many new education centres were established during the Reporting Period, the overall student retention rate[1] and the full class rate of the Small Group Tutoring[2] both remained relatively stable at 83.0% and 64.1%, respectively.

The Group also recorded continuous growth in expanding the footprint and the market share. The number of our education centres was 265. During the Reporting Period, we opened 53 new education centres, which were primarily located in major cities of the Guangdong-Hong Kong-Macao Greater Bay Area including Guangzhou, Shenzhen, Foshan, Dongguan, Zhongshan and Huizhou, demonstrating the Group's efforts in continuously and steadily advancing the business expansion strategy. Overall, we recorded an aggregate net increase of 97[3] education centres in 2018 and 2019, which basically satisfied the expected plans and objectives.

During the Reporting Period, we witnessed rapid development in the two new businesses. Although they generated a relatively low absolute revenue, we still foresaw a huge development space and potential. The one-on-three individualised course was widely appreciated and recognised by the customers. During the Reporting Period, the revenue from one-on-three individualised course grew by 87.0% from 2018, and the full class rate of one-on-three individualised course[4] also exceeded 80.0%. The online one-on-one tutoring course developed rapidly and recorded exciting achievements. Compared with 2018, the revenue grew at a pace as high as 1,152.2% and contributed significantly to our operation results.

We were committed to continuingly improving our research and development capabilities by continually researching and developing, updating and improving our curricula, teaching materials and information technology system. During the Reporting Period, our research and development expenses amounted to RMB165.5 million and achieved remarkable results. We comprehensively improved the E-Education System (EES) for teaching platform-based tutoring courses, the individualised teaching system and the full-time smart classroom system, so as to standardised teaching activities and to informatise and digitalise teaching management. Meanwhile, these information technology-based teaching platforms provided students with more effective and more individualised teaching plans and approaches and effectively improved our teaching quality and students' learning efficiency, for which we won high praise from students and parents. In the future, we will continue to invest resources into research and development and remain devoted to building a strong middle platform and improving teaching quality, therefore to foster future performance growth.

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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 The full class rate of the Small Group Tutoring is the ratio of the actual enrollment number to the maximum enrollment number of Small Group Tutoring.

3 1. in order to meet the operating requirements of tutoring classes, we merged 3 customised tutoring education centres in Shanghai into the tutoring education centres; 2. in order to explore a new business model, we explored the adoption of the joint venture empowerment model with small and micro enterprise among 11 existing education centres of smaller scale.

4 The full class rate of one-on-three individualised course is the ratio of actual enrollment number to the maximum enrollment number of one-on-three individualised course.

We continually committed ourselves to build a high-quality team. As at 31 December 2019, the Group had 6,902 full-time staff and 3,839 full-time teachers. During the Reporting Period, we made a new progress in talent building. Lots of outstanding talents chose to join us. In the campus recruitment, about 90% of the fresh graduates we hired as management trainee were from national 211/985 key universities, and 40 of them graduated from global top 100 universities. We also recruited a number of senior management members born in the 1980s from the talent market, bringing new energy to our management team.

In addition, we have paid and will pay great attention to provide comprehensive and systematic teacher training and staff training. Our training and career development department, which we named "Zhuoyue Academy", developed and provided comprehensive training programs to our teachers and staff, which was of great significance to maintaining the quality of education products and services at stable levels. During the Reporting Period, Zhuoyue Academy was honoured as "2019 Corporate Universities of Great Potential" ("2019年度最具成長性企業大學") for its outstanding performance.

Our selling expenses to revenue ratio remained at a steady level. During the Reporting Period, the percentage of selling expenses in terms of revenue was approximately 8.9%. We primarily employed word-of-mouth referrals by users as our marketing strategy to focus our resources on research and development as well as training of our teachers in order to attract students through high quality education services. In line with continuous expansion of our education centres, we will increase our marketing expenses.

FUTURE PROSPECTS

Footprint Expansion

To meet the increasing demands for K-12 after-school education services, we plan to deeply develop the markets in which we operate our current businesses and improve the performance of existing education centres. With our brand influence and reputation, we plan to operate more education centres in South China, especially in the Guangdong-Hong Kong-Macao Greater Bay Area, to improve our market shares in such regions. We intend to further construct more education centres in Shenzhen and accelerate the expansion to cities other than Guangzhou and Shenzhen. In 2020, we expect to build schools with revenue over RMB100 million in cities other than Guangzhou.

To ensure smooth progress of the footprint expansion strategy, we will adjust the Group's organizational structure, improve the staff incentive mechanism and establish the four-tier partnership, thereby encouraging staff to engage in the footprint expansion with initiative and creativity. Meanwhile, we will accelerate the cultivation and introduction of outstanding talents to build a huge and high-quality talent pool for developing businesses in other regions. We will establish the dedicated regional development department for cities other than Guangzhou and Shenzhen; and develop unified expansion strategies for these cities, so that the Group will be able to advance regional market expansion at a speedy pace. In addition, we will accelerate mergers and acquisitions to provide driving force for the Group's footprint expansion strategy.

Continual Focus on Chinese Dominance Strategy

Chinese language products are critical to our sustainable development. We will continue to focus on the Chinese Dominance strategy and further solidify the Chinese Dominance positioning of Beststudy through improving the product system, developing new courses and enhancing the incentive mechanism.

For this end, we will upgrade and improve the existing dual Chinese system, namely Beststudy Chinese Subject and Beststudy Macro Chinese, to adapt the system to market needs. To facilitate the Chinese course innovation and upgrading, we have cooperated with School of Chinese Language and Literature of Beijing Normal University to establish "BNU School of Chinese Language and Literature Zhuoyue Education Research Centre". In the future, we will work with School of Chinese Language and Literature of Beijing Normal University in key areas including the Chinese curriculum system in the basic education stage, Chinese teacher training and Chinese language ability assessment, incorporating the top-notch university academic performance and remarkable research achievements into our Beststudy Chinese Subject and Beststudy Macro Chinese products and offering valuable experience and scientific guidance to our K-12 Chinese education. In addition, we have established a highly effective incentive mechanism to encourage staff to actively participate in the Group's Chinese Dominance strategy. We hope that the plans stated above will help the Group to realise its Chinese Dominance strategy.

Ecosystem Construction Guided by "All for children's healthy development" Purpose

To realise the objective of cultivating versatile talents and following the theme of "all for children's healthy development", we will comprehensively promote the ecosystem construction by offering students with diverse K-12 after-school tutoring products and one-stop after-school education services for K-12 education stage. We will provide more products and services in respect of Talent Education, such as physical training, training of thinking skills and scientific innovation. We hope that such products and services will help us to manage the inflow of students at "low school age" and attract more students to choose Beststudy services at the very early stage of K-12 education. We will accelerate the education ecosystem construction through independent management and external investment, thereby deepening students and parents' understanding about the Group and attracting them to choose Beststudy services.

Faster Stride Towards Online and Offline Education Services and Products ("OMO") Education

In a bid to help students to realise totally individualised learning to meet their demands and objectives at different learning stages, we will accelerate the promotion of OMO education, enabling students to switch to different learning methods and scenarios at any time based on their own conditions, preferences and other key factors, hence achieving the learning objective of "put students as our focus, but not focus on courses". OMO education is a space-time scenario that break physical and time limits, and is also a diversified learning model. To realise OMO education in a better and faster manner, we will continue to improve teaching skills and methods and upgrade the operation service system, thereby ensuring that we will offer students superior course experience. At the time of the COVID-19 epidemic, our offline training business is temporarily affected, but we work hard to overcome these obstacles by shifting to other teaching scenarios and offering students online courses for the ones they have enrolled. We also make sure that these online courses are offered "by original teachers, at scheduled time and with pre-determined content" ("原老師、原時間、原內容"), so that students can achieve their learning objectives in a safe and healthy environment. The severe epidemic can never stop us from forging ahead and can never stir us from the original aspiration, "all for children's healthy development". We will resolutely march on the path of OMO education in full sail and turn a crisis into an opportunity to blaze up a prosperous future.

APPRECIATION

As the time flies by, "Beststudy Education" has celebrated its 22-year anniversary upon establishment. I would like to express my gratitude to the Beststudy people who stride with us during the years. Becoming listed on The Stock Exchange of Hong Kong Limited (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 the Group's revenue by type of education services we provided in 2019 and 2018:

	For the year ended 31 December		
	2019	2018	% Change
	RMB'000	*RMB'000*	
Small Group Tutoring	**918,459**	750,241	**22.4%**
Individualised Tutoring	**698,850**	551,685	**26.7%**
Full-time Test Preparation Program	**156,549**	129,545	**20.8%**
Talent Education	**56,104**	39,516	**42.0%**
Others	**1,705**	2,761	**-38.2%**
Total	**1,831,667**	1,473,748	**24.3%**

The Group's revenue is principally generated from the tuition fees we collect from our students. During the Reporting Period, the Group's revenue generated from our principal business, which increased by approximately 24.3% to approximately RMB1,831.7 million from RMB1,473.7 million in 2018. As compared to 2018, the increase in revenue generated from our principal business was mainly attributable to the increase in number of overall enrollments, tutoring hours and per-hour charges.

(i) Number of enrollments

	For the year ended 31 December		
	2019	2018	% Change
Small Group Tutoring	**540,398**	458,205	17.9%
Individualised Tutoring	**142,415**	114,743	24.1%
Full-time Test Preparation Program	**6,059**	5,422	11.7%
Talent Education	**20,521**	14,882	37.9%

(ii) Tutoring hours

	For the year ended 31 December		
	2019	2018	% Change
Small Group Tutoring	**11,967,138**	10,728,002	11.6%
Individualised Tutoring	**2,753,945**	2,285,133	20.5%
Full-time Test Preparation Program	**N/A**	N/A	N/A
Talent Education	**767,285**	549,734	39.6%

(iii) Per-hour charges

	For the year ended 31 December		
	2019	2018	% Change
Small Group Tutoring	**77**	70	9.7%
Individualised Tutoring	**254**	241	5.1%
Full-time Test Preparation Program	**N/A**	N/A	N/A
Talent Education	**73**	72	1.4%

COST OF SALES

Cost of sales increased by RMB188.3 million or 21.5% from RMB875.7 million in 2018 to RMB1,064.0 million for the Reporting Period. The increase was mainly attributable to (i) an increase in rentals as well as depreciation and amortisation caused by the construction of the new education centres pursuant to our expansion plan since 2018; and (ii) an increase in staff costs with the expansion of our business.

GROSS PROFIT AND GROSS PROFIT MARGIN

As a result of the above principal factors, the Group's gross profit increased by 28.4% from RMB598.0 million in 2018 to RMB767.6 million for the Reporting Period.

The gross profit margin of the Group in 2018 was 40.6%, whilst for the Reporting Period it was 41.9%. The increase in gross profit margin was primarily due to the maturing of the education centres established in 2018, the increase in market share of one-on-three individualized courses, the optimization of education centres and the impact of the adoption of IFRS 16 *Leases*.

OTHER INCOME AND GAINS

During the Reporting Period, the Group recorded other income and gains in the amount of RMB18.8 million, representing an increase of RMB12.2 million year-on-year. The other income and gains during the Reporting Period mainly include interest income of current deposit and time deposit in the amount of RMB5.4 million and government grants in the amount of RMB8.7 million, representing an increase of RMB4.2 million and RMB6.3 million, respectively, as compared to 2018.

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 increased by RMB2.4 million from approximately RMB34.5 million in 2018 to approximately RMB36.9 million for the Reporting Period. The fair value changes included profit or loss from fair value changes on listed and unlisted equity investments, wealth-management products issued by banks, unlisted trust plans, asset management plans and funds.

SELLING EXPENSES

During the Reporting Period, the Group's total selling expenses amounted to approximately RMB162.7 million, representing an increase of 24.8% from RMB130.4 million in 2018. The increase is critical to our business growth and expansion in accordance with our plan. Despite the increase, our selling expenses as a percentage of revenue has maintained at a relatively stable level.

ADMINISTRATIVE EXPENSES

Administrative expenses included the compensation for administrative staff, office rentals and daily operational expenses. During the Reporting Period, the Group's total administrative expenses amounted to approximately RMB242.3 million, representing an increase of 30.4% as compared to RMB185.8 million in 2018.

The increase was mainly due to (i) equity-settled compensation costs increased to RMB30.1 million in 2019 from RMB6.5 million in 2018; (ii) the adjustments of employees' compensation packages; and (iii) the corresponding professional fees incurred by the Group in accordance with compliance requirements after listing.

RESEARCH AND DEVELOPMENT EXPENSES

During the Reporting Period, the Group's research and development expenses amounted to RMB165.5 million, representing a decrease of RMB5.2 million from RMB170.7 million in 2018.

OTHER EXPENSES

The Group's other expenses during the Reporting Period amounted to RMB44.7 million, mainly consisted of investments in the online small group tutoring and charitable donations, among which approximately RMB35.7 million was related to investment into research and development as well as advertising for the Group's online small group tutoring.

For online small group tutoring, we have achieved positive results on products and technology and laid a solid foundation for future development. We consider that in the future, the online small group tutoring business model will rely on a large amount of investment to obtain higher growth in online user traffic and will put pressure on our financial performance in the short term. In order to achieve continual expansion of business while balancing for the short-to-mid-term profitability, we have participated in online small group tutoring in the form of associate interest and do not expect further substantial investment expenses in relation to online small group tutoring business will be incurred in the consolidated financial statements of the Group. Instead, a share of profit or loss of the associates would be recorded to reflect the Group's investment results on these type of companies.

In 2018, the Group's other expenses primarily consisted of professional service expenses in connection with the listing amounted to RMB41.7 million.

FINANCE COSTS

During the Reporting Period, the Group recorded finance costs in the amount of approximately RMB48.0 million as a result of the interest expenses recognised upon adoption of IFRS 16 *Leases*.

INCOME TAX EXPENSES

During the Reporting Period, the Group's income tax expenses were RMB21.9 million, decreased by approximately RMB12.8 million from RMB34.7 million for 2018. The effective tax rate decreased from 32.2% in 2018 to 14.0% for the Reporting Period. The decrease in effective tax rate was mainly attributable to (i) Guangzhou Beststudy Enterprise Co., Ltd. (廣州市卓越里程教育科技有限公司) ("Guangzhou Beststudy") enjoying the preferential CIT rate of 15.0% for 2019 after obtaining the qualification of high-tech enterprise; and (ii) adjustment of additional deductions for research and development expenses in the tax returns of 2018 and 2019 by a subsidiary.

PROFIT FOR THE REPORTING PERIOD

Our Group's profit for the Reporting Period increased from RMB74.0 million for 2018 to RMB134.9 million for the Reporting Period, representing an increase of 82.3%. The factors impacting net profit for the Reporting Period mainly included: the contribution from revenue growth, the improvement of scale effect and efficiency and the decrease of effective income tax rate.

NON-GAAP MEASUREMENTS RELATED TO THE PROFIT FOR THE REPORTING PERIOD

To supplement our consolidated financial statements, which are presented in accordance with IFRSs, we also use adjusted net profit and net profit from core business as additional financial measurements. We present these financial measures because they are used by our management to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business. We also believe these non-GAAP measurements provide additional information to investors and others in understanding and evaluating our results of operations.

The terms of adjusted net profit and net profit from core business are not defined under IFRSs. The use of these non-GAAP measurements has material limitations as an analytical tool, as they do not include all items that impact our net profit for the periods. We compensate for these limitations by reconciling these financial measures to the nearest IFRSs performance measure, which should be considered when evaluating the Group's performance.

Our adjusted net profit increased by approximately 36.1% from RMB121.3 million for 2018 to RMB165.0 million for the Reporting Period. 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 listing expenses, equity-settled compensation costs and discontinued operations.

Net profit from core business represents 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 increased by 48.3% from RMB115.7 million for 2018 to RMB171.5 million for the Reporting Period.

The following table reconciles adjusted net profit and net profit from core business for the periods presented to net profit for the periods, the most directly comparable financial measurement calculated and presented in accordance with IFRSs:

	For the year ended 31 December		
	2019	2018	% Change
	RMB'000	*RMB'000*	
Net profit	**134,881**	73,971	82.3%
Add:			
Listing expenses	**–**	41,727	–100.0%
Equity-settled compensation costs	**30,140**	6,481	365.1%
Discontinued operations	**–**	(914)	–100.0%
Adjusted Net Profit	**165,021**	121,265	36.1%
Add:			
Fair value changes on unlisted equity investments through profit or loss	**3,055**	(6,622)	–146.1%
Share of profits or losses of associates and a joint venture	**3,473**	1,069	224.9%
Net Profit from Core Business	**171,549**	115,712	48.3%

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

INVESTMENT AND TREASURY POLICY

The Board and the finance department are mainly responsible for making, implementing and supervising our investment decisions. In this regard, we have implemented the following investment and treasury policies:

- the Board is responsible for the overall planning, coordination, analysis and research of equity investment projects;
- we assign certain personnel to conduct long-term routine management of equity investment projects, including supervising the results of operations and financial status of the investee, monitoring the investee's profitability and performing regular investment analysis;
- investments may be made when we have surplus cash that is not required for our short-term working capital purposes;
- we mainly invest in short-term wealth management products with low risk, high liquidity and reasonable returns;

- the annual cap for purchasing short-term wealth management products is set by our Board annually; and
- we assess the risk associated with the underlying financial instruments based on the risk classification provided by the issuing licensed commercial bank.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, cash and cash equivalents of the Group amounted to RMB196.4 million, representing a decrease of approximately 58.0% as compared with RMB468.0 million as at 31 December 2018. The decrease was due to the net increase of RMB509.4 million in total of the low-risk wealth management products purchased by the Group for cash management purposes, which were represented as short-term debt investments measured at fair value through profit or loss.

Our cash and cash equivalent balances are denominated in RMB. Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and deposits are deposited in credit-worthy banks with no recent history of default.

CURRENT AND GEARING RATIOS

As at 31 December 2019, the current ratio of the Group was approximately 1.04, representing a decrease from 1.47 as at 31 December 2018. The current ratio is equal to total current assets divided by the total current liabilities.

As at 31 December 2019, the gearing ratio of the Group was 71.2%, representing an increase from approximately 56.8% as at 31 December 2018. The gearing ratio is equal to total debts divided by the sum of total equity and total debts.

The decrease in the current ratio and the increase in the gearing ratio were mainly due to the impact of the adoption of IFRS 16 *Leases* by the Group since 1 January 2019.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies.

FUTURE PLANS FOR SIGNIFICANT INVESTMENTS AND CAPITAL ASSETS

The Group does not have other plans for significant investment or capital assets as at the date of this report.

SIGNIFICANT INVESTMENTS, ACQUISITION AND DISPOSAL OF SUBSIDIARIES

As at 31 December 2019, the Group held financial assets at fair value through profit or loss ("**FVTPL**") comprising (i) debt investments of RMB1,020.1 million (2018: RMB517.9 million), in aggregate accounted for 36.9% of the Group's total assets as at 31 December 2019, representing investments in various types of short-term wealth management products issued by licensed banks, unlisted trust plans, funds and asset management plans; and (ii) equity investments of RMB67.4 million (2018: RMB71.7 million), in aggregate accounted for 2.4% of the Group's total assets as at 31 December 2019, representing investment portfolio of unlisted companies and listed companies. The Board considers that any single investment with fair value accounting for more than 5% of the Group's total assets as significant investments. For details, please refer to the announcements of the Company dated 23 April 2019 and 27 March 2020.

Financial assets at FVTPL held by the Group as at 31 December 2019

Set forth below is a breakdown of the financial assets at FVTPL held by the Group as at 31 December 2019, of which individual investments are separately disclosed if its fair value is of 5% or more of the Company's total assets, including the fair value of such investment as at 31 December 2019 and its size as compared to the Group's total assets, and its performance during 2019.

	As at 31 December 2019		For the year ended 31 December 2019	
Nature of investments	**Fair value/ carrying amount** *(RMB'000)*	**Approximate percentage as compared to the Company's total assets** *(%)*	**Fair value gain/(loss)** *(RMB'000)*	**Dividend income** *(RMB'000)*
Equity investments at FVTPL:				
Unlisted equity investments	3,827	0.14%	(3,055)	N/A[1)]
Listed equity investments[(2)]	63,537	2.30%	22,067	1,633
Sub-total	**67,364**	**2.44%**	**19,012**	**1,633**
Debt investments at FVTPL:				
Long-term and current asset management plan A[(3)&(6)]	246,569	8.92%	5,921	N/A
Short-term wealth management product B[(4)&(6)]	218,366	7.90%	804	N/A
Others[(5)]	555,124	20.07%	6,716	N/A
Sub-total	**1,020,059**	**36.89%**	**13,441**	**N/A**

Notes:

(1) No dividend was declared by the underlying investee companies for the year ended 31 December 2019.

(2) Fair values of the listed equity investments refer to the closing prices of respective investment 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.

(3) Long-term and current asset management plan A refers to a low-risk asset management plan with the objectives of both capital preservation and capital appreciation. The investment comprises principally fixed-income investments as well as certain equity investments. Pursuant to the investment management agreement dated 23 April 2019 between the Company and China Re Asset Management (Hong Kong) Company Limited, a company incorporated in Hong Kong and licensed by the Securities and Futures Commission to carry out type 4 (advising on securities) and type 9 (asset management) regulated activities pursuant to the SFO, China Re Asset Management (Hong Kong) Company Limited provided investment management services to the Group in July 2019 for aggregate principal amount of HK$280,000,000. For details of the investment, please refer to the announcement of the Company dated 23 April 2019.

(4) Short-term wealth management product B refers to an open-ended and non-principal guaranteed investment product with non-fixed investment return. It primarily invests in assets in compliance with regulatory requirements, including bonds, deposits, money market funds, bond funds, pledged and buyout repurchases, and investment in banker's acceptances. Moreover, the wealth management product may be used in financial businesses such as pledge of deposit and repurchase of bonds due to the demand of liquidity. The Group subscribed from Industrial and Commercial Bank of China Limited ("ICBC") for aggregate principal amount of RMB258.8 million from November 2019 to December 2019. ICBC is a licensed bank incorporated under the laws of the PRC engaging in commercial bank business. On 31 December 2019, the Company called for redemption of short-term wealth management product B. Principal and relevant interest were received on 2 January 2020. Subsequent to the Reporting Period, the Company continued to invest in short-term wealth management product B. For details of the investment, please refer to the announcement of the Company dated 27 March 2020.

(5) Including a long-term unlisted trust plan, two short-term wealth management products, five unlisted trust plans, an asset management plan and four funds issued by licensed banks and other financial institutions in the PRC.

(6) As long-term and current asset management plan A and short-term wealth management product B accounted for more than 5% of the Group's total assets as at 31 December 2019, they are regarded as significant investments held by the Group for the relevant year (the "Significant Investment"). Please refer to the announcement of the Company dated 27 March 2020 for details of wealth management products subscribed during the Reporting Period and up to 9 March 2020, which required disclosure under Chapter 14 of the Listing Rules.

The Group adopts prudent and pragmatic investment strategies over its investments. Significant Investments as well as investments in other financial products were subscribed for treasury management purpose to maximize the Group's return after taking into account the level of risk, return on investment and the term to maturity. The Group's investment strategy is to select standard short-term financial products with relatively low risk in order to secure a stable investment income with relatively low risk. Prior to entering into any investment, the Group will also ensure that sufficient working capital will remain for the Group's business, operating activities and capital expenditures.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any unrecorded significant contingent liabilities, guarantees or any litigation against the Group.

PLEDGE OF ASSETS

As at 31 December 2019, bank balances amounting to RMB5.1 million were restricted, including bank balances amounting to RMB3.0 million restricted for capital verification purpose upon setting up two subsidiaries of the Group, and RMB2.1 million restricted for establishing education reserve accounts at the request of the local education bureau, which was a prerequisite for launching the private education business.

BANK LOANS AND OTHER BORROWINGS

As at 31 December 2019, the Company did not have bank loans or other borrowings.

FOREIGN EXCHANGE EXPOSURE

The Group's transactions during the Reporting Period were mostly denominated in RMB. Foreign exchange exposures mainly arise from debt investments at fair value through profit or loss denominated in USD. During the Reporting Period, the Group did not experience any significant difficulties in or impacts on its operations or liquidity due to fluctuations in currency exchange rates. The Group did not enter into any financial instrument for hedging purpose.

EVENTS AFTER THE REPORTING PERIOD

In the early 2020, upon the outbreak of the novel coronavirus (COVID-19), various industries have been affected by the epidemic to varying extent. The PRC government has also adopted various preventive and control measures. The Group has adopted comprehensive measures immediately after the outbreak. We have suspended offline training activities at the request of the government and transferred all offline courses in online teaching. Meanwhile, the government has promulgated the policies, including VAT reduction initiative for tutoring service, social insurance reduction and exemption and housing provident fund so as to help to alleviate the impact. The Group is also actively negotiating with the owners of the training centres regarding the rent reductions in order to reduce related costs.

Since the COVID-19 outbreak has not yet ended, the Group will keep continual attention on the situation of COVID-19 and react actively to its impact on the operation and financial position of the Group, and will reflect in the Group's 2020 interim and annual financial statements.

HUMAN RESOURCES

As at 31 December 2019, the Group had a total of 6,902 (2018: 6,082) employees. To ensure that the Group is able to attract and retain staff capable of attaining the best performance levels, remuneration packages are reviewed on a regular basis. The employees' Restricted Share Units Scheme ("**RSU Scheme**") is employed by our Group. The total cost of the equity-settled compensation granted to employees for the Reporting Period amounted to RMB30.1 million. In addition, discretionary bonus is offered to eligible employees by reference to the Group's results and individual performance.

DIVIDENDS

Despite the impact caused by the epidemic on the training industry, with a healthy cash flows of the Company, in order to make returns to the investors, the Board of the Company is pleased to recommend the payment of a final dividend of HK$5.3 cents per ordinary share and a special dividend of HK$2.0 cents per ordinary share for the year ended 31 December 2019, out of the share premium account of the Company, accounting for approximately 30.3% and 11.4%, respectively, of profit for the year attributed to owners of the parent during the year.

Subject to approval at the forthcoming annual general meeting on 21 May 2020, the said final and special dividend will be paid on or around 9 June 2020 to shareholders whose names appear on the register of members of the Company on 29 May 2020.

REGULATORY UPDATE

Revised Draft of Implementation Rules for the Law for Promoting Private Education of the PRC (the Draft for Examination and Approval)

On 10 August 2018, the Ministry of Justice of the PRC issued the Revised Draft of Implementation Rules for the Law for Promoting Private Education of the PRC (the Draft for Examination and Approval) (《中華人民共和國民辦教育促進法實施條例(修訂草案)(送審稿)》) (the "**Draft for Examination and Approval**"), which provides that foreign invested enterprises incorporated and social organizations established in the PRC whose ultimate controlling owners are foreign nationals shall not invest or participate in investing, or have ultimate and actual control over any private school engaged in compulsory education. Our Directors consider that since our Group does not operate or plan to invest in compulsory education schools, this revision will not have any substantial impact on our Group. In addition, the Draft for Examination and Approval involves several revisions and there are no progress updates regarding the legislation of the Draft for Examination and Approval so far since the publication of the Prospectus. However, the Draft for Examination and Approval may be further revised. Therefore, there is significant uncertainty as to its final terms and effective date. As there is uncertainty in the interpretation and enforcement of new laws and regulations and existing laws and regulations, we cannot assure you that we can continue to operate effectively under existing business model in any new regulatory environment. For details of the extracts of the implementation rules for the Draft for Examination and Approval that may be closely related to the Group and their impact on the Company, please refer to pages 55 to 57 of the Prospectus.

Foreign Investment Law of the PRC

Furthermore, the Foreign Investment Law, which was promulgated by the National People's Congress on 15 March 2019, became effective on 1 January 2020. According to the Foreign Investment Law, foreign investment refers to direct or indirect investment activities in the PRC by one or more foreign natural persons, enterprises or other organizations ("**Foreign Investors**"). It specifically stipulates four types of investment activities which would fall within the definition of foreign investment, including (a) Foreign Investors alone or cooperate with other investors to establish foreign-invested enterprises in the PRC; (b) Foreign Investors acquire shares, equities, property shares or other similar rights of Chinese domestic enterprises; (c) Foreign Investors alone or cooperate with other investors to invest new projects in the PRC; and (d) other means of investment prescribed by laws, administrative regulations and rules promulgated by the State Council. Although the Foreign Investment Law does not explicitly stipulate that the structured contract is one type of foreign investments, the structured contract may be recognized as foreign investment under "other means of investment prescribed by laws, administrative regulations and rules promulgated by the State Council" or the State Council may formulate new laws, administrative regulations and rules with the same purpose. It is uncertain whether the structured contract will be found or deemed as in violation of the entry requirements for foreign investments and how the structured contract shall be handled under such circumstances. We may be required to unwind the structured contract and/or dispose of the PRC consolidated affiliated entities in the worst case scenario, which could have significant adverse effect on our business, financial condition and results of operations.

Directors and Senior Management

BOARD OF DIRECTORS

The Board comprises seven Directors, including three executive Directors, one non-executive Director 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 50, 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 Center (廣州卓越教育培訓中心) (formerly known as "Guangzhou Beststudy Tuition Center (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 June 13, 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 Center from October 1997 to June 2000. Mr. Junjing Tang has over 21 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 50, 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 Center in October 1997. He was the legal representative of Guangzhou Beststudy Training Center from March 1999 to March 2000. Mr. Junying Tang has over 21 years' experience in the PRC education industry.

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

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

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

Mr. Gui Zhou (周貴), aged 47, is an executive Director and a senior vice president, being responsible for the overall management of our Company, administrative management, Elite Talent Program and strategic cooperation. Mr. Zhou co-founded our Group as a senior management member of Guangzhou Beststudy Training Center 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 21 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 Director

Mr. Wenhui Xu (徐文輝), aged 50, is a non-executive Director, being responsible for overseeing the corporate development and strategic planning of our Group. Mr. Xu joined our Group in January 2011, serving as a director of Guangzhou Beststudy since then. He was appointed as a Director on 21 January, 2011 and re-designated as a non-executive Director on 13 June, 2018. Mr. Xu has over 16 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 GEM from February 2001 to March 2004.

Mr. Xu obtained a master's degree in business administration from China Europe International Business School and a bachelor's degree in economics from Shenzhen University in September 2010 and June 1992, respectively. Mr. Xu passed the certified public accountant national unified examination (註冊會計師全國統一考試) 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.

Independent non-executive Directors

Mr. Yingmin Wu (吳穎民), aged 69, 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 31 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 44, 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, from November 2014 and August 2012 to April 2019, 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 49, 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 21 years' experience in corporate finance.

Mr. Xue has been a joint company secretary of SITC International Holdings Company Limited (海豐國際控股有限公司) ("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 as the general manager of the operations management center of SITC International Holdings Company Limited since July 2017 and was appointed as an executive director and a joint company secretary of SITC in April 2010 and May 2013 respectively. From January 2008 to May 2013, he served as the chief financial officer of SITC. He has been the director of SITC since 2008.

Between April 2006 and 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). Between April 2006 and January 2008, he served as the general manager of the finance department of SITC Group Company Limited, and he served as the deputy general manager of the finance center 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. Between February 2002 and 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. Between January 1998 and March 1999, he served as a financial manager in SITC Container Lines (Shandong) Co., Ltd. (山東省海豐船務有限公司) and SITC Maritime Group Co., Ltd..

Mr. Xue obtained a Master's degree in Corporate Governance by Hong Kong Open University (香港公開大學) in 2019, and he was also qualified the fellowship of the Hong Kong Institute of Chartered Secretaries and the Chartered Governance Professional. He obtained an undergraduate degree in accounting from Renmin University of China (中國人民大學) in September 2006 by attending distance courses. In October 2011, he obtained a master's degree in business administration from China Europe International Business School (中歐國際工商學院). He also enrolled and attended the Master of Corporate Governance course which was jointly organised by Hong Kong Open University and East China University of Science and Technology (華東理工大學) since September 2016. In May 2004, he obtained the qualification as an intermediate accountant granted by the Ministry of Personnel of the People's Republic of China (中華人民共和國人事部). He graduated from Shandong Province Foreign Trade and Economic University (山東省對外貿易經濟學校) in 1991 majoring in financial accounting, and graduated from Shandong University of Economics (山東經濟學院) in 1997 majoring in accounting.

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 this annual report in any listed 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 49, is a vice president of our Company, being responsible for the overall management of the tutorial class products department and marketing department of the business division of Premium Learning Program, the Guangzhou Branch and the Shenzhen Branch and regional urban development department. 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 50, 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 compliance department of Guangzhou Beststudy since August 2015. Mr. Zhu has over 16 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 47, 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 15 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 45, is a joint company secretary of our Company.

Ms. Chau has over 17 years of experience in the corporate services industry. She joined Vistra Corporate Services (HK) Limited in June 2013 and now serves 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 Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) in United Kingdom 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 Reporting Period.

GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on 27 August 2010 as an exempted company with limited liability under the Companies 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**").

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 faced 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 business, financial condition, results of operations or growth prospects may be affected by risks and uncertainties pertaining to the Group's businesses. 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. 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 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 Reporting Period, 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 80.2% and 81.5% of our total revenue for 2018 and 2019, 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 China. 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 China 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.

Risk in relation to Regulatory Update

On 10 August 2018, the Ministry of Justice of the PRC issued the Revised Draft of Implementation Rules for the Law for Promoting Private Education of the PRC (the Draft for Examination and Approval) (《中華人民共和國民辦教育促進法實施條例(修訂草案)(送審稿)》) (the "**Draft for Examination and Approval**"), which provides that foreign invested enterprises incorporated and social organizations established in the PRC whose ultimate controlling owners are foreign nationals shall not invest or participate in investing, or have ultimate and actual control over any private school engaged in compulsory education. Our Directors consider that since our Group does not operate or plan to invest in compulsory education schools, this revision will not have any substantial impact on our Group. In addition, the Draft for Examination and Approval involves several revisions and there are no progress updates regarding the legislation of the Draft for Examination and Approval so far since the publication of the Prospectus. However, the Draft for Examination and Approval may be further revised. Therefore, there is significant uncertainty as to its final terms and effective date. As there is uncertainty in the interpretation and enforcement of new laws and regulations and existing laws and regulations, we cannot assure you that we can continue to operate effectively under existing business model in any new regulatory environment. For details of the extracts of the implementation rules for the Draft for Examination and Approval that may be closely related to the Group and their impact on the Company, please refer to page 55 to 57 of the Prospectus.

Furthermore, the Foreign Investment Law, which was promulgated by the National People's Congress on 15 March 2019, became effective on 1 January 2020. According to the Foreign Investment Law, foreign investment refers to direct or indirect investment activities in the PRC by one or more foreign natural persons, enterprises or other organizations ("**Foreign Investors**"). It specifically stipulates four types of investment activities which would fall within the definition of foreign investment, including (a) Foreign Investors alone or cooperate with other investors to establish foreign-invested enterprises in the PRC; (b) Foreign Investors acquire shares, equities, property shares or other similar rights of Chinese domestic enterprises; (c) Foreign Investors alone or cooperate with other investors to invest new projects in the PRC; and (d) other means of investment prescribed by laws, administrative regulations and rules promulgated by the State Council. Although the Foreign Investment Law does not explicitly stipulate that the structured contract is one type of foreign investments, the structured contract may be recognized as foreign investment under "other means of investment prescribed by laws, administrative regulations and rules promulgated by the State Council" or the State Council may formulate new laws, administrative regulations and rules with the same purpose. It is uncertain whether the structured contract will be found or deemed as in violation of the entry requirements for foreign investments and how the structured contract shall be handled under such circumstances. We may be required to unwind the structured contract and/or dispose of the PRC consolidated affiliated entities in the worst case scenario, which could have significant adverse effect on our business, financial condition and results of operations.

Our debt investments may be subject to certain counterparty risks and market risks.

During the Reporting Period, we made certain debt investments. These investments are generally short-term wealth management products issued by licensed banks, unlisted trust plans, funds and asset management plans. 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 debt investments we made could materially and adversely affect our financial position and cash flow. Furthermore, our debt 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 debt 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 debt investments may have a material adverse effect on our results of operations.

We face risks related to natural disasters, epidemics or other conditions in China, which could result in significant impact on our operations.

Our business could be materially and adversely affected by natural disasters, such as earthquakes, typhoons, floods, landslides, outbreaks of health epidemics such as avian influenza, severe acute respiratory syndrome (SARS), or Influenza A virus, such as H5N1 subtype, H5N2 subtype flu viruses, and the severe circumstances of the rapid spread of the novel coronavirus outbreak which began from lunar Chinese New Year of 2020, as well as other acts of violence or war or social instability in the region in which we operate or those generally affecting regions in China. Any of the above may result in significant impact on our operations (such as temporary closures of our education centres), further materially and adversely affect the PRC economy and demographics of the affected regions, and this could cause significant declines in the number of our students enrolled in our education centres. If this occurs, our business, financial condition and results of operations may be materially and adversely affected.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

RESULTS AND DIVIDEND

The consolidated results of the Group for the year ended 31 December 2019 are set out from pages 124 to 125 of this annual report.

Details of the Group's dividend is included in the section headed "Dividends" on page 20 of this annual report.

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 18 May 2020 to 21 May 2020, 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 2020 annual general meeting of the Company (the "**AGM**"). In order to be eligible to attend and vote at the 2020 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 15 May 2020.

The register of members of the Company will be closed from 27 May 2020 to 29 May 2020, both days inclusive and during which period no share transfer will be effected, for the purpose of determining the Shareholders' entitlement to the proposed final dividend and special dividend for the year ended 31 December 2019. In order to qualify for the proposed final and special dividend, all share transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 26 May 2020.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 228 of this report.

PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries of the Company are set out in Note 1 to the consolidated financial statements from pages 133 to 145 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property and equipment of the Group during the Reporting Period are set out in Note 14 to the consolidated financial statements from pages 187 to 188 of this annual report.

SHARE CAPITAL

Details of the movements in share capital of the Company during the Reporting Period are set out in Note 24 to the consolidated financial statements on page 203 of this annual report.

RESERVES

Details of the movement in the reserves of the Group and of the Company during the Reporting Period are set out in Note 25 to the consolidated financial statements from pages 204 to 205 and Note 36 to the consolidated financial statements from pages 226 to 227 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company's distributable reserves were RMB407.7 million.

BANK LOANS AND OTHER BORROWINGS

As at 31 December 2019, the Company did not have bank loans and other borrowings.

LOAN AND GUARANTEE

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

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

Other than the shares purchased (as employee incentive which will create value for the Shareholders) through the Trustee as mentioned in the paragraph headed "Restricted Share Units Scheme", neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

PRE-EMPTIVE RIGHTS

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

USE OF PROCEEDS FROM THE LISTING

The net proceeds from the listing (including from the partial exercise of the over-allotment option) amounted to HK$299.5 million, after deducting the underwriting fees and other listing expenses borne by the Company. As known to the Directors, there is no material change to the planned use of the proceeds as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 12 December 2018 (the "**Prospectus**").

An analysis of the planned use of net proceeds as stated in the Prospectus and the actual use of the net proceeds from 27 December 2018 (being the date of the listing (the "**Listing Date**")) up to 31 December 2019 and the intended use of the proceeds and the expected timeline are set out as below:

Business objective as stated in the Prospectus	Percentage use of proceeds as stated in the Prospectus	Planned use of net proceeds from the Listing Date to 31 December 2019[1] *HK$'million*	Actual use of net proceeds during the period from the Listing Date to 31 December 2019 *HK$'million*	Proceeds unused[2] *HK$'million*	Expected timeline[3]
For expansion of the business network	50%	149.7	149.7[4]	–	Completed
For seeking strategic alliances and acquisitions to support and expand the operations	30%	89.9	65.2[5]	24.7	For the remaining unused proceeds, as at the date of this annual report, we had no finalised or definitive investment or acquisition agreements.
For investments to improve the teaching quality	20%	59.9	59.9[6]	–	Completed

Notes:

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

2. As at 31 December 2019, the unused net proceeds were deposited into current deposits and low-risk short-term debt investment products.

3. The expected timeline to use the remaining proceeds is prepared based on the best estimate made by the Group, which is subject to change according to the current and future development of the market condition.

4. Mainly used to establish our new education centres.

5. Mainly used to acquire interests in associates.

6. Mainly used to develop new education products and services.

DIRECTORS

The Board currently consists of the following seven Directors:

Executive Directors

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

Non-executive Director

Mr. Wenhui Xu

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 22 to 26 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 of association of the Company (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.

The non-executive Director has entered into an appointment letter with the Company. The initial term for his appointment letter 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 Reporting Period or subsisted at the end of the year and no contract of significance for the provision of services to the Company or any of its subsidiaries by a Controlling Shareholder or any of its subsidiaries was entered into during the Reporting Period or subsisted at the end of the year.

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

Other than disclosed in the sections headed "Connected Transaction", "Related Party Transactions" and "Management Discussion and Analysis" and Note 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 Reporting Period.

EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the Directors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, 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 8 and Note 9 to the consolidated financial statements from pages 178 to 180 of this annual report.

During the Reporting Period, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived or agreed to waive any emoluments for the Reporting Period, 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 "Restricted Share Units Scheme and Share Option Scheme" in this annual report and in Note 26 to the consolidated financial statements on pages 206 to 209 of this annual report.

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the 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 Reporting Period. The independent non-executive Directors have conducted such review for the Reporting Period and also reviewed the relevant undertakings and are satisfied that the Deed of Non-competition has been fully complied with.

MANAGEMENT CONTRACTS

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

MATERIAL LEGAL PROCEEDINGS

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

RESTRICTED SHARE UNITS SCHEME AND SHARE OPTION SCHEME

Restricted Share Units 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.

On 3 September 2019, the Board resolved to grant certain number of restricted share units at a consideration of RMB0.80 or nil per share to 551 employees of the Group (the "**Grantees**"), subject to acceptance of the Grantees. The purpose of the grant is to provide our employees with an opportunity to own equity interests in the Company and to reward them for their contributions to the Group and to motivate them to strive for the future development and expansion of the Group in the coming three years.

As the trustee of the Company (the "**Trustee**"), Ms. Huojuan Zhou retired on 8 October 2019, the Company appointed Ms. Shaoping Fu as the trustee on the same date to assist in the administration of the RSU Scheme.

As at 31 December 2019, the Trustee has purchased an aggregate of 1,575,000 shares (representing approximately 0.2% of the total issued shares of the Company) under the RSU Scheme. A total of 50,368,257 shares (representing approximately 5.9% of the total issued shares of the Company) have been granted to employees of the Group 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.

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 Reporting Period and there were no outstanding share options under the Share Option Scheme as at 31 December 2019 and up to the date of this annual report. The remaining life of the Share Option Scheme is 8 years and 10 months.

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 2019, 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]	Beneficial owner; Interest in a controlled corporation; interest held jointly with another person	458,202,231 (L)	53.92%
Mr. Junying Tang[3]	Interest in a controlled corporation; interest held jointly with another person	458,202,231 (L)	53.92%
Mr. Gui Zhou[4]	Beneficial owner; Interest in a controlled corporation; interest held jointly with another person	458,202,231 (L)	53.92%
Mr. Wenhui Xu[5]	Interest in a controlled corporation	10,676,527 (L)	1.26%

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 2019.

Save as disclosed in this annual report and to the best knowledge of the Directors, as at 31 December 2019, 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 2019, 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	458,202,231(L)	53.92%
Elite Education Investment Co. Ltd. ("**Elite BVI**")	Beneficial owner; interests held jointly with another person	457,756,231(L)	53.87%
Ms. Hua Yu[3]	Spouse interest	458,202,231(L)	53.92%
Texcellence Holding Company Limited ("**Texcellence BVI**")	Beneficial owner; interests held jointly with another person	458,202,231(L)	53.92%
Ms. Xiaoying Zhang[4]	Spouse interest	458,202,231(L)	53.92%
Jameson Ying Industrial Co. Ltd. ("**Jameson Ying BVI**")	Beneficial owner; interests held jointly with another person	457,380,231(L)	53.83%
Soarise Bulex Limited[5]	Nominee for another person (other than a bare trustee)	72,407,396(L)	8.52%
Ms. Shaoping Fu[5]	Trustee	72,407,396(L)	8.52%

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; (ii) 43,540,000 new Shares were allotted and issued at par value to Soarise Bulex Limited on the Listing Date will be reserved for the vesting of RSUs granted under the RSU Scheme; and (iii) 1,575,000 Shares were purchased by the trustee pursuant to the RSU Scheme as at 31 December 2019. Ms. Shaoping Fu has been appointed as the trustee of the RSU Scheme and Soarise Bulex Limited has been appointed as the nominee of the RSU Scheme. To the extent permitted under applicable laws and regulations, the trustee shall procure the nominee to exercise the voting rights attached to the underlying Shares in accordance with the instructions of the Board. Out of the 72,407,396 shares held by Soarise, 17,423,418 shares have been vested, pending transfer to the relevant grantees.

\+ The percentage represents the number of ordinary Shares interested divided by the number of the issued Shares as at 31 December 2019.

Save as disclosed above and to the best knowledge of the Directors, as at 31 December 2019, 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

During the year under review, the Group sold less than 30% of its total goods and services to its five largest customers.

During the year under review, the purchases that the Group made from its five largest suppliers in aggregate accounted for less than 30% of the total purchases.

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 6,902 employees as at 31 December 2019, as compared to 6,082 employees as at 31 December 2018. 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 Reporting Period, 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 26 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 2019	Net Profit as at 31 Dec 2019	Total Asset as at 31 Dec 2019
PRC Operating Entities	100.0%	78.5%	80.8%

(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

Acquisition of equity interests in Beijing Tengyue Zhihui Internet Technology Co., Ltd ("Beijing Tengyue")

On 14 May 2019, Tibet Zhuoye Venture Capital Investment Management Co., Ltd ("**Tibet Zhuoye**"), a consolidated affiliated entity of the Company, entered into the Beijing Tengyue Equity Transfer Agreement with Huoerguosi Lexue Venture Capital Investment Co., Ltd ("**Huoerguosi Lexue**"), pursuant to which, Huoerguosi Lexue agreed to sell and Tibet Zhuoye agreed to acquire 8.662% equity interest in Beijing Tengyue at the consideration of RMB23,049,582 (equivalent to approximately HK$26,732,905.2).

Since Mr. Junjing Tang, Mr. Junying Tang and Mr. Gui Zhou, through their respective wholly-owned company, owned 37.46%, 31.41% and 31.13% equity interests in Huoerguosi Lexue, respectively, Mr. Junjing Tang, Mr. Junying Tang and Mr. Gui Zhou are connected persons of the Company by virtue of being Directors and persons acting in concert as the controlling shareholders of the Company who are collectively interested in approximately 53.77% of the issued share capital of the Company. Huoerguosi Lexue is an associate of Mr. Junying Tang, Mr. Junjing Tang and Mr. Gui Zhou and thus a connected person of the Company according to Rule 14A.12(1)(c) of the Listing Rules.

The Group believes that transactions contemplated in the Beijing Tengyue Equity Transfer Agreement is in line with the development strategy of the Company to maintain and strengthen its established leading position in China's K-12 after-school education market, by virtue of the synergy effects between the businesses of the Company and Beijing Tengyue.

For further details, please refer to the announcement of the Company dated 14 May 2019.

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.

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

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

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

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

(b) No change without independent Shareholders' approval

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

(c) Economic benefits flexibility

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

(d) Renewal and reproduction

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

(e) Ongoing reporting and approvals

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

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

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

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

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

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

The independent non-executive Directors and the audit committee (the "**Audit Committee**") have reviewed the Structured Contracts for the year ended 31 December 2019 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;

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

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

Save as disclosed under the section headed "Related Party Transactions" stated in Note 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 Reporting Period.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the Reporting Period 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 2019. 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 2019.

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 year ended 31 December 2019, 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 year ended 31 December 2019, except the code provision A.2.1 of the CG Code, which requires the roles of chairman and chief executive officer should not be performed by the same individual. 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), one non-executive Director and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

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

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report from page 56 to 75 of this annual report.

DONATIONS

During the Reporting Period, the Group made an external donation of RMB1.9 million.

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 Reporting Period.

AUDITOR

The consolidated financial statements for the Reporting Period 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 Reporting Period, the Company is in compliance with the relevant laws and regulations that have a significant impact on the Company.

CHANGES IN THE BOARD AND THE DIRECTORS' INFORMATION

The change in the Board and Director's Information since the date of the Company's 2019 interim report is set out below:

1. Ms. Wen Li resigned as a non-executive Director of the Company since 31 December 2019 due to her personal business and arrangements.

Saved as disclosed above, there has been no change in information required to be disclosed to Rule 13.51B(1) of the Listing Rules.

On behalf of the Board

Junjing Tang
Chairman

Hong Kong, 25 March 2020

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 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. For the year ended 31 December 2019, 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), one non-executive Director and three independent non-executive Directors and therefore has a fairly strong independence element in its composition. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

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, one non-executive Director and three independent non-executive Directors.

Executive Directors

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

Non-Executive Director

Mr. Wenhui Xu
Ms. Wen Li (resigned on 31 December 2019)

Independent Non-Executive Directors

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

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

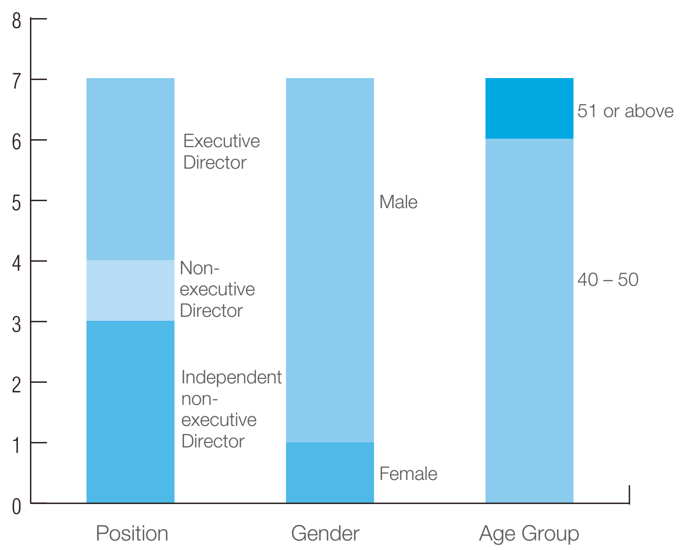
For the year ended 31 December 2019 and up to the date of this annual report, the Board at all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10(A) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive 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 from page 22 to 26 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. 2019 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. 2019 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. For the year ended 31 December 2019, 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, 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), one non-executive Director 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.

The non-executive Director has entered into an appointment letter with the Company. The initial term for his 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. Accordingly, Mr. Junying Tang, Mr. Yingmin Wu and Ms. Yu Long will retire from office by rotation at the 2020 AGM, and being eligible, offer themselves for re-election.

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 one meeting with all independent non-executive Directors without the presence of executive Directors.

For the year ended 31 December 2019, nine 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)*	9/9
Mr. Junying Tang *(Executive Director)*	9/9
Mr. Gui Zhou *(Executive Director)*	9/9
Mr. Wenhui Xu *(Non-executive Director)*	9/9
Ms. Wen Li *(Non-executive Director)*(Note)	8/8
Mr. Yingmin Wu *(Independent Non-executive Director)*	9/9
Ms. Yu Long *(Independent Non-executive Director)*	9/9
Mr. Peng Xue *(Independent Non-executive Director)*	9/9

Note:

As at 31 December 2019, Ms. Wen Li has resigned as a non-executive Director.

(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 for the year ended 31 December 2019.

(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.

1 meeting of the Nomination Committee were held for the year ended 31 December 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 held on 12 March 2019, 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 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.

One meeting of the Remuneration Committee was held for the year ended 31 December 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 held on 12 March 2019, 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
0 to 1,000,000	6.00
1,000,001 to 1,500,000	1.00
1,500,001 to 2,000,000	3.00
Above 2,000,001	1.00

(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.

Two meetings of the Audit Committee were held for the year ended 31 December 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)*	2/2
Mr. Wenhui Xu	2/2
Ms. Yu Long	2/2

In the meeting held on 12 March 2019, 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 interim results for the six months ended 30 June 2019, the annual results of the Company and its subsidiaries for the year ended 31 December 2019 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 order to achieve its strategic objectives based on risks, put resources on sectors with higher risks, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems. The review of the internal control systems is conducted on an ongoing basis in order to ensure the sufficiency of the existing policies and procedures. The management discusses and follows up on any findings and recommendations in an adequate and timely manner. The Board should oversee management in the design, implementation and monitoring of the risk management and internal control systems, and management should provide a confirmation to the Board on the effectiveness of these systems.

Characteristics of Risk Management and Internal Control Systems

The Board is responsible for maintaining a good and effective risk management and internal control systems to safeguard the Group's assets and the shareholders' interests. The Directors confirmed that, during 2019, the Board supervised the management's design, implementation and monitoring of the risk management and internal control systems, and reviewed the adequacy and effectiveness of the risk management and internal control systems of the Group on an ongoing basis; such review covered all major control aspects of the Group, including strategic, financial, operational and compliance controls and risk management activities.

The risk management and internal control systems adopted by the Group are designed to manage rather than eliminate the risks of failure to 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 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, supervision of risk exposures and management status in each business sector, further promotes the completion and implementation of the risk control measures. The third line of defence is responsible for monitoring, carrying out special tests, verification and evaluation on the integrity and effectiveness of the risk management and internal control systems to conclude independent and objective appraisal.

Risk Management and Internal Control and Management Procedures

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

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

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

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

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

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

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

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

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

Risk Management and Internal Control Systems Review for 2019

As at 31 December 2019, the Audit Committee has conducted a review of the risk management and internal control systems of the Company, including strategic, financial, operational and compliance controls that are primary concerns of the Board. The review also considers and includes the resource adequacy of the accounting and financial reporting functions of the Group, staff qualification and experience, training plans and budget. The primary function of the Audit Committee is to assist the Board in providing an independent view of our financial reporting process, internal control and risk management system, overseeing the audit process and performing other duties and responsibilities as assigned by our Board. On 25 March 2020, the Audit Committee of the Company has in conjunction with management reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the consolidated financial statements of the Group for the year ended 31 December 2019. The Group and the Directors considered the current risk management and internal control systems of the Group to remain effective and sufficient with no material issues to be brought to the Board's attention.

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

AUDITOR'S REMUNERATION

Audit fees of the Group for the year payable to the external auditors were approximately RMB2.8 million. And the Group incurred approximately RMB1.0 million in 2019 for non-audit services, which consisted of advisory service and other reporting 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

For the year ended 31 December 2019, none extraordinary general meeting and one annual general meeting of the Company were held. The attendance record of the directors is set out in the table below:

Directors	Attended in person/ Eligible to attend
Mr. Junjing Tang	1/1
Mr. Junying Tang	1/1
Mr. Gui Zhou	1/1
Mr. Wenhui Xu	1/1
Ms. Wen Li (Note)	1/1
Mr. Yingmin Wu	1/1
Ms. Yu Long	1/1
Mr. Peng Xue	1/1

Note:

Ms. Wen Li resigned as a non-executive Director on 31 December 2019.

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 of Directors office
Tel: +86 20 3897 0078
Fax: +86 20 8388 7242

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

CHANGE IN CONSTITUTIONAL DOCUMENTS

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

ABOUT THIS REPORT

This report is the second annual Environmental, Social and Governance ("ESG") Report released by China Beststudy Education Group. Based on the principles of materiality, quantification, balance and consistency, this report summarizes the Group's philosophy, practice and achievements in 2019 in areas related to sustainable development, including teaching management, employee rights, environmental protection and social welfare in 2019.

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 2019 to 31 December 2019 (the "Reporting Period"). Certain content may be beyond the aforesaid period.

Reliability Statement

The information in the report is derived from official documents, statistical reports and publicly available information of the Group and internal systems of its campuses. The Group warrants that the report does not contain any false information and misleading statement. The report was confirmed by the management of the Company and approved by the board of directors on 25 March 2020.

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

Over the past 22 years since its establishment, the Group never forgets its original aspiration of "all for children" and has been committed to its mission of "nurturing excellent individuals for the future of our country", and it respects the personality of each children and helps them to grow to be the best of themselves to meet challenges in the future. The Group aims to build itself into the paradise of learning and growth that is the most preferred by students and the most trusted by parents. The Group improves students' academic performance and develop students in all-round manners and help students grow healthily, by offering diverse, customised curriculum-related and after-school courses.

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

Strictly following the requirements as set out in national laws and regulations and taking account of characteristics of the education industry and the operation practice of itself, the Group gradually establishes and improves a standardised, effective and transparent management mechanism and management system, which enables the Group to leverage its advantage and value to fulfill the operation responsibility on the basis of complying with laws and regulations and reasonably managing risks, thereby ensuring the Group's healthy and sustainable development.

Responsibility management

Since its listing in 2018, the Group has closely followed the ESG related disclosure requirements of the Stock Exchange, and has formed a ESG working group, in which, the securities & compliance department and the financial management centre serve as the coordination unit, and the human resources development centre, the marketing centre, the internal audit department, Zhuoyue Academy, product divisions and campuses at all levels work cooperatively. The ESG working group is responsible for ESG information disclosure management and decisions. Each year, it conducts unified review of ESG policy and system update on a regular basis, collects and consolidates the effectiveness of ESG practices, reviews the Group's ESG annual performance and provides advice to the Board. The ESG report is prepared by the ESG working group before it is submitted to the Board for approval and disclosure.

Advancement

In 2019, taking the preparation of ESG report as an opportunity, the Group systematically and comprehensively reviewed the work in 2018, identified the weaknesses from four aspects including ESG governance structure, ESG risk management, ESG objective and ESG report disclosure, and developed improvement and response measures accordingly. To achieve ESG governance improvement in the future, the Group will continue to strengthen the ESG governance awareness of Board members, build the corresponding governance structure, continually improve the management mechanism of ESG working group, and promote the improvement of ESG management system. It will also set reasonable ESG objectives, further adjust ESG policies and principles in practice, review the ESG risk list, enhance ESG data management and therefore gradually improve the efficiency of the Group's ESG management.

Responsible Communication

The Group values communications with stakeholders and is devoted to keeping active two-way communication and cooperation with internal and external stakeholders via convenient communication channels, so that it can better understand the opinions and advice of stakeholders and promptly respond to them, which the Group takes as a driving force for promoting development and improving management to truly promote the sustainable development.

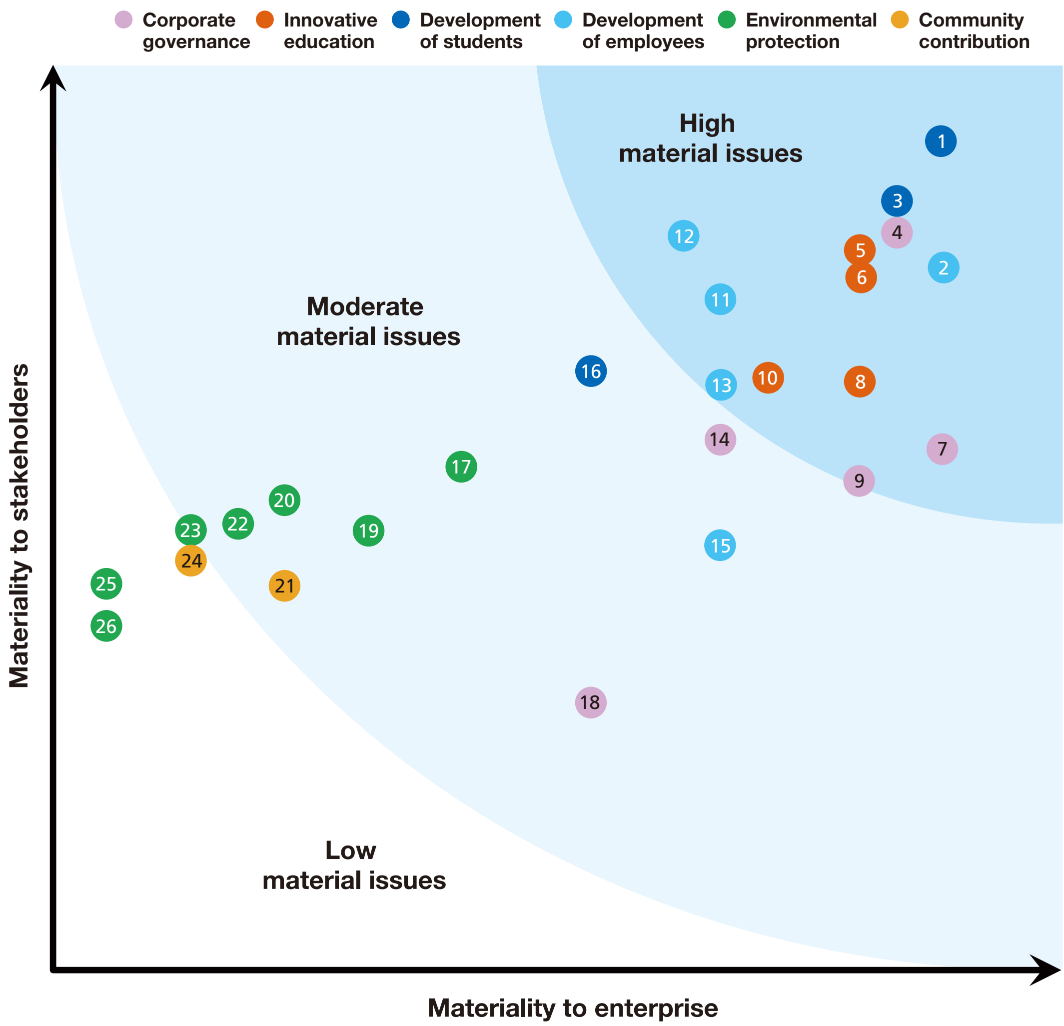
Types of stakeholders	Appeals and Expectations	Communications and responds
Government and regulatory authorities	Operation in compliance with laws and regulations Implementation of government policies Students' safety and health protection	Continuous reinforcement of corporate compliance management Actively responding to relevant national policies Implementation of relevant safety management measures
Investors/shareholders	Market value creation Compliance operation Sustainable development and risk management	Continuous development of operation results Improvement of the Company's risk management standards Formulation of ESG objectives and improvement of ESG management system
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 satisfaction surveys Improvement of the quality of educational offerings and services

Types of stakeholders	Appeals and Expectations	Communications and responds
Parents	Teaching environment security and health protection	Implementation of related safety management measures
	Assessment and improvement of teaching quality	Improvement of feedback and complaint handling mechanism
	Complaint handling procedure and service improvement	Diversified communication channels with parents and regular feedback collection
	Privacy and information security of students and parents	Establishment of student data retention system
Teachers/employees	Employee remuneration and welfare system	Development of a competitive remuneration and welfare system guarantee mechanism
	Management and structure of teacher team	Establishment of a diversified development platform
	Promotion of employees' development	Organize employee trainings and improve promotion mechanism
	Employees' safety and occupational health	Development of employee caring activities
	Teachers' ethics and morality development	Cultivation of teachers' ethics and construction of star-level faculty
	Development and innovation of after-school education services	Construction of a diverse product system
	Teaching product intellectual property protection	Improvement of application procedures for intellectual property protection
Media/public	Participation in social charity activities	Active participation in social charity activities
	Provision of employment opportunities	Campus recruitment and social recruitment
Environment	Green teaching and office environment	Implementation of energy conservation and emission reduction measures
	Environmental awareness development and course development	Promotion of green office Improve students' and employees' environmental awareness

Material Issues

For every two year, the Group conducts a broad and comprehensive stakeholder survey to continuously collect feedback from stakeholders. In 2018, the Group collected stakeholders' opinions and feedback by delivering questionnaires to government and regulatory authorities, investors/shareholders, suppliers/partners, students, parents, teachers/employees, to better understand their needs. In 2019, the Group conducted internal interview and survey to collect feedback and advice of internal members about the work that Beststudy accomplished in the year. Through interviews, the Group understood stakeholders' assessment and expectations about its ESG performance, reflects on, summarises and reviews the material issues and prepares the matrix of material issues for 2019.

Through analysis of the survey results, the Group identifies 13 high materiality issues including "teaching environment security and health protection", "management and structure of teacher team", "students' satisfaction" and "Privacy and information security of student and parent". The Group will focus on responding to these identified issues in the report, making the report more targeted and responsive and thus offering important guidance to the sustainable development work in the future.



Materiality Matrix of ESG Issues in 2019

Classification of issues	Priority	Issue
High material issues	1	Teaching environment security and health protection
	2	Management and structure of teacher team
	3	Students' satisfaction
	4	Privacy and information security of student and parent
	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
Moderate material issues	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 material issues	23	Impact on the environment of surrounding community
	24	Participation in community development and social charity activities
	25	Energy consumption management
	26	Waste management

Compliance Management

The Group strictly observes national laws and regulations and business ethics, further promotes the corporate governance in accordance with laws, strengthens the construction of compliance management system, comprehensively advances risk management and integrity construction, so as to improve the risk prevention capability, consolidate the foundation for the Group's development with honest, stable and compliant operation, therefore ensuring the Group's steady and healthy development.

Enhancement of Risk Management

The Group develops Risk Assessment Management System (《風險評估管理制度》) and Procedures of Internal Audit (《內部審計工作流程》) to guide its risk management and internal audit. During the Reporting Period, the Group has preliminarily established the risk management system and set up the risk management committee, the risk assessment group and the risk audit and monitoring department. Among them, the risk management committee is responsible for assessing various risks of the Group and providing coping strategies, and thus offering support to the Board's decisions. The risk assessment group is responsible for risk assessment and preparing risk assessment documents. The risk audit and monitoring department is responsible for reviewing the risk assessment documents prepared by the risk assessment group and providing the Board with risk assessment reports and relevant coping strategies. For continuously improving the key risk pool of internal audit and regularly updating the risk database, the Group holds the risk assessment meeting on a regular basis each year and prepares the annual risk assessment report, reviewing significant risks and the relevant coping strategies in the course of operation and strengthening risk management at each level.

Operation in Compliance with Laws

The Group is well aware that operation in compliance with laws is the solid foundation for its steady and rapid development. The Group conducts the education business in strict compliance with the Education Law of the People's Republic of China, the Law for Promoting Private Education of the People's Republic of China, the Implementation Rules for the Law for Promoting Private Education of the People's Republic of China, the Opinions of the General Office of the State Council on Regulating the Development of After-school Tutoring Institutions and relevant laws and regulations. The Group requires that each operation centre must obtain and maintain various approvals, licenses and permits and fulfill the registration and filing procedures to ensure the compliance. As at the end of the Reporting Period, the Group had 265 training centres across the country, which were mainly distributed in cities of Guangdong-Hong Kong-Macao Greater Bay Area, including Guangzhou, Foshan, Shenzhen, Dongguan, Zhongshan and Zhuhai.

To better receive internal and external stakeholders' reporting of the illegality, non-compliance or misconduct of the Group in relevant business activities, the Group has set up the compliance hotline hegui@zy.com for the whistleblowing and communication of internal and external stakeholders.

Promotion of Integrity Office

Following the Company Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China, the Interim Provisions on Banning Commercial Bribery, the Basic Internal Control Norms for Enterprises and relevant laws and regulations about corruption and bribery banning, the Group updated internal policies including the Anti-fraud Management System (《反舞弊管理制度》), the Risk Assessment Management System (《風險評估管理制度》) and the Guidelines for the Use of Compliance Hotline Mailbox (《合規熱線郵箱使用指引》) in 2019, further improved the internal anti-fraud management and whistleblowing system, comprehensively promoted the integrity education and continued to build the group culture of honesty and integrity.

Internally, the Group designates the audit committee of the Board as the responsible unit of anti-fraud work and the internal audit department as the executive unit. These two units constantly guide and supervise the Group's anti-bribery and anti-corruption work, regularly conduct anti-fraud investigation and risk assessment, forestall any fraud and rectify in time, and therefore ensure the integrity within the Group.

The Group launches anti-fraud promotion activities for employees, offers employees integrity trainings and provides professional legal support to enhance employees' recognition and awareness about relevant laws and regulations and internal rules. During the Reporting Period, the Group did not have any case related to corruption and fraud.

Privacy Protection

Customer information and privacy protection is an important part of the Group's customer-oriented management work. The Group strictly complies with regulations and requirements about personal information protection as set out in the Law of the People's Republic of China on the Protection of Consumer Rights and Interests and the Tort Law of the People's Republic of China. By establishing a complete student data retention system, it classifies and files the enrollment information of students immediately and strictly control the acquisition of student information to protect the right of portrait and the personal information of students. Meanwhile the Group develops the Privacy Protection Agreement (《隱私保護協議》) for online APP to ensure that customer privacy will not be subject to any infringement. In addition, the Group requires each campus to keep internal information confidential, including staff information, core content of products, application data and others, duly store and use paper materials, and destroy those falling out of use on a regular basis. During the Reporting Period, the Group did not receive any complaints with substantial evidence claiming that customer privacy had been infringed or customer information had been lost.

Protection of Intellectual Property

The Group treats the protection and management of intellectual property including software copyright and copyright prudently. In 2019, the Group formulated the Administrative Measures on Intellectual Property (《知識產權管理辦法》) and other internal system documents in accordance with the Trademark Law of the People's Republic of China, the Copyright Law of People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China and other relevant laws and regulations, clearly defining responsibilities and duties of each department and setting strict management rules in trademark, patent, copyright, intellectual property dispute settlement and document management to protect the intangible assets of the Group.

For further strengthening brand maintenance and building, the Group encourages and supports the protection of teaching research achievements and the Group's honors by applying for patent, copyright, trademark and goodwill. It develops internally a stable application procedure for intellectual property protection, invites external professional institutions to help with the application for intellectual property protection. In addition, the Group monitors others' acts of infringing the Group's trademark through the media on a regular basis, which effectively protects the Group from any intellectual property infringement.

Meanwhile, the Group fully respects the intellectual property of others, issues internal notices on banning the use of pirated software and calls on employees not to adopt words that infringe others' intellectual property.

Insisting on Honest Advertising

The Group emphasizes the compliance of promotion activities and strictly observes the Advertising Law of the People's Republic of China, the Trademark Law of the People's Republic of China and other relevant laws and regulations. We cannot tolerate any false information in the course of promotion and ensure that the advertising and brand promotion of the Group is true and accurate and contain no misleading statements.

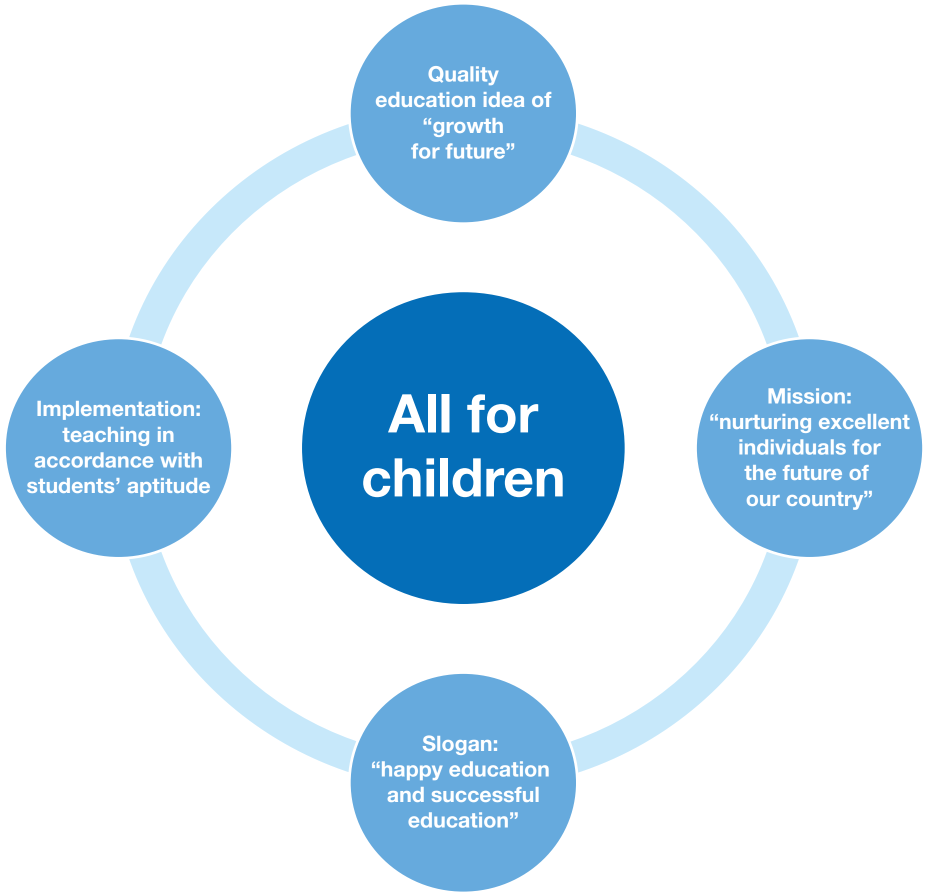
FOR HEALTHY GROWTH OF CHILDREN

The Group upholds the idea that everything should take children's long-term interests into account and values students' quality education and ability improvement to promote students' physical and mental health and the lifelong development. It offers students and parents abundant education choices, continuously promotes innovation and development, improves the teaching quality management and the safety and health management, and creates a safe and harmonious teaching environment.

Educational Philosophy

Strengthening moral education and cultivating people is the primary mission. The Group respects the gift and strengths of each child, takes shaping children's future happiness as the objective, and upholds the "all for children" education philosophy to help children develop the comprehensive competitiveness to meet the future and to enable children's future life through education.

Committed to the mission "nurturing excellent individuals for the future of our country" and the education idea "happy education and successful education", the Group leads its activities by new brand values and the children's ability model and builds a diverse product system. In the meantime, the Group insists on teaching in accordance with students' aptitude, flexibly utilises resources to help students achieve self-directed and efficient learning, grow healthily and happily and develop into high-quality talents, and therefore builds itself into "the paradise of learning and growth that is most preferred by students and most trusted by parents".



Brand Values

The Group develops the brand values of "diversity, innovation, happiness and harvest" and renews the core traits of teaching products to offer students high-quality education services.

- Advocate "diversity", respect children's personality development, expand their horizon, and create a versatile talent cultivation system.
- Encourage "innovation", further promote product update and innovation, develop education courses that better align with the cultivation of Chinese children's innovation ability, and lead children's future growth.
- Value "happiness", rouse children's desire for knowledge, customise the edutainment model for children, develop children's self-motivation, and let children to learn in joy.
- Aim at "harvest", help children to discover their own potential, realise all-round development and win the future with greater competitiveness.

Educational Projects

The Group divides the teaching business into three core departments: the Business Division of Premium Learning Program, the Business Division of Elite Talent Program and the Full-time Business Division, which provide pre-school to high school students with comprehensive and high-quality after-school education services and products. In its diverse product system, discipline-based programs and customised quality programs are the core, focusing on measurable academic performance and cultivating students' quality, thus leading children's personality development and healthy growth.

Professional Discipline-based Program

The Group is committed to providing all-subject tutoring and full-time high-quality placement services, develops discipline-based products including Beststudy Tutoring Courses, All-Subject Customised Tutoring and Full-time School Programs, and helps children to master the key points, overcome the difficult parts and realise great ability improvement.

- **Beststudy Tutoring Courses**

  Beststudy Tutoring Courses follow the standard courses of China's K-12 education system, comply with the standards for courses pre-determined by the Ministry of Education, focus on the core quality of each discipline, deliver courses in small class and cover all K-12 core disciplines. In 2019, the primary school teaching emphasized fostering children's interest in learning and developing children's habit and ability of self-directed learning and exploration. For instance, mathematics courses focused on the connection with daily life; Chinese courses laid stress on helping students to develop the "reading-comprehension-analysis-expression" four-tier language application thinking; English courses strengthened the training of language transfer model. These courses adopted a prospective approach to incorporate the traditional culture to enhance the leading by culture. In addition to learning theoretical knowledge and improving problem solving ability, the junior high school teaching set higher requirements on the core quality of each discipline. For instance, physics and chemistry courses emphasized students' experiment design and operation abilities, and politics courses cultivated students' world outlook and legal awareness.

- **All-Subject Customised Tutoring**

  All-Subject Customised Tutoring offers targeted tutoring services to cater to each student's needs in one-on-one or one-to-many (for example, one-on-three) courses. Adopting the "3·X" teaching strategy, the Group comprehensively assesses four major personality factors of students: motivation, ability, habit and environment, provides targeted tutoring services to meet students' needs, thus realising problem solving, clear explanation, knowledge consolidation and the internalization of abilities.

  ✔ **Niu Shi Bang Online One-on-one Courses**

  Create a customised online education product system and platform, improve the learning loop from intelligent teacher selection, pre-class test, class presentation and after-class practice, and help children to analyse and address the deep-seated problem of inadequate learning ability through targeted and effective one-on-one online courses delivered by in-house full-time teachers;

  ✔ **One-on-one Courses**

  Create special learning ability and mental ability projects in addition to courses related to core disciplines, stick to the purpose "caring about mental health, your family and you", offer children learning ability trainings, psychological counseling, children and parents growth courses and other services, and plan to develop courses for exam-oriented education;

  ✔ **One-on-three Courses**

  Organise three students of similar level in the same discipline and with complementary advantages based on students' personality factors into a class, guide the students to build a relationship of competing with, teaching and learning from each other, make courses more interesting and improve the learning efficiency, and meet students' demands for high-quality and cost-effective customised learning.

Customised Quality Training

The Group offers students three core quality courses, basic quality, phycological quality and social quality, to provide children with more possibilities for the future. It develops learning ability products to train students' basic quality, focuses on four major comprehensive abilities: language expression, scientific quality, humanistic quality and innovation ability, and also pursues improvement in five intellectual abilities: attention, observation, memory, imagination and thinking. In the meantime, the Group develops the new family ability product, expands beyond the two key segments of learning and phycology education and family education, offers support to students to adapt to growth and changes and social development. As at the end of the Reporting Period, the Group has developed 8 special quality products, including "Beststudy Macro Chinese" (卓越大語文), "Arts of Skillful Questioning" (巧問教育), "Thinking Planet" (思考星球) and "Star Football School" (明星足球學校).

Quality of Education

High-quality products are the competitive advantage of China Beststudy Education Group. Upholding the quality education idea "growth for future", the Group conducts teaching lifecycle quality management from three aspects, being initial course preparation, course delivery and after-class service feedback and continuously practises and refines the top-quality courses, so as to help children to grow healthily. In 2019, the Group adhered to the rigorous scholarly attitude, upgraded the research and development team, strengthened communication and feedback between schools and parents, set higher standards on itself and injected positive energy to the industry.

Adequate Course Preparation

The Group formulates the Teaching Quality System (《教學質量系統》) to standardise teaching quality management and assessment. Meanwhile, it improves course content, course production and course matching, truly implements the course quality management, creates top-quality courses that better meet academic requirements and children's demands and satisfies students and parents' demands for "nurturing excellent individuals".

- **Customised Course Content**

  In active response to the national new curriculum standard reform, the Group establishes a 600-strong dedicated team to work closely with faculty to design, develop, update and improve course materials and teaching methods in time based on market development trends and students' needs, so as to improve the applicability and practicability of courses. For customised tutoring courses, the Group leverages its strength of in-depth understanding about the education and examination environment of the places of business operation, focuses on points where students are prone to make mistakes frequently, works with professional phycology teams to accurately identify children's personality factors by sand table, professional assessment and other ways, and carefully designs customised courses.

- **Refined Course Production**

  The Group diligently promotes the "course practice" (磨課) mechanism, actively organises teaching workshops, and continuously improves teaching plans and methods through the combination of teachers' on-site trial lectures, guidance of research leads at all levels and the Group's random inspections, thus ensuring the high-quality course delivery.

- **Professional Course Matching**

  The Group offers students various teaching products and all levels of star teachers for selection, communicates with students and parents through Niu Shi Bang online platform and on-site campus counseling to understand students' personality and learning demands, provides students and parents with professional discipline-based assessment, experience course services and customised course mix, offers students courses and teachers that truly match their demands and levels.

Teaching Quality Management

Managing teachers' teaching quality is a guarantee for students' learning efficiency. The Group builds a teacher team with extensive experience, recruits teachers who are responsible to students and have extensive teaching experience and sophisticated teaching skills, and actively cultivates and improves the professional ethics and quality of the teacher team, and constructs a star-level faculty which possesses teachers' ethics and morality and can lead by example and effectively ensure the teaching quality. In addition, the Group continuously improves the course evaluation system, strictly complies with the Standard Procedures for Teaching Business (《教學業務標準流程》), promotes feedback and evaluation after attending the trial lectures, and evaluates the quality of teaching achievement delivery through multiple dimensions.

Emphasis on After-Class Feedback

To comprehensively ensure students' learning efficiency, the Group offers after-class teaching services, helps students to master difficult points and key points that they have failed to catch on the class through homework tutoring and answering questions via social media group and by after-class tutoring, organises mid-term and final exams and conducts reverse tests, so as to reflect the teaching quality and students' learning efficiency in an all-round manner.

To know about the teaching quality in time, the Group checks the teaching efficiency by ways of homework, entrance examinations, quizzes, periodic tests and level tests, and, at the same time, actively communicates with parents to provide them with feedback about students' performance at class, knowledge mastery, personality and other aspects, so that parents will stay informed of students' performance, adopt appropriate methods to offer family tutoring. In addition, the Group constructs an online-offline multi-channel feedback mechanism to enable parents and students to provide real-time feedback about the teaching quality through the online evaluation system. The Group also conducts phone call follow-ups on a regular basis and launches periodic and systematical teaching investigations.

For further improving service quality, the Group pays high attention to customer complaints, especially significant complaints in relation to teaching quality. Parents and students can submit their complaints by customer service hotline, the website, the Niu Shi Bang platform and other means. The Group undertakes to provide solutions within 3 hours and to follow the solution within 24 hours. For core customers, the Group has entrance examinations, periodic tests, level tests and face-to-face in-depth communications to understand their demands, which effectively guides the improvement of the Group's products and services. During the Reporting Period, the Group's complaint response and handling rate was 100%.

Campus Safety

The Group regards the safety of students and teachers as the fundamental aspect of its work, fosters teachers and students' safety awareness by developing a comprehensive safety assurance system, strengthens the prevention of and the intervention in campus emergencies, and reduces the risk of safety incidents. During the Reporting Period, the Group did not have any significant campus safety incident.

Implementation of Safety Assurance System

Strictly following the Law of the People's Republic of China on the Protection of Minors, the Fire Protection Law of the People's Republic of China and other relevant laws and regulations, the Group develops management systems including the Campus Safety Management System (《校區安全管理制度》), the Fire Safety Management System (《消防安全管理制度》) and the Brief Guide on Disaster Prevention and Mitigation (《防災減災簡要指南》) to truly implements the safety management system and to regulate the protection of students and teachers' safety.

- **Safety Management**

  For students' safety and health, the Group establishes the safety working group with campus principal acting the first person responsible for the campus safety work, sets up the significant accident reporting system, duly implements the safety prevention and management work by requiring visitor registration at the reception desk, governing areas surrounding the campus and reporting students and teachers' going out and significant accidents. In 2019, the Group had all classrooms equipped with monitoring devices, adopted centralised procurement and unified management for chemical experiment supplies and other risk-prone items, and therefore effectively reduced the safety risk. In addition, for new teaching and office areas, the Group engaged third-party professional institutions to test the air, set clear acceptance regulations on formaldehyde content and other air quality indicators, replaced and pruned plants at the campus and deeply cleaned the restrooms every week, thereby creating a healthy and non-hazardous environment for students.

  For fire safety, the Group requires each department/campus lead to sign the annual Fire Safety Responsibility Letter (《消防安全責任書》), conducts fire safety inspection every month, establishes and amends fire prevention documents to address fire potential in a timely manner and prevent fire safety accidents. In 2019, the Group equipped corridors and classrooms of all campus with fire extinguisher and other fire-fighting facilities and fire prevention items, engaged third-party fire-fighting organisations to conduct maintenance work every month, issued quarterly maintenance reports, promptly improved fire-fighting facilities that were deemed as unqualified and replaced expired devices.

- **Emergency Treatment**

  The Group follows the "prevention orientation" crisis management principle, establishes the emergency team in accordance with requirements as set out in the Safety Emergency Response Plan (《突發事件安全應急預案》) and the Fire Extinguishing and Evacuation Plan (《滅火疏散應急預案》), ensures that investigation, site survey and effective measures have been taken in respect of the emergencies. Each campus must finish self-inspection and conduct monitoring on emergencies every month, ensure that relevant personnel in compliance with requirements are on duties for 24 hours. Once a safety potential is identified, such safety potential must be reported to departments of higher level in time, and measures must be taken to cope with the risk.

Cultivation of Safety Awareness

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

FOR REALIZATION OF VALUE OF EMPLOYEES

High-quality faculty is the core competitiveness and treasure of the Group. Guided by the principle that employees' benefits shall be considered first, the Group fully respects and protects the interest of every employee, provides employees with scientific training and diverse development platform, creates a warm, cozy workplace and an atmosphere with work and leisure balance, and therefore realises common growth with employees.

Team Management

The Group has a people-oriented operating philosophy, and it is pursuing the team management objective of providing employees with a diversified professional development platform by building a corporate culture that values cohesion and execution. The Group possesses a team comprising over 6,000 outstanding teachers and staffs, and 25% of them have senior title, many of whom are senior teaching experts, special-grade senior teachers, principals of public schools and respectable trainers.

In the course of team management, the Group adheres to the basic rules of three "respects":

✔ **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.

Protection of Employees' Interests

The Group is fully aware that protecting employees' interests is the foundation of employees' motivation and engagement. In 2019, the Group observed relevant laws and regulations, updated the Employee Handbook (《員工手冊》) and specified the content of the handbook from labour management, holiday and attendance management, compensation and performance-based bonus, training and development, code of conduct and other aspects, thereby comprehensively protecting employees legitimate rights and interests in recruitment, promotion, salary and benefits and health and providing a safe and healthy working environment.

- **Labour Management**

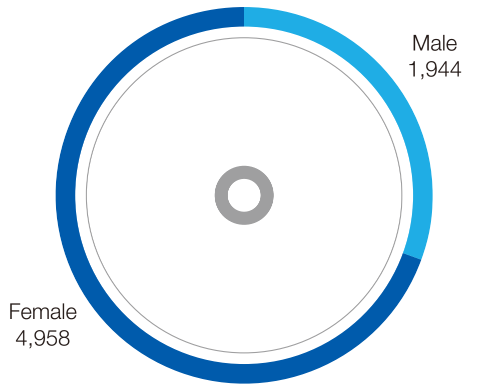
  The Group strictly complies with the Labour Contract Law of the People's Republic of China, the Law of People's Republic of China on the Protection of Minors, the Provisions on the Prohibition of Using Child Labour and other relevant laws and regulations in relation to labour employment, prohibits the employment of child labour in accordance with requirements as set out in the labour management section of the Employee Handbook. In the course of recruitment, the Group requires new staffs to cooperate with local human resources centres in reference check procedures, so as to ensure the completeness, truthfulness, legality and validity of all information provided by such staffs. In addition, during the on-boarding procedures, the Group will sign labour or service agreements with staffs on basis of their positions in accordance with relevant laws and regulations. Meanwhile, the Group strictly follows relevant national requirements to adopt rule of working 40 hours per week, recruits staffs on the principle of free will and without any deception or coercion, and protects the legitimate rights and interests of employees. In 2019, the rate of signing labour contracts with employees was 100%, and there was no discrimination in the course of employment and no child labour or forced labour hired.

- **Equal Employment**

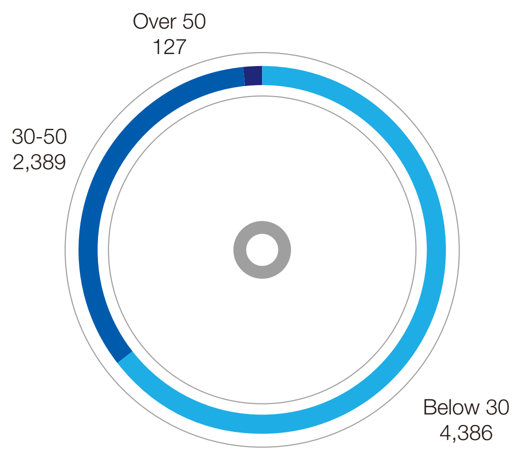
  The Group strictly complies with the Labour Law of the People's Republic of China, the Teachers Law of the People's Republic of China and relevant laws and regulations, and sets clear requirements about employees' salaries and benefits, insurance and housing fund, performance, holidays and attendance, position and title in the internal systems including the Attendance Management System (《考勤管理制度》), Compensation and Benefit Management System (《薪酬福利管理制度》), Performance Management System of China Beststudy Education Group (《卓越教育集團績效管理制度》) contained in the Employee Handbook. With respect to employment, the Group adheres to the principles of fair employment, enlisting according to merits, avoiding family ties and affiliation, conducts fair, open and impartial recruitment and selection, and offers equal employment opportunities. The Group undertakes that it will not discriminate any employee because of his/her race, religious belief, age, nationality, gender, marital status and disabilities, and that it will strive to realise the objective of putting the right man in the right place in terms of talent selection and retention.

With respect to the appointment standard, the Group takes qualifications including morality, expertise, capabilities and experience as the determination criteria, actively encourages internal referrals by employees at all levels, advocates and motivates all employees to participate in the Group's recruitment process, thus helping the Group to promote the employer brand and attract outstanding talents. As at the end of the Reporting Period, the Group had a total of 6,902 employees, among which, female employees accounted for 72%.

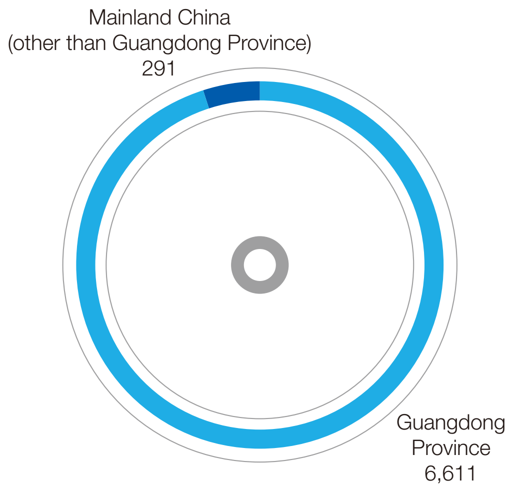
Number of Employees by Gender (Person)



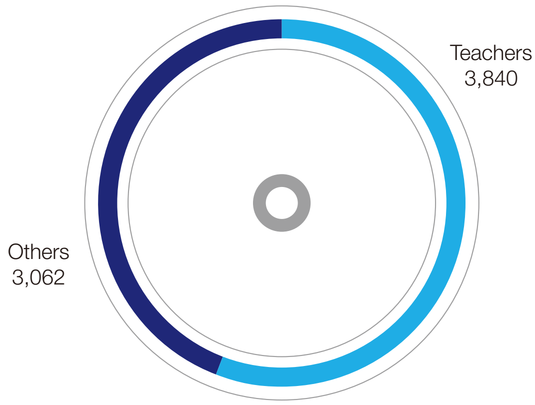
Number of Employees by Age Group (Person)



Number of Employees by Geographical Region (Person)



Number of Employees by Employment Type (Person)



- **Compensation Incentives**

  The Group adheres to the compensation management concept that "Key talents development, performance culture with result oriented and the improvement of human recourse management efficiency as the core" (關鍵人才發展、用結果說話的績效文化和人效提升為核心), formulates internal policies including the Compensation and Benefit Management System and Performance Management System, and ensures that employees will obtain the labour compensation and the legitimate rights of enjoying social insurance in accordance with laws.

  While meeting its business development requirements, the Group fully utilises compensation to motivate its employees. Sticking to the principles of fairness, competition and incentive and the compensation structure criteria of "post and performance based pay" (以崗定薪，以績效定薪), the Group offers employees a competitive and comprehensive compensation and benefit system, containing fixed pay (including monthly salary) and variable benefit items (including performance-based bonus, year-end bonus, excessive profit bonus and share option incentive scheme). In the meantime, the Group investigates in market compensation levels in the industry and its internal compensation competitiveness every year, and organises at least one annual salary adjustment, so as to boost employees' initiative and motivation.

- **Employee Communication**

  The Group promotes employee democratic management, encourages open communications, builds the employee communication and feedback platform, broadly listens to employees' voice through multiple channels, identifies and addresses issues employees are concerned about, and therefore creates a democratic, harmonious, fair and impartial corporate culture and improves employees' satisfaction and sense of happiness constantly.

  ✔ **Internal communication system**

  Set up one-to-one communication, president's letter and the online communication platform, strengthen communication between leaders and employees, publish important information and documents internally in the Group, get informed of employees' work progress, and boost employees' motivation and productivity;

  ✔ **Staff workshop**

  Organise workshops with the management on a regular basis, help leaders of each department understand the current operation of each campus and relevant issues identified, listen to employees' voice, ensure effective internal communication and improve employees' sense of belonging;

  ✔ **Staff meeting**

  Help employees to get informed of the Group's important information, including latest policies, procedures, products and other market activities, together with commendation activities for recognising employees with outstanding performance;

  ✔ **Promotion and communication mechanism**

  Set up culture promotion bulletin boards, design employee publications, help employees to know about corporate information and development and enhance the cohesion within the Company.

Protection of Employees' Health and Safety

The Group pays high attention to the occupational health and safety of its employees. It strictly obeys the Fire Protection Law of the People's Republic of China, the Regulation of the People's Republic of China on Work-Related Injury Insurance and other relevant laws and regulations, requires that each campus shall clearly define the division of responsibility in respect of safety management, regularly monitor and inspect potential risk in the campus and actively carry out employee safety education. In addition, the Group offers employees free annual physical examination, encourages employees to purchase medical insurance, and therefore ensures that employees are physical and mental heath.

In addition, the Group establishes 12 clubs of four major categories at the headquarters, including basketball, football, badminton and fitness, offering employees favorable sports facilities, enabling them to develop their hobbies, relax physically and mentally and demonstrate their skills, promoting communications and interactions of employees and therefore enhancing the cohesion. In 2019, these clubs organised about 200 activities in total and attracted approximately 2,000 participants and 300 new members. As at the end of the Reporting Period, members of the Group's clubs were over 1,500 cumulatively.

Beststudy Club Activities

When the report is being prepared, the COVID-19 is now spreading across the whole country. In the time of epidemic prevention, the Group strictly complies with notices of local governments on postponing work resumption, adjusts employees' holiday arrangement and reduces the number of employees gathering in the office so as to protect their health and safety. In addition, the Group develops work resumption guidelines for employees, helps employees fight the virus from various aspects including epidemic prevention, commuting, environment, dining, working in the office and phycological counselling, improves employees' epidemic prevention awareness, and makes concerted efforts to build a safe and healthy workplace and fight the virus.

Talent Development

The Group is committed to building a systematical talent development system to enable employees to achieve multi-dimension development without following the strict ranking. It offers employees training courses that will improve their management and professional skills to ensure the diversified improvement, adopts the "self-learning + practicing training + training course" model to advocate employee to engage in self-learning, and establishes the organisation enabling mechanism named "Swan Plan" (鴻鵠計劃) and "Starfish Plan" (海星計劃) to inspire employees' potential and dreams and help them realise growth. In 2019, the Group has 5,878 employees trained in total, and the total training hours was 1,326,352 hours.

Focus on Talent Cultivation

Talent cultivation, reserve and development is not only the foundation for the Group to ensure the sustainable business growth but also the guarantee for the Group to offer students consistently stable and superior teaching service experience. Zhouyue Academy, established by the Group, is devoted to the purpose "Study Conduces to Bright Future" (學習成就卓越未來) and aims to become "Best Talent Cultivation Base in China's Education Industry" (中國教育行業最佳人才培養基地), making contribution to employees' further progress by offering product manager development program, teacher trainer development program and star teacher assessment.

The Group offers closed-loop programs to promote talent develop and comprehensively improve teachers' professional skills and quality. In 2019, the Group conducted talent review on key personnel, improved the talent cultivation system, and ensured that trainings covered fresh graduate, senior executives and other employees at different positions and of different types. In the cultivation system, the Group based the cultivation system framework on talent acquisition and identification, designed corresponding training programs for management trainees, new teachers and other employees of different types, such N Program (N計劃), New Staff On-boarding Training (新員工入職簡介), Management Trainee Rapid Growth Program (管培生快速成長計劃) and Continuous Learning of Senior Executives (高管學習). Based on different positions of teachers, functional departments and the management, the Group offered targeted trainings, such as Teacher Growth Series (教師成長系列), Function Series (職能系列), Operation Management Series (營運管理系列), Product Management Series (產品管理系列) and Starfish Growth Series (海星成長系列), so as to improve employees' professional quality and problem solving ability. In addition, for the management, the Group established a four-tier operation system comprising campus chief, campus deputy director, campus principal and regional principal, offered targeted course guidance, gradually deepened the training from four aspects, system management, staff management and leadership, business leadership and cross-branch management, to improve employees' leadership skills.

Meanwhile, Zhuoyue Academy promoted the value concept that "a student will truly learn when he changes his habits" (行為轉變，學習才發生), incorporated cultivation programs into employees' daily work, and encouraged employees to practise what they acquired in trainings in their work through Action Learning (行動學習), Job Rotations and Secondment (輪崗外派), Project-based Arrangement (項目制), Task Assignment (任務指派) and Group-based Arrangement (小組制).

Figure – Beststudy Talent Cultivation System

Clear Development Channel

In 2019, the Group released the Position and Ranking Management System of China Beststudy Education Group (《卓越教育集團職位職級管理制度》) to standardise the Group's position and ranking management and lead employees' development direction and channels. It selected and evaluated teachers with the "one passion and six abilities" teacher's ability model ("一情六力"教師能力模型), being education passion, teaching ability, professional ability, communication ability, motivating ability, learning ability and innovation ability, identified teachers' ability level based on the one-star to five-star teacher criteria, and built the Beststudy Star-level Faculty. With the diversified evaluation model and the orderly promotion channel, the Group hoped to discover teachers' abilities and potential and facilitate teachers to forge ahead on their career path as learning designer, classroom guide, growth supporter, team player and culture promoter.

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

✔ **Education passion**

Care about children's healthy growth and development needs, appreciate the value of education, keep pursuing further refinement, and determine to nurture lifelong career achievement in the education industry.

✔ **Teaching ability**

Uphold the "all for children" value, and deliver teaching product and experience to every customer at the Beststudy classroom through teaching design, teaching skills, classroom organisation and other teaching abilities.

✔ **Professional ability**

Possess integrated abilities including having a systematic reserve on discipline knowledge and theories, well knowing teaching policies, understanding thoroughly education psychology and mastering students' academic performance.

✔ **Communication ability**

Sincerely treat each customer, accurately understand and immediately respond to customers' needs, reach a consensus and achieve a win-win cooperation with children and parents.

✔ **Motivating ability**

Be able to depict the future, discover others' merits, motivate and influence others, help others to achieve success.

✔ **Learning ability**

Be able to incorporate new knowledge into the existing knowledge by all the ways one can learn, thus changing the existing knowledge structure and applying the learning outcome.

✔ **Innovation ability**

Be able to continuously provide new ideas, new theories, new methods and new inventions in the teaching field.

Contribution to Diversified Growth

The Group insists on the belief "being open and innovate to achieve the extraordinary", frees its mind with an open attitude and hopes to develop a new thinking model that will lead the industry development. With its brand advantage, capital strength, functional support, mentor guidance and other resources, the Group provides employees with opportunities to start their own businesses, encourages employees to improve personal integrated skills and turn themselves into internal investors of the Group.

In 2019, the Group continued to launch "Starfish Plan" and "Swan Plan" to promote the diversified development of the internal business platform and innovation.

✔ **Starfish Plan**

The Group supports the customer-oriented independent management mode, aims to build an independent management mode through organisation and employee enabling, allows every member of Beststudy to become the operator, cultivates the stand-alone problem-solving capability, and therefore builds a happy enterprise.

✔ **Swan Plan**

The Group encourages employees who intend to start their businesses to leverage their own advantages including extensive management experience, profound teaching abilities, familiar environment and social network to realise their dream by engaging in the regional expansion with the support of the Company by mature model and abundant resources, thus becoming business partners of the Group and achieving common development and win-win outcomes.

Encouraged by Beststudy, the internal startup running model has become a part of the Group's culture. In recent years, we have established many platforms including Macro Chinese, Niu Shi Bang, Art of Skillful Questioning, Gaokao Fengbei (高考蜂背), YU YOU PIN XUE (譽優品學) to cater to different directions and student needs.

Employee Care

While exploring employees' needs and offering them multi-layer benefit and welfare to contribute to talent retention and attraction, the Group improves the quality of employees' social life, helps them to have a balance between work and life, thus making them work and live happily.

Improvement of Sense of Happiness

The Group strictly complies with the Social Insurance Law of the People's Republic of China, the Special Rules on the Labour Protection of Female Employees and other laws and regulations, refers to the Compensation and Benefit Management System and builds a complete benefit system to offer employees favourable benefits. It provides every employee who has signed the labour contract with statutory benefits containing social insurance (including pension, work-related injury insurance, unemployment insurance, medical insurance and maternity insurance) and housing funds, together with benefits that are available throughout employees' career path and daily life, which include annual performance-based bonus, long-term service holiday, commercial health insurance, annual health check, computer subsidies, communication allowance, flexible working, team building activities, festival theme activities, group purchase of supplies, lifestyle lecture salon and other policies, thereby improving employees' sense of happiness.

Enrichment of Employees' Life

The Group is well aware that family and children are the focus of every employee other than work, and that every employee's hard work is indispensable of family's support. To better take care of employees, the Group establishes the Beststudy 2nd Generation Club (卓二代俱樂部), which is committed to serving children of employees and cultivating outstanding Beststudy 2nd Generation. Taking summer and winter holidays, the Children's Day, the annual gala and other festivals as opportunity, Beststudy 2nd Generation Club launches a series of activities and services including childcare services, Beststudy Winter Holiday Playground (寒假卓樂園), Beststudy 2nd Generation Show on Annual Gala (卓二代上年會), and Children's Day Mind Games (六一腦力運動會). Among them, Beststudy 2nd Generation Show on Annual Gala and Children's Day Mind Games have become the brand activities of Beststudy 2nd Generation Programs (卓二代項目), with more Beststudy 2nd Generation children participating in the activities and the satisfaction reaching 100%.

In 2019, Beststudy Summer Holiday Playground (暑期卓樂園) were launched in three campuses and offered over 300 hours of childcare services in 30 days of 6 weeks, involving 7 business and product departments and attracting 78 children enrolled, being 902 person times in total. In addition, the first Beststudy Winter Holiday Playground of this year joined hands with Beststudy STEAM Centre (卓越STEAM中心) to launch "STEAM Happy Travelling" Beststudy 2nd Generation Winter Camp ("STEAM嘻遊記"卓二代冬令營), with 20 children enrolled. These activities not only offered Beststudy 2nd Generation children unforgettable memories, but also relieved teachers from the burden and made them feel assured.

Beststudy 2nd Generation Show on Annual Gala

Beststudy 2nd Generation Summer Holiday Playground

FOR HARMONIOUS DEVELOPMENT OF SOCIETY

While pursuing high-quality performance growth, the Group actively fulfills its social responsibilities, endeavours to minimise the impact it brings to the environment in the course of operation, contributes to community development with its advantages and procures students to actively participate in social activities, thus being a part in building a harmonious society.

Supply Management

The Group continuously improves the supplier management and the system construction, and therefore builds a comprehensive supplier management system. It standardises the bidding and purchase procedures, strictly manages the quality of categories purchased from suppliers, procures suppliers to fulfil their social responsibilities, reduce the supply risk and guarantees the quality of education services and products.

Improvement of Supply Chain Management

The Group is actively seeking potential suppliers, builds a closed-loop management covering supplier selection, review, evaluation and dynamic management through a scientific and rigorous evaluation mechanism, and therefore ensures the quality of supply.

In the access stage, the Group selects and reviews suppliers in accordance with Supplier Management Regulations (《供應商管理規定》). It establishes a supplier development group to conduct on-site review on suppliers, issue review reports and complete the supplier entry procedures in accordance with requirements as set out in the Supplier Review Form (《供應商考察表》) and by incorporating the on-site or online evaluation, thereby offering the Company more high-quality choices.

In the assessment stage, the Group promotes the supplier evaluation and dynamic management work and establishes the supplier assessment group to assess suppliers from multiple dimensions including supply cost, supply quality, timely delivery, contract performance and service quality, and rates suppliers into five categories in the assessment results as strategic, preferred, selectable, eliminated and blacklisted. Among these categories, suppliers with outstanding performance can be listed in new projects or recommended for contract renewal with priority, while those with poor performance will be blacklisted, in the severe case, with no further cooperation in the future.

In 2019, the Group updated the Supplier Management Regulations, added new engineering supplier management rules to set clear work requirements on the request designating to, random inspections of and fraud treatment against engineering suppliers. The new Supplier Assessment Detailed Rules (《供應商考核細則》) specified the supplier review and access standards and the supplier entry approval procedures, imposing strict management on supplier review. The new frozen supplier management regulations (凍結供應商管理規定) clearly defined exceptional suppliers, froze the suppliers with exceptional cases, terminated its engagement in the Company's purchase business, and blacklisted suppliers which failed to meet standards after rectification. In the meantime, the Group developed the Anti-bribery Undertaking Letter (《反商業賄賂承諾書》) for suppliers of different categories, and required suppliers of each category to sign the undertaking letter and observe relevant requirements, thereby promoting supplier integrity management.

Protection of Suppliers' Rights and Interests

The Group strictly observes the Bidding Law of the People's Republic of China and relevant laws and regulations, establishes the purchase committee to carefully review bidding documents and duly perform purchase acceptance procedures. In 2019, the Group updated relevant regulations and systems including the Bidding Procedures and the Purchase System, reviewed and updated the purchase categories, amended the purchase methods for different tender amount, supplemented regulations on exceptional cases in the course of executing the bid and the contract, and specified and improved standards on bidding and purchase procedures. In addition, the Group prohibits any personnel of the purchase function from accepting gifts and requires such personnel to declare relevant interests, thereby ensuring an open and fair bidding process.

Promotion of Green Supply Chain

The Group advocates green purchase and closely monitors suppliers' performance in terms of sustainable development. When cooperating with multiply suppliers, the Group prioritises suppliers locally based in the place of business operation, minimises the air pollutant emission and the energy consumption generated by transportation, and promotes the green and low carbon concept. In the meantime, the Group encourages suppliers to value environmental protection, adopts environment-friendly materials and enhances waste recycling, ensures that supplies are green, non-hazardous, safe and useful, lead suppliers to observe environmental protection laws and regulations and to perform social responsibilities.

Environmental Protection

The Group closely monitors its impact on the environment, strictly observes the Environmental Protection Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China and relevant laws and regulations, continuously improves environmental management, promotes the green development concept, strengthens the cultivation of employees' and students' environmental protection awareness, and therefore makes its contribution to the building of green and civilized society. During the Reporting Period, the Group did not have any event that had materially affected the environment and natural resources.

Minimum Environmental Impact

The Group values the fulfillment of environmental responsibilities, incorporates the green concept into its daily operation management and campus construction, closely monitors the waste management, actively reduces various wastes produced in the course of teaching and office operation and promotes waste recycling, strengthens the greening and cleaning of teaching and office areas, and therefore builds a green and healthy teaching and work environment.

The Group actively adopts the multi-media teaching facilities to replace the consumption of the blackboard, chalks, marking pens and other traditional teaching supplies, advocates reusing papers without confidential content and customer privacy for copying and printing, adopts separate waste bins to promote waste sorting, reasonably utilises resources to dispose non-hazardous wastes and reduces emissions. In addition, the Group helps property maintenance companies and suppliers with waste lamp recycling, reasonably dispose chemical drugs and experiment equipment in accordance with relevant regulations, and promotes the standardised disposal of hazardous wastes.

In 2019, Guangzhou Branch actively responded to the Group's environmental protection initiative and issued the Notice on Standards of the Classification of Waste Bins in Campus of Beststudy Guangzhou Branch (《關於卓越廣州分校校區垃圾桶分類標準的通知》), setting classified waste bins at each stair of the teaching and office area and actively promoting household waste sorting and recycling.

Promotion of Energy Saving and Low Carbon

The Group actively combats the climate change, promotes the green lifestyle concept and minimises energy and resource consumption and greenhouse gas emissions to realise low-carbon operation.

The Group saves electricity consumption by adopting energy-saving equipment, promptly turning off idle lighting devices and electrical appliances, setting air conditioners to the environment-friendly temperature, reasonably using air conditioners, minimising the standby time of computers and other electrical appliances, and strengthening electricity consumption inspections in campus and office areas. Meanwhile, the Group promotes the water saving by posting water saving promotional signs, regularly inspecting the conditions of water equipment and regularly checking and maintaining water equipment.

In addition, the Group conducts unified management on office supplies, adopts planned and centralised purchase, distribution of office and teaching supplies for each campus and office area, tracks the utilisation through maintenance and disposal records and inventory taking, and avoids wasting resource due to inappropriate management.

During the Reporting Period, the electricity consumption in the Group's daily operation was 12,408,353 kWh; carbon dioxide emissions produced by purchased electricity was 6,540 tons; water consumption of 219,888 tons.

Promotion of Green Lifestyle

The Group recalls and implements the national requirements on ecological civilisation construction, enhances employees' and students' environmental protection awareness, advocates the green lifestyle, creates a green and low-carbon workplace and facilitates the building of social climate that promotes environmental protection and green lifestyle.

In 2019, the Group actively promoted the sustainable development concept and fostered students' environmental protection awareness by posting green promotion signs at campus, organising environmental protection theme class meetings and broadcasting environmental protection promotion videos before the class. In addition, the Group promoted the environmental protection concept to employees, arranged the "Fire Safety Training and Environmental Protection Lecture" ("消防安全培訓及環保專題講座"), delivered waste sorting knowledge and environmental protection measures to representatives of each campus, and led employees to carry out energy saving and environmental protection work independently.

The Group encourages students to be creative and participate in environmental protection practice. In 2019, mini-games "I am Environment Defender" ("我是環保小衛士") and "Protect the Earth" ("保衛地球") developed by students of the Science & Technology Course of STEAM Education Centre were qualified for the next round of 1st Teenager Mini-game Creation Camp 2019 (2019首屆青少年小遊戲創造營) sponsored by WeChat, and students were promoting the environmental protection concept in their own ways.

Community Dedication

The Group is devoted to its mission "nurturing excellent individuals for the future of our country", undertakes its social responsibilities as a leading education enterprise, continuously promotes charity activities and procures students to participate in social activities. It strictly follows the Charity Law of the People's Republic of China and relevant laws and regulations, invests its education advantages and resources in charity activities, focuses on non-profit education from the perspective of "people", promotes social practice and delivers society warmth. In 2019, the Group's investment in community charity amounted to RMB935,000.

Devotion to Education Charity

Leveraging its education resources, the Group shares its education resources and achievements with the underprivileged by donating money, supplies and materials, offering teacher training programs and other ways, and enables the realisation of education equity by focusing on rural education, helping migrant children in cities and other charity activities.

- **Candle Protection Plan**

  The Group launched the "Candle Protection Plan • Caring Rural Teachers" (護燭 • 鄉村教師關愛計劃) jointly with Guangdong Youth Development Foundation since 2015. With over 20 years of teaching experience and resources, the Group offered offline pre-service trainings and irregular online on-the-job trainings to help rural teachers with less teaching experience to improve their teaching skills and broaden their minds. In 2019, the Group continued to invest in the Candle Protection Plan, offered targeted support to the rural education in Guangdong Province, contributed to rural education and helped children to grow healthy and strong. In these five years since the launching of Candle Protection Plan, the Group offered trainings to and facilitate the improvement of about 1,000 rural teachers, delivered courses and parent tutoring programs to rural areas and sponsored the school buildings, thus profoundly influencing approximately 50,000 rural children.

Case: Candle Protection Plan, Targeted Support to Rural Education of Guangdong Province

In 2019, Candle Protection Plan delivered courses to Longwen Town, Meixian District, Meizhou City, Guangdong Province, enabling rural education from three aspects, rural teachers, children and parents, and helping rural children grow healthily.

The Group continued with the one-to-one rural teacher support scheme and provided rural teachers with guidance in respect of individual psychology, teaching skills and communication between school and parents to help rural teacher realise growth and transformation. In the meantime, the Group continued to deliver many interesting new courses to children to broaden their minds. By delivering courses to rural areas and launching the launching the double teacher classroom, the Group enabled education resources to flow more freely. In addition, the Group worked with senior psychological teachers to deliver family education audio courses covering parent and children communication skills to rural parents, helping rural parents address education issues from many aspects: parents' role and responsibilities, skills for remote communication between parents and children, how to lead children to do the homework, and the far-reaching impact of harmonious relationship between fathers and mothers, building the positive synergy of school education and family education and creating better education and growth environment for rural children.

- **"Discover Father" (發現爸爸) Family Education**

  The Group creates a new family education brand "Discover Father", takes appraisal as the opportunity and "Smart Father Workshop" (智慧爸爸研習社) as the vehicle to launch corresponding online microlectures and offline lectures and salon from two aspects, scientific education and self-growth, which is coupled with experts' answering questions and topic research, to offer targeted and customised guidance to fathers to "return" to family education, to improve the effectiveness of communication between parents and children and to contribute to family education and children's healthy growth.

Case: "Discover Father" Book Donation to Enable Rural Children to Dream

In a bid to improve children's reading ability and allow them to continuously harvest knowledge, "Discover Father" worked with Guangzhou Women's Federation to launch the book donation online to help children of mountain areas in Guizhou to dream from 20 November to 6 December 2019, encouraging families in Guangzhou City to donate idle books. During the activity, the offline donation collected over 300 sets of extra-curriculum classic books for primary school students, and the organizer collected over 200 sets of books through online parent interactions.

From 7 to 9 December 2019, "Discover Father" charity group visited No. 4 Primary School of Chengnan Community, Sandu County, Qiannan Prefecture, Guizhou Province and Shangdipingcun Primary School, Liping County, Qiandongnan Prefecture, Guizhou Province, built reading corners in the classroom with children, brought them vivid reading courses and helped them to foster the reading habit.

- **Double Teacher Classroom (雙師課堂)**

  As a council member of QXYS Foundation ("**QXYS**") (情繫遠山公益基金會), the Group joined hands with QXYS to launch the double teacher classroom program in 2019. The double teach classroom has both remote teacher and on-site teacher, in which, the remote senior teacher delivers high-quality teaching content, while the on-site teacher helps with classroom interactions and after-class tutoring. Such a program delivered high-quality education resources to schools in remote poverty-stricken regions through the internet, thus alleviating the education resource shortage in rural areas.

- **Participation in Charity Donations**

  From 7 to 9 September 2019, the Group invited the public to participate in the "99 Charity Day" (99公益日) donation activity launched by Clover Youth Foundation (青草公益基金), to raise money for migrant children who did not have Guangzhou household registration and studied in schools for children of migrant workers and to help Clover Youth Foundation by offering 3,000 migrant children experiential learning services.

Concerted Efforts to Fight the Virus

The rampant COVID-19 is now the biggest concern for everyone. Safeguarding the pure land for learning, the Group launches online spring courses and other public courses to ensure that students will not stop learning despite the postponement of new semester, helping them to gain new insights through reviewing the old and to improve their own abilities. In the meantime, the Group offers support to the education industry and helps other educational institutions to resist impacts of the epidemic.

✔ **Substituting offline learning with online courses**

In response to national epidemic prevention policies, the Group substitutes offline courses with Beststudy online courses by the same teaching materials and at the same pace and upgrades the online learning system that contains two-way interactions and other functions, so as to ensure students' learning efficiency. Meanwhile, the Group provides students of 1-9 grades in six cities including Guangzhou, Shenzhen, Dongguan and Foshan with free curriculum-related live stream courses, which track the school curricula and include placement policy lectures and social media services, aiming to help students lay a solid foundation and offer them comprehensive guidance on examination and placement preparation.

✔ **Launching public self-study services**

To minimise the impact of holiday extension, Beststudy Junior High School launches the public activity – "Online Study Room" ("線上自習室"), assigns professional teachers to answer questions one on one and to complete targeted practice every day online, thereby helping children to return to the study mode as soon as possible.

✔ **Jointly establishing "Youpeng Education League" (有朋教育聯盟)**

The Group works with enterprises within and outside the industry to establish "Youpeng Education League", building a high-quality community to offer educational institution support with technology, hardware equipment or in other forms and contributing to the development of education industry.

Participation in Social Practice

The Group encourages students to go out of campus, develops their social practice abilities, helps them accumulate social experience, enhance their sense of social responsibility and therefore build a better life with their own actions.

The Group has established the Junior Team (少年隊) since 2015. It upholds the idea that "diversified education conduces to children's future" ("多元教育，助力孩子未來") and is committed to broaden students' mind. Through a series of activities including Visiting Renowned Enterprises and Schools (《名企名校行》), Intangible Cultural Heritage School (《非遺學堂》), Science Classroom (《科學課堂》) and Museum Exploration Camp (《博物館探索營》), the Junior Team inspires new way of thinking when students are broadening the horizon and rouses their internal potential to realise diversified ability improvement.

- **Visiting Renowned Enterprises and Schools**

By visiting renowned enterprises and schools, communicating with enterprise staffs and students of renowned schools, the Junior Team broadens students' mind, help them to set their goals and sow the seeds of dreams. In 2019, the Junior Team visited 11 renowned enterprises, and students walked in Nissan, WeChat Headquarters, Midea Real Estate Group, Coca Cola and other enterprises in different sectors to experience the charm of different career.

In Coca Cola, children work in groups to prepare "Advertising Proposal", putting art creation into practice.

In WeChat Headquarters, children feel the charm of big data and have a yearning to engage in the internet technology.

- **Science Classroom**

The Junior Team launches the "Science Classroom" and works with universities and professional institution to invite students into professional laboratory and the nature to ignite their creativity. In 2019, the Junior Team organised 7 Science Classroom activities, visited Grandview Museum of Natural Science and other institutions, launched the insect night view activity and the South China Normal University flower appreciation activity to inspire students' curiosity and world exploration ability and to lead them to open the door of the science.

"Flower appreciation" activity

"Night visit to insects" activity

- **Museum Exploration Camp**

The "Museum Exploration Camp" of Junior Team is a program in which professional teachers lead students in visiting museums and rouse students' interest the exploration desire by interactive tasks. Acting as the "special guide" (特約講解員), teachers help students to understand the exhibits and explore the culture knowledge behind these exhibits. In addition, the Group designs the study manual for students to motivate them to explore the knowledge in the museum. In 2019, the Junior Team took students to five museums including Western Han Museum of the Nanyue King Mausoleum (南越王博物館) and Guangzhou Thirteen Hongs Museum (十三行博物館) to admire history and culture, develop the independent thinking ability and improve humanistic quality.

Teachers are introducing the exhibits

Student is reading the study manual

Puzzle competition

- **Intangible Cultural Heritage School**

The "Intangible Cultural Heritage School" is a new segment of Junior Team launched in 2019, which leads students to the world of intangible cultural heritage through personal experience. In 2019, the Junior Team organised students to participate in Cantonese Enamel (廣彩活動) and Cantonese Embroidery activities (廣繡活動), the pith paper painting course (通草畫課堂) and to visit Foshan Nanfeng Ancient Kiln (佛山南風古灶), allowing students to communicate with inheritors of intangible cultural heritage and feel the charm of traditional culture by themselves.

Students communicate with Master Liang Guikai, the national representative inheritor, face to face and immerse themselves in the charm of Cantonese Embroidery.

Master Su Xin, the representative inheritor of pith paper painting, offers guidance to students on how to draw on pith paper.

APPENDIX I KEY INDICATOR

ESG Indicator		Unit	2019	2018*
A. Environment				
A1. Emissions				
A1.2	Greenhouse gas emissions in total and intensity			
	Greenhouse gas emissions in total[1)]	tCO_2e	6,540	5,888*
	Greenhouse gas intensity	tCO_2e/million RMB revenue	3.6	4.0*
A1.3	Hazardous waste in total and intensity			
	Hazardous waste in total	kg	25	–
	Hazardous waste intensity	kg/million RMB revenue	0.01	–
	Waste fluorescent lamps or energy-saving lamps[(Note a)]	kg	25	–
A1.4	Non-hazardous waste in total and intensity			
	Non-hazardous waste in total	ton	150.5	92.4
	Non-hazardous waste intensity	ton/million RMB revenue	0.08	0.06
	Office paper[(Note b)]	ton	150.5	92.4
A2. Use of Resources				
A2.1	Energy consumption in total and intensity			
Indirect energy	Purchased electricity	kWh	12,408,353	11,170,804*
	Intensity of purchased electricity	kWh/million RMB revenue	6,774.4	7,580*
A2.2	Water consumption in total and intensity			
	Water for office and domestic use	ton	219,888	195,145*
	Water consumption intensity	ton/million RMB revenue	120.1	132.4*

ESG Indicator		Unit	2019	2018*
B. Society				
B1. Employment				
B1.1	Number of employees: by gender, employment type, age group and geographical region			
	Number of employees	person	6,902	6,082
By gender	Male	person	1,944	1,828
	Female	person	4,958	4,254
By employment type	Teachers	person	3,840	3,264
	Others	person	3,062	2,818
By age group	Below 30	person	4,386	3,921
	30–50	person	2,389	2,051
	Above 50	person	127	110
By geographical region	Guangdong province	person	6,611	5,912
	Mainland China (other than Guangdong province)	person	291	170
B2. Health and safety				
B2.1	Number of work-related fatalities			
	Number of work-related fatalities	person	0	0
B2.2	Lost days due to work injury			
	Lost days due to work injury	day	0	0

ESG Indicator		Unit	2019	2018*
B3. Development and training				
	Percentage of employees trained: by gender and by employee category			
	Percentage of employees trained	%	85.7%	100%
By gender	Male	%	91.3%	100%
	Female	%	83.5%	100%
By employee category	Teachers	%	100%	100%
	Others	%	67.8%	100%
B3.2	Average training hours completed: by gender and employee category			
	Average training hours	hour	192.5	52.7
By gender	Male	hour	205.0	52.6
	Female	hour	187.6	52.7
By employee category	Teachers	hour	320.0	90.5
	Others	hour	32.5	8.8
B5. Supply chain management				
B5.1	Number of suppliers by geographical region[Note c]			
	Suppliers within Guangdong province	n/a	2,063	179
	Suppliers within Mainland China (other than Guangdong province)	n/a	640	43

ESG Indicator		Unit	2019	2018*
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	0
B8. Community investment				
B8.2	Resources contributed to the focus area			
	Money or donation	RMB0'000	93.5	40.0

Notes:

* Based on the latest date in relation to purchased electricity and water consumption of the headquarters and each campus, we update the data in relation to purchased electricity and water consumption in 2018, together with relevant data generated therefrom, including greenhouse gas emission, greenhouse gas intensity, intensity of purchased electricity and water consumption intensity.

a) The statistical scope of A1.3 Waste fluorescent lamps or energy-saving lamps in 2019 is the Guangzhou Branch only;

b) The statistical scope of A1.4 Office paper in 2019 is the whole group, while the statistical scope in 2018 is the Guangzhou Branch;

c) The statistical scope of B5.1 Number of suppliers by geographical region in 2019 is the number of suppliers available from the Group's supplier management database, while the statistical scope in 2018 is the number of suppliers involved in purchases conducted in the year.

Basis of Data Calculation

1) The calculation of indirect GHG emissions generated by outsourced electricity power is made with reference to the Provincial Greenhouse Gas Inventory Guidelines (《省級溫室氣體清單編制指南》) issued by Climate Change Division of the National Development and Reform Commission, of which the power emission factor in mainland China is made with reference to the standard on Average Carbon Dioxide Emission Factors for Regional Power Grids in China for 2011 and 2012 (2011年和2012年中國區域電網平均二氧化碳排放因子).

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.	Appendix I The Group does not involve significantly in the generation of hazardous waste in its operation
	A1.4 Total non-hazardous waste produced and intensity.	Appendix I 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 nonhazardous 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 The Group uses public service vehicles just for a few purposes and does not involve considerable direct energy consumption, such as gasoline and diesel, in its operation
	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

ESG KPI	Guidance requirements	Report Section/Statement
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
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/Employee care
	B2.1 Number and rate of work-related fatalities.	Not disclosed
	B2.2 Lost days due to work injury.	Not disclosed
	B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.	For realization of value of employees – Team management/Employee care
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.	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 – Labour management
	B4.1 Description of measures to review employment practices to avoid child and forced labour.	For realization of value of employees – Labour management
	B4.2 Description of steps taken to eliminate such practices when discovered.	For realization of value of employees – Labour management

ESG KPI	Guidance requirements	Report Section/Statement
B5: Supply chain management	General disclosure	For harmonious development of society – Supply management
	B5.1 Number of suppliers by geographical region.	For harmonious development of society – Supply management
	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 management
B6: Product responsibility	General disclosure	For healthy growth of children – Educational philosophy/Educational projects/ Quality of education/Campus safety
	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
	B6.3 Description of practices relating to observing and protecting intellectual property rights.	Sustainability management – Compliance Management
	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.	Sustainability management – Compliance Management
B7: Anticorruption	General disclosure	Sustainability management – Compliance Management
	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.	Sustainability management – Compliance Management/Appendix I
	B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Sustainability management – Compliance Management

ESG KPI	Guidance requirements	Report Section/Statement
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

EY 安永

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 124 to 227, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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.

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.

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

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.

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
Hong Kong
25 March 2020

Consolidated Statement of Profit or Loss

Year ended 31 December 2019

	Notes	**2019 RMB'000**	2018 RMB'000
CONTINUING OPERATIONS			
Revenue	5	**1,831,667**	1,473,748
Cost of sales		**(1,064,044)**	(875,717)
Gross profit		**767,623**	598,031
Other income and gains, net	5	**18,818**	6,648
Investment income		**1**	164
Selling expenses		**(162,660)**	(130,443)
Research and development expenses		**(165,450)**	(170,739)
Administrative expenses		**(242,307)**	(185,801)
Finance costs	7	**(47,968)**	–
Share of losses of associates		**(3,587)**	(1,233)
Share of profits of a joint venture		**114**	164
Fair value changes on investments at fair value through profit or loss	19	**36,919**	34,514
Other expenses		**(44,678)**	(43,530)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**156,825**	107,775
Income tax expense	10	**(21,944)**	(34,718)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**134,881**	73,057
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	11	**–**	914
PROFIT FOR THE YEAR		**134,881**	73,971
Attributable to:			
Owners of the parent		**135,547**	54,899
Non-controlling interests		**(666)**	19,072
		134,881	73,971
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic			
– For profit for the year		**RMB17.3 cents**	RMB8.7 cents
– For profit from continuing operations		**RMB17.3 cents**	RMB8.6 cents
Diluted			
– For profit for the year		**RMB17.1 cents**	RMB8.7 cents
– For profit from continuing operations		**RMB17.1 cents**	RMB8.6 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
PROFIT FOR THE YEAR	**134,881**	73,971
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	**5,517**	180
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**5,517**	180
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**5,517**	180
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**140,398**	74,151
Attributable to:		
Owners of the parent	**141,064**	55,042
Non-controlling interests	**(666)**	19,109
	140,398	74,151

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**202,027**	160,768
Right-of-use assets	15(a)	**893,785**	–
Intangible assets	16	**15,808**	9,586
Investments in associates	17	**70,239**	14,997
Investment in a joint venture	18	**5,718**	5,512
Equity investments at fair value through profit or loss	19	**3,827**	71,299
Debt investments at fair value through profit or loss	19	**203,589**	–
Time deposits		**50,270**	–
Prepayments for purchases of property, plant and equipment		**12,035**	29,179
Deferred tax assets	23	**18,999**	10,817
Total non-current assets		**1,476,297**	302,158
CURRENT ASSETS			
Short-term debt investments measured at fair value through profit or loss	19	**816,470**	517,907
Short-term equity investments measured at fair value through profit or loss	19	**63,537**	412
Prepayments, deposits and other receivables	20	**139,838**	147,539
Restricted cash	21	**5,146**	2,347
Cash and cash equivalents	21	**196,406**	468,041
Other current assets		**1,236**	1,218
Assets classified as held for sale	11	**66,072**	–
Total current assets		**1,288,705**	1,137,464
CURRENT LIABILITIES			
Other payables and accruals	22	**200,095**	192,079
Lease liabilities	15(b)	**225,915**	–
Contract liabilities		**775,071**	562,841
Tax payable		**33,678**	21,410
Liabilities directly associated with the assets classified as held for sale	11	**111**	–
Total current liabilities		**1,234,870**	776,330

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NET CURRENT ASSETS		**53,835**	361,134
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,530,132**	663,292
NON-CURRENT LIABILITIES			
Rental payables		**–**	41,210
Lease liabilities	15(b)	**733,470**	–
Total non-current liabilities		**733,470**	41,210
Net assets		**796,662**	622,082
EQUITY			
Equity attributable to owners of the parent			
Share capital	24	**304**	303
Reserves	25	**797,030**	622,821
		797,334	623,124
Non-controlling interests		**(672)**	(1,042)
Total equity		**796,662**	622,082

Junjing Tang
Director

Junying Tang
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2019

		Attributable to owners of the parent										
	Notes	Share capital RMB'000 Note 24	Share premium* RMB'000 Note 25(e)	Shares held for restricted share unit scheme* RMB'000 Note 25(f)	Share-based payment reserve* RMB'000 Note 26	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 income 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)
Share-based payments		–	–	–	6,481	–	–	–	–	6,481	–	6,481
Acquisition of non-controlling interests	25(a)	–	–	–	–	–	2,283	–	–	2,283	(2,793)	(510)
Establishment of subsidiaries with non-controlling interests	25(b)	–	–	–	–	–	–	–	–	–	450	450
Dividends paid	12	–	–	–	–	–	–	–	(100,000)	(100,000)	–	(100,000)
Transfer from retained profits	25(c)	–	–	–	–	18,269	–	–	(18,269)	–	–	–
Reorganisation	25(d)	–	–	–	–	–	106,613	–	–	106,613	(106,613)	–
Disposal of subsidiaries with non-controlling interests	27	–	–	–	–	–	–	–	–	–	5,562	5,562
At 31 December 2018		303	298,066	(24)	41,496	98,452	226,302	(21,725)	(19,746)	623,124	(1,042)	622,082

		Attributable to owners of the parent										
	Notes	Share capital RMB'000 Note 24	Share premium* RMB'000 Note 25(e)	Shares held for restricted share unit scheme* RMB'000 Note 25(f)	Share-based payment reserve* RMB'000	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 2019		303	298,066	(24)	41,496	98,452	226,302	(21,725)	(19,746)	623,124	(1,042)	622,082
Profit for the year		-	-	-	-	-	-	-	135,547	135,547	(666)	134,881
Other comprehensive income for the year:												
Exchange differences on translation of financial statements		-	-	-	-	-	-	5,517	-	5,517	-	5,517
Total comprehensive income for the year		-	-	-	-	-	-	5,517	135,547	141,064	(666)	140,398
Issue of shares		1	3,475	-	-	-	-	-	-	3,476	-	3,476
Share issue expenses		-	(10)	-	-	-	-	-	-	(10)	-	(10)
Share-based payments	26(b)	-	-	-	30,140	-	-	-	-	30,140	-	30,140
Exercise of share awards under the restricted share unit scheme		-	-	6	(64,064)	-	-	-	68,264	4,206	-	4,206
Repurchase of shares under the restricted share unit scheme	26(b)	-	-	(4,666)	-	-	-	-	-	(4,666)	-	(4,666)
Transfer from retained profits	25(c)	-	-	-	-	3,032	-	-	(3,032)	-	-	-
Contributions from minority shareholders	25(g)	-	-	-	-	-	-	-	-	-	550	550
Disposal of subsidiaries with non-controlling interests	27	-	-	-	-	-	-	-	-	-	486	486
At 31 December 2019		304	301,531	(4,684)	7,572	101,484	226,302	(16,208)	181,033	797,334	(672)	796,662

* These reserve accounts comprise the reserves of RMB797,030,000 (2018: RMB622,821,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2019

	Notes	**2019 RMB'000**	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax			
From continuing operations		**156,825**	107,775
From discontinued operations	11	**–**	965
Adjustments for:			
Interest income	5	**(5,383)**	(1,230)
Investment income		**(1)**	(164)
Dividend income from equity investments at fair value through profit or loss	5	**(1,633)**	–
(Gain)/loss on disposal of items of property, plant and equipment	6	**(46)**	254
Gain on lease modifications	6	**(1,460)**	–
Loss on disposal of an intangible asset	6	**63**	–
Gain on disposal of an associate	6	**(848)**	–
Equity-settled compensation costs	6	**30,140**	6,481
Finance costs	7,11	**47,968**	524
Depreciation of property, plant and equipment	14	**70,955**	41,651
Depreciation of right-of-use assets	15(a)	**197,931**	–
Amortisation of intangible assets	16	**2,237**	2,181
Share of losses of associates		**3,587**	1,233
Share of profits of a joint venture		**(114)**	(164)
Change in fair value of investments measured at fair value through profit or loss	19	**(36,919)**	(34,514)
Loss/(gain) on disposal of subsidiaries	27	**350**	(9,298)
		463,652	115,694
Increase in prepayments, deposits and other receivables		**(46,303)**	(42,686)
Increase in other current assets		**(18)**	(436)
Increase in other payables and accruals		**9,255**	90,369
Increase in contract liabilities		**214,219**	45,670
Increase in rental payables		**–**	26,184
Cash generated from operations		**640,805**	234,795
Interest received		**5,113**	1,353
Corporate income tax paid		**(17,858)**	(34,619)
Net cash flows from operating activities		**628,060**	201,529

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(98,717)**	(151,949)
Purchases of items of intangible assets		**(7,725)**	(1,669)
Proceeds from disposal of items of property, plant and equipment and intangible assets		**3,917**	407
Disposal of subsidiaries	27	**(1,271)**	11,015
Acquisition of associates		**(59,477)**	–
Disposal of an associate		**1,588**	–
Investment income received		**25,248**	28,886
Dividends received from listed investments	5	**1,633**	–
Purchase of an equity investment at fair value through profit or loss		**(1,532)**	–
Purchases of debt investments measured at fair value through profit or loss		**(198,323)**	–
Increase in time deposits		**(50,000)**	–
Purchase of a short-term investment measured at amortised cost		**(299)**	–
Receipt from maturity of short-term investments measured at amortised cost		**299**	10,000
Purchases of short-term debt investments measured at fair value through profit or loss		**(2,112,659)**	(2,039,223)
Receipt from maturity of short-term debt investments measured at fair value through profit or loss		**1,801,557**	2,069,223
Purchases of short-term equity investments measured at fair value through profit or loss		**(42,131)**	–
Receipt from disposal of short-term equity investments measured at fair value through profit or loss		**1,255**	12,019
Net cash flows used in investing activities		**(736,637)**	(61,291)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares for IPO		**40,094**	279,660
Proceeds from issue of shares for an over-allotment option		**3,476**	–
Repurchase of shares	26(b)	**(4,666)**	–
Share issue expenses		**(10)**	(21,636)
Capital contribution		**550**	513
Dividends paid	12	**–**	(100,000)
Principal portion of lease payments	15(b)	**(159,647)**	–
Interest portion of lease payments	15(b)	**(47,968)**	–
Interest paid		**–**	(524)
Acquisition of non-controlling interests of subsidiaries		**–**	(510)
Net cash flows (used in)/from financing activities		**(168,171)**	157,503

	Note	2019 RMB'000	2018 RMB'000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(276,748)**	297,741
Cash and cash equivalents at beginning of year		**468,041**	169,813
Effect of foreign exchange rate changes, net		**5,136**	487
CASH AND CASH EQUIVALENTS AT END OF YEAR		**196,429**	468,041
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	21	**196,406**	468,041
Cash and short-term deposits attributable to a discontinued operation		**23**	–
Cash and cash equivalents as stated in the consolidated statement of cash flows		**196,429**	468,041

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 after-school education services for preparing kindergarten students for their transition into primary schools to Grade 12 ("K-12"), including small group tutoring courses and tutoring courses for individuals, talent education and full-time test preparation courses in Mainland China.

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

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 Direct %	Indirect %	Principal activities
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責任公司 ("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	Renminbi ("RMB") 47,442,411	–	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 Direct %	Indirect %	Principal activities
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 Direct %	Indirect %	Principal activities
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 Direct %	Indirect %	Principal activities
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	RMB1,000,000	–	100	Internet information services
Guangzhou Zhuoye Information Technology Co., Ltd. 廣州市卓業信息技術有限公司 ("Guangzhou Zhuoye")*#	PRC/Mainland China 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 Direct %	Indirect %	Principal activities
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 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	RMB15,389,780	–	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

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 Direct %	Indirect %	Principal activities
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
Zhongshan Zhuoye Boda Education and Training Centre Co., Ltd. 中山市卓業博達教育培訓中心有限公司 ("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

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 Direct %	Indirect %	Principal activities
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恆基教育培訓中心 ("Zhongshan Hengji")*#	PRC/Mainland China 10 February 2012	RMB50,000	–	100	K-12 after-school education services
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

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 Direct %	Percentage of equity attributable to the Company Indirect %	Principal activities
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責任公司 ("Guangzhou Aiyuwen")*#	PRC/Mainland China 18 December 2015	RMB750,000	–	100	Internet information service
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	RMB300,000	–	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

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 Direct %	Indirect %	Principal activities
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 Zhuoye Education Consulting Service Co., Ltd. 東莞市卓業教育諮詢服務有限公司 ("Dongguan Zhuoye")*#	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	RMB400,000	–	100	K-12 after-school education services
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	RMB1,000,000	–	100	K-12 after-school education services
Shenzhen Wandie Culture Development Co., Ltd. 深圳市萬蝶文化發展有限公司 ("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

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 Direct %	Indirect %	Principal activities
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	RMB5,000,000	–	100	Investment
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
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

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 Direct %	Indirect %	Principal activities
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
Dongguan Dongcheng Jinghu Beststudy Training Centre Co., Ltd. 東莞市東城景湖卓越培訓中心有限公司 ("Dongcheng Jinghu")*#	PRC/Mainland China 20 November 2018	RMB270,000	–	100	K-12 after-school education services
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

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 Direct %	Indirect %	Principal activities
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
Dongguan Guancheng Beststudy Training Centre Co., Ltd. 東莞市莞城卓越培訓中心有限公司 ("Guancheng Beststudy")*#	PRC/Mainland China 8 January 2019	RMB150,000	–	100	K-12 after-school education services
Foshan Nanhai Zhuozhu Education and Training Centre Co., Ltd. 佛山市南海區卓著教育培訓中心有限公司 ("Nanhai Zhuozhu")*#	PRC/Mainland China 31 March 2019	RMB300,000	–	100	K-12 after-school education services
Foshan Nanhai Zhuoming Education and Training Centre Co., Ltd. 佛山市南海區卓明教育培訓中心有限公司 ("Nanhai Zhuoming")*#	PRC/Mainland China 4 July 2019	RMB300,000	–	100	K-12 after-school education services
Foshan Nanhai Zhuokai Education and Training Centre Co., Ltd. 佛山市南海區卓凱教育培訓中心有限公司 ("Nanhai Zhuokai")*#	PRC/Mainland China 16 December 2019	RMB300,000	–	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 Direct %	Indirect %	Principal activities
Nanning Qingxiu Zhuole Training School Co., Ltd. 南寧市青秀區卓樂培訓學校有限公司 ("Qingxiu Zhuole")*#	PRC/Mainland China 9 July 2019	RMB500,000	–	100	K-12 after-school education services
Dongguan Nancheng Cityscape Beststudy Education and Training Centre Co., Ltd. 東莞市南城城市風景卓越培訓中心有限公司 ("Nancheng Cityscape")*#	PRC/Mainland China 12 October 2019	RMB150,000	–	100	K-12 after-school education 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.

During the year, the Group deregistered Dongguan Houjie Beststudy Training Centre 東莞市厚街卓越培訓中心, Guangzhou Chuangxiangjia Education Investment Co., Ltd. 廣州創享家教育投資有限公司 and Shenzhen Bosijie Culture Development Co., Ltd. 深圳市博思傑文化發展有限公司 and disposed of Guangzhou Yuyou Leshu Education Technology Co., Ltd. 廣州譽優樂數教育科技有限公司 ("Yuyou Leshu"), Huizhou Yuyou Education Technology Co., Ltd. 惠州譽優教育科技有限公司 ("Huizhou Yuyou"), Guangxi Nanning YuZhiYou Education Technology Co., Ltd. 廣西南寧譽智優教育科技有限公司 ("Nanning YuZhiYou") and Guangzhou GROW Education Technology Co., Ltd. 廣州市果肉教育科技有限公司 ("Guangzhou GROW"). Further details are included in note 27 to the financial statements.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain equity investments and debt investments which have been measured at fair value. Assets held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in 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 2019. 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

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

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

(a) IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17. IFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under IAS 17 and related interpretations.

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

New definition of a lease (continued)

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

As a lessee – Leases previously classified as operating leases

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in lease liabilities. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

Accordingly, the Group recognised right-of-use assets of RMB981,510,000 and lease liabilities of RMB1,006,904,000 as at 1 January 2019. Prepaid rentals of RMB15,816,000 and accrued rental expenses of RMB41,210,000 were derecognised, resulting in a decrease in prepayments and rental payables of RMB15,816,000 and RMB41,210,000, respectively, as at 1 January 2019.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

As a lessee – Leases previously classified as operating leases (continued)

Impact on transition (continued)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	**1,200,582**
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	3,891
Discounted operating lease commitments as at 1 January 2019	1,196,691
Weighted average incremental borrowing rate as at 1 January 2019	4.73%
Lease liabilities as at 1 January 2019	**1,006,904**

(b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions. Based on the Group's tax compliance, the interpretation did not have any significant impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

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

Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2022
3 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture.

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

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 the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, 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 investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets 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.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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 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 is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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 31 December. 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

The Group measures its equity investments and debt investments at fair value at the end of each reporting period. 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 the 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 the 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) 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, deferred tax assets, financial assets and non-current assets classified as held for sale), 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 the statement of 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 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 the statement of 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 the statement of 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	20.00% to 33.33%
Electronic equipment	20.00% to 33.33%
Motor vehicles	20.00%
Leasehold improvements	20.00% or over the shorter of the lease terms and the estimated useful lives

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 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 the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Non-current assets held for sale

Non-current assets 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 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 and its sale must be highly probable. All assets and liabilities of a subsidiary 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 (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%-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.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At inception or on reassessment of a contract that contains a lease component and non-lease component(s), the Group adopts the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) (e.g., property management services for leases of property) as a single lease component.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Property	1 to 12 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (applicable from 1 January 2019) (continued)

Group as a lessee (continued)

(b) Lease liabilities (continued)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (applicable before 1 January 2019)

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.

Investments and other financial assets

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 solely payments of principal and interest ("SPPI") on the principal amount outstanding. 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.

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. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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.

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

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.

Financial assets at fair value through profit or loss

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.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

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

The Group recognises an allowance for expected credit losses ("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 (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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

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

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, 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 the statement of 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 financial costs in the statement of profit or loss.

Derecognition of financial liabilities

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 the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Treasury shares

Own equity instruments which are reacquired and held by the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

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 the 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 at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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, associates and joint ventures, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward 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, the carryforward 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, associates and joint ventures, 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 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 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 the 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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) talent education.

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.

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 refundable 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(b) Interest income

Interest income 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 recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract. (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Group operates a restricted share unit scheme ("RSU Scheme") and a share option scheme ("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. Further details of which are given in note 26 to these financial statements.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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 and shares granted for the RSU Scheme 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. Employees in the PRC are members of a state-managed employee pension scheme operated by the relevant municipal government in the PRC which undertakes to assume the retirement benefit obligations of all existing and future retired employees. The Group's obligation is to make the required contributions under the scheme. The Group has no further payment obligations once the contributions have been paid. 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of 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 the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the 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. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's 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, and the disclosure of contingent liabilities. 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 judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the 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 interests 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An 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.

Deferred tax assets

Deferred tax assets are recognised 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 2019 was nil (2018: nil). The amount of unrecognised tax losses at 31 December 2019 was RMB107,054,000 (2018: RMB56,036,000). Further details are contained in note 23 to the financial statements.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Fair value of unlisted equity investments

Unlisted equity investments amounting to RMB3,827,000 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 2019 was RMB3,827,000 (2018: RMB71,299,000). Further details are included in note 33 to the financial statements.

Fair value of share-based compensation to employees

As set out in note 26 to the financial statements below, the Group awarded equity interests to the key employees.

During the year ended 31 December 2019, the Group measured fair value of the awards granted to employees with reference to the closing price of the ordinary shares of the Company at the grant date. Thus, no significant judgement is required to be made. The equity-settled compensation costs related to the awards in 2019 were RMB30,140,000.

During the years ended 31 December 2018, the Group uses the discounted cash flow method to determine the fair value of the 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 equity-settled compensation costs related to the awards in 2018 were RMB6,481,000.

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 revenue from service provided to a single customer amounted to 10% or more of total revenue of the Group during the years ended 31 December 2019 and 2018.

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:

	2019 **RMB'000**	2018 RMB'000
Revenue from contracts with customers		
Premium learning programs		
– Small group tutoring	**918,459**	750,241
– Individualised tutoring	**698,850**	551,685
Full-time test preparation programs	**156,549**	129,545
Talent education	**56,104**	39,516
Others	**1,705**	2,761
	1,831,667	1,473,748

5. REVENUE, OTHER INCOME AND GAINS, NET (continued)

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2019

Segments	Small group tutoring RMB'000	Individualised tutoring RMB'000	Full-time test preparation programs RMB'000	Talent education RMB'000	Others RMB'000	Total RMB'000
Timing of revenue recognition						
Services transferred at a point in time	**–**	**698,850**	**–**	**–**	**1,705**	**700,555**
Services transferred over time	**918,459**	**–**	**156,549**	**56,104**	**–**	**1,131,112**
	918,459	**698,850**	**156,549**	**56,104**	**1,705**	**1,831,667**

For the year ended 31 December 2018

Segments	Small group tutoring RMB'000	Individualised tutoring RMB'000	Full-time test preparation programs RMB'000	Talent education RMB'000	Others RMB'000	Total RMB'000
Timing of revenue recognition						
Services transferred at a point in time	–	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

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

	2019 RMB'000	2018 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Tutoring services	**562,841**	517,171

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 talent education.

The Group has elected the practical expedient of 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 a short period of time.

Other income and gains, net

	2019 RMB'000	2018 RMB'000
Interest income	**5,383**	1,230
Other service income, net	**–**	2,000
Subsidy income from the PRC government	**8,723**	2,375
Gain on disposal of an associate	**848**	–
Site use income	**–**	389
Foreign exchange gains, net	**344**	–
Gain on lease modifications	**1,460**	–
Gain on disposal of items of property, plant and equipment	**46**	–
Dividend income from equity investments at fair value through profit or loss	**1,633**	–
Others	**381**	654
	18,818	6,648

The subsidy income from the PRC government mainly represents subsidies granted by the local government to Guangzhou Beststudy, Guangzhou Zhuoye, Guangzhou Yuyou, Shenzhen Zhuoyue Education, Foshan Culture, Shanghai Yangpu, and Nanning Beststudy mainly 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	**2019 RMB'000**	2018 RMB'000
Employee benefit expense (excluding Directors' remuneration) (note 8):			
Wages and salaries		**813,064**	715,497
Pension scheme contributions		**100,927**	86,181
Equity-settled compensation costs		**30,140**	6,481
		944,131	808,159
Cost of services provided*		**1,064,044**	875,717
Depreciation of property, plant and equipment	14	**70,955**	41,651
Depreciation of right-of-use assets	15(c)	**197,931**	–
Amortisation of intangible assets	16	**2,237**	2,181
Minimum lease payments under operating leases		**–**	200,724
Lease payments not included in the measurement of lease liabilities	15(c)	**7,619**	–
(Gain)/loss on disposal of items of property, plant and equipment**		**(46)**	254
Loss on disposal of an intangible asset		**63**	–
Gain on lease modifications	5	**(1,460)**	–
Interest income	5	**(5,383)**	(1,230)
Subsidy income from the PRC government	5	**(8,723)**	(2,375)
Foreign exchange difference, net**	5	**(344)**	364
Gain on disposal of an associate	5	**(848)**	–
Loss/(gain) on disposal of subsidiaries**	27	**350**	(9,298)
Fair value gains:			
Equity investments at fair value through profit or loss	19	**(19,012)**	(4,839)
Debt investments at fair value through profit or loss	19	**(17,907)**	(29,675)
Auditor's remuneration		**2,830**	1,380
Listing expenses		**–**	41,727

* The staff costs of RMB713,232,000 (2018: RMB593,906,000) and the depreciation and amortisation of RMB238,017,000 (2018: RMB32,684,000) are included in "Cost of sales" in the consolidated statement of profit or loss.

** Included in "Other income and gains, net" or "Other expenses" in the consolidated statement of profit or loss.

7. FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interest on lease liabilities	47,968	–

8. 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:

	2019 RMB'000	2018 RMB'000
Fees	264	30
Other emoluments:		
Salaries, allowances and benefits in kind	3,787	3,369
Performance related bonuses	840	1,500
Pension scheme contributions	153	99
	4,780	4,968
	5,044	4,998

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2019 RMB'000	2018 RMB'000
Mr. Yingmin Wu	–	15
Ms. Yu Long	132	15
Mr. Peng Xue	132	–
	264	30

There was no other emoluments payable to the independent non-executive directors during the year (2018: nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors, non-executive directors and the chief executive

2019	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	1,264	280	51	1,595
Mr. Junying Tang	1,263	280	51	1,594
Mr. Gui Zhou	1,260	280	51	1,591
	3,787	840	153	4,780
Non-executive directors:				
Mr. Wenhui Xu	–	–	–	–
Ms. Wen Li*	–	–	–	–
	–	–	–	–
	3,787	840	153	4,780

* Pursuant to a board resolution on 31 December 2019, Ms. Wen Li resigned as a non-executive director of the Company with effect from 31 December 2019.

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

None of the Directors waived or agreed to waive any emoluments during the year, except that Mr. Yingmin Wu, an independent non-executive Director, waived emoluments.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2018: two directors), details of whose remuneration are set out above. Details of the remuneration for the year of the remaining four (2018: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019 RMB'000	2018 RMB'000
Salaries, allowances and benefits in kind	**3,075**	2,415
Performance related bonuses	**529**	1,462
Pension scheme contributions	**144**	94
Equity-settled compensation costs	**19,680**	4,382
	23,428	8,353

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	2019	2018
Hong Kong dollars ("HK$")		
HK$2,500,001 to HK$3,000,000	**1**	2
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
HK$4,500,001 to HK$5,000,000	**2**	–
Above HK$5,000,001	**1**	–
	4	3

During the year, share awards were granted to four (2018: 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 26 to the financial statements. The fair values of such awards, which have been recognised in the consolidated 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 are included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. 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 Beststudy was accredited as a High-tech Enterprise in 2019 and was entitled to a preferential tax rate of 15% from 2019 to 2021 (2018: 25%).

Guangzhou Wendao and Zhuhai Siqi were certified as small and micro-sized enterprise ("SME") in 2019 and enjoyed 75% reduction of the accumulated taxable income and the preferential CIT rate of 20% for the year (2018: 50% reduction of the accumulated taxable income and the preferential CIT rate of 20%).

Guangzhou Qizuo, Guangzhou Aiyuwen, Zhongshan Huating and Zhongshan Xiaolan were certified as SME in 2019 and enjoyed 75% reduction of the accumulated taxable income and the preferential CIT rate of 20% for the year (2018: 25%).

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 (2018: 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.

	2019 **RMB'000**	2018 RMB'000
Current – the PRC		
Charge for the year	**34,831**	40,736
Overprovision in prior year	**(4,705)**	–
Deferred (note 23)	**(8,182)**	(6,018)
Total tax charge for the year from continuing operations	**21,944**	34,718
Total tax charge for the year from discontinued operations	**–**	51
	21,944	34,769

10. 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:

2019

	Hong Kong RMB'000	%	Mainland China RMB'000	%	Total RMB'000	%
Profit before tax from continuing operations	29,274		127,551		156,825	
Tax at the statutory tax rate	4,830	16.5	31,888	25.0	36,718	23.4
Lower tax rates enacted by local authority	–	–	(14,114)	(11.1)	(14,114)	(9.0)
Effect on opening deferred tax of decrease in rates	–	–	(19)	–	(19)	–
Adjustments in respect of current tax in prior year	–	–	(4,705)	(3.7)	(4,705)	(3.0)
Profits and losses attributable to a joint venture and associates	(19)	(0.1)	806	0.6	787	0.5
Additional deduction of research and development expenses	–	–	(4,618)	(3.6)	(4,618)	(2.9)
Income not subject to tax	(5,037)	(17.2)	(2,846)	(2.2)	(7,883)	(5.0)
Expenses not deductible for tax	–	–	5,877	4.6	5,877	3.7
Tax losses utilised from previous periods	–	–	(1,132)	(0.9)	(1,132)	(0.7)
Tax losses not recognised	226	0.8	10,807	8.5	11,033	7.0
	–	–	21,944	17.2	21,944	14.0
Tax charge from continuing operations at the effective rate	–	–	21,944	17.2	21,944	14.0

10. INCOME TAX (continued)

2018

	Hong Kong RMB'000	%	Mainland China RMB'000	%	Total RMB'000	%
(Loss)/profit before tax from continuing operations	(5,185)		112,960		107,775	
Profit before tax from discontinued operations	–		965		965	
	(5,185)		113,925		108,740	
Tax at the statutory tax rate	(856)	16.5	28,481	25.0	27,625	25.4
Profits and losses attributable to a joint venture and associates	–	–	308	0.3	308	0.3
Income not subject to tax	–	–	(594)	(0.5)	(594)	(0.5)
Expenses not deductible for tax	168	(3.2)	2,842	2.4	3,010	2.8
Tax losses utilised from previous periods	–	–	(793)	(0.7)	(793)	(0.7)
Tax losses not recognised	688	(13.3)	4,525	4.0	5,213	4.7
	–	–	34,769	30.5	34,769	32.0
Tax charge from continuing operations at the effective rate	–	–	34,718	30.7	34,718	32.2
Tax charge from discontinued operations at the effective rate	–	–	51	5.3	51	5.3

11. DISCONTINUED OPERATIONS

On 25 December 2019, the Group had entered into an equity transfer intention agreement with an independent third party to sell the entire equity interest of Guangzhou Gaofen held by the Group. As at 31 December 2019, final negotiations for the sale were in progress. Assets and liabilities included Guangzhou Gaofen Company Limited were classified as assets and liabilities held for sale. The disposal of Guangzhou Gaofen is due to be completed in the first quarter of 2020.

On 5 December 2017, the Company announced the decision of its board of directors to dispose of the entire equity interest 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 with a gain on disposal of the discontinued operations amounting to RMB9,298,000.

The results of the disposal groups classified as discontinued operations for the year ended 31 December 2018 are presented below:

	2018 RMB'000
Revenue	9,771
Cost of sales	(12,761)
Other income, net	67
Gain from disposal of subsidiaries	9,298
Selling and distribution expenses	(266)
Administrative expenses	(4,620)
Finance costs	(524)
Profit before tax from the discontinued operations	965
Income tax expense	(51)
Profit for the year from the discontinued operations	914

11. DISCONTINUED OPERATIONS (continued)

The major classes of assets and liabilities classified as held for sale as at 31 December 2019 are as follows:

	2019 **RMB'000**
Assets	
Prepayments, deposits and other receivables	**60**
Cash and cash equivalents	**23**
Equity investments at fair value through profit or loss	**65,989**
Assets classified as held for sale	**66,072**
Liabilities	
Other payables and accruals	**111**
Liabilities directly associated with the assets classified as held for sale	**111**
Net assets classified as held for sale	**65,961**

12. DIVIDENDS

	2019 **RMB'000**	2018 RMB'000
Proposed final dividend per ordinary share – HK5.3 cents (2018: nil)	**41,090**	–
Proposed final special dividend per ordinary share – HK2.0 cents (2018: nil)	**15,506**	–
	56,596	–

The proposed final dividend and final special dividend, out of the share premium account of the Company for the year ended 31 December 2019, are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

During the year ended 31 December 2018, Guangzhou Beststudy, a subsidiary of the Company, declared and paid cash dividends of RMB100,000,000 to its then shareholders.

13. 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 784,460,207 (2018: 627,862,355) in issue during the year, as adjusted to reflect the rights issue during the year.

The calculation of the diluted earnings per share amount for the year is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation of diluted earnings per share is the adjusted weighted average number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares. The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2018.

The calculations of basic and diluted earnings per share are based on:

	2019	2018
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	**135,547**	53,985
From discontinued operations	**–**	914
Profit attributable to ordinary equity holders of the parent	**135,547**	54,899

	Number of shares	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue	**849,650,959**	698,694,751
Weighted average number of shares held for the RSU Scheme	**(65,190,752)**	(70,832,396)
Adjusted weighted average number of ordinary shares in issue used in the basic earnings per share calculation	**784,460,207**	627,862,355
Effect of dilution – weighted average number of ordinary shares:		
RSU Scheme	**8,126,698**	–
Adjusted weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	**792,586,905**	627,862,355

14. 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 2019					
At 31 December 2018 and 1 January 2019:					
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
At 1 January 2019, net of accumulated depreciation	12,580	17,281	1,543	129,364	160,768
Additions	5,315	12,819	813	99,852	118,799
Disposals	(580)	(831)	(28)	(5,146)	(6,585)
Depreciation provided during the year (note 6)	(5,336)	(10,446)	(375)	(54,798)	(70,955)
At 31 December 2019, net of accumulated depreciation	11,979	18,823	1,953	169,272	202,027
At 31 December 2019:					
Cost	26,632	42,948	4,074	263,028	336,682
Accumulated depreciation	(14,653)	(24,125)	(2,121)	(93,756)	(134,655)
Net carrying amount	11,979	18,823	1,953	169,272	202,027

14. 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 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

15. LEASES

The Group as a lessee

The Group has lease contracts for property used in its operations. Leases of property generally have lease terms between 1 and 12 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	2019 Property RMB'000
As at 1 January 2019	981,510
Additions	142,566
Depreciation charge* (note 6)	(201,498)
Lease modifications	(28,793)
As at 31 December 2019	893,785

* During the year, depreciation of right-of-use assets amounting to RMB3,567,000 was capitalised as part of the cost of leasehold improvements.

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2019 Lease liabilities RMB'000
Carrying amount at 1 January	1,006,904
New leases	142,566
Accretion of interest recognised during the year (note 7)	47,968
Payments	(207,615)
Lease modifications	(30,438)
Carrying amount at 31 December	959,385
Analysed into:	
Current portion	225,915
Non-current portion	733,470

The maturity analysis of lease liabilities (2018: nil) is disclosed in note 34 to the financial statements.

15. LEASES (continued)

The Group as a lessee (continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2019 RMB'000
Interest on lease liabilities	47,968
Depreciation charge of right-of-use assets	197,931
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in cost of sales and administrative expenses)	7,619
Total amount recognised in profit or loss	253,518

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 28(c) and 30(c), respectively, to the financial statements.

16. INTANGIBLE ASSETS

	Computer software RMB'000	Domain names RMB'000	Trademarks RMB'000	Deferred development costs RMB'000	Total RMB'000
31 December 2019					
Cost at 1 January 2019, net of accumulated amortisation	6,531	855	2,200	–	9,586
Additions	3,634	–	–	4,888	8,522
Disposal	(63)	–	–	–	(63)
Amortisation provided during the year (note 6)	(1,175)	(262)	(800)	–	(2,237)
At 31 December 2019	8,927	593	1,400	4,888	15,808
At 31 December 2019:					
Cost	16,347	2,657	8,000	4,888	31,892
Accumulated amortisation	(7,420)	(2,064)	(6,600)	–	(16,084)
Net carrying amount	8,927	593	1,400	4,888	15,808

16. INTANGIBLE ASSETS (continued)

	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

17. INVESTMENTS IN ASSOCIATES

	2019 RMB'000	2018 RMB'000
Share of net assets	**20,278**	14,564
Goodwill on acquisition	**49,961**	433
	70,239	14,997

17. INVESTMENTS IN ASSOCIATES (continued)

Particulars of the associates are as follows:

Name		Place of incorporation/ registration and business	Particulars of registered capital RMB'000	Percentage of ownership interest attributable to the Group 2019	2018	Principal activities
Guangdong Donghu Qiyuan Co.,Ltd.*		Mainland China	1,429	**30**	30	Chess training services
Guangzhou Sairui Sports Co., Ltd.*		Mainland China	167	**24**	24	Physical education services
Guangzhou Haite Sports Development Co., Ltd.*		Mainland China	1,250	**36**	36	Physical education services
Guangzhou Xinyue Sports Co., Ltd.*		Mainland China	5,000	**40**	40	Physical education services
Beijing Xiaohe Times Education Technology Co., Ltd.*#		Mainland China	1,163	**3**	3	Consulting services
Guangzhou Xieke Education Technology Co., Ltd. ("Xieke Education")*	(i)	Mainland China	1,429	**–**	30	Education services
Beijing Tengyue Zhihui Network Technology Co., Ltd. ("Beijing Tengyue")*#	(ii)	Mainland China	1.546	**11**	–	Online education services
Guangzhou Walmonos Sports Development Co., Ltd. ("Walmonos Sports")*#	(iii)	Mainland China	1,087	**18**	–	Physical education services
Guangzhou Yuyou Pinxue Co., Ltd. ("Yuyou Pinxue")*#	(iv)	Mainland China	1,200	**19**	–	Consulting services
Xiaohe Education Technology (Wuhan) Co., Ltd. ("Xiaohe Education (Wuhan)")*#	(iv)	Mainland China	5,333	**10**	–	K-12 after-school education services
Guangzhou GROW*	(v)	Mainland China	2,000	**30**	60	Internet information and culture services

17. INVESTMENTS IN ASSOCIATES (continued)

Particulars of the associates are as follows: (continued)

* The financial statements of these companies for the year were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

\# In the opinion of the Directors, the Group has significant influence over these associates and determined that it has significant influence through the board representation, even though the respective shareholdings of some investments are below 20%. Accordingly, these investments have been classified as associates.

(i) The Group transferred 30% equity interest in Xieke Education to the other shareholders of this associate at a total consideration of RMB2,096,000 during the year.

(ii) The Group acquired 9% equity interest and 2% equity interest in Beijing Tengyue from a related party of the Group, Guangzhou Lexue Equity Investment, and its then shareholders at a total consideration of RMB23,050,000 and RMB5,000,000, respectively, during the year.

(iii) The Group acquired 18% equity interest in Walmonos Sports from an independent third party at a total consideration of RMB25,199,000 during the year.

(iv) The Group contributed a total capital of RMB6,000,000 and RMB228,000 to Xiaohe Education (Wuhan) and Yuyou Pinxue, representing 10% equity interest and 19% equity interest, respectively, during the year.

(v) During the year ended 31 December 2019, the Group transferred 30% equity interest in Guangzhou GROW to two independent individual shareholders. The share transfer transaction was accounted for deemed disposal of a subsidiary and the Group has lost control over this company in the current year.

The Group's shareholding in the associates represents equity shares held through its wholly-owned subsidiaries of the Company.

The Group's other receivable with an associate is disclosed in note 20 to the financial statements.

Beijing Tengyue and Walmonos Sports are considered material associates of the Group and are accounted for using the equity method.

17. INVESTMENTS IN ASSOCIATES (continued)

Set out below is the summarised financial information of the material associates as at 31 December 2019:

	Beijing Tengyue 2019 RMB'000	Walmonos Sports 2019 RMB'000
Current assets	**16,450**	**32,253**
Non-current assets	**3,225**	**9,476**
Current liabilities	**(28,682)**	**(28,064)**
Net (liabilities)/assets	**(9,007)**	**13,665**
Reconciliation to the Group's interest in the associates:		
Proportion of the Group's ownership	**11%**	**18%**
Group's share of net assets of the associates	**(991)**	**2,460**
Goodwill on acquisition (less cumulative impairment)	**26,735**	**22,604**
Carrying amount of the investments	**25,744**	**25,064**
Revenue	**35,127**	**5,707**
Loss and total comprehensive income for the year	**(21,477)**	**(755)**

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2019 RMB'000	2018 RMB'000
Share of the associates' loss for the year	**(1,089)**	(1,233)
Share of the associates' total comprehensive income	**(1,089)**	(1,233)
Aggregate carrying amount of the Group's interests in the associates	**19,431**	14,997

The Group has discontinued sharing further losses of Yuyou Pinxue and Guangzhou GROW because the share of their losses has exceeded the Group's investments in them and the Group has no obligation to take up further losses. The amounts of the Group's accumulated unrecognised share of the losses of Yuyou Pinxue and Guangzhou GROW as at 31 December 2019 was RMB78,000 (2018: nil) and RMB22,259,000 (2018: nil), respectively.

18. INVESTMENT IN A JOINT VENTURE

	2019 RMB'000	2018 RMB'000
Share of net assets	**313**	198
Loan to a joint venture	**4,886**	4,852
Exchange realignment	**519**	462
At the end of the year	**5,718**	5,512

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. There was no recent history of default and past due amounts for the loan to a joint venture. As at 31 December 2019 and 2018, the loss allowance was assessed to be minimal.

Particulars of the Group's joint venture are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of 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.

18. INVESTMENT IN A JOINT VENTURE (continued)

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:

	2019 RMB'000	2018 RMB'000
Cash and cash equivalents	**800**	400
Freehold land	**4,884**	4,851
Loan to a related party	**4,882**	4,846
Other receivables	**7**	–
	10,573	10,097
Loans from shareholders	**(9,772)**	(9,704)
Income tax payable	**(175)**	–
	(9,947)	(9,704)
Net assets	**626**	393
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	**313**	197
Carrying amount of the investment	**313**	197
Interest income	**402**	357
Administrative expenses	**(3)**	(17)
Income tax expense	**(172)**	–
Profit for the year	**227**	340
Exchange differences on translation of financial statements	**6**	(12)
Profit and total comprehensive income for the year	**233**	328

19. OTHER INVESTMENTS

		31 December 2019 RMB'000	31 December 2018 RMB'000
Non-current assets			
Equity investments at fair value through profit or loss			
– Unlisted equity investments	(i)	**3,827**	71,299
Debt investments at fair value through profit or loss			
– Unlisted trust plans and asset management plans	(ii)	**203,589**	–
		207,416	71,299
Current assets			
Short-term debt investments measured at fair value through profit or loss			
– Wealth management products issued by banks	(ii)	**370,282**	517,907
– Unlisted trust plans and asset management plans	(ii)	**274,447**	–
– Funds	(ii)	**171,741**	–
		816,470	517,907
Short-term equity investments measured at fair value through profit or loss			
– Listed equity investments	(iii)	**63,537**	412
		880,007	518,319

(i) As at 31 December 2019, unlisted equity investments amounting to RMB65,989,000 held by Guangzhou Gaofen were classified as assets held for sale as set out in note 11 to the financial statements. And it was categorised within Level 2 of the fair value hierarchy as at 31 December 2019.

(ii) Wealth management products issued by banks, unlisted trust plans, asset management plans and funds issued by financial institutions were denominated in RMB and US$ at aggregate amounts of RMB773,489,000 and RMB246,570,000, with an expected rate of return ranging from 3.50% to 8.00% (2018: 4.20% to 4.80%) per annum for the year. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. The fair values are based on cash flows discounted using the expected return based on management judgement and are within Level 2 of fair value hierarchy.

(iii) The fair values of listed equity investments 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.

19. OTHER INVESTMENTS (continued)

(iv) Amounts recognised in profit or loss

	2019 RMB'000	2018 RMB'000
Fair value changes on equity investments		
– Unlisted equity investments	**(3,055)**	6,622
– Listed equity investments	**22,067**	(1,783)
Fair value changes on debt investments		
– Unlisted trust plans and asset management plans	**10,052**	–
– Wealth management products issued by banks	**5,199**	29,675
– Funds	**2,656**	–
	36,919	34,514

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Rental and other deposits	**82,495**	49,218
Receivables from payment channels	**17,732**	10,353
Loans to employees	**15,041**	14,716
Prepaid operation expenses	**12,937**	29,620
Amount due from a related party	**3,413**	–
Staff advances	**618**	502
Proceeds receivable	**4,200**	40,094
Others	**3,402**	3,036
	139,838	147,539

The above balances, except for loans to employees, are interest-free and are not secured with collateral.

The Group applies the general approach to provide for the expected credit loss ("ECL") of the financial assets measured at amortised cost including rental and other deposits, receivables from payment channels, loans to employees, an amount due from a related party, proceeds receivable, and others prescribed by IFRS 9. The Group assessed that the credit standing of 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 was less than 1%.

Included in the balance above, rental and other deposits, receivables from payment channels, loans to employees, an amount due from a related party, proceeds receivable 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 and past due amounts. As at 31 December 2019 and 2018, the loss allowance was assessed to be minimal.

21. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	2019 RMB'000	2018 RMB'000
Cash and bank balances	**201,552**	470,388
Less: restricted cash	**5,146**	2,347
Cash and cash equivalents	**196,406**	468,041

As at the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB184,793,000 (2018: RMB202,643,000). 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 2019, bank balances amounting to RMB5,146,000 are restricted. Bank balances amounting to RMB3,004,000 were restricted for capital verification purpose upon setting up two of the Group's subsidiaries. Bank balances amounting to RMB2,142,000 were restricted in use for establishing education reserve accounts at the request of the local education bureau, which is a prerequisite for launching the private education business.

22. OTHER PAYABLES AND ACCRUALS

	2019 RMB'000	2018 RMB'000
Accrued staff benefits and payroll	**140,476**	120,571
Other tax payables	**8,545**	7,195
Refundable liabilities	**4,577**	3,648
Payable for operating activities	**30,461**	30,008
Payable for listing expenses	**4,548**	21,439
Deposits	**2,962**	3,096
Others	**8,526**	6,122
	200,095	192,079

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.

23. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax liabilities

2019	Fair value adjustments arising from financial assets at fair value through profit or loss RMB'000	Total RMB'000
At 1 January 2019	951	951
Deferred tax credited to the statement of profit or loss during the year (note 10)	(951)	(951)
Gross deferred tax liabilities at 31 December 2019	–	–

Deferred tax assets

2019	Fair value adjustments arising from financial assets at fair value through profit or loss RMB'000	Impairment losses RMB'000	Deductible temporary differences RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2019	–	7,592	4,176	–	11,768
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	831	(273)	(2,847)	9,520	7,231
Gross deferred tax assets at 31 December 2019	831	7,319	1,329	9,520	18,999

23. DEFERRED TAX (continued)

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 10)	(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 10)	2,085	(313)	(916)	856
Gross deferred tax assets at 31 December 2018	7,592	4,176	–	11,768

23. DEFERRED TAX (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2019 RMB'000	2018 RMB'000
Deferred tax assets recognised in the consolidated statement of financial position	**18,999**	11,768
Deferred tax liabilities recognised in the consolidated statement of financial position	**–**	(951)
Net deferred tax assets recognised in the consolidated statement of financial position	**18,999**	10,817

The Group also has tax losses arising in Mainland China of RMB107,054,000 (2018: RMB56,036,000) 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 2019, 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 2019, the aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised was RMB69,655,000 (2018: nil).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

24. SHARE CAPITAL

Shares

	2019 RMB'000	2018 RMB'000
Authorised:		
3,000,000,000 ordinary shares of US$0.00005 each as at 31 December 2019 (2018: 3,000,000,000 ordinary shares)	**1,070**	1,070
Issued and fully paid:		
849,720,000 ordinary shares as at 31 December 2019 (2018: 848,040,000 ordinary shares)	**304**	303

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 2018		430,000,000	164
Issue of ordinary shares	(i)	223,100,000	72
Issue of shares held for RSU Scheme	(ii)	43,540,000	15
Issue of ordinary shares upon listing	(iii)	151,400,000	52
At 31 December 2018 and 1 January 2019		848,040,000	303
Exercise of over-allotment options	(iv)	1,680,000	1
At 31 December 2019		849,720,000	304

(i) 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 incentives, the 27,292,396 new shares issued to Soarise Bulex Limited were reserved for future grant of shares pursuant to the RSU Scheme.

(ii) 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 grant of shares pursuant to the RSU Scheme.

(iii) 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 global offering.

(iv) On 16 January 2019, the Company issued 1,680,000 new ordinary shares at a price of HK$2.40 per share upon the exercise of over-allotment share options granted to the relevant underwriters in connection with the global offering.

25. 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 128 to 129 of the financial statements.

(a) Transaction with the non-controlling interests

During the year ended of 31 December 2018, Guangzhou Beststudy acquired 20% equity interest in Foshan Nanhai Xinzhuoyue from the non-controlling shareholder at a 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

On 19 September 2018, Yizhi Siwei was established as a limited liability company by Zhuoxue Information with the contribution of RMB11,025,000 for 92% equity interest and Mr. Zheng Xu with the contribution of RMB450,000 for 8% equity interest.

(c) 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.

25. RESERVES (continued)

(d) 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.

(e) Share premium

The share premium of the Group represents the capital contribution premium from its then shareholders.

(f) Shares held for the RSU Scheme

The RSU Scheme is operated through a trustee (the "RSU Trustee") who is an employee of the Group. The RSU Trustee administers the RSU Scheme in accordance with the rules of the RSU Scheme and the trust deed. The Company has also appointed Soarise Bulex Limited as the nominee of the RSU Scheme (the "RSU Scheme nominee"). Shares of the Company held by Soarise Bulex Limited were reserved for grant of shares and the vesting of granted shares under the RSU Scheme.

The Company has the power to direct the relevant activities of the RSU Scheme and it has the ability to use its power over the RSU Scheme to affect its exposure to returns. Therefore, the assets and liabilities of the RSU Scheme nominee are included in the Group's consolidated statement of financial position and the ordinary shares held for the Company's RSU scheme were presented as "shares held for RSU Scheme".

(g) Capital contribution from non-controlling shareholders

(1) Yizhi Siwei

In March 2019, capital contribution of RMB525,000 was made to a subsidiary of the Group, Yizhi Siwei, from a non-controlling shareholder.

(2) Nanning YuZhiYou

In June 2019, capital contribution of RMB25,000 was made to a subsidiary of the Group, Nanning YuZhiYou, from a non-controlling shareholder.

26. SHARE-BASED PAYMENT

(a) Restricted share awards

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 equity-settled compensation costs over the estimated service period. The above shares exercisable into Guangzhou Beststudy's ordinary shares have been exchanged to the shares exercisable into Bestudy's ordinary shares on the same pro-rata basis (1 Guangzhou Beststudy's share equal to approximately 10 Bestudy's shares) without changing other vesting terms.

In May 2018, 159,728 shares of Guangzhou Beststudy were exchanged to 1,597,000 restricted shares of Bestudy. The weighted average exercise price at the date of exchange was RMB0.67 per share of Bestudy during the year ended 31 December 2018.

The fair value of ordinary shares of 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 Bestudy
Weighted average cost of capital (%)	19.18
Discount for lack of marketability (%)	6.71
Weighted average share price (RMB per share)	4.77

As the Company went public successfully in 2018, 1,562,000 shares were exercised while 35,000 shares were forfeited. The Group recorded the excess of the fair value over the subscription price as equity-settled compensation costs amounting to RMB6,481,000 during the year ended 31 December 2018.

26. SHARE-BASED PAYMENT (continued)

(b) Restricted Share Unit Scheme

The Company's RSU Scheme was adopted pursuant to a resolution passed on 3 December 2018 for the primary purpose of providing incentives to directors and eligible employees. The RSU Scheme will be valid and effective for a period of ten years, commencing from 3 December 2018.

The maximum number of restricted share units ("RSUs") that may be granted under the RSU Scheme in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the rules of the RSU Scheme) shall be such number of shares held or to be held by the RSU Trustee for the purpose of the RSU Scheme from time to time.

The movements of the Company's shares held for RSU Scheme account during the years ended 31 December 2019 and 2018 are as follows:

	Notes	Number of shares	Amount RMB'000
As at 1 January 2018		–	–
Issue of shares held for RSU Scheme		70,832,396	24
As at 31 December 2018 and 1 January 2019		70,832,396	24
Repurchase of shares held for RSU Scheme	(i)	1,575,000	4,666
Exercise of share awards	(ii)	(17,423,418)	(6)
As at 31 December 2019		54,983,978	4,684

(i) During the year ended 31 December 2019, 1,575,000 ordinary shares of the Company on the Stock Exchange were purchased for the RSU Scheme (2018: nil) at a total consideration of HK$5,194,000 (approximately RMB4,666,000).

(ii) On 3 September 2019, the board of directors of the Group resolved to grant certain numbers of RSUs at a consideration of RMB0.80 or nil per share to 551 employees of the Group (the "Grantees") pursuant to the RSU Scheme, subject to acceptance of the Grantees. The fair value of each restricted share unit granted to employees is measured with reference to the closing price of the ordinary shares of the Company at the grant date of HK$1.70 (equivalent to RMB1.54) per share. The aggregate number of shares granted during the year is set out in the table below.

During the year ended 31 December 2019, the Group amortised the difference between the fair value of the share awards and the consideration that employees have to pay to the Company over the vesting period and recognised equity-settled compensation costs of RMB30,140,000 (2018: nil) in profit or loss in relation to the RSU Scheme.

26. SHARE-BASED PAYMENT (continued)

(b) Restricted Share Unit Scheme (continued)

A summary of the particulars of the RSUs granted under the RSU Scheme during the year is as follows:

						Number of Awarded Shares		
Date of grant	Number of outstanding granted RSUs as at 31 December 2018 '000	Shares newly granted during the year '000	Fair value RMB'000	Exercise price RMB	Vesting date	Vested during the year '000	Forfeited during the year '000	Outstanding granted RSUs as at 31 December 2019 '000
3 September 2019	–	5,250	8,066	0.80	3 September 2019	5,250	–	–
3 September 2019	–	12,173	18,702	–	3 September 2019	12,173	–	–
3 September 2019	–	6,374	9,793	0.80	31 May 2020	–	–	6,374
3 September 2019	–	3,454	5,307	–	31 May 2020	–	54	3,400
3 September 2019	–	8,718	13,394	0.80	31 May 2021	–	–	8,718
3 September 2019	–	2,590	3,979	–	31 May 2021	–	40	2,550
3 September 2019	–	167	257	–	31 July 2021	–	–	167
3 September 2019	–	8,718	13,394	0.80	31 May 2022	–	–	8,718
3 September 2019	–	2,590	3,979	–	31 May 2022	–	40	2,550
3 September 2019	–	167	257	–	31 July 2022	–	–	167
3 September 2019	–	167	257	–	31 December 2023	–	–	167
		50,368	77,385			17,423	134	32,811

26. SHARE-BASED PAYMENT (continued)

(c) Share Option Scheme

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to a resolution passed on 3 December 2018 for the primary purpose of providing incentives to directors and eligible employees. The Share Option Scheme will be valid and effective for a period of ten years, commencing from 3 December 2018. No share option was in issue pursuant to the Share Option Scheme at the end of the reporting period.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 84,804,000 shares, being 10% (the "Scheme Mandate Limit") of the shares in issue immediately after the IPO (assuming the over-allotment option is not exercised and no exercise of any option which may be granted under the Share Option Scheme) unless the Company obtains an approval from its shareholders. Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit. Moreover, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 30% of the shares in issue from time to time.

No option may be granted under the Share Option Scheme and any other share option schemes of the Company if such Scheme Mandate Limited is exceeded.

27. DISPOSAL OF SUBSIDIARIES

In July 2019, the Group transferred the entire equity interest of 3 subsidiaries, including Huizhou Yuyou, Yuyou Leshu and Nanning YuZhiYou, to a related party of the Group, Yuyou Pinxue, at a consideration of RMB3 with a loss on disposal of RMB805,000.

In August 2019, the Group transferred 30% equity interest in Guangzhou GROW to two independent individual shareholders with a gain of RMB455,000. The share transfer transaction was accounted for disposal of a subsidiary and the Group has lost control over this company in the current year.

27. DISPOSAL OF SUBSIDIARIES (continued)

	2019 RMB'000	2018 RMB'000
Net assets disposed of:		
Property, plant and equipment	**2,714**	12,393
Intangible assets	**–**	981
Goodwill	**–**	10,763
Deferred tax assets	**–**	8
Prepayments, deposits and other receivables	**1,044**	21,548
Cash and cash equivalents	**1,271**	9,620
Other current assets	**–**	12,516
Contract liabilities	**(1,989)**	(1,246)
Other payables and accruals	**(2,576)**	(44,546)
Other long-term liabilities	**–**	(8,298)
Long-term loan	**–**	(7,964)
Non-controlling interests	**486**	5,562
	950	11,337
(Loss)/gain on disposal of subsidiaries	**(350)**	9,298
	600	20,635
Satisfied by:		
Cash	**–***	20,635

* The amount was less than RMB1,000.

27. DISPOSAL OF SUBSIDIARIES (continued)

An analysis of the net outflow or inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2019 RMB'000	2018 RMB'000
Cash consideration	–*	20,635
Cash and bank balances disposed of	(1,271)	(9,620)
Net (outflow)/inflow of cash and cash equivalents in respect of the disposal of subsidiaries	(1,271)	11,015

* The amount was less than RMB1,000.

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB142,566,000 and RMB142,566,000, respectively, in respect of lease arrangements for property (2018: nil).

(b) Changes in liabilities arising from financing activities

2019	Lease liabilities RMB'000
As at 1 January 2019	–
Effect of adoption of IFRS 16	1,006,904
At 1 January 2019 (restated)	1,006,904
Changes from financing cash flows	(207,615)
New leases	142,566
Interest expense	47,968
Lease modifications	(30,438)
As at 31 December 2019	959,385

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities (continued)

2018	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	–	–

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2019 RMB'000
Within financing activities	**207,615**

29. CONTINGENT LIABILITIES

As at the end of the reporting period, the Group did not have any significant contingent liabilities.

30. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period.

	2019 **RMB'000**	2018 RMB'000
Contracted, but not provided for:		
Leasehold improvements	**5,589**	–

(b) Operating lease commitments as at 31 December 2018

The Group leased certain of its property under operating lease arrangements. Leases for property were negotiated for terms ranging from 2 to 16 years.

At as 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 RMB'000
Within one year	198,653
In the second to fifth years, inclusive	703,174
After five years	298,755
	1,200,582

(c) The Group has no lease contract that have not yet commenced as at 31 December 2019.

31. RELATED PARTY TRANSACTIONS

(a) Name and relationship of related parties

Name	Relationship
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 GROW	Associate of the Group
Yuyou Pinxue	Associate of the Group
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 service to a related party

	2019 RMB'000	2018 RMB'000
Guangzhou GROW	**2,021**	–

The price for the above service was determined in accordance with mutually agreed terms.

(2) Purchases of teaching support service from a related party

	2019 RMB'000	2018 RMB'000
Guangzhou Mite	**–**	720

The price for the above service was determined in accordance with mutually agreed terms.

31. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties (continued)

(3) Transfer of investments to related parties

	2019 RMB'000	2018 RMB'000
Lexue Venture Capital	–	6,140
Guangzhou Lexue Equity Investment	–	13,945
Yuyou Pinxue	–*	–
	–*	20,085

* The amount was less than RMB1,000.

Further details are included in note 27 to the financial statements.

(4) Transfer of an investment from a related party

	2019 RMB'000	2018 RMB'000
Guangzhou Lexue Equity Investment	23,050	–

The Group acquired 9% equity interest in Beijing Tengyue from Guangzhou Lexue Equity Investment at a total consideration of RMB23,050,000 during the year. Further details are included in note 17 to the financial statements.

(5) Transfer of property, plant and equipment to a related party

	2019 RMB'000	2018 RMB'000
Guangzhou GROW	4,069	–

31. RELATED PARTY TRANSACTIONS (continued)

(c) Amount due from a related party

	2019 RMB'000	2018 RMB'000
Guangzhou GROW	**3,413**	–

(d) Compensation of key management personnel of the Group

	2019 RMB'000	2018 RMB'000
Short-term employee benefits	**8,320**	13,596
Pension scheme contributions	**294**	301
Equity-settled compensation costs	**11,291**	4,382
Total compensation paid to key management personnel	**19,905**	18,279

Further details of directors' and the chief executive's emoluments are included in note 8 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:

2019

Financial assets

	Financial assets at fair value through profit or loss			
	Designated as such upon initial recognition RMB'000	Mandatorily designated as such RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments at fair value through profit or loss				
– Unlisted equity investments	3,827	–	–	3,827
Debt investments at fair value through profit or loss				
– Unlisted trust plans and asset management plans	–	203,589	–	203,589
Time deposit	–	–	50,270	50,270
Short-term debt investments measured at fair value through profit or loss				
– Wealth management products issued by banks	–	370,282	–	370,282
– Unlisted trust plans and asset management plans	–	274,447	–	274,447
– Funds	–	171,741	–	171,741
Short-term equity investments measured at fair value through profit or loss				
– Listed equity investments	–	63,537	–	63,537
Loan to a joint venture	–	–	4,886	4,886
Financial assets included in prepayments, deposits and other receivables	–	–	126,283	126,283
Restricted cash	–	–	5,146	5,146
Cash and cash equivalents	–	–	196,406	196,406
	3,827	1,083,596	382,991	1,470,414

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Financial liabilities included in other payables and accruals	46,497	46,497
Lease liabilities	959,385	959,385
	1,005,882	1,005,882

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)

2018

Financial assets

	Financial assets at fair value through profit or loss			
	Designated as such upon initial recognition RMB'000	Mandatorily designated as such RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments at fair value through profit or loss				
– Unlisted equity investments	71,299	–	–	71,299
Short-term debt investments measured at fair value through profit or loss				
– Wealth management products issued by banks	–	517,907	–	517,907
Short-term equity investments measured at fair value through profit or loss				
– Listed equity investments	–	412	–	412
Loan to a joint venture	–	–	4,852	4,852
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
	71,299	518,319	592,657	1,182,275

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

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	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Equity investments at fair value through profit or loss				
– Unlisted equity investments	**3,827**	71,299	**3,827**	71,299
Debt investments at fair value through profit or loss				
– Unlisted trust plans and asset management plans	**203,589**	–	**203,589**	–
Short-term debt investments measured at fair value through profit or loss				
– Wealth management products issued by banks	**370,282**	517,907	**370,282**	517,907
– Unlisted trust plans and asset management plans	**274,447**	–	**274,447**	–
– Funds	**171,741**	–	**171,741**	–
Short-term equity investments measured at fair value through profit or loss				
– Listed equity investments	**63,537**	412	**63,537**	412
	1,087,423	589,618	**1,087,423**	589,618

Management has assessed that the fair values of cash and cash equivalents, restricted cash, financial assets included in prepayments, deposits and other receivables, time deposits, loan to a joint venture, 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.

The fair values of the lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for lease liabilities as at 31 December 2019 were assessed to be insignificant.

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 2019

	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
Equity investments at fair value through profit or loss				
– Unlisted equity investments	–	–	3,827	3,827
Debt investments at fair value through profit or loss				
– Unlisted trust plans and asset management plans	–	203,589	–	203,589
Short-term debt investments measured at fair value through profit or loss				
– Wealth management products issued by banks	–	370,282	–	370,282
– Unlisted trust plans and asset management plans	–	274,447	–	274,447
– Funds	–	171,741	–	171,741
Short-term equity investments measured at fair value through profit or loss				
– Listed equity investments	63,537	–	–	63,537
	63,537	1,020,059	3,827	1,087,423

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
Equity investments at fair value through profit or loss				
– Unlisted equity investments	–	–	71,299	71,299
Short-term debt investments measured at fair value through profit or loss				
– Wealth management products issued by banks	–	517,907	–	517,907
Short-term equity investments measured at fair value through profit or loss				
– Listed equity investments	412	–	–	412
	412	517,907	71,299	589,618

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:

	2019 RMB'000	2018 RMB'000
Equity investments at fair value through profit or loss:		
At 1 January	**71,299**	64,581
Total (losses)/gains recognised in the statement of profit or loss	**(3,055)**	6,622
Additions	**1,532**	–
Transfer	**(65,989)**	–
Exchange realignment	**40**	96
At 31 December	**3,827**	71,299

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 the price to sales ("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 its sales.

As at 31 December 2019, it is estimated that if the P/S ratio, as a significant unobservable input to the valuation of equity investments. Increased or decreased by 5%, the fair value of the unlisted investments at fair value through profit or loss would increase or decrease by RMB12,000 (2018: RMB3,464,000).

During the year ended 31 December 2019, certain unlisted equity investments were transferred out of Level 3 of fair value hierarchy classifications due to the conversion to assets held for sale as a result of the intentional disposal plan. And it was categorised within Level 2 of the fair value hierarchy at 31 December 2019.

The Group did not have any financial liabilities measured at fair value as at the end of the reporting period.

During the year ended 31 December 2018, 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. 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 foreign currency risk, 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 debt investments at fair value through profit or loss denominated in US$. 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
2019		
If RMB weakens against HK$	**(5%)**	**479**
If RMB strengthens against HK$	**5%**	**(479)**
If RMB weakens against US$	**(5%)**	**12,463**
If RMB strengthens against US$	**5%**	**(12,463)**
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)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

Maximum exposure and year-end staging

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 assets included in prepayments, deposits and other receivables in the consolidated 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 at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and forward-looking information.

As at 31 December 2019 and 2018, the credit rating of other receivables was performing. The Group assessed that the ECLs for these receivables were not material under the 12 months' expected losses method. Thus, no loss allowance provision was recognised during the years ended 31 December 2019 and 2018.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 2019					
	On demand RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Financial liabilities included in other payables and accruals	**46,497**	**–**	**–**	**–**	**46,497**	**46,497**
Lease liabilities	**–**	**225,915**	**677,356**	**183,720**	**1,086,991**	**959,385**
	46,497	**225,915**	**677,356**	**183,720**	**1,133,488**	**1,005,882**

	As at 31 December 2018					
	On demand RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Over 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

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:

	31 December 2019 RMB'000	1 January 2019 RMB'000 (note)	31 December 2018 RMB'000
Total liabilities	**1,968,340**	1,783,234	817,540
Total assets	**2,765,002**	2,405,316	1,439,622
Debt-to-asset ratios	**71%**	74%	57%

Note: The Group has adopted IFRS 16 using the modified retrospective approach and the effect of the initial adoption is adjusted against the opening balances as at 1 January 2019 with no adjustments to the comparative amounts as at 31 December 2018. This resulted in an increase in the Group's net debt and hence the Group's debt-to-asset ratio increased from 57% to 74% on 1 January 2019 when compared with the position as at 31 December 2018.

35. EVENTS AFTER THE REPORTING PERIOD

In the early 2020, upon the outbreak of the novel coronavirus (COVID-19), various industries have been affected by the epidemic to varying extent. The PRC government has also adopted various preventive and control measures. The Group has adopted comprehensive measures immediately after the outbreak. The Group has suspended offline training activities at the request of the government and transferred all offline courses into online teaching. Meanwhile, the government has promulgated the policies, including VAT reduction initiative for tutoring service, social insurance reduction and exemption as well as housing provident fund so as to help to alleviate the impact. The Group is also actively negotiating with the owners of the training centres regarding the rent reductions, in order to reduce related costs.

Since the COVID-19 outbreak has not yet ended, the Group will keep continual attention on the situation of COVID-19 and react actively to its impact on the operation and financial position of the Group.

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:

	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSET		
Investment in a subsidiary	**30,471**	331
Debt investments measured at fair value through profit or loss	**183,543**	-
Total non-current assets	**214,014**	331
CURRENT ASSETS		
Amounts due from shareholders	**–**	148
Amount due from a subsidiary of the Group	**124,595**	68,727
Short-term debt investments measured at fair value through profit or loss	**63,027**	–
Prepayments, deposits and other receivables	**4,192**	40,094
Cash and bank balances	**8,296**	261,150
Total current assets	**200,110**	370,119
CURRENT LIABILITIES		
Other payables and accruals	**890**	4,268
Amounts due to subsidiaries of the Group	**2,369**	1,131
Total current liabilities	**3,259**	5,399
NET CURRENT ASSETS	**196,851**	364,720
TOTAL ASSETS LESS CURRENT LIABILITIES	**410,865**	365,051
Net assets	**410,865**	365,051
EQUITY		
Share capital (note 24)	**304**	303
Reserves	**410,561**	364,748
Total equity	**410,865**	365,051

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	Share-based payment reserve	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Total reserves RMB'000
At 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 and at 1 January 2019	298,066	(24)	–	89,902	(23,196)	364,748
Profit for the year	–	–	–	6,532	–	6,532
Other comprehensive income for the year:						
Exchange differences on translation of financial statements	–	–	–	–	6,136	6,136
Total comprehensive income for the year	**–**	**–**	**–**	**6,532**	**6,136**	**12,668**
Issue of shares	**3,475**	**–**	**–**	**–**	**–**	**3,475**
Share issue expenses	**(10)**	**–**	**–**	**–**	**–**	**(10)**
Share-based payments	**–**	**–**	**30,140**	**–**	**–**	**30,140**
Exercise of share awards under the restricted share unit scheme	**–**	**6**	**(22,568)**	**26,768**	**–**	**4,206**
Repurchase of shares under the restricted share unit scheme	**–**	**(4,666)**	**–**	**–**	**–**	**(4,666)**
At 31 December 2019	**301,531**	**(4,684)**	**7,572**	**123,202**	**(17,060)**	**410,561**

37. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 25 March 2020.

Five-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:

	Reporting Period ended 31 December				
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019** **RMB'000**
RESULTS					
Revenue	759,991	896,131	1,141,701	1,473,748	**1,831,667**
Gross profit	315,614	376,319	482,750	598,031	**767,623**
Profit for the year	70,517	58,018	65,809	73,971	**134,881**

	As at 31 December				
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019** **RMB'000**
ASSETS AND LIABILITIES					
Total non-current assets	83,331	140,610	171,316	302,158	**1,476,297**
Total current assets	836,821	833,930	867,677	1,137,464	**1,288,705**
Total current liabilities	561,072	508,503	686,200	776,330	**1,234,870**
Total non-current liabilities	6,565	11,958	15,026	41,210	**733,470**
Total equity	352,515	454,079	337,767	622,082	**796,662**