



卓越教育集团

China Beststudy Education Group

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3978



ANNUAL REPORT  
**2020**

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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

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

### Non-executive 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, FCG, FCS)

## AUTHORIZED REPRESENTATIVES

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

## AUDITOR

Ernst & Young  
Certified Public Accountant

## LEGAL ADVISER

Jingtian & Gongcheng LLP

## PRINCIPAL BANKS

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

## REGISTERED OFFICE

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

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Lee Garden One  
33 Hysan Avenue  
Causeway Bay  
Hong Kong



## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG BRANCH SHARE REGISTRAR

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

## STOCK CODE

3978

## COMPANY'S WEBSITE

[www.beststudy.com](http://www.beststudy.com)

## INVESTOR RELATIONS

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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<sup>1</sup>, the Company has been providing quality and diversified education products and services to students and parents since our establishment 23 years ago. Our Group mainly offers after-school education-related courses, including Small Group Tutoring, Individualised Tutoring, Talent Education and Full-time Test Preparation Program.

As at 31 December 2020, the Group had a total of 268 education centres nationwide, which are located in Guangzhou, Shenzhen, Zhongshan, Foshan, Zhuhai, Shanghai, Dongguan, Nanning and Beijing, mainly distributed in the Guangdong-Hong Kong-Macau Greater Bay Area. 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, covering all key academic subjects taught in primary schools, middle schools, and high schools in China. Our Talent Education is designed to cultivate the all-round development of our students, allowing a more engaging and enjoyable process. 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 23 years of effort and development, our “Zhuoyue Education” (卓越教育) brand and reputation have also been recognised and welcomed by students, parents and all social sectors. In 2020, Beststudy was awarded the title of “Outstanding Contribution Institution for the 40th Anniversary of Guangdong Private Education” (廣東民辦教育四十周年突出貢獻機構) and our public welfare project “Candle Protection Plan • Caring Rural Teachers” (護燭 • 關愛鄉村教師計劃) won the “2020 Southern Public Welfare Communication Award – Innovation Award” (2020南方公益傳播獎 • 創新獎). We also made a breakthrough in enhancing the brand image of the Group as employer who broadens brand building, and won awards such as “Innovating Extraordinary Employer” (全國創新非凡僱主) and “2020 Best Employer in the Greater Bay Area” (2020年大灣區最佳僱主). The recognition of students, parents and all social sectors will help us enlarge our student pool and further strengthen our market position in the K-12 after-school education training industry in China.

<sup>1</sup> According to an industry report prepared by Frost & Sullivan based on 2017 statistics



# Financial and Key Operating Data Highlights

## FINANCIAL AND KEY OPERATING DATA HIGHLIGHTS

	For the year ended		
	31 December		
	2020	2019	% Change
	RMB'000	RMB'000	
<b>Revenue</b>	<b>1,687,798</b>	1,831,667	-7.9%
<b>Gross Profit</b>	<b>615,186</b>	767,623	-19.9%
<b>Profit for the Year</b>	<b>127,794</b>	134,881	-5.3%
<b>Adjusted Profit</b>	<b>143,657</b>	165,021	-12.9%
<b>Proposed final dividend per ordinary share</b>	<b>HK\$5.5 cents</b>	HK\$5.3 cents	3.8%
<b>Proposed final special dividend per ordinary share</b>	<b>–</b>	HK\$2.0 cents	N/A
<b>Number of Enrollments</b> <sup>(Note 1)</sup>	<b>530,782</b>	551,060	-3.7%
<b>Number of Tutoring Hours</b> <sup>(Note 1)</sup>	<b>12,257,069</b>	13,695,534	-10.5%

Note 1: We adopted active strategies during COVID-19 epidemic, including the continuous introduction of more short-term courses apart from regular courses to attract customers during the Reporting Period (as defined hereafter), reducing the impact of COVID-19 epidemic and striving for more customers resources. For a better comparative understanding, the number of enrollments and the number of tutoring hours shown in the table above are all data from regular courses.

# 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 2020 (the “**Reporting Period**”).

## OVERVIEW

As the largest K-12 after-school education service provider in southern China and the fifth largest nationwide<sup>1</sup>, the Company has been providing quality and diversified education products and services to students and parents since our establishment 23 years ago. Our Group mainly offers after-school education-related courses, including Small Group Tutoring, Individualised Tutoring, Talent Education and Full-time Test Preparation Program.

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<sup>1</sup> According to an industry report prepared by Frost & Sullivan based on 2017 statistics



## 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 2020, 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.

## BUSINESS REVIEW

During the Reporting Period, as affected by the COVID-19 epidemic, our Group had a revenue of RMB1,687.8 million, representing a decrease of approximately 7.9% compared to 2019. In particular, the Group's revenue in the first half of the year decreased by 11.3% year-on-year. With COVID-19 epidemic fading away and the joint efforts of all staff, the decline in revenue dramatically narrowed down in the second half of the year in conjunction with gradual recovery of our business. Revenue in the second half of 2020 decreased by 4.7% as compared to the same period in 2019.

During the Reporting Period, the student enrollment number was 530,782<sup>1</sup>, representing a year-on-year decrease of approximately 3.7% as compared with the year ended 31 December 2019. The total tutoring hours were 12,257,069 hours<sup>1</sup>, decreasing by approximately 10.5% as compared with 2019.

Despite the COVID-19 epidemic, the Group reported an adjusted profit of RMB143.7 million for the Reporting Period, delivering an overall profit as the Group's businesses developed.

<sup>1</sup> We adopted active strategies during COVID-19 epidemic, including the continuous introduction of more short-term courses apart from regular courses to attract customers during the Reporting Period, reducing the impact of COVID-19 epidemic and striving for more customers resources. For a better comparative understanding, the number of enrollments and the number of tutoring hours are all data from regular courses.



### OPERATION UNDER COVID-19 EPIDEMIC

After the outbreak of COVID-19 epidemic in early 2020, we quickly shifted from offline courses to online platform in accordance with the plan of "Three-Original Course", and the offline to online conversion rate of winter courses was 85%, owing to the strong execution of thousands of staff and the strong support from the middle platform we have invested in for many years, as well as our early entry into online education.

The Group has leveraged on its strong operational capabilities after shifting our courses from offline to online platform. Our services under the new situation are more meticulous and focused on top of our high quality teaching, which in turn has increased our overall rate of student renewal subscription, with an overall retention rate of 87.5% for the year 2020, representing an increase of 4.5% as compared to the same period in 2019. Once again, it demonstrates the effectiveness of our teaching and course experience, which are well accepted by parents and students, even under the setting of online teaching. This in turn creates word-of-mouth for our OMO teaching model.

In response to the unavailability of offline enrollment in spring, we adopted more active marketing strategies in summer. With an improved situation of COVID-19 epidemic in June 2020, we quickly introduced Summer One Program<sup>2</sup> targeted at different markets. The number of students under Shenzhen Summer One Program grew by 17.1% year-on-year, while that under Summer One Program in regional markets outside Guangzhou and Shenzhen increased by 64.4% year-on-year, which boosted enrollment for summer and autumn courses. In general, our business has rapidly recovered in the second half of 2020, with revenue growth and enrollment accelerating back on track.

In terms of individualised tutoring, after the offline one-to-one course resumes, our teachers have strengthened communication with students and parents with effective COVID-19 epidemic prevention and control. Specifically, we helped students recover their pre-epidemic learning status and made up for missed lessons as soon as possible by intergrating weekend offline and weekday online OMO course. Individualised tutoring hours in the second half of 2020 increased by 7.2% as compared to the same period in 2019.

### EXPANSION STRATEGIES

As at 31 December 2020, the number of our education centres was 268. We adjusted the number of existing campuses under COVID-19 epidemic, including consolidating and managing the original 12 campuses that were affected by the COVID-19 epidemic, in poor condition, and had high rents or low revenue; and converting 3 campuses for full-time education business, in order to improve their efficiency. During the Reporting Period, we opened 18 new training centres, which were primarily located in major cities of the Guangdong-Hong Kong-Macao Greater Bay Area. We strengthened our position in Guangzhou while enhancing our presence in regional cities such as Shenzhen and Nanning. During the COVID-19 epidemic, we adopted a flexible shop opening strategy and controlled the pace of shop openings in a moderate manner, thereby ensuring a healthy development of business operations.

<sup>2</sup> Summer One Program refers to the promotional referral courses that charge RMB0 or RMB1.



The Shenzhen campus showed an increase against the impact of COVID-19 epidemic, opening 9 new training centres during the year to further enhance the coverage in the Shenzhen market. In the tutoring class business, high conversion rate of Summer One Program led to a new round of growth in student enrollment. These students were further converted to regular courses students through our high quality course content and improvement in teaching services, with the number of students for regular courses during the year increasing year-on-year by 9.1% compared to the same period in 2019. In terms of individualised tutoring, with an improved situation of COVID-19 epidemic in the second half of the year, class hours consumed for the year increased by 6.3% as compared to the same period in 2019. Overall, the total revenue of the Shenzhen market grew by 9.6% year-on-year in 2020, reflecting the Group's rapid growth in regional strategic markets.

COVID-19 epidemic has also promoted the transformation of offline education institutions where our teachers started their journey towards online teaching through using screens of different sizes during the COVID-19 epidemic outbreak. In addition, the Group took this opportunity to cultivate and enhance the organisation's online teaching capabilities.

Our online one-to-one business saw a continued high growth in 2020, with revenue 3 times that of the same period in 2019. Through our independently developed online one-to-one Niu Shi Bang system, we have leveraged our years of experience in standardised assessment and teaching systems to adopt a “fly-on-the-ground” (貼地飛行) approach for expansion. We set up offline experience shops in several cities, matched with marketing and enrollment operations staff responsible for product promotion, course experience and enrollment services, which further strengthened our regional coverage with unique product advantages. We have also set up teacher bases in Wuhan and Baoding to deliver quality teachers across regions through centralised teacher training and offline teaching and research, providing sufficient and stable quality teachers for our online expansion.

Since the launch of our self-developed Beststudy Online system in March 2020, we have constructed two sets of teaching platforms for large and small group tutoring courses, allowing students to freely choose and switch between different learning styles and scenarios at any time to achieve their learning goals. Beststudy Online thorough integration of online and offline platforms have enabled the Group to increase the rate of renewing subscription; besides, the Group reached out to price-sensitive people through online low-cost promotional referral courses to effectively increase inflows. We hope to cultivate our customers' awareness of Beststudy Online education, hence achieving its sustainable and competitive online growth objective by “putting students as our focus”.

## INCENTIVES AND TEAM CULTURE

As at 31 December 2020, the Group had 3,947 full-time teachers. During the times of COVID-19 epidemic, all of our teachers and staff actively carried forward the core principles of “Team Culture”. All staff from different departments worked towards the same goal and achieved rapid shift from offline to online teaching, as well as actively participated in the newly created “all staff enrollment” promotion activities, reflecting the cultural concept of “winning” and adaptability and executive ability for a chance in crisis.

We continue to offer more incentives to high quality principals for operations and outstanding teachers by improving the Group's four-tier partnership and introducing and improving ancillary motivating incentive to support our footprint expansion strategy. Meantime, despite the impact of the COVID-19 epidemic, we continued with our existing recruitment strategy while giving priority to remuneration packages of frontline teachers, launching school-enterprise partnership programs with several universities selected for the Chinese “Double First-Class” initiative to recruit young and talented teachers for the Group's development.

### SYSTEMATIC INPUT AND DIGITAL TRANSFORMATION

Beststudy's business philosophy is to carry out operations for a long term, doing the right things in the right way. We firmly believe that the continuous research and development investment is the key to ensure teaching quality and the core driver of education industry, and will help the Group to stand out in the fierce race.

As at 31 December 2020, we had an in-house research and development team of 528 employees to continuously develop, update and improve our courses, teaching materials and information technology system. During the Reporting Period, our research and development expenses amounted to approximately RMB165.6 million, and we continued to maintain a relatively higher input in research and development.

Benefiting from the Group's intense inputs in research and development, we have established three major information technology-based teaching platforms: E-Education System (EES), the individualised teaching system and the full-time smart classroom system. At the same time, the class-assisted large class, class-assisted small class and one-to-one Niushibang live broadcast system have been developed and put into use. Through the construction of the above system, we have achieved standard teaching activities and informatised and digitalised teaching management, so as to effectively improved our teaching quality and learning efficiency and strongly supported the teaching front end, thus providing a strong systematic support for implementing the OMO strategy.

In line with the Group's digital transformation strategy, in 2020 we built a number of digital foundation layers, such as a data middle platform and a marketing middle platform. At the same time, the Group constructed a marketing automation platform in the digitally empowered business-end scenario to precisely reach our target customers, and comprehensively improved the flows and quality of our omni-channel enrollment portal.

### FUTURE PROSPECTS

#### Footprint Expansion

The construction and development of the Greater Bay Area not only introduces net population inflows to first and second-tier cities within the region, but also generates growing education demands. After the epidemic, some small K-12 tutoring institutions have been forced to withdraw from the market, the landscape of supply side of the industry has changed, and the market will witness continuous consolidation and concentration in the future; tutoring institutions with standardised teaching products, high-quality teaching teams and positive attitudes will outperform from the competition. To meet the increasing demands for K-12 after-school education services, we plan to operate more education centres in the Guangdong-Hong Kong-Macao Greater Bay Area, to improve our market shares in the Greater Bay Area. Guangzhou and Shenzhen are both core engines of the Guangdong-Hong Kong-Macao Greater Bay Area. We will continue to consolidate our market position in Guangzhou and increase our share of the existing market through expansion, as well as expanding into the surrounding areas. In the Shenzhen market as a key strategic region for the Group, we will accelerate network deployment and market penetration against the COVID-19 epidemic. In the future, the Group will further strengthen inputs and the faculty in key cities outside Guangzhou, such as Shenzhen and Nanning, to construct more education centres. All business divisions will continue to enhance their capabilities of replicating effective model to other locations and accelerate the pace of "dominating southern China and moving nationwide".



Based on the education OMO strategic layout, we will improve the penetration within the region through online education, satisfy education demands of second and third-tier cities, make online development as a part of footprint expansion and accelerate footprint expansion by means of “setting up physical education centers + online education”. In the future, the Group will make use of the OMO approach to increase share and efficiency of existing markets in line with the needs of students. In addition, the Group will explore new modes of online expansion and enter new cities that are not yet covered, in order to promote footprint expansion.

To cope with rapid footprint expansion, we build an efficient talent supply chain, improve the capability and effectiveness of teachers, and continuously export strong teams of teachers to different regional campuses. We continue to offer more incentives to high quality principals for operations and outstanding teachers by improving the Group's four-tier partnership, and promote the partnership to more regional cities to gather quality talents to expand presence for the Group.

In addition, the epidemic also leads to new changes of the industry landscape. Accordingly, we will speed up mergers and acquisitions and explore new opportunities and incentives for the Group's footprint expansion strategy.

### Chinese Dominance

Recent education and examination reforms have led to a shift in Chinese education from exam-oriented to competencies, and new curriculum, unified textbooks and new college entrance examinations have brought unprecedented opportunities for the development of the Chinese subject. We will continue to focus on the “Chinese Dominance” strategy and further increase the influence of Beststudy Chinese in southern China and across the country through improving the product system, developing new courses and enhancing the incentive mechanism.

Macro Chinese products witness growth amid the epidemic and report increasing student enthusiasm. All of these reflect that parents are paying high attention to the cultivation of Chinese quality and recognise the quality of Beststudy's Chinese teaching. We will continue to polish and update our “dual Chinese” product system, positioning Beststudy Chinese Subject as “Chinese Dominance's brand for placement”, which is closely integrated with the examination system to effectively form an immediate product and achieve rapid growth. Beststudy Macro Chinese will build up its own system by establishing two teaching models, namely offline face-to-face teaching and online large-group live teaching, and provide students with multi-scenario and comprehensive education services in line with the education OMO development idea to achieve exponential growth.

A stable and quality teaching team is one of the core drivers of our Chinese Dominance strategy. In the future, we will increase the build-up and training of our teaching team, increase the number of high quality teachers, strengthen the incentive mechanism for talents and enhance the sense of recognition and pride of our Beststudy Chinese Subject teachers. We expect parents and students to regard Beststudy Chinese Subject as their preferred brand for Chinese learning, and that we will develop a strong reputation of “learning Chinese in Beststudy” (好語文·來卓越), so that we can become a national teaching and training institution along with the opportunities presented by the development of Chinese discipline.

### Digital Transformation

The outbreak of COVID-19 epidemic has led to changes in consumer demand at the user end, and we need to improve our products and services system, improve organisational effectiveness, and develop and optimise our business model in order to capture market opportunities. We believe that offline education will last for long, because education is not only about imparting knowledge, but also about leading students to develop holistically, and the mission of education is to awaken, inspire and motivate every heart. In addition, we believe that individualised learning is the ultimate model of education. As each individual has different interests, specialties and knowledge structures, we need to provide students with the most appropriate teaching methods, services and products in order to realise individualised learning models for different individuals.

Based on the above understanding, we believe that purely online or offline education will not exist on its own, and that OMO is an important way to realise individualised learning models for different individuals. In the digital era, OMO is only a symptom of the user interface (a language of the user interface), and the underlying layer is digital construction of enterprises. We are focusing on building a strong technical infrastructure to enhance frontend digital marketing platform and three systems of research, teaching and service at the backend. We will leverage digital capabilities such as big data and cloud computing to record and analyse students' learning trajectories and use those data to feed back into students' learning behaviours, thereby better improving learning efficiency and laying a solid foundation for the successful implementation of OMO.

The construction of the underlying digital platform has helped Beststudy become the first education and training institution in China to build a "5G+Education" ecology. We will use 5G technology as the basis and integrate it with AI and other new generation IT technologies to develop multi-disciplinary 5G holographic courses. The new teaching scenario of virtuality and reality overlay will improve the interactivity and fun in the classroom, as well as help solve the problems of "reduced student concentration, poor independent learning ability and difficult teacher-student interaction" in online courses, making it a breakthrough for OMO in education. As to teaching services, the construction of digital platform helps us collect and analyse students' learning behaviours from all endpoints of the teaching process. With digital teaching tools, we provide customized products and services to students, and optimise cost rates while breaking the bottleneck of enrollment and renewing subscription, thereby empowering the organisation and improving its efficiency.

After years of accumulation of experience, we have completed the construction of the OMO digital infrastructure. We build the whole process chain from promotion, enrollment, preview, teaching, tutoring to service, and find the best combination of efficiency riding on the advantages of online and offline teaching, thus improving the efficiency and effectiveness of teaching services. We hope to reach more students and parents through our integrated online and offline products and services in the future, bringing them better products and service experience.

In the future, we will realise "334 Plan<sup>1</sup>" under the direction of the Group's strategies to deliver a higher level of development, create a platform for teachers and staff to better realise their personal values in their work and bring a sustainable and increasing return on investment for our Shareholders and investors.

### APPRECIATION

As the time flies by, "Beststudy Education" has celebrated its 23-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.

<sup>1</sup> "334 Plan" means that the Group will reach revenue of RMB4 billion with an annual compound growth rate of 30% in the next three years (2021-2023).



# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue

The following table sets forth a breakdown of the Group's revenue by type of education services we provided in 2020 and 2019:

	For the year ended 31 December		
	2020	2019	% Change
	RMB'000	RMB'000	
Small Group Tutoring	828,935	918,459	-9.7%
Individualised Tutoring	644,242	698,850	-7.8%
Full-time Test Preparation Program	161,764	156,549	3.3%
Talent Education	51,555	56,104	-8.1%
Others	1,302	1,705	-23.6%
<b>Total</b>	<b>1,687,798</b>	<b>1,831,667</b>	<b>-7.9%</b>

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 decreased by approximately 7.9% to approximately RMB1,687.8 million from approximately RMB1,831.7 million in 2019. As compared to 2019, the decrease in revenue generated from our principal business was mainly attributable to the decrease in tutoring hours due to the shortened class scheduling time available for the COVID-19 epidemic impact and the impact on enrollment during the COVID-19 epidemic.

#### (i) Number of enrollments

	For the year ended 31 December		
	2020	2019	% Change
Small Group Tutoring (Regular courses)	356,952	382,065	-6.6%
Individualised Tutoring	149,739	142,415	5.1%
Full-time Test Preparation Program	6,089	6,059	0.5%
Talent Education	18,002	20,521	-12.3%

#### (ii) Tutoring hours

	For the year ended 31 December		
	2020	2019	% Change
Small Group Tutoring (Regular courses)	8,985,928	10,174,304	-11.7%
Individualised Tutoring	2,550,582	2,753,945	-7.4%
Full-time Test Preparation Program	N/A	N/A	-
Talent Education	720,559	767,285	-6.1%

**(iii) Per-hour charges**

	For the year ended 31 December		
	2020 RMB	2019 RMB	% Change
Small Group Tutoring (Regular courses)	90	87	3.4%
Individualised Tutoring	253	254	-0.4%
Full-time Test Preparation Program	N/A	N/A	N/A
Talent Education	72	73	-1.4%

## COST OF SALES

Cost of sales increased by 0.8% from approximately RMB1,064.0 million in 2019 to approximately RMB1,072.6 million for the Reporting Period, attributable to: (i) the increase in teacher labor cost for promotional referral courses, and (ii) additional expenses during COVID-19 epidemic, such as 1) additional expenses arising from online classes, 2) expenses put in the prevention and control of COVID-19 epidemic, and 3) the one-off expenses for resuming normal classes.

## GROSS PROFIT AND GROSS PROFIT MARGIN

As a result of the above principal factors, the Group's gross profit decreased by approximately 19.9% from approximately RMB767.6 million in 2019 to approximately RMB615.2 million for the Reporting Period.

The gross profit margin of the Group in 2019 was approximately 41.9%, whilst for the Reporting Period was approximately 36.4%. The decrease in gross profit margin was primarily due to (i) the decrease in the revenue, (ii) the increase in teacher labor cost for promotional referral courses, and (iii) additional expenses during COVID-19 epidemic, such as 1) additional expenses arising from online classes, 2) expenses put in the prevention and control of COVID-19 epidemic, 3) the one-off expenses for resuming normal classes, and 4) the depreciation and amortisation of right-of-use assets not declining with revenue.

## OTHER INCOME AND GAINS

During the Reporting Period, the Group recorded other income and gains in the amount of approximately RMB66.9 million, representing an increase of approximately RMB48.1 million year-on-year. The other income and gains include VAT exemption, government grants, interest income of current deposit and time deposit and gain on disposal of right-of-use assets.

## 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 approximately RMB55.7 million from approximately RMB36.9 million in 2019 to approximately RMB92.6 million for the Reporting Period. The fair value changes included fair value changes on unlisted equity investments, listed equity investments, wealth-management products issued by banks and unlisted trust plans.



## SELLING EXPENSES

During the Reporting Period, the Group's total selling expenses amounted to approximately RMB195.1 million, representing an increase of approximately 19.9% from approximately RMB162.7 million in 2019. The increase was mainly due to the higher cost of attracting and acquiring customers online during the COVID-19 epidemic, resulting in increased investment in online advertising.

## 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 RMB214.1 million, representing a decrease of approximately 11.6% as compared to approximately RMB242.3 million in 2019.

The main reason for such a decrease was due to (i) decrease in equity-settled compensation costs, and (ii) decrease in the number of consulting projects.

## RESEARCH AND DEVELOPMENT EXPENSES

During the Reporting Period, the Group's research and development expenses amounted to approximately RMB165.6 million, representing an increase of approximately RMB0.1 million from approximately RMB165.5 million in 2019.

## OTHER EXPENSES

The Group's other expenses during the Reporting Period amounted to approximately RMB9.8 million, and mainly consisted of losses on disposal of fixed assets, net losses on other items and public donations.

## FINANCE COSTS

During the Reporting Period, the Group recorded finance costs in the amount of approximately RMB53.0 million as a result of the interest expenses in relation to leases in the amount of approximately RMB45.7 million and the interest expenses of bank loans in the amount of approximately RMB7.3 million.

## INCOME TAX EXPENSES

During the Reporting Period, the Group's income tax expenses were approximately RMB15.2 million, decreased by approximately RMB6.7 million from approximately RMB21.9 million for the corresponding period last year.

## PROFIT FOR THE REPORTING PERIOD

The Group's profit for the Reporting Period decreased from approximately RMB134.9 million in 2019 to approximately RMB127.8 million for the Reporting Period, representing a decrease of approximately 5.3%. The special factors impacting profit for the Reporting Period were mainly: (i) the decrease in revenue, (ii) the increase in teacher labor cost for promotional referral courses, and (iii) additional expenses during COVID-19 epidemic, such as 1) additional expenses arising from online classes, 2) expenses put in the prevention and control of COVID-19 epidemic, and 3) the one-off expenses for resuming normal classes.



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

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

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

Our adjusted profit decreased by approximately 12.9% from approximately RMB165.0 million for 2019 to approximately RMB143.7 million for the Reporting Period. Adjusted profit eliminates the effect of nonrecurring items and certain items that were not incurred in relation to the Group's principal business, such as equity-settled compensation costs.

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

	For the year ended 31 December		
	2020 RMB'000	2019 RMB'000	% Change
Profit for the year	127,794	134,881	-5.3%
Add:			
Equity-settled compensation costs	15,863	30,140	-47.4%
<b>Adjusted Profit</b>	<b>143,657</b>	165,021	-12.9%

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

At the beginning of 2020, the Group disposed of one subsidiary and some unlisted equity investments were disposal off accordingly. As such, the profit from core business will not be disclosed as from the Reporting Period due to the adjusted factors are no longer material.



## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, cash and cash equivalents of the Group amounted to approximately RMB693.7 million, representing an increase of approximately 353.2% as compared with RMB196.4 million as at 31 December 2019. The increase was mainly due to redemption of financial investment in 2020.

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 2020, the current ratio of the Group was approximately 1.06, representing an increase from 1.04 as at 31 December 2019. The current ratio is equal to total current assets divided by the total current liabilities.

As at 31 December 2020, the gearing ratio of the Group was 75.0%, as compared to 71.2% as at 31 December 2019. The gearing ratio is equal to total debts divided by the sum of total equity and total debts.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

## FUTURE PLANS FOR SIGNIFICANT INVESTMENT 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

As at 31 December 2020, the Group held financial assets comprising (i) debt investments of RMB943.0 million (2019: RMB1,020.1 million), in aggregate accounted for 29.6% of the Group's total assets as at 31 December 2020, representing investments in various types of short-term wealth management products issued by licensed banks, unlisted trust plans and asset management plan and funds and corporate debts; and (ii) equity investments of RMB91.2 million (2019: RMB67.4 million), in aggregate accounted for 2.9% of the Group's total assets as at 31 December 2020, representing investment portfolio of unlisted companies and a listed company. 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 AND AT AMORTISED COST HELD BY THE GROUP AS AT 31 DECEMBER 2020

Set forth below is a breakdown of the financial assets at FVTPL and at amortised cost held by the Group as at 31 December 2020, including the fair value and investment income of such investment as at 31 December 2020 and its size as compared to the Group's total assets, and its performance during 2020.

Nature of investments	As at 31 December 2020		For the year ended 31 December 2020		
	Fair value/ carrying amount (RMB'000)	Approximate percentage as compared to the Company's total assets (%)	Fair value gains/ (losses) (RMB'000)	Dividends income (RMB'000)	Investment income (RMB'000)
<b>Equity investments at FVTPL:</b>					
Unlisted equity investments	6,346	0.20%	834	— <sup>(1)</sup>	—
Listed equity investments <sup>(2)</sup>	84,825	2.66%	27,377	1,661	—
<b>Sub-total</b>	<b>91,171</b>	<b>2.86%</b>	<b>28,211</b>	<b>1,661</b>	<b>—</b>
<b>Debt investments at FVTPL:</b>					
Short-term asset management plan A	125,613	3.95%	18,867	—	—
Others <sup>(3)</sup>	571,938	17.96%	19,329	—	—
<b>Sub-total</b>	<b>697,551</b>	<b>21.91%</b>	<b>38,196</b>	<b>—</b>	<b>—</b>
<b>Debt investments at amortised cost:</b>					
Current debt investments at amortised cost <sup>(4)</sup>	30,175	0.95%	—	—	2,814
Non-current debt investments at amortised cost <sup>(5)</sup>	215,292	6.76%	—	—	5,292
<b>Sub-total</b>	<b>245,467</b>	<b>7.71%</b>	<b>—</b>	<b>—</b>	<b>8,106</b>

Notes:

- No dividend was declared by the underlying investee companies for the year ended 31 December 2020.
- 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.
- Including six wealth management products issued by licensed banks, two unlisted trust plans and four funds issued by other financial institutions in the PRC.
- Including a financing plan issued by a financial institution in the PRC.
- Including three corporate debts in the PRC.



## 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.

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

## CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any unrecorded significant contingent liabilities, guarantees or any litigation against the Group.

## PLEDGE OF ASSETS

As at 31 December 2020, bank balances amounting to RMB2.6 million were restricted, including bank balances amounting to RMB2.3 million restricted in accordance with requirements of some local education bureaus on launching the private education business and RMB0.3 million restricted for capital verification purpose upon setting up some of the Group's subsidiaries.

### BANK LOANS AND OTHER BORROWINGS

During the Reporting Period, the additional loans which enjoyed policy-based interest subsidies amounted to RMB349 million.

### FOREIGN EXCHANGE EXPOSURE

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

### EVENTS AFTER THE REPORTING PERIOD

On 5 March 2021, Tibet Zhouyue Venture Capital Investment Management Co., Ltd, an indirect wholly owned subsidiary, has completed the transfer of its equity interests held in Guangzhou Grow Education Technology Co., Ltd. (廣州市果肉教育科技有限公司) to an independent third party at a consideration of RMB20.5 million. As each of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of this transaction is less than 5%, the transaction is not subject to the notification and disclosure requirement under the Listing Rules.

In January 2021, an aggregate of 2,499,000 shares were repurchased by the Company, at a total consideration of HK\$6,807,270. All these shares are to be cancelled.

Save as disclosed above, as at the date of this report, the Group has no material subsequent events after 31 December 2020 which are required to be disclosed.

### HUMAN RESOURCES

As at 31 December 2020, the Group had a total of 7,097 (31 December 2019: 6,902) 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 Restricted Share Units Scheme ("**RSU Scheme**") is employed by the Group. The total cost of the equity-settled compensation granted to employees for the Reporting Period amounted to RMB15.9 million. In addition, discretionary bonus is offered to eligible employees by reference to the Group's results and individual performance.

### FINAL DIVIDEND

Based on the healthy and stable condition of operation and cash flow, the Board of the Company is pleased to recommend the payment of a final dividend of HK\$5.5 cents (2019: HK\$5.3 cents) per ordinary share for the year ended 31 December 2020, out of the share premium account of the Company, accounting for approximately 30.2% of profit for the year attributed to owners of the parent during the year, with an aggregate amount of approximately HK\$46.73 million (2019: HK\$62.03 million). Subject to approval at the forthcoming annual general meeting on 14 May 2021 and compliance with the Companies Law of the Cayman Islands, the said final dividend will be paid on or around 3 June 2021 to shareholders of the Company (the "**Shareholders**") whose names appear on the register of members of the Company on 20 May 2021.



## 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.

### **The Reply Letter to No. 3379 Proposal (No. 343 Education Proposal) of the Third Session of the Thirteenth CPPCC National Committee**

On 14 October 2020, the Ministry of Education issued the Reply Letter to No. 3379 Proposal (No. 343 Education Proposal) of the Third Session of the Thirteenth CPPCC National Committee. It has expressly stated in part 2 of the reply letter – advices on regulating related party transactions of non-profit private schools that, to protect the rights and interests of the sponsors of non-profit private schools and in response to the petitions of such sponsors, the Ministry of Education is open to related party transactions that are in compliance with the applicable laws and regulations. At the same time, in order to protect the corporate property rights of non-profit private schools from infringement, it is also required, among others, that related party transactions should be open, fair and equitable, reasonably priced, not detrimental to the interests of the school, that an information disclosure system be established, and that the relevant departments strengthen supervision and conduct annual reviews of related party transactions.



# 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 the articles of association of the Company (the "Articles"). We have entered into a service contract with each of our executive Directors. We have also entered into a letter of appointment with each of our non-executive Directors and our independent non-executive Directors.

### Executive Directors

**Mr. Junjing Tang (唐俊京)**, aged 51, 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 13 June 2018. He has served as a director and the chairman of the board of directors of Guangzhou Beststudy since July 2000 and served as the principal of Guangzhou Beststudy Training Center from October 1997 to June 2000. Mr. Junjing Tang has over 22 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 (唐俊鷹)**, aged 51, 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 22 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.



## Directors and Senior Management

**Mr. Gui Zhou (周貴)**, aged 48, 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 22 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 51, 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 17 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 70, 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 32 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 45, 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 on the Main Board of the Stock Exchange (stock code: 9618) respectively and primarily engaged in e-commerce, from November 2014 and August 2012 to April 2019, respectively.

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 50, 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 22 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.

## Directors and Senior Management

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. Weiyang Guan (關瑋瑩)**, aged 50, 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.



## Directors and Senior Management

**Mr. Changxu Zhu (朱常敘)**, aged 51, is a joint company secretary, the general manager of compliance and investor relations 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 17 years' experience in corporate management.

Prior to joining our Group, Mr. Zhu served as the secretary of board of directors of Hucalis 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 48, is the senior general manager of the financial management centre of our Company, being responsible for financial management of our Company. Mr. Zheng joined our Group in February 2017 and was appointed as the chief financial officer of our Company on 13 June 2018. He has served as the chief financial officer of Guangzhou Beststudy since February 2017. Mr. Zheng has over 16 years' experience in financial management.

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

Mr. Zheng obtained a master's degree in business administration in June 2008 from Sun Yat-sen University. He attended the international MBA program co-developed by Sloan School of Management of Massachusetts Institute of Technology and Lingnan (University) College of Sun Yat-sen University 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 46, is a joint company secretary of our Company.

Ms. Chau has over 18 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

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

- Our business and prospects may be materially and adversely affected, if we are unable to continue attracting students to enroll in our education programs at reasonable costs;
- We depend on our dedicated and capable faculty, and if we are not able to continue to hire, train and retain qualified teachers, we may not be able to maintain consistent teaching quality throughout our school network and our brand, business and operating results may be materially and adversely affected;
- We face intense competition in the PRC education industry which could lead to adverse pricing pressure, reduced operating margins, loss of market share, departure of qualified employees and increased capital expenditures;
- We are exposed to geographical concentration risks as our operations are heavily concentrated in Guangzhou;



- Our business is subject to seasonal fluctuations, which may cause our results of operations to fluctuate from time to time. This may result in volatility and adversely affect the price of our Shares;
- Our business and results of operations depend on the level of tuition fees we are able to charge and our ability to maintain and raise tuition levels;
- Failure to adequately and promptly respond to changes in examination systems, admission standards, test materials, teaching methods and regulation changes in China could render our courses and services less attractive to students;
- Our debt investments may be subject to certain counterparty risks and market risks;
- Our business, financial condition and results of operations have been and are likely to continue to be materially and adversely affected by COVID-19 epidemic. In addition, we also face risks related to natural disasters, epidemics or other conditions in China, which could result in significant impact on our operations;
- We are subject to uncertainties brought by different interpretations and enforcement standards by regulatory authorities of the amended Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》) and the final provisions of the Implementation Rules for the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法實施條例》) after its amendment and its effective date.

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

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

## ENVIRONMENTAL POLICIES AND PERFORMANCE

Details of the Group’s environmental policies and performance 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 2020 are set out from pages 119 to 120 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 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 11 May 2021 to 14 May 2021, 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 2021 annual general meeting of the Company (the "AGM"). In order to be eligible to attend and vote at the 2021 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 10 May 2021.

The register of members of the Company will be closed from 21 May 2021 to 25 May 2021, 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 for the year ended 31 December 2020. In order to qualify for the proposed final 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 20 May 2021.

## 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 230 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 128 to 140 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 185 to 186 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 25 to the consolidated financial statements on page 205 of this annual report.



### RESERVES

Details of the movement in the reserves of the Group and of the Company during the Reporting Period are set out in Note 26 to the consolidated financial statements from pages 206 to 207 and Note 37 to the consolidated financial statements from pages 228 to 229 of this annual report.

### DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company's distributable reserves were RMB371.2 million.

### BANK LOANS AND OTHER BORROWINGS

During the Reporting Period, the additional loans which enjoyed policy-based interest subsidies amounted to RMB349 million.

Details of bank loans and other borrowings of the Group on 31 December 2020 are set out in Note 23 to the consolidated financial statements on page 201 of this annual report.

### 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 2020 and the intended use of the proceeds and the expected timeline are set out as below:

Business objective as stated in the Prospectus	Percentage of use of proceeds as stated in the Prospectus	Unused net proceeds as at 1 January 2020 HK\$'million	Actual use of net proceeds during the Reporting Period <sup>(1)</sup> HK\$'million	Proceeds unused <sup>(2)</sup> HK\$'million	Expected timeline <sup>(3)</sup>
For footprint expansion	50%	-	-	-	Completed
For seeking strategic alliances and acquisitions to support and expand the operations	30%	24.7	16.8	7.9	As at the date of this director's report, we had no finalised or definitive investment or memorandum of understanding on acquisition, commitment or agreement, and has not engaged in any negotiation.
For investments to improve the teaching quality	20%	-	-	-	Completed

### Notes:

- 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.
- As at 31 December 2020, the unused net proceeds were deposited into current deposits and low-risk short-term debt investment products.
- 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.

## 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 23 to 27 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 commenced from the date of their appointment and will be renewable on 1 April 2021 for a period of three years (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 of his service commenced from the date of his appointment and will be renewable on 1 April 2021 for a period of three years (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 of their service commenced from the date of their appointment and will be renewable on 1 April 2021 for a period of three years (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 32 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 32 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 176 to 179 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 27 to the consolidated financial statements on pages 208 to 211 of this annual report.

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

### DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

### CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

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

### DEED OF NON-COMPETITION

On 3 December 2018, each of the Controlling Shareholders entered 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.

For the year ended 31 December 2020, the Board resolved to grant certain number of restricted share units at a consideration of RMB0.80 or nil per share to 17 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 at 31 December 2020, the Trustee has purchased an aggregate of 28,321,000 shares (representing approximately 3.33%<sup>1</sup> of the total issued shares of the Company) under the RSU Scheme. A total of 52,717,173 shares (representing approximately 6.20%<sup>1</sup> 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.

<sup>1</sup> The percentage represents the number of shares divided by the number of the Company's issued shares as at 31 December 2020.

## Directors' Report

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 2020 and up to the date of this annual report. The remaining life of the Share Option Scheme is 7 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 2020, 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 <sup>(1)</sup>	Approximate percentage <sup>+</sup> of the Company's issued share capital
Mr. Junjing Tang <sup>(2)</sup>	Beneficial owner; Founder of a discretionary trust; interest held jointly with another person	459,079,231 (L)	54.03%
Mr. Junying Tang <sup>(3)</sup>	Founder of a discretionary trust; interest held jointly with another person	459,079,231 (L)	54.03%
Mr. Gui Zhou <sup>(4)</sup>	Beneficial owner; Founder of a discretionary trust; interest held jointly with another person	459,079,231 (L)	54.03%
Mr. Wenhui Xu <sup>(5)</sup>	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 171,165,101 Shares held by JTC Trustees (BVI) Limited, a trust which he is a founder. 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 143,510,888 Shares held by JTC Trustees (BVI) Limited, a trust which he is a founder. 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 142,258,242 Shares held by JTC Trustees (BVI) Limited, a trust which he is a founder. 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 2020.



## Directors' Report

Save as disclosed in this annual report and to the best knowledge of the Directors, as at 31 December 2020, 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 2020, 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 <sup>(1)</sup>	Approximate percentage* of the Company's issued share capital
Ms. Yanyun Huang <sup>(2)</sup>	Spouse interest	459,079,231 (L)	54.03%
Elite Education Investment Co. Ltd. ("Elite BVI")	Beneficial owner; interests held jointly with another person	457,756,231 (L)	53.87%
Ms. Hua Yu <sup>(3)</sup>	Spouse interest	459,079,231 (L)	54.03%
Texcellence Holding Company Limited ("Texcellence BVI")	Beneficial owner; interests held jointly with another person	459,079,231 (L)	54.03%
Ms. Xiaoying Zhang <sup>(4)</sup>	Spouse interest	459,079,231 (L)	54.03%
Jameson Ying Industrial Co. Ltd. ("Jameson Ying BVI")	Beneficial owner; interests held jointly with another person	458,257,231 (L)	53.93%
Soarise Bulex Limited <sup>(5)</sup>	Nominee for another person (other than a bare trustee)	85,701,797 (L)	10.09%
Ms. Shaoping Fu <sup>(6)</sup>	Trustee	85,701,797 (L)	10.09%
JTC Trustees (BVI) Limited	Trustee	456,934,231 (L)	53.77%



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) 28,321,000 Shares were purchased by the trustee pursuant to the RSU Scheme as at 31 December 2020. 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 85,701,797 shares held by Soarise, 13,479,439 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 2020.

Save as disclosed above and to the best knowledge of the Directors, as at 31 December 2020, 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 7,097 employees as at 31 December 2020, as compared to 6,902 employees as at 31 December 2019. 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 27 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 Beststudy Education Training Centre Co., Ltd., being the four important PRC Operating Entities of the Company given their importance in terms of revenue contribution; and the shareholders of Guangzhou Beststudy (including the Registered Shareholders and Mr. Hua Wang).
- (ii) WFOE has the exclusive right to provide each of the PRC Operating Entities with corporate and education management consulting services, intellectual property licensing services as well as technical and business support services. All of the existing PRC Operating Entities are listed as the service recipients to receive such services provided by WFOE, and Guangzhou Beststudy and its shareholders are obligated to cause all the PRC Operating Entities to appoint WFOE as the exclusive services provider under the Exclusive Management Consultancy and Business Cooperation Agreement.

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

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

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

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

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

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

- (i) Parties: WFOE, Guangzhou Beststudy, and the Registered Shareholders
- (ii) Assets pledged: All of the equity interests in Guangzhou Beststudy to WFOE as security.
- (iii) Under the Equity Pledge Agreement, the Registered Shareholders have agreed that, without the prior written consent of WFOE, they will not transfer or dispose of the pledged equity interests or create or allow any third party to create any encumbrance on the pledged equity interests that would prejudice WFOE's interest.

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

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



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

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

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

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

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

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

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

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

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

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

	Financial Contribution to the Group		
	Revenue as at 31 Dec 2020	Net Profit as at 31 Dec 2020	Total Asset as at 31 Dec 2020
PRC Operating Entities	100%	61%	92%

**(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 Parts I & III of the PRC Civil Code (中華人民共和國民法典第一編及第三編) 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 WFOE is subject to registration requirements with relevant Administration of Industry and Commerce; (2) the transfer of the equity interests in the Company contemplated under the Structured Contracts is subject to applicable approval and/or registration requirements under the then applicable PRC laws; and (3) any arbitral awards in relation to the performance of the Structured Contracts are subject to application to competent PRC courts for recognition and enforcement.

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

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



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

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

- (a) major issues arising from the implementation and compliance with the Structured Contracts or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (b) our Board will review the overall performance of and compliance with the Structured Contracts at least once a year;
- (c) our Company will disclose the overall performance and compliance with the Structured Contracts in its annual and interim reports to update the Shareholders and potential investors;
- (d) our Company and our Directors undertake to provide periodic updates in our annual and interim reports regarding the Qualification Requirement and our status of compliance with the Draft Foreign Investment Law and its accompanying explanatory notes as stipulated under the section headed “Structured Contracts – Background of the Structured Contracts” and the latest development of the Draft Foreign Investment Law and its accompanying explanatory notes as disclosed under the section headed “Structured Contracts – Development in the PRC Legislation on Foreign Investment,” including the latest relevant regulatory development as well as our plan and progress in acquiring the relevant experience to meet the Qualification Requirement;
- (e) our Company will disclose, as soon as possible (i) any updates of changes to the Draft Foreign Investment Law that will materially and adversely affect our Company as and when they occur; and (ii) a clear description and analysis of the final Foreign Investment Law as implemented, specific measures taken by us to fully comply with the final Foreign Investment Law supported by a PRC legal opinion and any material impact of the final Foreign Investment Law on our operations and financial position; and
- (f) our Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Structured Contracts, review the legal compliance of WFOE and our PRC Operating Entities to deal with specific issues or matters arising from the Structured Contracts.

**(g) Material change in the Structured Contracts:**

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



### (h) Unwinding of the Structured Contracts:

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

## CONNECTED TRANSACTION

### Non-exempted Continuing Connected Transaction

#### **Structured Contracts**

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

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



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

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

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.

## Directors' Report

(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 2020 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;

## Directors' Report

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 32 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 32 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 2020. 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 2020.



## 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 2020, 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, 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 2020, 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.

## Directors' Report

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 55 to 74 of this annual report.

### DONATIONS

During the Reporting Period, the Group made an external donation of RMB0.5 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

There was no change in the Board and the information of Directors since the date of the Company's 2020 interim report.

On behalf of the Board

**Junjing Tang**

*Chairman*

Hong Kong, 25 March 2021



# 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 2020, 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

For the year ended 31 December 2020 and up to 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

#### **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 2020 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

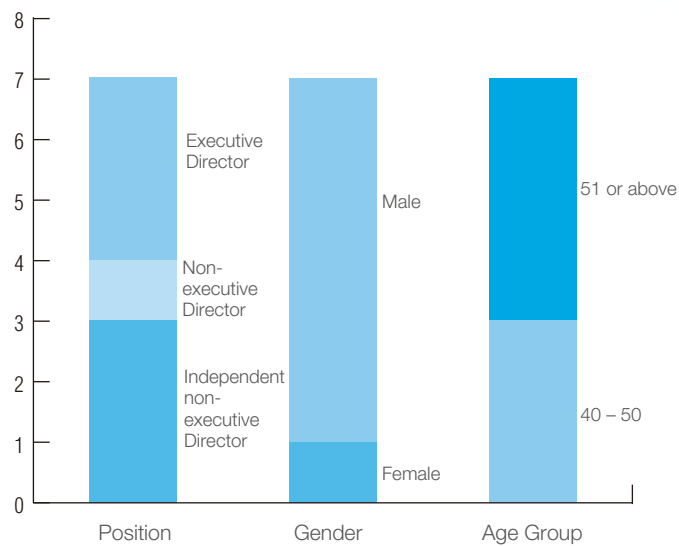
Pursuant to Rule 13.92 of the Listing Rules, the nomination committee (or the board) shall have a policy concerning diversity of board members, and shall disclose the policy on diversity or a summary of the policy in the corporate governance report. The policy specifies that in designing the composition 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.



## Corporate Governance Report

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.

For the year ended 31 December 2020 and up to 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 23 to 27 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	<ol style="list-style-type: none"> <li>1. On-going search for appropriate candidates to be appointed as independent non-executive directors;</li> <li>2. In the ordinary course of the Board succession process.</li> </ol>
Objective 2	Report annually against the objectives and other initiatives taking place within the Company which promote diversity	<ol style="list-style-type: none"> <li>1. The Board evaluation process includes an assessment of the Board’s diversity helping to objectively consider the Board composition and effectiveness;</li> <li>2. 2020 and ongoing.</li> </ol>
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	<ol style="list-style-type: none"> <li>1. Make use of the Board evaluation process as an important means of monitoring the progress;</li> <li>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;</li> <li>3. 2020 and ongoing.</li> </ol>



## (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(s)), with any other Director.

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

As regards the 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 statutes, laws, rules and regulations. For the year ended 31 December 2020, 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.

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

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

### **(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 Articles, 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. Junjing Tang, Mr. Gui Zhou, and Mr. Peng Xue will retire from office by rotation at the 2021 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. 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 other Directors.

For the year ended 31 December 2020, four 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 ( <i>Chairman, Chief Executive Officer and Executive Director</i> )	4/4
Mr. Junying Tang ( <i>Executive Director</i> )	4/4
Mr. Gui Zhou ( <i>Executive Director</i> )	4/4
Mr. Wenhui Xu ( <i>Non-executive Director</i> )	4/4
Mr. Yingmin Wu ( <i>Independent Non-executive Director</i> )	4/4
Ms. Yu Long ( <i>Independent Non-executive Director</i> )	4/4
Mr. Peng Xue ( <i>Independent Non-executive Director</i> )	4/4

### (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 2020.

### (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

For the year ended 31 December 2020 and up to 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.



One meeting of the Nomination Committee were held for the year ended 31 December 2020 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 ( <i>Chairman</i> )	1/1
Mr. Yingmin Wu	1/1
Ms. Yu Long	1/1

In the meeting held on 24 March 2020, 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**

For the year ended 31 December 2020 and up to 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;

## Corporate Governance Report

- 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 2020 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 ( <i>Chairlady</i> )	1/1
Mr. Junjing Tang	1/1
Mr. Peng Xue	1/1

In the meeting held on 24 March 2020, 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
1,000,001 to 1,500,000	3
Above 1,500,000	1

#### (4) Audit Committee

For the year ended 31 December 2020 and up to 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;

## Corporate Governance Report

- 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 2020 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 ( <i>Chairman</i> )	2/2
Mr. Wenhui Xu	2/2
Ms. Yu Long	2/2

In the meeting held on 24 March 2020, 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 2020, the annual results of the Company and its subsidiaries for the year ended 31 December 2020 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 responsibilities for preparing the consolidated financial statements of the Company for the year which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided 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 2020, 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 2020

As at 31 December 2020, 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 2021, 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 2020. 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 apprised 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 RMB2.9 million. And the Group incurred approximately RMB0.5 million in 2020 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 2020, 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
Mr. Yingmin Wu	1/1
Ms. Yu Long	1/1
Mr. Peng Xue	1/1

## 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, 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 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 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.



# ESG Report

## ABOUT THIS REPORT

This report is the third annual Environmental, Social and Governance (“ESG”) Report released by China Beststudy Education Group. Based on the principles of materiality, quantitative, balance and consistency, this report summarises the Group’s philosophy, practice and achievements in areas related to sustainable development, including teaching management, employee rights, environmental protection and social welfare in 2020.

### 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 2020 to 31 December 2020 (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 on 25 March 2021.

### 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](mailto:ir@zy.com).

## SUSTAINABILITY MANAGEMENT

### Corporate Culture

Since its establishment in 1997, the Group has been deeply involved in the field of education for 23 years. During this period, the Group has been constantly innovating, upholding the brand strategy of “growing into the future”, adhering to the mission of “cultivating excellence and helping the future of the country”, and carrying the vision of “becoming the most popular study and growth place for children to learn and for parents to trust”. It has continuously kept forward through optimising the business system and seeking innovation. The Group offers a variety of individualised counselling programs, both inside and outside the classroom, to help students improve their academic performance, guide them to explore their own characteristics, and help them grow up in a holistic and healthy manner.

#### Our Four Core Values

All for children	The healthy growth of each child is fundamental to our work. The Group regards every child as our own, and helps them maximise their potential, keeping their promising future in mind
Growing through challenges	The Group is 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	The Group remains young, break the shackles of thinking with an open mind, and constantly creates new ideas and models that lead the industry
Result-oriented	Determined to fulfil our mission, the Group benchmarks our performance against key indicators; a result-oriented culture helps foster the development of high-performance professionals

### Responsibility Operation

The Group strictly complies with national laws and regulations and has established relevant internal management measures to establish an efficient, standardised and transparent management mechanism and management system. The Group has built its unique development concept on the basis of compliance with laws and regulations and risk control, and has steadily developed and realised its value while practicing responsible management.

#### *Responsibility management*

The Group continues to enhance its ESG management and information disclosure in accordance with the Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange. The Board, as the management decision-making body, assumes overall responsibility for the Group’s ESG matters, and is responsible for determining the overall ESG strategy, related risks and regularly reviewing the annual ESG performance against the set targets. The Board has established 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, to regularly coordinate and collect information on ESG-related systems and practical performance etc, and to prepare ESG reports for disclosure after approval by the Board.



### Advancement

The Group focuses on the continuous improvement of its ESG management system and the enhancement of the governance awareness of its Board members. In 2020, the Group continued to enhance its ESG governance structure, ESG risk management, ESG objective planning and ESG report disclosure. At the same time, the Group organised ESG training of the Board to better understand the development of ESG compliance requirements of the Hong Kong Stock Exchange and to further promote the work of the ESG Working Group.

### Responsible Communication

The Group continues to pay attention to the aspirations and expectations of its stakeholders, and establishes convenient communication channels to enhance the effectiveness of communication with internal and external stakeholders. It also responds to the views of stakeholders in a timely manner, and strives to protect the interests of stakeholders while promoting internal management improvement for the sustainable development of the Group.

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 benefits 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

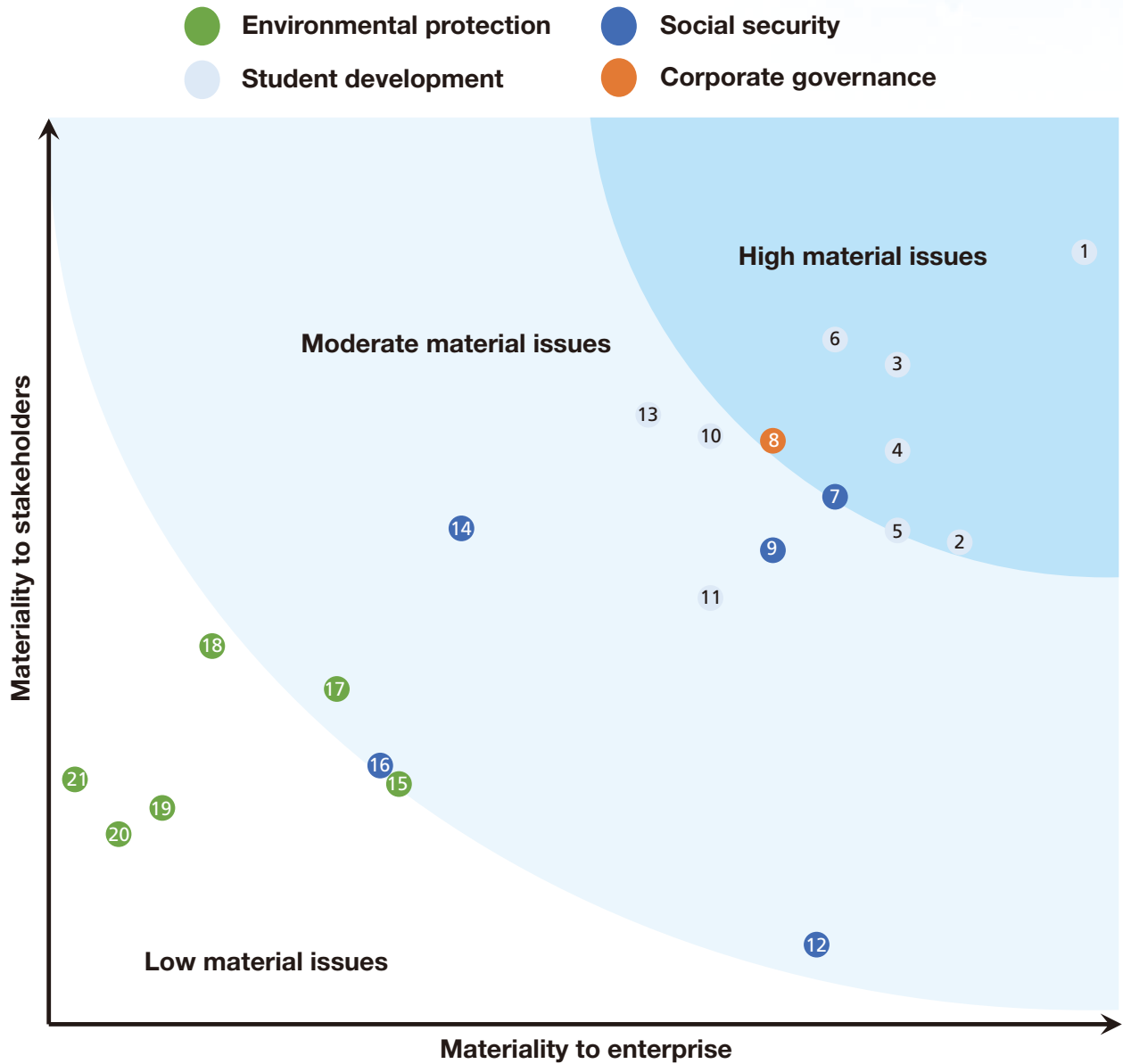
Types of stakeholders	Appeals and Expectations	Communications and responds
Parents	<ul style="list-style-type: none"> <li>Teaching environment security and health protection</li> <li>Assessment and improvement of teaching quality</li> <li>Complaint handling procedure and service improvement</li> <li>Privacy and information security of students and parents</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of related safety management measures</li> <li>Improvement of feedback and complaint handling mechanism</li> <li>Diversified communication channels with parents and regular feedback collection</li> <li>Establishment of student data retention system</li> </ul>
Teachers/employees	<ul style="list-style-type: none"> <li>Employee remuneration and welfare system</li> <li>Management and structure of teacher team</li> <li>Promotion of employees' development</li> <li>Employees' safety and occupational health</li> <li>Teachers' ethics and morality development</li> <li>Development and innovation of afterschool education services</li> <li>Teaching product intellectual property protection</li> </ul>	<ul style="list-style-type: none"> <li>Development of a competitive remuneration and welfare system guarantee mechanism</li> <li>Establishment of a diversified development platform</li> <li>Organise employee trainings and improve promotion mechanism</li> <li>Development of employee caring activities</li> <li>Cultivation of teachers' ethics and construction of star-level faculty</li> <li>Construction of a diverse product system</li> <li>Improvement of application procedures for intellectual property protection</li> </ul>
Media/public	<ul style="list-style-type: none"> <li>Participation in social charity activities</li> <li>Provision of employment opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Active participation in social charity activities</li> <li>Campus recruitment and social recruitment</li> </ul>
Environment	<ul style="list-style-type: none"> <li>Green teaching and office environment</li> <li>Environmental awareness development and course development</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of energy conservation and emission reduction measures</li> <li>Promotion of green office</li> <li>Improve students' and employees' environmental awareness</li> </ul>

### Material Issues

For every two year, the Group conducts a broad and comprehensive stakeholder survey to continuously collect feedback from stakeholders. In 2020, we reviewed ESG management-related issues of the previous year and made adjustments to the ESG material issues in the light of the business development of the Company and benchmarking with peer companies in the year. In addition, we conducted a questionnaire survey for stakeholders, including management, employees, students, parents, investors, suppliers, government and regulators, to understand key stakeholder perspectives and changes in their demands. A total of 324 questionnaires were collected, and the order of importance of the issues was adjusted to take into account the actual operation of the enterprise.



Stakeholder evaluations and expectations of the Group’s ESG performance were used to form key reference materials for this materiality issues assessment. Through analysis of the survey results, the Group identifies 8 high materiality issues including “construction of quality faculty”, “students’ satisfaction”, “teachers’ ethics and morality development” and “assessment and improvement of teaching quality”. 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 2020



**Ranking List of ESG Materiality Issues for 2020**

Classification of issues	Priority	Issue
High material issues	1	Construction of quality faculty
	2	Students' satisfaction
	3	Teachers' ethics and morality development
	4	Assessment and improvement of teaching quality
	5	Development and innovation of education service
	6	Teaching environment security and health protection
	7	Employees training measures and career development management
	8	Compliance operation and anti-corruption
Moderate material issues	9	Protection of employees' safety and occupational health
	10	Educational offerings and intellectual property protection
	11	Home-school communication and complaint handling
	12	Employee remuneration and welfare system
	13	Privacy and information security of student and parent
	14	Employment, review and management of suppliers
	15	Green teaching and office environment
	16	Participation in community development and social charity activities
	17	Cultivation and course of environmental awareness
Low material issues	18	Waste management
	19	Water use and water saving performance
	20	Energy consumption management
	21	Greenhouse gas emissions and emission reduction treatment



## Compliance Management

The Group strictly observes national laws and regulations, continuously improves internal system construction and risk response capabilities, establishes a sense of integrity and self-discipline, adheres to the bottom line of operation in compliance with regulations and practically protects personal privacy and intellectual property rights, so as to consolidate the foundation for the Group's development with honest, stable and compliant operation, therefore ensuring the Group's long-term development.

### **Enhancement of Risk Management**

The Group continues to improve its risk management system. The Board, as the highest leadership body of the Group's risk management, is responsible for building and ensuring the effective operation of the risk management and internal control system. At the same time, the Group establishes a three-line risk management framework, in which the Group's business and functional centres are responsible for coordinating the formulation, supervision and implementation of the Group's risk and internal control policies and systems; the internal audit team is responsible for performing supervisory duties and regularly testing the integrity and effectiveness of the risk management and internal control systems. In order to continuously improve the assessment and control of major internal risks, the Group has developed management regulations such as the Risk Assessment Management System (《風險評估管理制度》) and the Procedures of Internal Audit (《內部審計工作流程》) and engaged a third-party professional organisation to perform risk audits. Also, it has regularly updated the risk database and compiled annual risk assessment report, so as to identify and review major risks in the course of operation and strategies to address them, and timely monitor and evaluate the Group's own operational compliance in conjunction with internal audits.

### **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 national laws and regulations, the Group develops internal policies including the Anti-fraud Management System (《反舞弊管理制度》) and the Guidelines for the Use of Compliance Hotline Mailbox (《合規熱線郵箱使用指引》), continuously improving the anti-fraud system. Meanwhile, the audit committee of the Group as the responsible unit of anti-fraud work, and the internal audit department as the executive unit, guide and supervise the Group's anti-fraud work, regularly conduct anti-fraud investigation and risk assessment, and prevent and correct any fraud in time, with the support of the human resources development centre to assist in anti-fraud education and promotion and therefore ensure the integrity within the Group.

Meantime, the Group continues to promote integrity promotion and education, and launches several anti-fraud promotion activities for employees through the corporate WeChat official account and corporate emails etc. It organises occasional integrity education activities for suppliers, and incorporates the employee code of conduct on integrity into employee handbook, as well as posts integrity promotion posters in office areas and campus bulletin boards, so as to call on all employees to be highly vigilant for complying with the rules and regulations at all times. In 2019, the Group joined the "Trust and Integrity Enterprise Alliance" (陽光誠信聯盟) ("TIEA"), a national non-profit organisation founded by 13 leading companies in the industry and proactively shared its own anti-fraud experiences. In the second half of 2020, the Group participated in seminars organised by TIEA and South China Regional Corporate Anti-Fraud Sharing Session (華南區域企業反舞弊分享會), and shared its contents in the seminar on the anti-fraud in the education and training industry, so as to jointly promote the business philosophy of integrity, self-discipline and law-abiding, and jointly enhance the professional ethics of employees to create a commercial environment with open integrity. During the Reporting Period, the Group did not have any case related to corruption and fraud.

The Group has set up and made public on its official website the smooth reporting channels of email and QQ etc. to encourage whistleblowers to report in name or anonymously on any illegal, irregular or improper conduct in the Group's business activities. The Group will follow up 100% of the reports received on suspected fraud and report the progress and results of the investigation to the Audit Committee of the Group, in order to practically implement the investigation of the reports. At the same time, the Group firmly protects the rights and interests of the whistleblowers, including providing only necessary information to the departments and personnel assisting in the investigation, thus keeping the information of the whistleblower strictly confidential and strictly prohibiting information leakage of whistleblowers.

### **Operation in Compliance with Laws**

The Group adheres to the bottom line of operation in compliance and 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. Each operation centre of the Group ensures that various approvals, licences and permits are in compliance and valid and fulfill the registration and filing procedures. As at the end of the Reporting Period, the Group had 268 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.

### **Privacy Protection**

The Group's primary responsibility is to protect the privacy of its customers and safeguard information security and strictly complies with relevant regulations about personal information protection including the Law of the People's Republic of China on the Protection of Consumer Rights and Interests and the Tort Law of the People's Republic of China. The Group classifies and files the enrollment information of students in time; signs electronic contracts with its customers and strictly prohibits its marketing staff from disclosing customer information. It sets up strict data access and export duties for students and parents in order to protect their personal privacy. For the teaching applications developed by the Group, customers are required to sign the Privacy Protection Agreement (《隱私保護協議》) before using the APP to ensure their right-to-know. In addition, the Group requires each campus to properly store materials including important information of staff information, core content of products, application data and others to ensure information security. 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 formulates 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 and regulated trademark, patent, copyright, intellectual property dispute settlement and document management. For the practical protection of its own intellectual property rights, the Group encourages and supports the application of patent, copyright, trademark and other intellectual property rights. In case of suspected infringement found, the frontline business department will report it to the securities & compliance department in a timely manner, and the Group will judge the degree of infringement and adopt the applicable measures based on the evidence of infringement submitted. If necessary, the Group will take legal action to effectively protect its intellectual property rights from infringement.

For external publicity materials and lesson plans, the Group has strict requirements and ensures that the quoted graphics are legally authorized. In case of infringement of rights, the Group will handle it with negotiation at the first time, to fully respect the intellectual property rights of others. At the same time, the Group requires its employees to enter into a portrait rights agreement with teachers and students before using their portraits, to ensure the legitimate rights and interests of others.

### **Insisting on Honest Advertising**

The Group emphasises 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. It has a dedicated department to examine the relevant materials. 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 insists on thinking about the long-term development of children, exploring innovative education methods, cultivating children's excellent quality and exploring children's personal potential. Constructing a personalised growth system for children with professionalism, the Group always pays attention to children's physical and mental health and lifelong development, and promotes students to create the greatest possibilities. Providing students with diversified educational programs, effective learning scenarios and a good learning atmosphere, the Group continues to improve the quality of teaching and create a safe and healthy teaching environment to grow together with children into the future.

### Educational Philosophy

Strengthening moral education and cultivating people is the fundamental mission of educational service. The Group 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 building 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.

**Brand Values**

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 has been committed to offering comprehensive and diversified K12 after-school education services and products, providing students with education services in three major education sectors: academic education, talent education and full-time education. The Group through offline and online education provides students with more diversified educational services that are more suitable for their learning habits, thus promoting the improvement of academic performance and the cultivation of students’ quality, as well as leading students’ personality development and healthy growth.





### **Professional Discipline-based Programme**

The Group is committed to providing all-subject tutoring and full-time high-quality placement services, and 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, cover all K-12 core disciplines, and build a "one body two wings" (一體兩翼) product system covering main products, short-term and online products. In 2020, the Group promoted the structure optimization of teaching products. For instance, the Group launched special courses such as small ancient Chinese courses as well as a variety of short-term courses and special courses in Chinese teaching, teaching students in accordance with their learning starting points, cultivating children's four core Chinese qualities such as language construction and application, thinking development and improvement, aesthetic appreciation and creativity as well as cultural inheritance and understanding; the junior high school teaching emphasised close connection with the senior high school entrance examination, highlighting the examination of main knowledge and main ability in the high school entrance examination. For example, physics and chemistry experiment courses were launched in summer to enhance students' experimental operation abilities, and politics and history courses focused on improving the ability of material analysis and knowledge memorization.

#### **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 three major personality factors of students: learning motivation, learning capability and learning habits, provides targeted tutoring services to meet students' needs, thus realising problem solving, clear explanation, knowledge consolidation and the internalisation of abilities. In the meantime, we provide students and parents with communication services such as family education, application for further studies and outstanding students' sharing, and promote the all-round growth of students through the joint education between families and schools.

##### **✓ Niu Shi Bang Online One-on-one Courses**

Build a customised online education product system and platform, improve the learning loop from intelligent teacher selection, pre-class test, class presentation to after-class practice, helping 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, and ensure the teaching continuity and progress through the interconnection of offline and online courses.

##### **✓ 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.

##### **✓ One-on-three Courses**

Organise three-student class that shares similar level in the same discipline, with complementary personality factors, guide the students to build a relationship of competing, 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, psychological 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 psychology education and family education, and offers support to students to adapt to growth and changes and social development.

### **Teaching Innovation**

The Group firmly believes that the continuous research and development investment is the key to ensuring teaching quality and is also the core driver of education industry. We continuously develop, update and improve our information technology system, and has established three major teaching systems: Small Group Tutoring Education Evaluation System (the "EES System"), Individualised Tutoring System and Full-time Smart Classroom, comprehensively informatised and digitalised teaching management, which strongly supported the teaching front end. We are also committed to achieving organic integration of offline and online education and continuously exploring the possibility of the integration of science and education, leading teaching innovation of the education industry.

### **Accelerating Online and Offline Integration**

To reduce the impacts of COVID-19 epidemic ("Epidemic") on the Group's operation, at the beginning of the Epidemic, the Group immediately responded to the government's notice of requiring offline tutoring institutions to suspend classes, and determined the plan of "Three-Original Course", which means courses are shifted from offline to online platform, offered by original teachers in the original classes and at the original time. We gathered together more than thousand offline teachers and system support personnel to prepare lessons and make adjustments, and upgrade online teaching systems. We not only launched products such as all-subject individualised tutoring courses, school review courses for gaining new insights through reviewing the old, special courses for breaking through key test points, and test preparation and pre-examination sprint courses for competitions and exams, but also ensured the quality of online teaching through online teacher selection, online "course practice" (磨課) and online teaching class supervision and other means. Through the in-depth integration and complementarity of offline and online teaching, it not only provides students with a warm and interactive learning atmosphere, but also address the constraints on time and space for students, so as to realise "put students as our focus" online and offline teaching synchronization, enabling students to switch to different learning methods and scenarios at any time to achieve their learning objectives.

### **Exploring the Empowerment of Intelligent Education**

In response to the innovation education reform and development of education informationization, the Group and China Unicom Limited Guangdong Branch reached a strategic cooperation to jointly build a 5G + intelligent holographic interactive teaching system, with the aid of "5G + Front-projected Holographic Display" technology, to realise the distance teaching with low-latency and no-lag, high-definition images and multi-party interaction on one hand, which helped solve the problems of online courses such as "decreased student concentration, poor independent learning ability, and difficult teacher-student interaction". On the other hand, the new teaching scenario with virtual and real superposition resolves the teaching difficulties that are difficult to present in reality, activates the book knowledge, helps teachers effectively impart knowledge, and strengthens the classroom interaction and interest. As the first domestic education and tutoring institutions built on the "5G+ Education" ecology, the Group has built a 5G front-projected holographic display course collection terminal, and plans to vigorously develop 5G holographic courses in different disciplines to promote the in-depth development of intelligent education.



## Quality of Education

Excellent teaching quality is the core competitive advantage of the Group's long-term development. Upholding the quality education idea "growth for future", the Group develops eight personalised service processes covering aspects such as initial course preparation, course delivery and after-class feedback and evaluation. It fully implements the quality management of the teaching lifecycle from enrollment to completion of the course, continuously practises and refines the top-quality courses, so as to help children to grow healthily. In 2020, the Group promoted the standardisation of course content, teaching materials and course presentations, further standardised the teaching quality, and improved the teaching management level through the combination of internal benchmark selection and external collaborative research.

### ***Adequate Course Preparation***

The Group formulates the Teaching Quality System (《教學質量系統》), Eight Procedures for Customised Customer Services (《個性化顧客服務八大流程》) and other internal management documents to standardise teaching quality management and customised services standards. Meanwhile, it continues to improve course content, class design, teaching method and course matching in preparation for good class performance. The Group creates top-quality courses that better meet the examination environment and children's learning habits 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 more-strong dedicated product management 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. In 2020, the Group standardised internal-use teaching materials and used outstanding teachers' courseware as a template to create all-subject high-quality courseware and to ensure uniformity of teaching content and pace.

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 psychology teams to accurately identify children's personality factors by professional assessment and other ways, and carefully designs customised courses. In 2020, the Group organised a "X Factor Case Study Competition" (X因子案例大賽) to select benchmark teachers' cases on the use of personality factors. It further refined the dimensions of personality factors assessment, sorted out and delivered replicable personality factors teaching methods. The Group has produced nearly 2,000 teaching knowledge cards to refine granularity of knowledge points, providing support on the production of effective customised curriculum.



- **Quality Teaching Paradigm**

- ✓ **Optimising class design**

Produce over 400 video lectures for students to learn in advance, and add animations and other interactive designs to the online teaching courseware to strengthen the effect of classroom presentation and ensure teaching efficiency.

- ✓ **Promoting the “course practice” (磨課) mechanism**

Adjust and carry out four “course practice” through initial lectures by teachers in the product department, on-site trial teaching and observation and second revised drills by teachers, and teaching and demonstration by teachers online, and continue to improve lesson plans and teaching methods under the guidance of R&D leaders at all levels and occasional inspections by the Group to ensure delivery of high quality courses.

- ✓ **Organising teaching workshops**

Hold activities such as “Problem Resolving Competition” (解題大賽) and “Micro – lesson Competition” (微課大賽) to regularly assess teachers’ multidimensional qualities such as class design, courseware presentation and problem resolving ability, and promote all teachers to continuously push forward teaching research through the demonstration of exemplary teaching achievements by outstanding teachers.

- ✓ **Communicating with external parties**

Cooperate with Beijing Normal University to organise a language research centre to carry out research on topics related to learning methods and Chinese language reading and teaching; cooperate with the People’s Education Publishing House under the Ministry of Education to conduct online teaching seminars, where experts teach Chinese language teaching methods and continue to deepen research on teaching methods.

- **Professional Course Matching**

The Group offers students various teaching products and all levels of star teachers for selection. Through comprehensive study environment diagnosis and professional personality factors assessment, the Group understands students’ personality and learning demands, and sorts out teachers’ labels and strengths, using students’ exclusive profiles and teachers’ labels as the basis for intelligent teacher matching. Meantime, the Group works together with learning planners, teachers, students and parents to conduct in-depth pre-course communication, to plan scientifically and customise course plans for students that meet their learning goals and learning styles, and to provide students and parents online and offline experience classes to ensure that the courses and teachers they choose truly meet their needs and levels.



### **Teaching Quality Management**

A professional and quality teacher team is a guarantee for teaching quality of the Group. 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. It continuously improves skills of communication between school and parents with respect to students' psychology, constructs a star-level faculty which possesses teachers' ethics and morality and can lead by example and effectively ensure the teaching quality.

The Group is always concerned about the management of teaching quality. The Group strictly complies with its internal standards, including the Eight Procedures for Customised Customer Services (《個性化顧客服務八大流程》), the Standard Procedures for Teaching Business (《教學業務標準流程》), the Procedures for Teachers' Routine Teaching Services (《教師常規教學服務流程》) and the Procedures for Teachers' First and Last Class Teaching Services (《教師首末課教學服務流程》). It regularly conducts activities such as sampling of teachers' lesson plans, evaluation after attending the lectures, explanation of examination policies and subject knowledge tests to guarantee teaching service quality and teaching business levels. In addition, the Group upholding a responsible attitude towards students, effectively promotes the assessment of course quality. It evaluates students' learning efficiency from various aspects, including students' engagement and participation, frequency of answering questions, and class interaction, and measures the quality of teaching achievement delivery through multiple dimensions, such as teachers' clarity of teaching objectives, standardisation of teaching behaviour and content, and maturity of teaching style.

### **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. The Group checks reversely the teaching quality and students' learning efficiency by ways of homework, entrance examinations, quizzes, periodic tests, level tests, mid-term and final exams.

To know about the teaching quality in time, the Group actively communicates with parents, with learning planners and teachers making visits after each lesson, summarising in stages students' progress and knowledge gaps, and following up throughout on students' learning trajectory and changes in personality factors, so that teaching plans can be adjusted in time to ensure students' learning efficiency. The Group allows parents stay informed of students' performance at class, knowledge mastery, personality and other learning aspects 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 and target expectations through the online evaluation system and online parent-teacher meetings, as well as timely reviews students' progress and learning enhancement plans. The Group also conducts sampling 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. At the same time, the Group incorporates customer satisfaction into the annual reporting of each campus and places emphasis on enhancement of customer satisfaction. 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 response and handling rate in respect of customer complaints was 100%.

### Campus Safety

The Group regards the safety of students and teachers as the fundamental aspect of its work, and fosters teachers and students' safety awareness by developing a comprehensive safety assurance system. It strictly enforces epidemic prevention and control regulations, strengthens the prevention of and the intervention in campus emergencies, and reduces the risk of safety incidents and spread of diseases. During the Reporting Period, the Group did not have any significant campus safety incident or confirmed cases of epidemic.

#### ***Strict Epidemic Prevention and Control***

The Group adheres to the red line of epidemic prevention and control. It revises the Campus Management Rules and Regulations (《校區管理規章制度》) to regulate reporting of information, epidemic prevention and inspection, materials allocation and other relevant regulations of the campus and strictly implements the responsibility of epidemic prevention and control. Since class resumption in June 2020, the Group has issued guidelines such as the Epidemic Management System (《疫情管理制度》), the Epidemic Emergency Response Procedures (《疫情應急響應流程》) and the Campus Epidemic Prevention and Control Guide (《校園疫情防控指南》). These guidelines improve deployment of medical rooms and medical staff, requiring immediate isolation and detention of suspected cases and reporting them to the health and education departments within two hours, as well as cooperating in the transfer and investigation. The Group truly carries out body temperature monitoring of teachers and students on the day school begins, attendance tracking, trip checking after resumption of class, regular ventilation and disinfection and environmental sanitation inspection of the campus. After the holidays, students who may pass through the areas listed as having a mid to high-risk of epidemic outbreak are required to isolate themselves or ascertain that their journeys are usual involving no such areas before attending classes, so as to minimise the risk of spreading the epidemic. The Group actively carries out epidemic prevention and control education and through campus broadcasts, class lectures and knowledge competitions, and so on, to scientifically popularise infectious disease prevention and control health education and raise awareness of personal protection.



### **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》), the Campus Emergency Response Manual (《校區應急手冊》), the Safety Emergency Response Plan (《突發事件安全應急預案》), 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 2020, all campuses fully communicated with parents before the start of classes on safety precautions such as students' safety during classes, adopted such management approaches as necessary procurement, unified storage and following up on their destruction by dedicated staff for chemical experiment supplies and other risk-prone items, and therefore effectively reduced the safety risk. In addition, the campus conducts weekly deep cleaning and post-renovation air testing, and creates a healthy and positive learning environment through regular psychological health lectures and teachers' face-to-face communication for potential students' psychological or family problems where appropriate.

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 spot checks of key areas every day and fire safety inspection every month to address fire potential in a timely manner and prevent fire safety accidents. The Group ensures all campuses are equipped with adequate fire-fighting facilities and fire prevention items, engages third-party fire-fighting organisations to conduct maintenance work every month, issues quarterly maintenance reports, promptly improves and replaces fire-fighting facilities that were deemed as unqualified for reducing fire hazards.

### **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 Campus Emergency Response Manual (《校區應急手冊》), 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, and through holding safety theme class meeting at the beginning of the courses, broadcasting safety promotion videos during the break, posting safety promotion signboards, setting safety manuals and setting up fire safety promotion bulletin boards, appropriately promotes safety knowledge in respect of fire safety, fire escape, use of electrical equipment and first aid treatment to students to improve their safety quality and self-protection capabilities.

## FOR REALISATION OF VALUE OF EMPLOYEES

High-quality faculty is the core competitiveness of the Group and the driving force behind its continuous development. The Group is always concerned about the protection of employees' interests, provides employees with scientific training and diverse development opportunities, creates a safe and healthy workplace and a happy and harmonious atmosphere, and therefore realises common growth with employees.

### Team Management

The Group upholds a people-oriented operating philosophy, and is committed to building an open platform full of passion and challenges for mutual growth and a team with high cohesion and execution. The Group possesses a team comprising over 7,000 outstanding teachers and staffs, 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**

Positively welcome candidates with different backgrounds and respect voice from everyone, and conduct brainstorming to help teams make the best decisions;

✓ **Respect contributions**

Implement a performance growth system which targets advancing employee cultivation and development, as well as progress-matched talent assessment mechanism and a performance-based remuneration approach, to motivate individuals to realise their full potential and make remarkable achievements;

✓ **Respect growth**

Develop and cultivate talents which is deemed as its mission, establish a diversified training model combining self-learning, practical work and course training, to encourage self-initiated development and strive to build an excellent coaching team.

### ***Protection of Employees' Interests***

The Group is fully aware that protecting employees' interests is the foundation of stimulating employees' potential. The Group observes relevant laws and regulations including the Labour Law of the People's Republic of China, and updated the Employee Handbook (《員工手冊》) in 2020 to specify various management regulations 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.

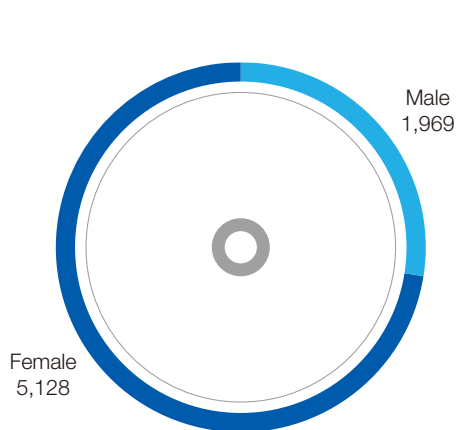


### Equal Employment

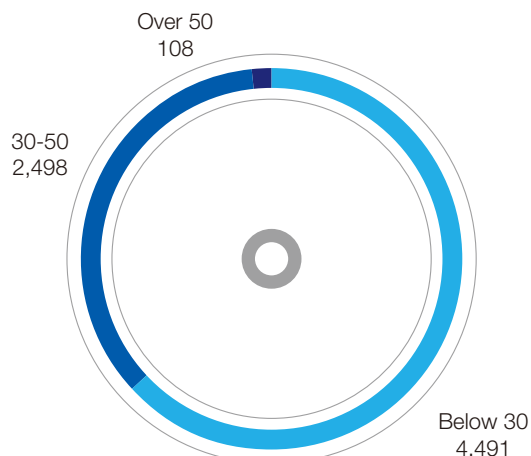
The Group adheres to the principles of fair employment, enlisting according to merits, avoiding family ties and affiliation to continue on equal treatment, prohibiting discrimination in treating employees because of differences in their gender, age, race, belief and physical condition, and offers employees equal and impartial employment opportunities in compliance with the Labour Contract Law of the People’s Republic of China, the Teachers Law of the People’s Republic of China and relevant laws and regulations.

The Group advocates a diverse and inclusive workplace atmosphere and actively promotes various recruitment channels such as online recruitment, campus recruitment and internal recommendations. It attracts more talented frontline teachers to join the Group, and increases the proportion of recruiting fresh graduates from key universities with the title of top-level university and discipline in the Super Outstanding Talent Programme (超級卓越生項目) (management trainee). The Group continues to promote a reasonable distribution of employees in terms of gender, age and region to provide sufficient talent resources for the Group’s development. As at the end of the Reporting Period, the Group had a total of 7,097 employees, among which, female employees accounted for 72.26% and teachers accounted for 55.62%.

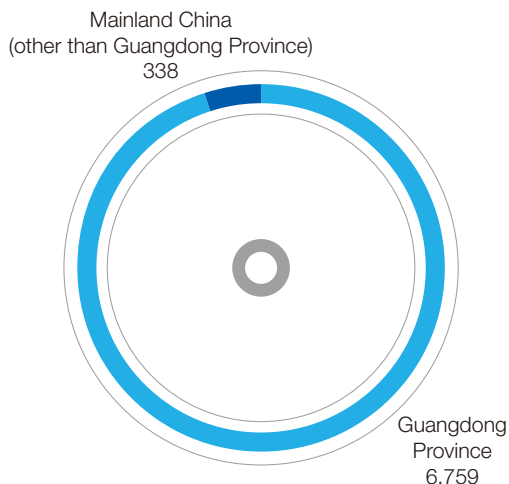
Number of Employees by Gender (Person)



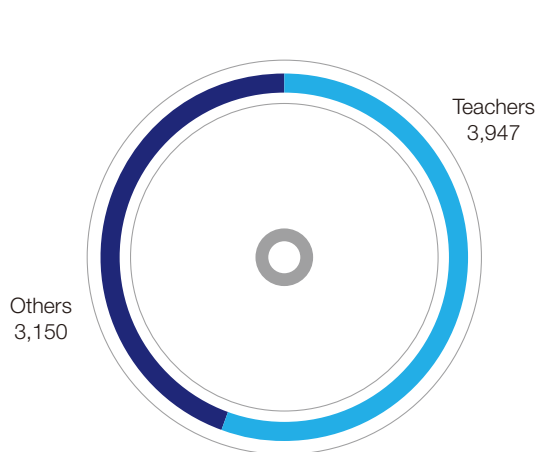
Number of Employees by Age Group (Person)



Number of Employees by Geographical Region (Person)



Number of Employees by Employment Type (Person)



## Labour Management

The Group strictly complies with 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, requiring new staff to cooperate with local human resources centres in reference check procedures in the course of recruitment to prohibit the employment of child labour in accordance with requirements as set out in the labour management section of the Employee Handbook (《員工手冊》). In addition, the Group signs employment (labour) contracts with all regular employees to protect their legitimate rights and interests. Meanwhile, the Group strictly follows relevant national requirements to adopt rule of working 40 hours per week, avoiding cases of illegal employment such as forced labour. In 2020, 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.

## Compensation and Benefit

The Group continues to provide employees with competitive remuneration package in the industry by formulating management measures including the Compensation and Benefit Management System (《薪酬福利管理制度》), the Performance Management System (《集團績效管理制度》) and the Long-term Service Award Incentive Scheme (《長期服務獎激勵方案》). It builds a remuneration and benefit system based on the principle of the value of post and more work for more pay, 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), continuously stimulates and enhances the vitality and work efficiency of staff with performance management. The Group organises at least one annual salary adjustment in line with compensation levels in the industry every year to enhance the attractiveness of external talent. During the epidemic, the Group ensured the timely and full payment of staff's compensation and benefit, and promoted shares grant and vesting incentives as planned for the basic protection of employees.



## 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. The Group conducts organisational capability research covering dimensions such as employee communication, understanding of strategies and dedication to guide the direction for improving internal management and improving employees' satisfaction.

### ✓ President's face to face

Promote mutual communication between employees and the senior management through one-to-one communication, president's letter and the online communication platform.

### ✓ Staff workshop

Organise workshops between employees and the management on a regular basis, help leaders of each department understand the current operation of each campus or department and relevant issues identified, and listen to employees' voice.

### ✓ Staff communication 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.

### ✓ Online communication community

Set up culture promotion bulletin boards and design employee publications, as well as create a "Fun to Enjoy Excellence (Fun享卓越)" platform to encourage employees to share work and life experience and keep abreast of the Group's dynamics.



President's face to face activities



### ***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, Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases 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 the meantime, the Group provides annual medical check-ups for employees and requires medical examination agencies to issue separate test reports on common occupational diseases among teachers, paying attention to the prevention and treatment of occupational diseases among employees. In 2020, the Group continued to carry out clubs and union activities such as playing football and badminton, as well as activities such as lectures on Chinese medicine physiotherapy and health knowledge, workplace stress reduction lectures and psychological counselling to encourage employees to participate in physical exercise and maintain their physical and mental health.

In the time of epidemic prevention, the Group was the first to issue work resumption guidelines and implemented a combination of staggered work and work from home to reduce the number of employees gathering on the basis of eliminating impact of the epidemic on operations. The Group continues to promote regular epidemic prevention, implementing measures such as testing body temperature, establishing health ledgers, deploying epidemic prevention supplies, maintaining indoor ventilation, disinfecting and cleaning regularly and organising psychological counselling in offices and campuses, to improve employees' epidemic protection awareness and eliminate the risk of epidemic spread, so as to jointly create a safe and healthy working environment.

### **Talent Development**

The Group is committed to building a systematical talent development system and providing a diversified and equal development platform for its employees. The Group has developed a scientific and systematic training programme for its employees to continuously improve their management and professional skills, providing high quality talents for the Group's development. The Group pays more attention to the growth of employees, constantly improves the internal training mechanism, unblocks career development channels, and establishes the organisation enabling mechanism to inspire employees' potential and procure them to realise growth. In 2020, the percentage of employees trained within China Beststudy was 100%, and the total training hours was 1,267,812 hours.

#### ***Focus on Talent Cultivation***

Excellent talents are the driving force behind the Group's continuous development and the guarantee of quality teaching services. Beststudy Academy, established by the Group, is devoted to push forward employees' continual growth and self-fulfillment by offering product manager development program, teacher trainer development program, star teacher assessment and outstanding talent development program, aiming 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).



The Group has built a training system that covers various types of key personnel to operate staff training programmes for management trainees, new teachers, functional and professional sequence talents and management of different types and at different positions. Being professional skills and quality oriented, the Group designs targeted training programs, 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 meet different needs for staff growth. For the management, the Group offers targeted course guidance for campus chief, campus deputy director, campus principal and regional principal, to improve employees' leadership and management skills. Meanwhile, the Group continues to incorporate cultivation programs into employees' daily work, and encourages employees to practice what they have learned and acquired and to promote transformation of knowledge 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).

To further promote the accessibility and effectiveness of training resources, in 2020, the Group integrated training resources by conducting professional training online and communication for enhancement offline to address restrictions on time and space and training courses required for epidemic prevention. For the effectiveness of training, the Group controls the scale of training while promoting evaluation and feedback on effectiveness of training. Especially during the training of new teachers, the Group assesses their professional skills, demeanour and work performance. Assessment results are hitched to their becoming full registered teachers and star assessment, thereby increasing their motivation for independent learning.

High Engagement of Top Management in Common Development of Teaching and Learning						
Corporate Strategy	Continuous Learning of Senior Executives					Personal IDP ✓ Action Learning ✓ Job Rotation/ Secondment ✓ Project-based Arrangement ✓ Task Assignment ✓ Group-based Arrangement  Leadership Behaviours: Coaching Behaviours Leading by Example  Corporate Strategic Measures: Working with Collective Wisdom and Concerted Efforts: Everyone's Involvement
	Outstanding Talent Program/Elite Talent Entrepreneurship 2.0 Program					
	Operation Management Series	Starfish Growth Series	Product Management Series	Teacher Growth Series	Function Series	
	Effective Operation Management Course (EOMC Course)	BU Principal Training Camp	Product Manager Development Course (PMD Course)	Five-Star Teacher Course	Human Resources Marketing Finance IT Professional Training	
	Business Management Practice Course (BMP Course)	Starfish Principal Training Camp	Advanced Product Management Course (APM Course)	Four-Star Teacher Course		
	Campus Leader Practice Course (CLP Course)	Fish Manager Training Camp	Intermediate Product Management Course (IPM Course)	Three-Star Teacher Course		
	Campus Management Practice Course (CMP Course)	Star Manager Training Camp	Basic Product Management Course (BPM Course)	Junior Star Teacher Course		
Corporate Culture	Management Trainee Rapid Growth Program					
Key Organization Capabilities	New Teacher Training Camp (N Program)/New Staff On-boarding Training					
Talent Plan	Basic Framework for Talent Identification and Acquisition: Talent Determination Criteria					

Beststudy Talent Cultivation System

### ***Clear Development Channel***

The Group formulates management policies such as the Position and Ranking Management System (《職位職級管理制度》) and the Non-teaching Staff Promotion Management Mechanism (《非教人員晉升管理機制》) to clearly define the criteria for staff promotion. Meantime, the Group organises talent promotion assessment meetings to evaluate the ability and potential of candidates and regularly tracks succession plans and construction of talent pipeline of each department to ensure fair, impartial and open promotions. The Group encourages internal talent mobility and matches employees with positions more suitable for their development through internal recruitment, expatriate assignments, inter-departmental or cross-business divisional transfers, etc.

For school personnel, the Group 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.

“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 products and experiences 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 in building a wonderful development platform for staff with an open attitude. 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 turn themselves into internal investors of the Group and share its development achievements.

The Group continues to launch “Starfish Plan” and innovates pilot mechanisms including “Teacher Partners” (教師合夥人) and “Urban Partners” (城市合夥人). The Group builds the customer-oriented independent management mode through organisation and employee enabling, allows every member of Beststudy to become the operator, gain insight into opportunities, and cultivate the stand-alone problem-solving capability, thus realising their self-worth and self-improvement.

### **Employee Care**

While attending to employees’ needs whatever and offering them multi-layer benefit and welfare, the Group addresses their difficulties and worries promptly, and encourages employees to lead a colourful life, thus helping them to have a balance between work and life for an improvement of sense of happiness.

### ***Satisfaction of Employees’ Needs***

In addition to statutory insurance and housing fund and paid leave, the Group provides a wide range of additional benefits to its employees, including 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, etc., as well as provision of maternal and infant nursing rooms set up for female employees, thereby meeting employees’ diverse needs and increasing corporate cohesion.

### ***Support on Employees in Need***

The Group adheres to the people-oriented principle and provides relief to employees by setting up the “Handhold Fund” (牽手基金) and formulating the Handhold Fund Management Measures (《牽手基金管理辦法》). By specifying the scope and criteria of financial assistance, the Group provides financial support to employees and their immediate family members who suffer from serious illnesses, work-related injuries, hardship and other austere conditions, so as to help them resolve difficulties in life, with funds from company’s capital injection and employees and social donations.

**Enrichment of Employees' Life**

To fully take care of employees, the Group continues with 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. The Beststudy 2nd Generation Club launches a series of activities 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). The club also regularly organises cultural and historical learning activities for children of different ages, such as study tours and visits, to guard healthy and happy growth of the children of Beststudy teachers.

In 2020, the Beststudy 2nd Generation Club conducted various activities such as collection of anti-epidemic works, parent-child water sports, Cantonese embroidery experience, clay creation and autumn harvest work, to nurture outstanding Beststudy 2nd Generation who are physically and mentally healthy and have broadened horizons.



**Beststudy 2nd Generation Water Sports**



**Beststudy 2nd Generation Clay Creation**

**FOR HARMONIOUS DEVELOPMENT OF SOCIETY**

While pursuing economic benefits, the Group attaches great importance to fulfill its social responsibility and advocate supply chain improvement management, to reduce the impact it brings to the environment in the course of operation. It also actively participates in public welfare and guides students to participate in social practices, for contributing to the harmonious development of society.

**Supply Management**

The Group continues to strengthen its supply management standards, improve and implement relevant management systems, and take a series of measures to build a responsible supply chain to ensure supply quality.



### ***Protection of Suppliers' Rights and Interests***

The Group strictly observes the Bidding Law of the People's Republic of China and other relevant laws and regulations, develops relevant internal regulations and systems including the Bidding Procedures (《招標流程》) and the Purchase System (《採購制度》), and standardises bidding and purchase procedures. In addition, the Group attaches great importance to integrity management and specifies the rules of staff behaviour in the procurement system. It prohibits any personnel of the purchase function from accepting gifts and requires such personnel to declare relevant interests. Moreover, the Group regularly conducts integrity promotion for suppliers and procurement personnel to promote the fair bidding and procurement.

### ***Improvement of Supply Chain Management***

The Group has built a comprehensive supplier management system and established a closed-loop management covering supplier selection, review, evaluation and dynamic management through a comprehensive assessment and selection mechanism, and therefore ensures the overall standard of suppliers.

In the access stage, the Group selects and reviews suppliers in accordance with Supplier Management Regulations (《供應商管理規定》). The Group establishes a supplier development group to evaluate the operation, performance capability and certificate quality of suppliers, issue review reports and complete the supplier entry procedures.

In the assessment stage, the Group attaches great importance to the comprehensive evaluation and dynamic management of suppliers and establishes the supplier assessment group to assess suppliers from multiple dimensions covering supply quality, timely delivery, contract performance and service quality. For engineering suppliers, the finance, development and campus employees who have undergone standardised training by the Group jointly participate in project acceptance to effectively protect the quality of projects. At the same time, the Group conducts a full-coverage evaluation of the all-category suppliers it cooperates with every year, and places poorly rated suppliers based on the evaluation report into an elimination list for interviews and inspections, and the suppliers included in the black list are never chosen.

### ***Promotion of Green Supply Chain***

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

## Environmental Protection

Strictly observing 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, the Group optimises its operation and management with the concept of green development and advocates its staff and students to practice environmental protection, for the promotion of low-carbon educational service. During the Reporting Period, the Group did not have any event that had materially affected the environment and natural resources.

### **Minimum Environmental Impact**

Actively fulfilling its environmental responsibilities, the Group implements the concept of green environmental protection in its daily operation and management and campus construction, and strives to promote the rational disposal and recycling of various types of wastes produced in the course of teaching and office operation to create a green and healthy office environment.

The Group promotes the multi-media teaching facilities to reduce the consumption of traditional teaching supplies, advocates reusing papers without sensitive information for copying and printing. In addition, the Group arranges suppliers to recycle and dispose of waste lamp, reasonably stores and disposes chemical drugs and experiment equipment in accordance with relevant regulations, and standardises the disposal of hazardous wastes. For newly built or relocated campuses, the Group reasonably deploys spare equipment and arranges suppliers to recycle and dispose of discarded tables and chairs to reduce waste emissions.

Since 2019, the Group has set up waste separation bins on each floor of the teaching and office area, trained cleaning staff to carry out waste separation and practically implemented domestic waste separation and recycling, contributing to the environmental protection.

### **Promotion of Energy Saving and Low Carbon**

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

The Group saves electricity consumption by promoting 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 regularly carrying out electricity consumption inspections. Meanwhile, the Group promotes the water saving by posting water saving promotional signs, regularly inspecting and maintaining water equipment and regularly replacing the water dispenser filter.

The Group attaches importance to the standardised and unified management on office supplies, requires to adopt planned and centralised purchase, distribution of office and teaching supplies for each campus and office area, and records maintenance disposal and related accounts to continuously track the utilisation, for avoiding wasting resource.

During the Reporting Period, the electricity consumption in the Group's daily operation was 11,322,825 kWh; greenhouse gas emissions produced by purchased electricity was 9,474 tons<sup>1</sup>; water consumption of 178,506 tons.

Note:

<sup>1</sup> In 2020, the Group updated the power emission factor used to calculate greenhouse gas emissions based on actual conditions.



### **Promotion of Green Lifestyle**

Promoting the green lifestyle concept, the Group is committed to enhancing employees' and students' environmental protection awareness, creates a green and low-carbon workplace and living place.

In 2020, the Group actively promotes the concept of environmental protection to students and staff, and guides them to develop the value of green lifestyle by posting green promotion signs at campus, organising environmental protection theme class meetings and broadcasting environmental protection promotion videos before the class.

### **Community Dedication**

The Group upholds its mission "nurturing excellent individuals for the future of our country", supports the development of social welfare undertakings 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, takes advantage of its education and resources advantages to spread goodwill. In 2020, the Group's investment in community charity amounted to RMB500,000.

### **Devotion to Education Charity**

Devoted to education and public welfare, the Group launches the "Candle Protection Plan" (護燭公益計劃) and "Double Teacher Classroom" (雙師課堂), focuses on rural education and the popularisation of educational resources, and shares the education achievements with the underprivileged, in order to enable the realisation of education equity.

- **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 23 years of teaching experience and resources, the Group offered offline pre-service trainings and irregular online on-the-job trainings, including systematic training and long-term one-to-one support for rural teachers, skills training for existing serving rural teachers, and support for corresponding teaching resources and equipment. In 2020, as affected by the epidemic, the Group switched the training to online mode and produced a psychological counselling audio course to help teachers adapt to rural life. To date, the Candle Protection Plan has helped more than 1,000 rural teachers to improve and grow.

#### **Case: 5G technology empowered Candle Protection Plan**

In December 2020, the Group launched an activity of sending teachers to villages under the Candle Protection Plan in the Central Primary School and the Second Primary School in Paitan Town, Zengcheng District, Guangzhou. With the help of 5G and holographic projection technology etc., we delivered a unique "5G Holographic Class in Excellent Chinese" (卓越語文5G全息課) to the rural schools. The overlapping virtual and real teaching scenes break through the limitation of time and space to achieve real-time interaction, allowing rural children to experience the advanced science teaching scenes firsthand. We transfer more quality education resources to rural education.





- **Creation of Double Teacher Classroom**

As a council member of QXYS Foundation (情繫遠山公益基金會) (“QXYS”), the Group joined hands with QXYS to continue to develop the double teacher classroom program. 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 organises teaching interactions and carrying out after-class tutoring. With the help of Double Teacher Classroom, the Group delivered high-quality education resources to poverty-stricken regions, thus alleviating the education resource shortage in rural areas. In 2020, the Group provided targeted support to 11 schools in Huichang County, Ganzhou City, Jiangxi Province and Xupu County, Huaihua City, Hunan Province, through delivering public welfare courses, from which benefited more children.

**Case: Double Teacher Classroom delivers courses to Xupu County, Hunan Province**

In October 2020, the Group launched the “Public Courses Delivery Tour” (公益送教之旅) activity where a good Chinese lesson was delivered to the children of the Dawan School in Qiaojiang Town, and the Third Full Primary School in Lufeng Town, Xupu County, Huaihua City, Hunan Province, helping the students to learn book knowledge and promoting the growth of local teachers, thus helping to improve the local education level.



**Concerted Efforts to Fight the Virus**

In view of the current epidemic, the Group actively responds to the call of the Ministry of Education to station in CCTV platform, the video social media created by China Central Radio and Television Station, and launch the “In-school Public Courses” upon quickly integrating its internal high-quality teacher resources and curriculum resources. The synchronised curriculum of high school subjects is practised and refined with dedication by 1,000+ elite teachers, combining students’ learning characteristics and closely following the knowledge points of such subjects, aiming to lay a solid learning foundation for children, consolidate the important and difficult points of the exam, and ensure that students will not stop learning despite the postponement of new semester.



### **Participation in Social Practice**

The Group is committed to cultivating students' comprehensive quality and ability, encouraging them to broaden their horizons and develop a sense of social responsibility through social experience, thus enhancing their all-round ability.

With the original intention that “diversified education conduces to children’s future” (多元教育·助力孩子未來), the Group established the Junior Team (少年隊) in 2015 to help students get out of school and participate in various social practices. The Junior Team has continued to launch 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》), to help students explore their own interests and potentials to get diversified improvement.

### **Visiting Renowned Enterprises and Schools**

The “Visiting Renowned Enterprises and Schools” activity gives children the opportunity to visit and experience renowned companies and schools and share with renowned enterprise staffs or students of renowned schools, which broadens the children’s horizons and helps them find their future development direction. In 2020, the Junior Team visited 3 renowned enterprises, leading students to visit the working environment of renowned enterprises such as Vipshop, Guangzhou Daily and Haitian Soy Sauce to experience the charm of different career.



**Students are simulating the production process of soy sauce under the guidance of staff**



**Students are experiencing news broadcasting in the studio of Guangzhou Daily**

**Science Classroom**

Through the “Science Classroom” activity, the Junior Team leads students to nature and science. By online science experiment courses and various activities close to nature, students’ curiosity and enthusiasm for nature and science are inspired. At the end of 2020, the Junior Team led students to visit Fenghuang Mountain in Guangzhou for hiking activities and the Guangdong Institute of Microbiology (廣東省微生物研究所). The team created 5 online expert lectures to allow students to further their understanding of nature and science.



**Science expert lectures**



**Visiting the Guangdong Institute of Microbiology**

**Museum Exploration Camp**

Throughout the years, the “Museum Exploration Camp” activity is a programme in which professional teachers lead students in visiting museums, and help to increase their cultural knowledge and stimulate their interest in exploration through interactive tasks, special lectures and study manuals guide. In 2020, the Junior Team launched a museum tour study course online, where famous teachers were invited to teach the history of the Western Han Dynasty in relation to the Nanyue King Tomb (南越王墓) in an immersive manner online, so that students can improve their cultural literacy at home.



**Teacher is explaining knowledge online in the museum**



**Visiting exhibits from the Nanyue King Tomb of the Western Han Dynasty online**



## APPENDIX I KEY INDICATOR

ESG Indicator	Unit	2020*	2019	
<b>A. Environment</b>				
<b>A1. Emissions</b>				
A1.2	Greenhouse gas emissions in total and intensity <sup>(note a)</sup>			
	Greenhouse gas emissions in total <sup>1)</sup>	tCO <sub>2</sub> e	9,473.81	10,382.07
	Greenhouse gas intensity	tCO <sub>2</sub> e/ million RMB revenue	5.6	5.7
A1.3	Hazardous waste in total and intensity			
	Hazardous waste in total	kg	19.32	25.12
	Hazardous waste intensity	kg/million RMB revenue	0.01	0.01
	Waste fluorescent lamps or energy-saving lamps <sup>(note b)</sup>	kg	19.32	25.12
A1.4	Non-hazardous waste in total and intensity			
	Non-hazardous waste in total	tonne	69.21	150.51
	Non-hazardous waste intensity	ton/ million RMB revenue	0.04	0.08
	Office paper	tonne	69.21	150.51
<b>A2. Use of Resources</b>				
A2.1	Energy consumption in total and intensity			
Indirect energy	Purchased electricity	kWh	11,322,825	12,408,353
	Intensity of purchased electricity	kWh/ million RMB revenue	6,708.6	6,774.4
A2.2	Water consumption in total and intensity			
	Water for office and domestic use	tonne	178,506	219,888
	Water consumption intensity	tonne/ million RMB revenue	105.8	120.1

ESG Indicator		Unit	2020*	2019
<b>B. Society</b>				
<b>B1. Employment</b>				
B1.1	Number of employees: by gender, employment type, age group and geographical region			
	Number of employees	person	7,097	6,902
By gender	Male	person	1,969	1,944
	Female	person	5,128	4,958
By employment type	Teachers	person	3,947	3,840
	Others	person	3,105	3,062
By age group	Below 30	person	4,491	4,386
	30-50	person	2,498	2,389
	Above 50	person	108	127
By geographical region	Guangdong province	person	6,759	6,611
	Mainland China (other than Guangdong province)	person	338	291
<b>B2. Health and safety</b>				
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	2020*	2019
<b>B3. Development and training</b>				
B3.1	Percentage of employees trained: by gender and by employee category <sup>(note c) 2)</sup>			
	Percentage of employees trained	%	100%	85.7%
By gender	Male	%	28.0%	30.0%
	Female	%	72.0%	70.0%
By employee category	Teachers	%	55.2%	65.3%
	Others	%	44.8%	34.7%
B3.2	Average training hours completed: by gender and employee category			
	Average training hours	hour/person	177.2	192.5
By gender	Male	hour/person	190.0	205.0
	Female	hour/person	172.2	187.6
By employee category	Teachers	hour/person	317.2	320.0
	Others	hour/person	4.9	32.5
<b>B5. Supply chain management</b>				
B5.1	Number of suppliers by geographical region			
	Suppliers within Guangdong province	Suppliers	1,955	2,063
	Suppliers within Mainland China (other than Guangdong province)	Suppliers	841	640

ESG Indicator	Unit	2020*	2019
<b>B7. Anti-corruption</b>			
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
<b>B8. Community investment</b>			
B8.2	Resources contributed to the focus area		
	Money or donation	RMB0'000	50.0
			93.50

Notes:

- \* In 2020, affected by the epidemic, the Group's offline training centres were suspended for a certain period of time. As a result, the Group's use of resources such as waste fluorescent lamps or energy-saving lamps, office paper, purchased electricity and water for office and domestic use dropped significantly during the year.
- a) Based on the actual conditions of A1.2 greenhouse gas emissions in total and intensity, we update the power emission factors used to calculate greenhouse gas emissions, together with relevant data generated therefrom, including greenhouse gas emission, greenhouse gas intensity from 2019 to 2020. Among them, the replacement of the power emission factors resulted in the change of greenhouse gas emissions from 6,540 tonnes to 10,382.07 tonnes in 2019.
- b) The statistical scope of A1.3 waste fluorescent lamps or energy-saving lamps covers the administration department of the Guangzhou Branch only.
- c) B3.1 the percentage of employees trained is based on the calculation standard of the Group's latest training percentage. We update the percentage of employees trained in 2019, together with relevant data generated therefrom, including the percentage of employees trained by gender and employee category.

**Basis of Data Calculation**

- 1) Indirect greenhouse gas emissions from purchased electricity are calculated with reference to the Greenhouse Gas Emission Accounting Methods and Reporting Guidelines for Public Building Operating Units (Enterprises) (Trial) (《公共建築運營單位(企業)溫室氣體排放核算方法和報告指南(試行)》) published by the Office of the National Development and Reform Commission, of which the power emission factor in Mainland China is made with reference to the standards on the Baseline Emission Factors of Regional Power Grids for Emission Reduction Projects in China for 2017 (《2017年度減排項目中國區域電網基線排放因子》).
- 2) Breakdown percentage of employees trained = Number of male (female) employees trained/number of employees trained\*100% + number of teachers (other) employees trained/number of employees trained\*100%



## APPENDIX II ESG INDICATOR INDEX

ESG KPI	Guidance requirements	Report Section/Statement
<b>A1: Emissions</b>	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 According to the nature of the business and actual operation of the Group, the waste is mainly derived in the office environment and no waste in the Catalogue of Hazardous Wastes of the People's Republic of China is generated
	A1.4 Total non-hazardous waste produced and intensity.	Appendix I The Group's non-hazardous waste generated in the course of its operations is mainly derived from paper used in the office environment
	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
<b>A2: Use of resources</b>	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
<b>A3: The environment and natural resources</b>	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
<b>B1: Employment</b>	General disclosure	For realisation of value of employees – Team management
	B1.1 Total workforce by gender, employment type, age group and geographical region.	For realisation of value of employees – Team management/Appendix I
	B1.2 Employee turnover rate by gender, age group and geographical region.	Not disclosed
<b>B2: Health and safety</b>	General disclosure	For realisation of value of employees – Team management/Employee care
	B2.1 Number and rate of work-related fatalities.	Appendix I
	B2.2 Lost days due to work injury.	Appendix I
	B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.	For realisation of value of employees – Team management/Employee care
<b>B3: Development and training</b>	General disclosure	For realisation 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 realisation of value of employees – Talent development/Appendix I
<b>B4: Labour standards</b>	General disclosure	For realisation of value of employees – Team management
	B4.1 Description of measures to review employment practices to avoid child and forced labour.	For realisation of value of employees – Team management
	B4.2 Description of steps taken to eliminate such practices when discovered.	For realisation of value of employees – Team management



ESG KPI	Guidance requirements	Report Section/Statement
<b>B5: Supply chain management</b>	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
<b>B6: Product responsibility</b>	General disclosure	For healthy growth of children – Educational philosophy/Educational projects/Educational innovation/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
<b>B7: Anticorruption</b>	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
<b>B8: Community investment</b>	General disclosure	For harmonious development of society – Community dedication
	B8.1 Focus areas of contribution.	For harmonious development of society – Community dedication
	B8.2 Resources contributed to the focus area.	For harmonious development of society – Community dedication/Appendix I

# Independent Auditor's Report



**To the shareholders of China Beststudy Education Group**

*(Incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of China Beststudy Education Group (the “Company”) and its subsidiaries (the “Group”) set out on pages 119 to 229, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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 (“HKSA”) 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 a 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 revenue as a key audit matter.

The accounting policy for revenue recognition and disclosure 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, checked the completeness of the data and performed data analysis and on a sampling 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 HKSA's 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 HKSA's, 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.

## Independent Auditor's Report

### 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, actions taken to eliminate threats or safeguards applied.

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 2021



# Consolidated Statement of Profit or Loss

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	5	<b>1,687,798</b>	1,831,667
Cost of sales		<b>(1,072,612)</b>	(1,064,044)
Gross profit		<b>615,186</b>	767,623
Other income and gains, net	5	<b>66,875</b>	18,818
Investment income		<b>8,260</b>	1
Selling expenses		<b>(195,051)</b>	(162,660)
Research and development expenses		<b>(165,570)</b>	(165,450)
Administrative expenses		<b>(214,092)</b>	(242,307)
Finance costs	7	<b>(53,039)</b>	(47,968)
Share of losses of associates		<b>(2,466)</b>	(3,587)
Share of profits of a joint venture		<b>107</b>	114
Fair value changes on investments at fair value through profit or loss	19	<b>92,565</b>	36,919
Other expenses		<b>(9,766)</b>	(44,678)
<b>PROFIT BEFORE TAX</b>		<b>143,009</b>	156,825
Income tax expense	10	<b>(15,215)</b>	(21,944)
<b>PROFIT FOR THE YEAR</b>		<b>127,794</b>	134,881
Attributable to:			
Owners of the parent		<b>129,675</b>	135,547
Non-controlling interests		<b>(1,881)</b>	(666)
		<b>127,794</b>	134,881
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	13		
Basic		<b>RMB16.4 cents</b>	RMB17.3 cents
Diluted		<b>RMB16.0 cents</b>	RMB17.1 cents



# Consolidated Statement of Comprehensive Income

Year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
PROFIT FOR THE YEAR	<b>127,794</b>	134,881
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	<b>(17,460)</b>	5,517
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<b>(17,460)</b>	5,517
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<b>(17,460)</b>	5,517
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<b>110,334</b>	140,398
Attributable to:		
Owners of the parent	<b>112,215</b>	141,064
Non-controlling interests	<b>(1,881)</b>	(666)
	<b>110,334</b>	140,398



# Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	206,217	202,027
Right-of-use assets	15(a)	837,494	893,785
Intangible assets	16	33,427	15,808
Investments in associates	17	79,719	70,239
Investment in a joint venture	18	5,450	5,718
Equity investments at fair value through profit or loss	19	6,346	3,827
Debt investments measured at amortised cost	19	215,292	–
Debt investments at fair value through profit or loss	19	15,252	203,589
Time deposits		151,070	50,270
Prepayments for purchases of property, plant and equipment		4,467	12,035
Deferred tax assets	24	17,687	18,999
<b>Total non-current assets</b>		<b>1,572,421</b>	1,476,297
<b>CURRENT ASSETS</b>			
Short-term equity investments measured at fair value through profit or loss	19	84,825	63,537
Short-term debt investments measured at amortised cost	19	30,175	–
Short-term debt investments measured at fair value through profit or loss	19	682,299	816,470
Prepayments, deposits and other receivables	20	117,277	139,838
Restricted cash	21	2,631	5,146
Cash and cash equivalents	21	693,733	196,406
Other current assets		692	1,236
Assets classified as held for sale	11	–	66,072
<b>Total current assets</b>		<b>1,611,632</b>	1,288,705
<b>CURRENT LIABILITIES</b>			
Other payables and accruals	22	291,535	200,095
Interest-bearing bank loans	23	204,000	–
Lease liabilities	15(b), 23	211,546	225,915
Contract liabilities		797,078	775,071
Tax payable		22,703	33,678
Liabilities directly associated with the assets classified as held for sale	11	–	111
<b>Total current liabilities</b>		<b>1,526,862</b>	1,234,870

## Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NET CURRENT ASSETS		<b>84,770</b>	53,835
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>1,657,191</b>	1,530,132
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	23	<b>145,000</b>	–
Lease liabilities	15(b), 23	<b>716,321</b>	733,470
Total non-current liabilities		<b>861,321</b>	733,470
Net assets		<b>795,870</b>	796,662
EQUITY			
Equity attributable to owners of the parent			
Share capital	25	<b>304</b>	304
Reserves	26	<b>798,039</b>	797,030
		<b>798,343</b>	797,334
Non-controlling interests		<b>(2,473)</b>	(672)
Total equity		<b>795,870</b>	796,662

**Junjing Tang**

Director

**Junying Tang**

Director



# Consolidated Statement of Changes in Equity

Year ended 31 December 2020

	Attributable to owners of the parent											
	Notes	Share capital	Share premium*	Shares held or restricted share unit scheme*	Share-based payment reserve*	Statutory surplus reserve*	Other reserve*	Exchange fluctuation reserve*	Retained profits*	Total	Non-controlling interests	Total equity
		RMB'000 Note 25	RMB'000 Note 26(b)	RMB'000 Note 26(c)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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	27(a)	-	-	-	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	27(a)	-	-	(4,666)	-	-	-	-	-	(4,666)	-	(4,666)
Transfer from retained profits	26(a)	-	-	-	-	3,032	-	-	(3,032)	-	-	-
Contributions from minority shareholders	26(d)	-	-	-	-	-	-	-	-	-	550	550
Disposal of subsidiaries with non-controlling interests	28	-	-	-	-	-	-	-	-	-	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

# Consolidated Statement of Changes in Equity

Year ended 31 December 2020

Notes	Attributable to owners of the parent										
	Share capital	Share premium*	Shares held for restricted share unit scheme*	Share-based payment reserve*	Statutory surplus reserve*	Other reserve*	Exchange fluctuation reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000 Note 25	RMB'000 Note 26(b)	RMB'000 Note 26(c)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	304	301,531	(4,684)	7,572	101,484	226,302	(16,208)	181,033	797,334	(672)	796,662
Profit for the year	-	-	-	-	-	-	-	129,675	129,675	(1,881)	127,794
Other comprehensive income for the year:											
Exchange differences on translation of financial statements	-	-	-	-	-	-	(17,460)	-	(17,460)	-	(17,460)
Total comprehensive income for the year	-	-	-	-	-	-	(17,460)	129,675	112,215	(1,881)	110,334
Share-based payments 27(a)	-	-	-	15,863	-	-	-	-	15,863	-	15,863
Exercise of share awards under the restricted share unit scheme	-	-	3	(11,299)	-	-	-	15,859	4,563	-	4,563
Repurchase of shares under the restricted share unit scheme 27(a)	-	-	(78,481)	-	-	-	-	-	(78,481)	-	(78,481)
Deregistration of subsidiaries	-	-	-	-	(1,715)	-	-	1,715	-	-	-
Transfer from retained profits 26(a)	-	-	-	-	904	-	-	(904)	-	-	-
Contributions from minority shareholders 26(d)	-	-	-	-	-	-	-	-	-	80	80
Final 2019 dividend declared and paid	-	(53,151)	-	-	-	-	-	-	(53,151)	-	(53,151)
At 31 December 2020	304	248,380	(83,162)	12,136	100,673	226,302	(33,668)	327,378	798,343	(2,473)	795,870

\* These reserve accounts comprise the reserves of RMB798,039,000 (2019: RMB797,030,000) in the consolidated statement of financial position.



# Consolidated Statement of Cash Flows

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>143,009</b>	156,825
Adjustments for:			
Interest income	5	<b>(7,116)</b>	(5,383)
Investment income		<b>(8,260)</b>	(1)
Dividend income from an equity investment at fair value through profit or loss	5	<b>(1,661)</b>	(1,633)
Loss/(gain) on disposal of items of property, plant and equipment	6	<b>6,348</b>	(46)
Gain on lease modifications	6	<b>(3,648)</b>	(1,460)
Loss on disposal of an intangible asset	6	-	63
Gain on disposal of an associate	6	-	(848)
Equity-settled compensation costs	6	<b>15,863</b>	30,140
Finance costs	7	<b>53,039</b>	47,968
COVID-19-related rent concessions from lessors	15(b)	<b>(18,563)</b>	-
Depreciation of property, plant and equipment	14	<b>73,615</b>	70,955
Depreciation of right-of-use assets	15(a)	<b>207,366</b>	197,931
Amortisation of intangible assets	16	<b>4,631</b>	2,237
Share of losses of associates		<b>2,466</b>	3,587
Share of profits of a joint venture		<b>(107)</b>	(114)
Change in fair value of investments measured at fair value through profit or loss	19	<b>(92,565)</b>	(36,919)
Loss on disposal of subsidiaries	28	<b>45</b>	350
		<b>374,462</b>	463,652
Increase in prepayments, deposits and other receivables		<b>(1,223)</b>	(46,303)
Decrease/(increase) in other current assets		<b>544</b>	(18)
Increase in other payables and accruals		<b>75,602</b>	9,255
Increase in contract liabilities		<b>22,007</b>	214,219
Cash generated from operations		<b>471,392</b>	640,805
Interest received		<b>4,308</b>	5,113
Corporate income tax paid		<b>(24,878)</b>	(17,858)
Net cash flows from operating activities		<b>450,822</b>	628,060

## Consolidated Statement of Cash Flows

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		<b>(59,293)</b>	(98,717)
Purchases of items of intangible assets		<b>(19,193)</b>	(7,725)
Proceeds from disposal of items of property, plant and equipment and an intangible asset		<b>51</b>	3,917
Disposal of subsidiaries	28	<b>(40)</b>	(1,271)
Acquisition of associates		<b>(12,000)</b>	(59,477)
Disposal of an associate		<b>–</b>	1,588
Dividend received from an associate		<b>55</b>	–
Investment income received		<b>45,791</b>	25,248
Dividends received from listed investments	5	<b>1,661</b>	1,633
Purchase of an equity investment at fair value through profit or loss		<b>(2,110)</b>	(1,532)
Disposal of equity investments at fair value through profit or loss		<b>65,989</b>	–
Purchases of debt investments measured at amortised cost		<b>(180,000)</b>	–
Purchases of debt investments measured at fair value through profit or loss		<b>(22,160)</b>	(198,323)
Purchase of short-term investments measured at amortised cost		<b>(81,036)</b>	(299)
Receipt from maturity of short-term investments measured at amortised cost		<b>51,036</b>	299
Purchases of short-term debt investments measured at fair value through profit or loss		<b>(1,299,010)</b>	(2,112,659)
Receipt from maturity of short-term debt investments measured at fair value through profit or loss		<b>1,654,685</b>	1,801,557
Purchases of short-term equity investments measured at fair value through profit or loss		<b>–</b>	(42,131)
Receipt from disposal of short-term equity investments measured at fair value through profit or loss		<b>801</b>	1,255
Increase in time deposits		<b>(100,000)</b>	(50,000)
<b>Net cash flows from/(used in) investing activities</b>		<b>45,227</b>	(736,637)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares for IPO		<b>–</b>	40,094
Proceeds from issue of shares for an over-allotment option		<b>–</b>	3,476
Repurchase of shares	27(a)	<b>(78,481)</b>	(4,666)
Share issue expenses		<b>–</b>	(10)
Capital contribution		<b>80</b>	550
Dividends paid		<b>(53,151)</b>	–
Principal portion of lease payments	15(b)	<b>(163,379)</b>	(159,647)
Interest portion of lease payments	15(b)	<b>(45,652)</b>	(47,968)
New bank loans		<b>350,000</b>	–
Repayment of a bank loan		<b>(1,000)</b>	–
Interest paid		<b>(7,040)</b>	–
<b>Net cash flows from/(used in) financing activities</b>		<b>1,377</b>	(168,171)



## Consolidated Statement of Cash Flows

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<b>497,426</b>	(276,748)
Cash and cash equivalents at beginning of year		<b>196,429</b>	468,041
Effect of foreign exchange rate changes, net		<b>(122)</b>	5,136
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>693,733</b>	196,429
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	21	<b>693,733</b>	196,406
Cash and short-term deposits attributable to a discontinued operation		–	23
Cash and cash equivalents as stated in the consolidated statement of cash flows		<b>693,733</b>	196,429



# Notes to Consolidated Financial Statements

31 December 2020

## 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		Principal activities
			Direct %	Indirect %	
ETJ Education Group	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\$1,286	–	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		Principal activities
			Direct	Indirect	
			%	%	
Foshan Nanhai Beststudy Frontline Education and Training Centre 佛山市南海區卓越前線教育 培訓中心 ("Foshan Nanhai Beststudy") **	PRC/Mainland China 21 October 2013	RMB300,000	–	100	K-12 after-school education services
Guangzhou Baiyun Beststudy Education and Training School 廣州市白雲區卓越教育培訓學校 ("Guangzhou Baiyun") **	PRC/Mainland China 9 October 2015	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
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

## 1. CORPORATE AND GROUP INFORMATION (continued)

## Information about subsidiaries (continued)

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

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Guangzhou 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 29 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 16 June 2006	RMB100,000	–	100	K-12 after-school education services
Guangzhou Qizuo Education Consulting Co., Ltd. 廣州奇作教育諮詢有限公司 ("Guangzhou Qizuo") **	PRC/Mainland China 29 September 2006	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
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



## 1. CORPORATE AND GROUP INFORMATION (continued)

### Information about subsidiaries (continued)

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

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
Dongguan Dongcheng 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 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
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 9 October 2007	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 4 April 2010	RMB300,000	–	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 13 December 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		Principal activities
			Direct %	Indirect %	
Zhuhai Beststudy Education Training School 珠海市卓越教育培訓學校 ("Zhuhai Beststudy") **	PRC/Mainland China 30 September 2000	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 26 October 2004	RMB100,000	–	100	K-12 after-school education services
Zhongshan Beststudy Education Training Centre Co., Ltd. 中山市卓越教育培訓中心有限公司 ("Zhongshan Beststudy") **	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苑教育培訓中心 ("Zhongshan Jiahui Garden") **	PRC/Mainland China 10 February 2012	RMB50,000	–	100	K-12 after-school education services
Zhongshan East District Zhuoye Boda Shuiyunxuan Education and Training Centre 中山市東區卓業博達水雲軒教育培訓中心 ("Zhongshan Shuiyunxuan") **	PRC/Mainland China 10 February 2012	RMB50,000	–	100	K-12 after-school education services
Zhongshan East District Zhuoye Boda Zhuyuan Education and Training Centre 中山市東區卓業博達竹苑教育培訓中心 ("Zhongshan Zhuyuan") **	PRC/Mainland China 10 February 2012	RMB50,000	–	100	K-12 after-school education services



## 1. CORPORATE AND GROUP INFORMATION (continued)

### Information about subsidiaries (continued)

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

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
Zhongshan Shizhuo Zhuoye Boda 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 Qiguanxi 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 October 2012	RMB50,000	–	100	K-12 after-school education services
Zhongshan Xiaolan Zhuoye Boda Education and Training Centre 中山市小欖卓業博達 教育培訓中心 ("Zhongshan Xiaolan") **	PRC/Mainland China 29 July 2008	RMB50,000	–	100	K-12 after-school education services
Zhuhai Beststudy Enterprise Co., Ltd. 珠海市卓越里程企業有限公司 ("Zhuhai Beststudy") **	PRC/Mainland China 16 December 2015	RMB100,000	–	100	K-12 after-school education services

## 1. CORPORATE AND GROUP INFORMATION (continued)

## Information about subsidiaries (continued)

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

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Guangzhou 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 21 December 2015	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
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



## 1. CORPORATE AND GROUP INFORMATION (continued)

### Information about subsidiaries (continued)

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

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
Foshan 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 Zhuoyue Venture Capital Investment Management Co., Ltd. 西藏卓業創業投資管理有限公司 ("Tibet Zhuoyue") **	PRC/Mainland China 21 April 2016	RMB30,000,000	–	100	Investment
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 2019	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 2019	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 2019	RMB215,765	–	100	K-12 after-school education services



## 1. CORPORATE AND GROUP INFORMATION (continued)

## Information about subsidiaries (continued)

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

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Guangzhou 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
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



## 1. CORPORATE AND GROUP INFORMATION (continued)

### Information about subsidiaries (continued)

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

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

## 1. CORPORATE AND GROUP INFORMATION (continued)

## Information about subsidiaries (continued)

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

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Foshan Nanhai 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
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
Shanghai Beststudy Education Training School Co., Ltd. 上海卓越里程培訓學校有限公司 ("Shanghai Beststudy") **	PRC/Mainland China 13 January 2020	RMB5,000,000	–	100	K-12 after-school education services
Foshan Nanhai Zhuocheng Education Training Center Co., Ltd. 佛山市南海區卓誠教育培訓中心有限公司 ("Foshan Nanhai Zhuocheng") **	PRC/Mainland China 26 October 2020	RMB300,000	–	100	K-12 after-school education services
Foshan Nanhai Zhuohong education Training Center Co., Ltd. 佛山市南海區卓泓教育培訓中心有限公司 ("Foshan Nanhai Zhuohong") **	PRC/Mainland China 26 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		Principal activities
			Direct	Indirect	
			%	%	
Foshan Shunde Daliang Zhuode Education Training Center Co., Ltd. 佛山市順德區大良卓德教育培訓中心有限公司 ("Foshan Shunde Daliang Zhuode") **	PRC/Mainland China 27 May 2020	RMB300,000	100		K-12 after-school education services
Guangzhou Conghua Beststudy Training Center Co., Ltd. 廣州市從化區卓越里程培訓中心有限公司 ("Guangzhou Conghua Beststudy") **	PRC/Mainland China 16 November 2020	RMB100,000	100		K-12 after-school education services
Wuhan Zhuoye Online Education Technology Co., Ltd 武漢卓業在線教育科技有限公司 ("Wuhan Zhuoye") **	PRC/Mainland China 16 December 2019	RMB1,000,000	80		Internet information
Zhongshan Zhuoye Boda Nanlang Education Training Center Co., Ltd. 中山市卓業博達南朗教育培訓中心有限公司 ("Zhongshan Zhuoye Boda Nanlang") **	PRC/Mainland China 8 June 2020	RMB200,000	100		K-12 after-school education services
Zhongshan Zhuoye Boda Xinjiayuan Education Training Center Co., Ltd. 中山市卓業博達新嘉園教育培訓中心有限公司 ("Zhongshan Zhuoye Boda Xinjiayuan") **	PRC/Mainland China 21 July 2020	RMB100,000	100		K-12 after-school education services

## 1. CORPORATE AND GROUP INFORMATION (continued)

### Information about subsidiaries (continued)

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

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Zhongshan Zhuoye Boda Xinggang Education Training Center Co., Ltd. 中山市卓業博達興港教育培訓中心有限公司 ("Zhongshan Zhuoye Boda Xinggang") **	PRC/Mainland China 31 July 2020	RMB200,000		100	K-12 after-school education services
Zhongshan Zhuoye Boda Yueying Education Training Center Co., Ltd. 中山市卓業博達悅盈教育培訓中心有限公司 ("Zhongshan Zhuoye Boda Yueying") **	PRC/Mainland China 2 June 2020	RMB50,000		100	K-12 after-school education services
Zhongshan Zhuoye Boda Wanxiang Education Training Center Co., Ltd. 中山市卓業博達萬象教育培訓中心有限公司 ("Zhongshan Zhuoye Boda Wanxiang") **	PRC/Mainland China 5 June 2020	RMB200,000		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 Dongcheng Learning Frontline Training Centre 東莞市東城學習前線培訓中心, Dongguan Dongcheng Beststudy Second Training Centre 東莞市東城卓越第二培訓中心, 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 and Shanghai Yangpu Beststudy Education and Training Centre 上海楊浦區卓越教育培訓中心 and disposed of Guangzhou Gaofen Network Technology Co., Ltd. 廣州高分網絡科技有限公司 ("Guangzhou Gaofen"). Further details are included in note 28 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 2020. 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.

## 2.1 BASIS OF PREPARATION (continued)

### Basis of consolidation (continued)

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 Conceptual Framework for Financial Reporting 2018 and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to IFRS 16	<i>COVID-19-Related Rent Concessions (early adopted)</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

The nature and the impact of the Conceptual Framework for Financial Reporting 2018 and the revised IFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- (b) 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 has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.



## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

- (c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.
- (d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group’s buildings have been reduced or waived by the lessors upon reducing the scale of production as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB18,563,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

- (e) 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, or both. The amendments did not have any significant impact on the financial position and 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	<i>Reference to the Conceptual Framework<sup>2</sup></i>
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform – Phase 2<sup>1</sup></i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>4</sup></i>
IFRS 17	<i>Insurance Contracts<sup>3</sup></i>
Amendments to IFRS 17	<i>Insurance Contract<sup>3, 5</sup></i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current<sup>3</sup></i>
Amendments to IAS 1	<i>Disclosure of Accounting Policies<sup>3</sup></i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use<sup>2</sup></i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract<sup>2</sup></i>
Amendments to IAS 8	<i>Definition of Accounting Estimates<sup>3</sup></i>
Annual Improvements to IFRSs 2018-2020	<i>Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41<sup>2</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>4</sup> No mandatory effective date yet determined but available for adoption

<sup>5</sup> As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

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

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is 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 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had certain interest-bearing bank borrowings denominated in RMB based on the Loan Prime Rate ("LPR") as at 31 December 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

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. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

## 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

*Annual Improvements to IFRS Standards 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.
- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.



## 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.

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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 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.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

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.

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.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Business combinations and goodwill (continued)

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.

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                              |

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Fair value measurement (continued)

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.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

### 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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Intangible assets (other than goodwill) (continued)

#### **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.

#### **Leases**

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.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Intangible assets (other than goodwill) (continued)

#### **Group as a lessee (continued)**

##### (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 lease. 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.

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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Intangible assets (other than goodwill) (continued)

#### **Group as a lessee (continued)**

##### *(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)

### 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.

#### **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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments and other financial assets (continued)

#### **Subsequent measurement (continued)**

##### *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.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment of financial assets (continued)

#### **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).

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, interest-bearing bank loans 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 finance 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, and 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, for 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 27 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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue recognition (continued)

#### (c) Revenue from operating leases (continued)

##### *Share-based payments (continued)*

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options and shares granted for the RSU Scheme is reflected as additional share dilution in the computation of earnings per share.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Other employee benefits

#### *Pension scheme*

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

#### **Borrowing costs**

All borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### **Dividends**

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

#### **Foreign currencies**

These financial statements are presented in RMB. The functional currency of the Company is the United States dollar. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling 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).



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Foreign currencies (continued)

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 as subsidiaries during the year.

##### **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.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

#### Estimation uncertainty (continued)

##### **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 2020 was nil (2019: nil). The amount of unrecognised tax losses at 31 December 2020 was RMB128,644,000 (2019: RMB107,054,000). Further details are contained in note 24 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).

##### **Fair value of unlisted equity investments**

Unlisted equity investments amounting to RMB6,346,000 have been valued based on a market-based valuation technique as detailed in note 34 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 2020 was RMB6,346,000 (2019: RMB3,827,000). Further details are included in note 34 to the financial statements.

##### **Fair value of share-based compensation to employees**

As set out in note 27 to the financial statements below, the Group awarded equity interests to the key employees.

During the year ended 31 December 2020, 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 2020 were RMB15,863,000 (2019: RMB30,140,000).



## 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.

### Geographical information

During the reporting period, the Group operated within one geographical segment because all of its revenue was generated in Mainland China and all of its long-term assets/capital expenditure were located/incurred in Mainland China. Accordingly, no further geographical segment information is presented.

### Information about major customers

No revenue from services provided to a single customer accounted for to 10% or more of total revenue of the Group during the years ended 31 December 2020 and 2019.

## 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:

	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers		
Premium learning programs		
– Small group tutoring	828,935	918,459
– Individualised tutoring	644,242	698,850
Full-time test preparation programs	161,764	156,549
Talent education	51,555	56,104
Others	1,302	1,705
	<b>1,687,798</b>	1,831,667

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

### Revenue from contracts with customers

#### (i) Disaggregated revenue information

For the year ended 31 December 2020

Segments	Small group tutoring RMB'000	Individualised tutoring RMB'000	Full-time test preparation programs RMB'000	Talent education RMB'000	Others RMB'000	Total RMB'000
<b>Timing of revenue recognition</b>						
Services transferred at a point in time	-	644,242	-	-	1,302	645,544
Services transferred over time	828,935	-	161,764	51,555	-	1,042,254
	828,935	644,242	161,764	51,555	1,302	1,687,798

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
<b>Timing of revenue recognition</b>						
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



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

### Revenue from contracts with customers (continued)

#### (i) Disaggregated revenue information (continued)

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

	2020 RMB'000	2019 RMB'000
At the beginning of the year	775,071	562,841
Cash refunded to customers that was included in contract liability at the beginning of the year	(73,098)	–
Revenue recognised that was included in contract liability at the beginning of the year	(701,973)	(562,841)
Increases due to cash received, excluding amounts recognised as revenue during the year	797,078	775,071
At the end of the year	797,078	775,071

#### (ii) Performance obligations

Except for other services, short-term advances are normally required before rendering the services of small group tutoring, individualised tutoring, full-time test preparation programs and talent education.

The Group has elected the practical expedient of not to disclose information about the remaining performance obligations as the majority of the services have original expected duration of one year or less or the services are rendered in a short period of time.

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

## Other income and gains, net

	Notes	2020 RMB'000	2019 RMB'000
Interest income		7,116	5,383
VAT exemption	(i)	48,464	–
Subsidy income from the PRC government	(ii)	5,122	8,723
Gain on disposal of an associate		–	848
Foreign exchange gains, net		639	344
Gain on lease modifications		3,648	1,460
Gain on disposal of items of property, plant and equipment		–	46
Dividend income from an equity investment at fair value through profit or loss		1,661	1,633
Others		225	381
		<b>66,875</b>	<b>18,818</b>

Notes:

- (i) The VAT exemption during the reporting period was tax concessions according to the taxation policy issued concerning the COVID-19 pandemic.
- (ii) The subsidy income from the PRC government during the reporting period mainly represents subsidies granted by the local government as encouragement for its contribution to the local economy. There are no unfulfilled conditions or contingencies relating to such subsidies.



## 6. PROFIT BEFORE TAX

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

	Notes	2020 RMB'000	2019 RMB'000
Employee benefit expense (excluding Directors' remuneration) (note 8):			
Wages and salaries		<b>855,007</b>	813,064
Pension scheme contributions		<b>88,981</b>	100,927
Equity-settled compensation costs		<b>15,863</b>	30,140
		<b>959,851</b>	944,131
Cost of services provided*		<b>1,072,612</b>	1,064,044
Depreciation of property, plant and equipment	14	<b>73,615</b>	70,955
Depreciation of right-of-use assets	15(c)	<b>207,366</b>	197,931
Amortisation of intangible assets	16	<b>4,631</b>	2,237
Lease payments not included in the measurement of lease liabilities	15(c)	<b>6,616</b>	7,619
COVID-19-related rent concessions from lessors	15(b)	<b>(18,563)</b>	–
Loss/(gain) on disposal of items of property, plant and equipment**		<b>6,348</b>	(46)
Loss on disposal of an intangible asset		–	63
Gain on lease modifications	5	<b>(3,648)</b>	(1,460)
Interest income	5	<b>(7,116)</b>	(5,383)
Interest on bank loans	7	<b>7,387</b>	–
Interest on lease liabilities	7	<b>45,652</b>	47,968
Subsidy income from the PRC government	5	<b>(5,122)</b>	(8,723)
Foreign exchange difference, net	5	<b>(639)</b>	(344)
Gain on disposal of an associate	5	–	(848)
Loss on disposal of subsidiaries	28	<b>45</b>	350
Fair value gains:			
Equity investments at fair value through profit or loss	19	<b>(28,211)</b>	(19,012)
Debt investments at fair value through profit or loss	19	<b>(64,354)</b>	(17,907)
Auditor's remuneration		<b>2,880</b>	2,830

\* The staff costs of RMB708,393,000 (2019: RMB713,232,000) and the depreciation and amortisation of RMB255,913,000 (2019: RMB238,017,000) 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

	Notes	2020 RMB'000	2019 RMB'000
Interest on bank loans	6	7,387	–
Interest on lease liabilities	6, 15(c)	45,652	47,968
		<b>53,039</b>	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:

	2020 RMB'000	2019 RMB'000
Fees	264	264
Other emoluments:		
Salaries, allowances and benefits in kind	3,186	3,787
Performance related bonuses	344	840
Pension scheme contributions	120	153
	<b>3,650</b>	4,780
	<b>3,914</b>	5,044



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

### (a) Independent non-executive directors

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

	2020 RMB'000	2019 RMB'000
Mr. Yingmin Wu	–	–
Ms. Yu Long	132	132
Mr. Peng Xue	132	132
	<b>264</b>	264

There were no other emoluments payable to the independent non-executive directors during the year (2019: nil).

### (b) Executive directors and non-executive directors

2020	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	1,063	115	40	1,218
Mr. Junying Tang	1,063	115	40	1,218
Mr. Gui Zhou	1,060	114	40	1,214
	<b>3,186</b>	<b>344</b>	<b>120</b>	<b>3,650</b>
Non-executive director:				
Mr. Wenhui Xu	–	–	–	–
	<b>3,186</b>	<b>344</b>	<b>120</b>	<b>3,650</b>

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

### (b) Executive directors and non-executive directors (continued)

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.

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 (2019: one director), details of whose remuneration are set out above. Details of the remuneration for the year of the remaining four (2019: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020 RMB'000	2019 RMB'000
Salaries, allowances and benefits in kind	4,055	3,075
Performance related bonuses	673	529
Pension scheme contributions	214	144
Equity-settled compensation costs	2,354	19,680
	<b>7,296</b>	23,428

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

	2020	2019
Hong Kong dollars ("HK\$")		
HK\$1,000,001 to HK\$1,500,000	1	–
HK\$1,500,001 to HK\$2,000,000	–	–
HK\$2,000,001 to HK\$2,500,000	3	–
HK\$2,500,001 to HK\$3,000,000	–	1
HK\$3,000,001 to HK\$3,500,000	–	–
HK\$3,500,001 to HK\$4,000,000	–	–
HK\$4,000,001 to HK\$4,500,000	–	–
HK\$4,500,001 to HK\$5,000,000	–	2
Above HK\$5,000,001	–	1
	<b>4</b>	4

During the year, share awards were granted to four (2019: four) 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 27 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.

Beijing Qiaowen, Dongguan Dongcheng, Foshan Nanhai Beststudy, Zhongshan Xiaolan, Zhuhai Bestudy, Tianhe Beststudy and Qingxiu Zhuole were certified as small and micro-sized enterprises (“SMEs”) in 2020. Guangzhou Wendao, Zhuhai Siqi, Guangzhou Qizuo, Guangzhou Aiyuwen, Zhongshan Huating and Zhongshan Xiaolan were certified as SMEs in 2019. They enjoyed a 75% reduction of the first RMB1,000,000 of taxable income, a 50% reduction of taxable income between RMB1,000,000 and RMB3,000,000 and the preferential CIT rate of 20%.

Pursuant to the CIT Law and the respective regulations, the other PRC subsidiaries were subject to income tax at a statutory rate of 25% for the year (2019: 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.

	2020 RMB'000	2019 RMB'000
Current – the PRC		
Charge for the year	<b>18,289</b>	34,831
Overprovision in prior years	<b>(4,386)</b>	(4,705)
Deferred (note 24)	<b>1,312</b>	(8,182)
<b>Total tax charge for the year</b>	<b>15,215</b>	21,944



## 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:

2020

	Hong Kong		Mainland China		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit before tax	49,077		93,932		143,009	
Tax at the statutory tax rate	8,098	16.5	23,483	25.0	31,581	22.1
Lower tax rates enacted by local authority	-	-	(9,487)	(10.1)	(9,487)	(6.6)
Adjustments in respect of current tax in prior years	-	-	(4,386)	(4.7)	(4,386)	(3.1)
Profits and losses attributable to a joint venture and associates	(18)	-	460	0.5	442	0.3
Additional deduction of research and development expenses	-	-	(4,293)	(4.6)	(4,293)	(3.0)
Income not subject to tax	(8,355)	(17.1)	-	-	(8,355)	(5.9)
Expenses not deductible for tax	-	-	855	0.9	855	0.6
Tax losses utilised from previous periods	-	-	(1,158)	(1.2)	(1,158)	(0.8)
Tax losses not recognised	275	0.6	9,741	10.4	10,016	7.0
	-	-	15,215	16.2	15,215	10.6
Tax charge at the Group's effective rate	-	-	15,215	16.2	15,215	10.6

## 10. INCOME TAX (continued)

2019

	Hong Kong		Mainland China		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit before tax	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 years	-	-	(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 at the Group's effective rate	-	-	21,944	17.2	21,944	14.0



## 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 2020, final negotiations for the sale were in progress. Assets and liabilities included in Guangzhou Gaofen were classified as assets and liabilities held for sale. The disposal of Guangzhou Gaofen had been completed in February 2020.

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

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

## 12. DIVIDENDS

	2020 RMB'000	2019 RMB'000
Proposed final dividend per ordinary share – HK5.5 cents (2019: HK5.3 cents)	<b>39,272</b>	41,090
Proposed final special dividend per ordinary share – nil (2019: HK2.0 cents)	–	15,506
	<b>39,272</b>	56,596

The proposed final dividend out of the share premium account of the Company for the year ended 31 December 2020, are subject to the approval of the Company's shareholders at the forthcoming annual general meeting to be held on 14 May 2021 and compliance with the Companies Law of the Cayman Islands.

On 21 May 2020, the board of directors declared a final dividend and a final special dividend, out of the share premium account of the Company for the year ended 31 December 2019.



### 13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the adjusted weighted average number of ordinary shares of 790,624,444 (2019: 784,460,207) in 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 calculations of basic and diluted earnings per share are based on:

	2020 RMB'000	2019 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<b>129,675</b>	135,547
<hr/>		
	Number of shares 2020	2019
Shares		
Weighted average number of ordinary shares in issue	<b>849,720,000</b>	849,650,959
Weighted average number of shares held for the RSU Scheme	<b>(59,095,556)</b>	(65,190,752)
<hr/>		
Adjusted weighted average number of ordinary shares in issue used in the basic earnings per share calculation	<b>790,624,444</b>	784,460,207
<hr/>		
Effect of dilution – weighted average number of ordinary shares: RSU Scheme	<b>21,312,659</b>	8,126,698
<hr/>		
Adjusted weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	<b>811,937,103</b>	792,586,905



## 14. PROPERTY, PLANT AND EQUIPMENT

	Office equipment RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
<b>31 December 2020</b>					
At 31 December 2019 and 1 January 2020:					
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
At 1 January 2020, net of accumulated depreciation					
Additions	952	14,224	122	68,620	83,918
Disposals	(228)	(729)	-	(5,156)	(6,113)
Depreciation provided during the year (note 6)	(5,230)	(10,949)	(493)	(56,943)	(73,615)
At 31 December 2020, net of accumulated depreciation	7,473	21,369	1,582	175,793	206,217
At 31 December 2020:					
Cost	25,937	52,856	4,196	305,892	388,881
Accumulated depreciation	(18,464)	(31,487)	(2,614)	(130,099)	(182,664)
Net carrying amount	7,473	21,369	1,582	175,793	206,217

## 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
<b>31 December 2019</b>					
At 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



## 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:

	Property RMB'000
As at 1 January 2019	981,510
Additions	142,566
Depreciation charge* (note 6)	(201,498)
Revision of a lease term arising from a change in the non-cancellable period of a lease	(28,793)
As at 31 December 2019 and 1 January 2020	893,785
Additions	217,457
Depreciation charge* (note 6)	(212,337)
Revision of a lease term arising from a change in the non-cancellable period of a lease	(61,411)
	<b>837,494</b>

\* During the year ended 31 December 2020, depreciation of right-of-use assets amounting to RMB4,971,000 (2019: RMB3,567,000) was capitalised as part of the cost of leasehold improvements.

## 15. LEASES (continued)

### The Group as a lessee (continued)

#### (b) Lease liabilities

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

	2020 RMB'000	2019 RMB'000
Carrying amount at 1 January	959,385	1,006,904
New leases	217,457	142,566
Accretion of interest recognised during the year (note 7)	45,652	47,968
Payments	(209,031)	(207,615)
COVID-19-related rent concessions from lessors	(18,563)	–
Revision of a lease term arising from a change in the non-cancellable period of a lease	(67,033)	(30,438)
Carrying amount at 31 December	927,867	959,385
Analysed into:		
Current portion	211,546	225,915
Non-current portion	716,321	733,470

The maturity analysis of lease liabilities is disclosed in note 35 to the financial statements.

As disclosed in note 2.2 to the financial statements, the Group has early adopted the amendment to IFRS 16 and applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain property during the year.



## 15. LEASES (continued)

### The Group as a lessee (continued)

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

	2020 RMB'000	2019 RMB'000
Interest on lease liabilities	45,652	47,968
Depreciation charge of right-of-use assets	207,366	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, selling expenses, research and development expenses and administrative expenses)	6,616	7,619
COVID-19-related rent concessions from lessors	(18,563)	–
<b>Total amount recognised in profit or loss</b>	<b>241,071</b>	<b>253,518</b>

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 29(c) and 31(b), 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
<b>31 December 2020</b>					
Cost at 1 January 2020, net of accumulated amortisation	8,927	593	1,400	4,888	15,808
Additions	15,609	–	–	6,641	22,250
Transfer	3,676	–	–	(3,676)	–
Amortisation provided during the year (note 6)	(3,569)	(262)	(800)	–	(4,631)
At 31 December 2020	24,643	331	600	7,853	33,427
At 31 December 2020:					
Cost	25,926	2,657	8,000	7,853	44,436
Accumulated amortisation	(1,283)	(2,326)	(7,400)	–	(11,009)
Net carrying amount	24,643	331	600	7,853	33,427

## 16. INTANGIBLE ASSETS (continued)

	Computer software RMB'000	Domain names RMB'000	Trademarks RMB'000	Deferred development costs RMB'000	Total RMB'000
<b>31 December 2019</b>					
At 1 January 2019:					
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
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

## 17. INVESTMENTS IN ASSOCIATES

	2020 RMB'000	2019 RMB'000
Share of net assets	24,958	20,278
Goodwill on acquisition	54,761	49,961
	<b>79,719</b>	70,239



## 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		Principal activities
			2020	2019	
Guangdong Donghu Qiyuan Co., Ltd. *	Mainland China	1,429	30.00	30.00	Chess training services
Guangzhou Sairui Sports Co., Ltd. *	Mainland China	167	24.00	24.00	Physical education services
Guangzhou Haite Sports Development Co., Ltd. ("Haite Sports") *	Mainland China	1,250	36.00	36.00	Physical education services
Guangzhou Xinyue Sports Co., Ltd. *	Mainland China	5,000	40.00	40.00	Physical education services
Beijing Xiaohe Times Education Technology Co., Ltd. **	Mainland China	1,163	2.61	2.61	Consulting services
Beijing Tengyue Zhihui Network Technology Co., Ltd. ("Beijing Tengyue") **	(i) Mainland China	1,546	10.54	10.54	Online education services
Guangzhou Walmonos Sports Development Co., Ltd. ("Walmonos Sports") **	(ii) Mainland China	1,087	18.00	18.00	Physical education services
Guangzhou Yuyou Pinxue Co., Ltd. ("Yuyou Pinxue") **	(iii) Mainland China	1,304	17.48	19.00	Consulting services
Xiaohe Education Technology (Wuhan) Co., Ltd. ("Xiaohe Education (Wuhan)") **	(iv) Mainland China	5,333	10.00	10.00	K-12 after-school education services
Guangzhou GROW Education Technology Co., Ltd. ("Guangzhou GROW") *	(v) Mainland China	2,442	24.57	30.00	Internet information and culture services
Shanghai Juzhi Future Culture Communication Co., Ltd. ("Shanghai Juzhi") *	(vi) Mainland China	10,000	40.00	–	Art and culture education 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 acquired a 9% equity interest and a 2% equity interest in Beijing Tengyue from a related party of the Group, Guangzhou Lexue Equity Investment Management Co., Ltd. ("Guangzhou Lexue Equity Investment"), and its then shareholders at total consideration of RMB23,050,000 and RMB5,000,000, respectively, during the year ended 31 December 2019.
- (ii) The Group acquired an 18% equity interest in Walmonos Sports from an independent third party at total consideration of RMB25,199,000 during the year ended 31 December 2019. During the year ended 31 December 2020, the Group received dividend amounting to RMB55,000 from Walmonos Sports.
- (iii) The Group contributed total capital of RMB228,000 to Yuyou Pinxue, representing a 19% equity interest during the year ended 31 December 2019. During the year ended 31 December 2020, the equity interest percentage was decreased to 17.48% due to the capital contribution of other shareholders.
- (iv) The Group contributed total capital of RMB6,000,000 to Xiaohe Education (Wuhan), representing a 10% equity interest during the year ended 31 December 2019.
- (v) During the year ended 31 December 2019, the Group transferred a 30% equity interest in Guangzhou GROW to two independent individual shareholders. The share transfer transaction was accounted for as deemed disposal of a subsidiary and the Group has lost control over this company during the year ended 31 December 2019. During the year ended 31 December 2020, the equity interest percentage was decreased to 24.57% due to the capital contribution of other shareholders.
- (vi) The Group contributed total capital of RMB12,000,000 to Shanghai Juzhi, representing a 40% equity interest during the year ended 31 December 2020.

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

The Group's other receivable and other payable with an associate is disclosed in note 20 and note 22 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)

The following table illustrates the summarised financial information in respect of Beijing Tengyue adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2020 RMB'000	2019 RMB'000
Current assets	<b>22,216</b>	16,450
Non-current assets	<b>2,404</b>	3,225
Current liabilities	<b>(60,770)</b>	(28,682)
Net liabilities	<b>(36,150)</b>	(9,007)
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	<b>10.54%</b>	10.54%
Group's share of net assets of the associate	<b>(3,810)</b>	(949)
Goodwill on acquisition (less cumulative impairment)	<b>26,735</b>	26,735
Carrying amount of the investment	<b>22,925</b>	25,786
Revenue	<b>44,251</b>	35,127
Loss and total comprehensive income for the year	<b>(27,143)</b>	(21,477)

## 17. INVESTMENTS IN ASSOCIATES (continued)

The following table illustrates the summarised financial information in respect of Walmonos Sports adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2020 RMB'000	2019 RMB'000
Current assets	42,973	32,253
Non-current assets	11,972	9,476
Current liabilities	(47,008)	(28,064)
<b>Net assets</b>	<b>7,937</b>	13,665
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	18.00%	18.00%
Group's share of net assets of the associate	1,428	2,460
Goodwill on acquisition (less cumulative impairment)	22,604	22,604
Carrying amount of the investment	24,032	25,064
Revenue	56,064	5,707
Loss and total comprehensive income for the year	(5,425)	(755)

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

	2020 RMB'000	2019 RMB'000
Share of the associates' profits/(losses) for the year	1,373	(1,089)
Share of the associates' total comprehensive income	1,373	(1,089)
Aggregate carrying amount of the Group's interests in the associates	32,762	19,431

The Group has discontinued sharing further losses of Guangzhou GROW because the share of losses has exceeded the Group's investment and the Group has no obligation to take up further losses. The amount of the Group's accumulated unrecognised share of the losses of Guangzhou GROW as at 31 December 2020 was RMB35,680,000 (2019: RMB22,259,000).



## 18. INVESTMENT IN A JOINT VENTURE

	2020 RMB'000	2019 RMB'000
Share of net assets	415	313
Loan to a joint venture	5,021	4,886
Exchange realignment	14	519
At the end of the year	<b>5,450</b>	5,718

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 2020 and 2019, 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			Principal activities
			Ownership interest	Voting power	Profit sharing	
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:

	2020 RMB'000	2019 RMB'000
Cash and cash equivalents	1,096	800
Freehold land	–	4,884
Loan to a related party	4,877	4,882
Other receivables	5,016	7
	<b>10,989</b>	10,573
Loans from shareholders	<b>(10,041)</b>	(9,772)
Income tax payable	<b>(119)</b>	(175)
	<b>(10,160)</b>	(9,947)
Net assets	<b>829</b>	626
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	<b>50%</b>	50%
Group's share of net assets of the joint venture	<b>415</b>	313
Carrying amount of the investment	<b>415</b>	313
Interest income	<b>348</b>	402
Administrative expenses	<b>(51)</b>	(3)
Income tax expense	<b>(113)</b>	(172)
Profit for the year	<b>184</b>	227
Exchange differences on translation of financial statements	<b>19</b>	6
Profit and total comprehensive income for the year	<b>203</b>	233



## 19. OTHER INVESTMENTS

		<b>31 December 2020 RMB'000</b>	31 December 2019 RMB'000
Non-current assets			
Equity investments at fair value through profit or loss			
– Unlisted equity investments	(i)	<b>6,346</b>	3,827
Debt investments measured at amortised cost			
– Corporate debts	(ii)	<b>215,292</b>	–
Debt investments at fair value through profit or loss			
– Unlisted trust plan and asset management plan	(iii)	–	203,589
– Fund	(iii)	<b>15,252</b>	–
		<b>15,252</b>	203,589
		<b>236,890</b>	207,416
Current assets			
Short-term equity investments measured at fair value through profit or loss			
– Listed equity investments	(iv)	<b>84,825</b>	63,537
Short-term debt investment measured at amortised cost			
– Corporate debt	(ii)	<b>30,175</b>	–
Short-term debt investments measured at fair value through profit or loss			
– Wealth management products issued by banks	(iii)	<b>304,414</b>	370,282
– Unlisted trust plans and asset management plans	(iii)	<b>200,228</b>	274,447
– Funds	(iii)	<b>177,657</b>	171,741
		<b>682,299</b>	816,470
		<b>797,299</b>	880,007

## 19. OTHER INVESTMENTS (continued)

- (i) The fair values of the unlisted equity investments are measured using a valuation technique with unobservable inputs and hence categorised within level 3 of the fair value hierarchy.
- (ii) Debt investments measured at amortised cost are debt assets and a financing plan with guaranteed returns. They are denominated in RMB. None of these investments are past due.
- (iii) 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 RMB571,938,000 and RMB125,613,000 (2019: RMB773,489,000 and RMB246,570,000), with an expected rate of return ranging from 3.3% to 10.0% (2019: 3.5% to 8.0%) per annum for the period. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. The fair values are based on cash flows discounted using the expected return based on management judgement and are within Level 2 of fair value hierarchy.
- (iv) 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.
- (v) Amounts recognised in profit or loss

	2020 RMB'000	2019 RMB'000
Investment income from debt investments measured at amortised cost		
– Corporate debts	8,106	–
– Structured deposit	153	–
– National debt	1	1
	<b>8,260</b>	1
Fair value changes on equity investments		
– Unlisted equity investments	834	(3,055)
– Listed equity investments	27,377	22,067
Fair value changes on debt investments		
– Unlisted trust plans and asset management plans	37,573	10,052
– Wealth management products issued by banks	6,719	5,199
– Funds	20,062	2,656
	<b>92,565</b>	36,919



## 20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Rental and other deposits	56,815	82,495
Receivables from payment channels	18,776	17,732
Loans to employees	13,229	15,041
Prepaid operation expenses	13,216	12,937
Proceeds receivable	4,693	4,200
Staff advances	332	618
Amount due from a related party	-	3,413
Others	10,216	3,402
	<b>117,277</b>	139,838

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 ECLs 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 except for other prepayments prescribed by IFRS 9. For the receivables from payment channels, the Group assessed that the credit standing of the payment agents is very strong, and the tenor of such receivables is short. For the rental deposits, loans to employees and proceeds receivable, in the situation of a default, the Group might reduce the loss by negotiating settlement based on obtaining a right of use over leased assets or services. 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 2020 and 2019, the loss allowance was assessed to be minimal.



## 21. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	2020 RMB'000	2019 RMB'000
Cash and bank balances	696,364	201,552
Less: restricted cash	2,631	5,146
Cash and cash equivalents	<b>693,733</b>	196,406

As at the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB684,107,000 (2019: RMB184,793,000). 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 2020, bank balances amounting to RMB2,631,000 (2019: RMB5,146,000) are restricted. Bank balances amounting to RMB302,000 (2019: RMB3,004,000) were restricted for capital verification purposes upon setting up four (2019: two) of the Group's subsidiaries. Bank balances amounting to RMB2,329,000 (2019: 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

	2020 RMB'000	2019 RMB'000
Accrued staff benefits and payroll	189,476	140,476
Payable for operating activities	72,177	30,461
Refundable liabilities	8,625	4,577
Other tax payables	4,529	8,545
Deposits	3,607	2,962
Payable for listing expenses	691	4,548
Interest payable	347	-
Amount due to a related party	203	-
Others	11,880	8,526
	<b>291,535</b>	200,095

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. INTEREST-BEARING BANK LOANS AND LEASE LIABILITIES

	31 December 2020			31 December 2019		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
<b>Current</b>						
Lease liabilities (note 15(b))	4.75-4.9	2021	211,546	4.75-4.9	2020	225,915
Bank loans – unsecured	3.05	2021	200,000	–	–	–
Current portion of long-term bank loans – unsecured	3.60	2021	4,000	–	–	–
			<b>415,546</b>			<b>225,915</b>
<b>Non-current</b>						
Lease liabilities (note 15(b))	4.75-4.9	2022-2030	716,321	4.75-4.9	2021-2030	733,470
Bank loans – unsecured	3.60	2022	145,000	–	–	–
			<b>861,321</b>			<b>733,470</b>
			<b>1,276,867</b>			<b>959,385</b>

	31 December 2020 RMB'000	31 December 2019 RMB'000
Analysed into:		
Bank loans:		
Within one year or on demand	204,000	–
In the second year	145,000	–
	<b>349,000</b>	–
Other borrowings repayable:		
Within one year or on demand	211,546	225,915
In the second year	189,736	172,018
In the third to fifth years, inclusive	408,461	415,055
Beyond five years	118,124	146,397
	<b>927,867</b>	959,385
	<b>1,276,867</b>	959,385

Note:

The Group's interest-bearing bank loans are denominated in RMB, bearing interest rates ranging from 3.05% to 3.60%. The bank loans of RMB149,000,000 are secured by Zhuoxue Information, one of the subsidiaries of the Group while the other bank loan is unsecured.

## 24. DEFERRED TAX

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

### Deferred tax liabilities

	2020		
	Fair value adjustments arising from financial assets at fair value through profit or loss RMB'000	Deductible temporary differences RMB'000	Total RMB'000
At 1 January 2020	–	–	–
Deferred tax credited to the statement of profit or loss during the year (note 10)	1,589	1,470	3,059
Gross deferred tax liabilities at 31 December 2020	1,589	1,470	3,059

### Deferred tax assets

	2020					
	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	Share-based payments RMB'000	Total RMB'000
At 1 January 2020	831	7,319	1,329	9,520	–	18,999
Deferred tax (charged)/credited to the statement of profit or loss during the year (note 10)	(831)	(1,932)	(1,329)	4,239	1,600	1,747
Gross deferred tax assets at 31 December 2020	–	5,387	–	13,759	1,600	20,746



## 24. DEFERRED TAX (continued)

### 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				Total RMB'000
	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	
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

## 24. 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:

	2020 RMB'000	2019 RMB'000
Deferred tax assets recognised in the consolidated statement of financial position	<b>20,746</b>	18,999
Deferred tax liabilities recognised in the consolidated statement of financial position	<b>(3,059)</b>	–
Net deferred tax assets recognised in the consolidated statement of financial position	<b>17,687</b>	18,999

The Group also has tax losses arising in Mainland China of RMB128,644,000 (2019: RMB107,054,000) 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 2020, 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 2020, the aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised was RMB150,015,000 (2019: RMB69,655,000).

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



## 25. SHARE CAPITAL

### Shares

	2020 RMB'000	2019 RMB'000
Authorised: 3,000,000,000 ordinary shares of US\$0.00005 each as at 31 December 2020 (2019: 3,000,000,000 ordinary shares)	1,070	1,070
Issued and fully paid: 849,720,000 ordinary shares as at 31 December 2020 (2019: 849,720,000 ordinary shares)	304	304

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

	Number of shares in issue	Share capital RMB'000
At 1 January 2019	848,040,000	303
Exercise of over-allotment options	1,680,000	1
At 31 December 2019 and 31 December 2020	849,720,000	304

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.

## 26. 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 123 to 124 of the financial statements.

### (a) Statutory surplus reserve

Pursuant to the relevant laws in the PRC, the Company's subsidiaries in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the boards of directors of the relevant subsidiaries in the 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 to the development fund no less than 25% of the net income of the relevant institutions as determined in accordance with generally accepted accounting principles in the PRC. The development fund is for the construction or maintenance of the schools or procurement or upgrade of educational equipment.

### (b) Share premium

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

### (c) Shares held for the RSU Scheme

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

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



## 26. RESERVES (continued)

### (d) Capital contribution from non-controlling shareholders

#### (1) *Yizhi Siwei*

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

#### (3) *Guangzhou Wendao*

In August 2020 and November 2020, capital contributions of RMB50,000 and RMB30,000 were made to a subsidiary of the Group, Guangzhou Wendao, from a non-controlling shareholder.



## 27. SHARE-BASED PAYMENTS

### (a) 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 the RSU Scheme account during the years ended 31 December 2020 and 2019 are as follows:

	Notes	Number of shares	Amount RMB'000
As at 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 and 1 January 2020		54,983,978	4,684
Repurchase of shares held for RSU Scheme	(i)	26,746,000	78,481
Exercise of share awards	(ii)	(9,507,620)	(3)
As at 31 December 2020		72,222,358	83,162



## 27. SHARE-BASED PAYMENTS (continued)

### (a) Restricted Share Unit Scheme (continued)

The movements of the Company's shares held for the RSU Scheme account during the years ended 31 December 2020 and 2019 are as follows: (continued)

- (i) During the year ended 31 December 2020, 26,746,000 ordinary shares of the Company on the Stock Exchange were purchased for the RSU Scheme (2019: 1,575,000) at a total consideration of HK\$88,275,000 (approximately RMB78,481,000) (2019: HK\$5,194,000, approximately RMB4,666,000).
- (ii) On 3 September 2019, the board of directors of the Group resolved to grant a certain number 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 2020, the Group granted a certain number of RSUs at a consideration of nil per share to 17 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\$3.20 (equivalent to RMB2.82) per share, HK\$2.80 (equivalent to RMB2.45) per share, HK\$2.90 (equivalent to RMB2.48) per share and HK\$3.10 (equivalent to RMB2.68) per share, respectively. The aggregate number of shares granted during the year is set out in the table below.

During the year ended 31 December 2020, 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 RMB15,863,000 (2019: RMB30,140,000) in profit or loss in relation to the RSU Scheme.

## 27. SHARE-BASED PAYMENTS (continued)

## (a) Restricted Share Unit Scheme (continued)

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

Date of grant	Number of outstanding granted RSUs as at 1 January 2020 '000	Shares newly granted during the period '000	Fair value RMB'000	Exercise price RMB	Vesting date	Number of Awarded Shares		
						Vested during the period '000	Forfeited during the period '000	Outstanding granted RSUs as at 31 December '000
3 September 2019	6,374	-	-	0.80	31 May 2020	5,751	623	-
3 September 2019	3,400	-	-	-	31 May 2020	3,042	358	-
3 September 2019	8,718	-	-	0.80	31 May 2021	-	617	8,101
3 September 2019	2,550	-	-	-	31 May 2021	-	344	2,206
3 September 2019	167	-	-	-	31 July 2021	-	-	167
3 September 2019	8,718	-	-	0.80	31 May 2022	-	617	8,101
3 September 2019	2,550	-	-	-	31 May 2022	-	344	2,206
3 September 2019	167	-	-	-	31 July 2022	-	-	167
3 September 2019	167	-	-	-	31 December 2023	-	-	167
10 September 2020	-	167	470	-	10 September 2020	167	-	-
10 September 2020	-	167	470	-	10 September 2021	-	-	167
10 September 2020	-	167	470	-	10 September 2022	-	-	167
10 September 2020	-	166	471	-	10 September 2023	-	-	166
29 October 2020	-	266	651	-	29 October 2020	266	-	-
29 October 2020	-	256	626	-	29 October 2021	-	-	256
29 October 2020	-	324	793	-	29 October 2022	-	-	324
29 October 2020	-	134	328	-	29 October 2023	-	-	134
3 November 2020	-	282	700	-	3 November 2020	282	-	-
8 November 2020	-	105	281	-	8 October 2021	-	-	105
8 November 2020	-	105	281	-	8 October 2022	-	-	105
8 November 2020	-	105	281	-	8 October 2023	-	-	105
8 November 2020	-	105	281	-	8 October 2024	-	-	105
	32,811	2,349	6,103			9,508	2,903	22,749



## 27. SHARE-BASED PAYMENTS (continued)

### (b) 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 is 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 Limit is exceeded.

## 28. DISPOSAL OF SUBSIDIARIES

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

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. The disposal of Guangzhou Gaofen was completed in February 2020 with a loss of RMB45,000.

	2020 RMB'000	2019 RMB'000
Net assets disposed of:		
Property, plant and equipment	–	2,714
Equity investments at fair value through profit or loss	<b>65,989</b>	–
Prepayments, deposits and other receivables	<b>51</b>	1,044
Cash and cash equivalents	<b>40</b>	1,271
Contract liabilities	–	(1,989)
Other payables and accruals	<b>(66,035)</b>	(2,576)
Non-controlling interests	–	486
	<b>45</b>	950
Loss on disposal of subsidiaries	<b>(45)</b>	(350)
	–	600
Satisfied by:		
Cash	–*	–*

\* The amount was less than RMB1,000.

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

	2020 RMB'000	2019 RMB'000
Cash consideration	–*	–*
Cash and bank balances disposed of	<b>(40)</b>	(1,271)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	<b>(40)</b>	(1,271)

\* The amount was less than RMB1,000.



## 29. 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 RMB217,457,000 (2019: RMB142,566,000) and RMB217,457,000 (2019: RMB142,566,000), respectively, in respect of lease arrangements for property.

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

	2020 Interest-bearing bank loans RMB'000	Interest payable RMB'000	Lease liabilities RMB'000
At 1 January 2020	–	–	959,385
Changes from financing cash flows	349,000	(7,040)	(209,031)
New leases	–	–	217,457
Interest expense	–	7,387	45,652
COVID-19-related rent concessions from lessors	–	–	(18,563)
Reassessment and revision of lease terms	–	–	(67,033)
As at 31 December 2020	349,000	347	927,867

	2019 Lease liabilities RMB'000
At 1 January 2019	1,006,904
Changes from financing cash flows	(207,615)
New leases	142,566
Interest expense	47,968
Reassessment and revision of lease terms	(30,438)
As at 31 December 2019	959,385

### (c) Total cash outflow for leases

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

	2020 RMB'000	2019 RMB'000
Within operating activities	6,616	7,619
Within financing activities	209,031	207,615
	215,647	215,234

### 30. CONTINGENT LIABILITIES

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

### 31. COMMITMENTS

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

	2020 RMB'000	2019 RMB'000
Contracted, but not provided for: Leasehold improvements	7,785	5,589

(b) The Group has various lease contracts that have not yet commenced as at 31 December 2020. The future lease payments for these non-cancellable lease contracts are RMB3,580,000 due within one year, RMB10,916,000 due in the second to fifth years, inclusive and RMB1,038,000 due after five years.

### 32. RELATED PARTY TRANSACTIONS

(a) **Name and relationship of related parties**

Name	Relationship
Guangzhou Lexue Equity Investment	Controlled by three directors
Guangzhou Tongyi Education Consulting Co., Ltd. 廣州童意教育諮詢有限公司 (“Guangzhou Tongyi”)	Controlled by three directors
Guangzhou Tengyue Education Technology Co., Ltd. 廣州騰越教育科技有限公司 (“Guangzhou Tengyue”)	Controlled by three directors
Guangzhou GROW	Associate of the Group
Yuyou Pinxue	Associate of the Group
Walmonos Sports	Associate of the Group
Haite Sports	Associate of the Group



## 32. RELATED PARTY TRANSACTIONS (continued)

### (b) Transactions with related parties

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

#### (1) Sales of consulting services to related parties

	2020 RMB'000	2019 RMB'000
Guangzhou GROW	1,960	2,021
Yuyou Pinxue	53	–
Walmonos Sports	279	–
Haite Sports	179	–
	<b>2,471</b>	2,021

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

#### (2) Purchase of teaching materials from a related party

	2020 RMB'000	2019 RMB'000
Walmonos Sports	378	–

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

#### (3) Transfer of an investment from a related party

	2020 RMB'000	2019 RMB'000
Guangzhou Lexue Equity Investment	–	23,050

The Group acquired a 9% equity interest in Beijing Tengyue from Guangzhou Lexue Equity Investment at a total consideration of RMB23,050,000 during the year ended 31 December 2019. Further details are included in note 17 to the financial statements.



## 32. RELATED PARTY TRANSACTIONS (continued)

### (b) Transactions with related parties (continued)

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

	2020 RMB'000	2019 RMB'000
Guangzhou GROW	82	4,069

#### (5) Rental income from related parties

	2020 RMB'000	2019 RMB'000
Yuyou Pinxue	1,175	–
Guangzhou GROW	1	–
Guangzhou Tengyue	50	–
	1,226	–

#### (5) Rental expense to a related party

	2020 RMB'000	2019 RMB'000
Guangzhou Tongyi	283	–

### (c) Outstanding balances with related parties

#### (1) Amount due from a related party

	2020 RMB'000	2019 RMB'000
Guangzhou GROW	–	3,413



## 32. RELATED PARTY TRANSACTIONS (continued)

### (c) Outstanding balances with related parties (continued)

#### (2) Amount due to a related party

	2020 RMB'000	2019 RMB'000
Walmonos Sports	203	–

The balance is unsecured, interest-free and has no fixed terms of repayment.

### (d) Compensation of key management personnel of the Group

	2020 RMB'000	2019 RMB'000
Short-term employee benefits	6,462	8,320
Pension scheme contributions	222	294
Equity-settled compensation costs	1,134	11,291
Total compensation paid to key management personnel	7,818	19,905

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

### 33. 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:

#### 2020

##### Financial assets

	Financial assets at fair value through profit or loss		Financial assets at amortised cost RMB'000	Total RMB'000
	Designated as such upon initial recognition RMB'000	Mandatorily designated as such RMB'000		
Equity investments at fair value through profit or loss				
– Unlisted equity investments	6,346	–	–	6,346
Debt investments measured at amortised cost				
– Corporate debts	–	–	215,292	215,292
Debt investments at fair value through profit or loss				
– Funds	–	15,252	–	15,252
Time deposits	–	–	151,070	151,070
Short-term equity investments measured at fair value through profit or loss				
– Listed equity investment	–	84,825	–	84,825
Debt investments measured at amortised cost				
– Corporate debt	–	–	30,175	30,175
Short-term debt investments measured at fair value through profit or loss				
– Wealth management products issued by banks	–	304,414	–	304,414
– Unlisted trust plans and asset management plans	–	200,228	–	200,228
– Funds	–	177,657	–	177,657
Loan to a joint venture	–	–	5,021	5,021
Financial assets included in prepayments, deposits and other receivables	–	–	103,729	103,729
Restricted cash	–	–	2,631	2,631
Cash and cash equivalents	–	–	693,733	693,733
	6,346	782,376	1,201,651	1,990,373

##### Financial liabilities

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Financial liabilities included in other payables and accruals	88,905	88,905
Lease liabilities	927,867	927,867
Interest-bearing bank loans	349,000	349,000
	1,365,772	1,365,772

**33. 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)

**2019****Financial assets**

	Financial assets at fair value through profit or loss			Financial assets at amortised cost RMB'000	Total RMB'000
	Designated as such upon initial recognition RMB'000	Mandatorily designated as such 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 equity investments measured at fair value through profit or loss					
– Listed equity investments	–	63,537	–		63,537
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
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

### 34. 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	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Financial assets				
Equity investments at fair value through profit or loss				
– Unlisted equity investments	<b>6,346</b>	3,827	<b>6,346</b>	3,827
Debt investments at fair value through profit or loss				
– Unlisted trust plans and asset management plans	–	203,589	–	203,589
– Funds	<b>15,252</b>	–	<b>15,252</b>	–
Short-term equity investments measured at fair value through profit or loss				
– Listed equity investments	<b>84,825</b>	63,537	<b>84,825</b>	63,537
Short-term debt investments measured at fair value through profit or loss				
– Wealth management products issued by banks	<b>304,414</b>	370,282	<b>304,414</b>	370,282
– Unlisted trust plans and asset management plans	<b>200,228</b>	274,447	<b>200,228</b>	274,447
– Funds	<b>177,657</b>	171,741	<b>177,657</b>	171,741
	<b>788,722</b>	1,087,423	<b>788,722</b>	1,087,423

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, a loan to a joint venture, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the debt investments measured at amortised cost, interest-bearing bank loans and lease liabilities, and 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 2020 were assessed to be insignificant.



## 34. 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 2020**

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Equity investments at fair value through profit or loss				
– Unlisted equity investments	–	–	6,346	6,346
Debt investments at fair value through profit or loss				
– Unlisted trust plans and asset management plans	–	–	–	–
– Funds	–	15,252	–	15,252
Short-term equity investments measured at fair value through profit or loss				
– Listed equity investments	84,825	–	–	84,825
Short-term debt investments measured at fair value through profit or loss				
– Wealth management products issued by banks	–	304,414	–	304,414
– Unlisted trust plans and asset management plans	–	200,228	–	200,228
– Funds	–	177,657	–	177,657
	84,825	697,551	6,346	788,722

### 34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

#### Fair value hierarchy (continued)

As at 31 December 2019

	Fair value measurement using			Total RMB'000		
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) 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 equity investments measured at fair value through profit or loss						
– Listed equity investments	63,537	–	–	63,537		
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		
	63,537	1,020,059	3,827	1,087,423		



### 34. 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:

	2020 RMB'000	2019 RMB'000
Equity investments at fair value through profit or loss:		
At 1 January	3,827	71,299
Total losses recognised in the statement of profit or loss	834	(3,055)
Additions	2,110	1,532
Transfer	-	(65,989)
Exchange realignment	(425)	40
At 31 December	<b>6,346</b>	3,827

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 2020, 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 RMB6,000 (31 December 2019: RMB12,000).

During the year ended 31 December 2020, 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.

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.



## 35. 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
2020		
If RMB weakens against HK\$	(5%)	1,018
If RMB strengthens against HK\$	5%	(1,018)
If RMB weakens against US\$	(5%)	6,224
If RMB strengthens against US\$	5%	(6,224)
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)



## 35. 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 meet 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 2020 and 2019, the credit rating of other receivables was of performing grade. The Group assessed that the ECLs for these receivables were not material under the 12-months expected credit loss method. Thus, no loss allowance provision was recognised during the years ended 31 December 2020 and 2019.

## 35. 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 2020					Carrying amount RMB'000
	On demand RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	
Financial liabilities included in other payables and accruals	88,905	–	–	–	88,905	88,905
Lease liabilities	–	251,807	675,232	125,722	1,052,761	927,867
Interest-bearing bank loans	–	210,914	147,920	–	358,834	349,000
	88,905	462,721	823,152	125,722	1,500,500	1,365,772

	As at 31 December 2019					Carrying amount RMB'000
	On demand RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total 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



## 35. 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 periods were as follows:

	<b>31 December 2020</b>	31 December 2019
	<b>RMB'000</b>	RMB'000
Total liabilities	<b>2,388,183</b>	1,968,340
Total assets	<b>3,184,053</b>	2,765,002
Debt-to-asset ratios	<b>75%</b>	71%

## 36. EVENTS AFTER THE REPORTING PERIOD

On 5 March 2021, the Group transferred the total equity interest of Guangzhou Grow to a third party at a consideration of RMB20,511,000.

In January 2021, an aggregate of 2,499,000 shares were repurchased by the Company, at a total consideration of HK\$6,807,270. All these shares were decided to be cancelled.

**37. 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:

	2020 RMB'000	2019 RMB'000
<b>NON-CURRENT ASSETS</b>		
Investment in a subsidiary	<b>46,334</b>	30,471
Debt investments measured at fair value through profit or loss	–	183,543
<b>Total non-current assets</b>	<b>46,334</b>	214,014
<b>CURRENT ASSETS</b>		
Amounts due from subsidiaries of the Group	<b>119,305</b>	124,595
Short-term debt investments measured at fair value through profit or loss	<b>125,613</b>	63,027
Prepayments, deposits and other receivables	<b>4,796</b>	4,192
Cash and bank balances	<b>5,222</b>	8,296
<b>Total current assets</b>	<b>254,936</b>	200,110
<b>CURRENT LIABILITIES</b>		
Other payables and accruals	<b>489</b>	890
Amount due to a subsidiary of the Group	<b>294</b>	2,369
<b>Total current liabilities</b>	<b>783</b>	3,259
<b>NET CURRENT ASSETS</b>	<b>254,153</b>	196,851
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>300,487</b>	410,865
<b>Net assets</b>	<b>300,487</b>	410,865
<b>EQUITY</b>		
Share capital (note 25)	<b>304</b>	304
Reserves	<b>300,183</b>	410,561
<b>Total equity</b>	<b>300,487</b>	410,865



### 37. 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 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 and at 1 January 2020	301,531	(4,684)	7,572	123,202	(17,060)	410,561
Profit for the year	–	–	–	<b>18,187</b>	–	<b>18,187</b>
Other comprehensive income for the year:						
Exchange differences on translation of financial statements	–	–	–	–	<b>(17,359)</b>	<b>(17,359)</b>
Total comprehensive income for the year	–	–	–	<b>18,187</b>	<b>(17,359)</b>	<b>828</b>
Issue of shares	–	–	–	–	–	–
Share issue expenses	–	–	–	–	–	–
Share-based payments	–	–	<b>15,863</b>	–	–	<b>15,863</b>
Exercise of share awards under the restricted share unit scheme	–	<b>3</b>	<b>(11,299)</b>	<b>15,859</b>	–	<b>4,563</b>
Repurchase of shares under the restricted share unit scheme	–	<b>(78,481)</b>	–	–	–	<b>(78,481)</b>
Final 2019 dividend declared	<b>(53,151)</b>	–	–	–	–	<b>(53,151)</b>
At 31 December 2020	<b>248,380</b>	<b>(83,162)</b>	<b>12,136</b>	<b>157,248</b>	<b>(34,419)</b>	<b>300,183</b>

### 38. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 25 March 2021.

# Five-Year Financial Summary

The consolidated results, assets and liabilities of the Group for the last five financial years as extracted from the financial statements of the Groups are summarised below:

	Reporting Period ended 31 December				
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000
<b>RESULTS</b>					
Revenue	896,131	1,141,701	1,473,748	1,831,667	<b>1,687,798</b>
Gross profit	376,319	482,750	598,031	767,623	<b>615,186</b>
Profit for the year	58,018	65,809	73,971	134,881	<b>127,794</b>

	As at 31 December				
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000
<b>ASSETS AND LIABILITIES</b>					
Total non-current assets	140,610	171,316	302,158	1,476,297	<b>1,572,421</b>
Total current assets	833,930	867,677	1,137,464	1,288,705	<b>1,611,632</b>
Total current liabilities	508,503	686,200	776,330	1,234,870	<b>1,526,862</b>
Total non-current liabilities	11,958	15,026	41,210	733,470	<b>861,321</b>
Total equity	454,079	337,767	622,082	796,662	<b>795,870</b>