卓越教育集團

China Beststudy Education Group

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3978

ANNUAL REPORT 2022

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Wenhui Xu
Mr. Wai Ng

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

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

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Tahota (Beijing) Law Firm
Tian Yuan Law Firm LLP

PRINCIPAL BANKS

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

REGISTERED OFFICE

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Grand Cayman, KY1–1002
Cayman Islands

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Guangdong, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Harneys Fiduciary (Cayman) Limited
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Grand Cayman, KY1–1002
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
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Wanchai
Hong Kong

STOCK CODE

3978

COMPANY'S WEBSITE

www.beststudy.com

INVESTOR RELATIONS

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Email:	ir@zy.com

LISTING DATE

27 December 2018

Company Profile

COMPANY PROFILE AND OVERVIEW

As a leading education service provider in South China, China Beststudy Education Group (the "**Company**" or "**Beststudy**" and, together with its subsidiaries, collectively the "**Group**") has been consistently providing high-quality and diversified education products and services to students and parents since our establishment 25 years ago.

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

The Group has been focusing on developing in South China and established business presence across the country. Through 25 years of efforts and development, our "Zhuoyue Education" (卓越教育) brand and reputation have also been recognised and welcomed by students, parents and all sectors of the community. During the outbreak of the pandemic, we actively participated in social welfare undertakings, worked together with frontline medical staff to fight against the pandemic and won the awards of "Advanced Anti-epidemic Collective of Private Education in Yuexiu District" (越秀區民辦教育抗疫先進集體), "Guangzhou Party Organisation with Double Strength and Six Excellence" (廣州市雙強六好黨組織), "Guangzhou Model Base for Party Building" (廣州市黨建示範基地) and "General Member of the Economic Association of Guangzhou Headquarters" (廣州市總部經濟協會一般會員). The recognition from students, parents and all sectors of the community will help us enlarge our student pool and further strengthen our market position in the industry.

Financial and Key Operating Data Highlights

FINANCIAL AND KEY OPERATING DATA HIGHLIGHTS

	For the year ended 31 December		
	2022	2021	% Change
	RMB'000	RMB'000	
Revenue	**491,134**	1,898,627	(74.1)%
Gross Profit	**173,061**	729,347	(76.3)%
Net Profit (Loss)	**54,073**	(325,593)	116.6%
Unaudited Adjusted Profit (Loss)	**54,799**	(331,507)	116.5%

Chairman's Statement

Dear Shareholders,

On behalf of the Board (the "**Board**") of directors (the "**Directors**") of the Group, I am pleased to present the annual report of the Group for the year ended 31 December 2022 (the "**Reporting Period**").

PERFORMANCE REVIEW

To mitigate the impact of the "Double Reduction Policy" and the COVID-19 pandemic on the industry and the Group's business, during the Reporting Period the Group has taken proactive measures to adjust its strategic focus, developing a future-oriented layout, re-focusing on the Greater Bay Area, leveraging on the Group's accumulated resources and strengths to explore new tracks and stimulate the second growth curve.

The Group has been pushing forward the rapid development of its full-time revision business segment, with new schools opening in Guangdong Province. We insist on the continuous utilisation and optimisation of efficient technology to empower our precise teaching system, calmly respond to diversified teaching scenarios, ensure students' learning experience and effectiveness and offer more efficient and precise teaching services. At the same time, with the support of the precise teaching system, the Group helps students major in art, music or sports to rapidly improve their cultural scores through the hourglass figure training program, so as to more accurately grasp and meet the needs of students, achieve accurate teaching, efficient learning and intelligent management, and help students continue to improve and surpass themselves and enroll in ideal colleges and universities. Meanwhile, we also strengthen the Group's efficient and reliable brand image and achieve corporate value, laying a solid foundation for the Group's sustainable development.

The Group has achieved significant breakthroughs in the comprehensive optimisation of the layout of talent education. In the non-academic appraisal conducted by the education department, our products, such as "Programming" (編程), "Curious Young Reporters" (奇趣小記者), "Go Chess" (圍棋), "Thinking Planet" (思考星球), "Di-Da Literature" (滴嗒文學), among others, are the first batch of quality products that have passed the non-academic product appraisal. The above product courses are highly recognised by society and students, helping to build a brand image of excellent quality-oriented education, and the courses meet the existing requirements for courses conducted in campuses, providing an important guarantee for the transformation of the Group.

During the Reporting Period, the Group partnered with 45 primary and secondary schools in Guangzhou to provide integrated after-class services on campus. We have won recognition from schools for providing high-quality services and experiences to students through more than 50 talent education products, including moral education programs, thinking development, language expression, aesthetic arts, science literacy, cooking, labouring, sports, and study and practice.

The Group has actively responded to national policy by implementing the transformation in the direction of vocational education through different forms. We have established a comprehensive strategic cooperation relationship with secondary vocational schools and institutions. We have tailor-made a fully closed management program for secondary vocational school students, with the college entrance examination for vocational school students as the final destination, to provide full support for the high-quality learning of secondary vocational school students through a full-swing, holistic and all-round education and services. In addition, the Group has also launched the "Zhuoyue 3+ Certificate Higher Vocational Studies" (卓越3+證書高職高考班). The program is based on the basic model of "small group tutoring", with a three-lecturer classroom teaching strategy tailored specifically for secondary vocational school students and taught by experienced section leaders and five-star lecturers in a closed-loop manner through "lecture, practice and test", so as to guarantee the learning quality of each and every student and help students realise their dreams of attending ideal colleges and universities.

The Group has consistently adhered to the mission of "cultivating excellent quality and contributing to China's future" and has firmly stuck to the objective of "do warm education" for our public welfare action. The Group has made its best efforts to carry out public welfare education, donated teaching equipment and materials to primary and secondary schools in remote areas for many times, and actively provided free of charge services for students with difficulties in families to help narrow the gap between urban and rural education; we continued to carry out the "Candle Care Program" (護燭計劃), while improving the educational conditions of schools in rural areas. We also actively carried out teacher support and exchange activities in rural areas to help improve teaching skills, expand educational horizons, and support the great national vision of revitalising rural education through practical actions. The Group continues to adhere to the educational philosophy of cultivating people by virtue, actively undertaking social responsibilities by sending volunteer service teams many times, donating anti-pandemic materials to support the frontline pandemic prevention during the COVID-19 pandemic; the Group joined hands with government units to organise the "Youth of the Future" (未來少年) summer public welfare series activities, providing childcare services for the children of frontline pandemic prevention personnel, and providing strong support for frontline personnel. We keep continuously improving corporate credibility and brand influence through undertaking social responsibilities, interpreting the original intention of public welfare with practical actions, and promoting sustainable development with charity.

FUTURE PROSPECTS

Since the first anniversary of the implementation of the "Double Reduction Policy", the Group has not only closely followed the direction of general national policies, strictly implemented them and operated in accordance with the law, but also adhered to the original intention of "All for Children's Healthy Development", committed to the essence of education and contributing to the construction of a high-talent education system in China. Under the dual guidance of policy and market, the Group has accelerated the development of its second growth curve, focusing on the core strategic system of "full-time revision + talent education + vocational education" and actively promoting the diversification of fields to provide comprehensive teaching services for students and promote the all-round development of children.

Expanding into new full-time revision business to enhance the momentum of growth

Leveraging on the new situation, the Group will continue to provide full-time revision business to students, promoting the continuous development of our existing business. The Group will expand the provincial market in a swift pace while putting efforts in marching forward towards the national market, explore and develop a new market territory. The Group remains committed to using technology-enabled precision teaching systems, combining our rich teaching experience with science-based teaching systems to help us better understand students' needs and continuously optimise our teaching models to ensure high-quality output of teaching content and accelerate the development of our business segments.

The deepening of our new full-time business will further enhance the Group's core competitiveness, providing the Group with continuous momentum to take our business to the next level.

Deepening the development of talent education to build a one-stop talent education base

The importance of talent education is becoming increasingly evident as the demand for talent in economic development continues to rise. Coupled with the proper guidance from national policies, talent education has now become one of the most promising new tracks in the education industry. The Group actively responded to the call of national policies, and proactively transformed towards talent education by conducting a new round of research and development, upgrading its eight existing talent education products and continuously enriching the product categories of talent education in non-academic accreditation products to build an all-round development education system that embraces the "five educations" integration "moral, intellectual, physical, aesthetic and labour" to achieve the improvement of core literacy of primary and secondary school students, continuing to provide new momentum for the transformation of the Group.

The Group will further cooperate with more primary and secondary schools, and strive to continuously provide customers with valuable products and services by combining its own localisation advantages, professional service operation system and teacher training team, innovating the use of internal and external resources and creating a rich variety of on-campus after-school quality courses. We also actively respond to the national concept of "integration of five-education", assist the implementation of quality-oriented education in schools, create a characteristic school-based curriculum of quality-oriented education, and build a new pattern of after-school services in schools.

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

In the future, Beststudy will continue to build on its philosophy of cultivating people by virtue and all-round development, consolidate the new anchor point of diversified talent education programs, and leverage on the Group's strengths in customer resources and business scale accumulated through years of hard work to vigorously promote the development of new businesses in talent education on the brand new track.

Explore vocational education and accelerate the development of new channels

As China enters a new stage of development, the importance of vocational education is becoming more and more prominent. In October 2021, the General Office of the State Council issued the Opinions on Promoting the High-quality Development of Vocational Education* (《關於推動現代職業教育高質量發展的意見》), which emphasised the promising future of vocational education and pointed out the direction for the development of vocational education. In January 2022, the Measures for the Management of Funds for the Quality Improvement Plan of Modern Vocational Education (《現代職業教育質量提升計劃資金管理辦法》) formulated by the Ministry of Finance and the Ministry of Education began to be implemented, which provided a guarantee for promoting the reform and development of vocational education and accelerating the construction of a modern vocational education system. In April 2022, the Guiding Opinions on Promoting the High-quality Development of Cultural and Art Vocational Education in the New Era (《關於促進新時代文化藝術職業教育高質量發展的指導意見》) formulated by the Ministry of Culture and Tourism and the Ministry of Education began to be implemented, which provided guidance for further improving the development capability of cultural and art vocational education services. In May 2022, the Vocational Education Law of the People's Republic of China* (《中華人民共和國職業教育法》) was promulgated, bringing the development of vocational education to a new level. The market for vocational education is set to grow further under the positive guidance of national policies.

Riding on the unique original advantages of vocational education in Guangdong Province and leveraging on its years of accumulated resources and teaching and research experience, the Group has launched a comprehensive exploration of vocational education products. With the focus of developing its business in the new area, the Group will offer courses including vocational certificate training. In addition, the Group will continue to strengthen its strategic cooperation relationship with private colleges and universities, and secondary vocational colleges, actively explore the innovative training models for vocational education, give full play to the respective advantages of all parties, and establish the consensus of "complementary advantages, resource sharing and cooperative development" on education, jointly cultivate high-quality and high-skilled application-oriented talents, providing multi-level and diversified technical and skilled talent support to promote the high-quality development of modern vocational education, enhance the Group's reputation in the field of vocational education, and help to accelerate the development of Beststudy in the new channels of vocational education.

Creating an integrated learning and growth space and accompanying children's growth in a high-quality and efficient manner

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

Protect rye field and grow with hope

We have always followed the guidance of national policies, constantly optimising and improving our strategy, enhancing our core competitiveness and promoting sustainable, high-quality development. Always being child-oriented and good protector of children, we will provide children with diversified and comprehensive teaching services with warmth, substance, creativity and technology, so as to stimulate their internal motivation and promote their healthy and comprehensive growth. We will also respond to the national call to vigorously develop vocational education, rely on our own advantages, and deepen cooperation with universities and colleges, actively exploring the vocational and technical training and education track, and promoting the development of the Group in multiple fields and tracks. The Group will continue to create a better service and working platform for teachers and employees to help them realise their personal value. The Group will also deliver continuous and increasing investment returns to shareholders of the Company (the "**Shareholder(s)**") and investors through sustainable and healthy operation, so as to grow with hope and achieve a new level of success for Beststudy.

APPRECIATION

On behalf of the Board, I would like to thank all our colleagues for their diligence, dedication, loyalty and integrity. I would also like to thank all our Shareholders, customers, bankers and other business associates for their trust and support.

Junjing Tang
Chairman, Chief Executive Officer and Executive Director

28 March 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 for in 2022 and 2021:

	For the year ended 31 December		
	2022	2021	% Change
	RMB'000	RMB'000	
Full-time test preparation programs	**163,520**	161,639	1.2%
Tutoring programs	**245,361**	1,662,561	(85.2)%
Talent education	**81,502**	73,956	10.2%
Others	**751**	471	59.4%
Total	**491,134**	1,898,627	(74.1)%

The Group's revenue is principally generated from the tuition fees collected from our students. During the Reporting Period, the Group's revenue generated from our principal business decreased by 74.1% to approximately RMB491.1 million from RMB1,898.6 million in 2021. Compared with 2021, the increase in revenue from talent education was mainly due to the increase in number of students and tutoring hours; the decrease in tutoring programs was due to the "Double Reduction Policy" requiring the termination of the business of extracurricular tutoring for subjects in primary and secondary schools.

Cost of Sales

Cost of sales decreased by 72.8% from RMB1,169.3 million in 2021 to RMB318.1 million for the Reporting Period.

Gross Profit and Gross Profit Margin

As a result of the above principal factors, the Group's gross profit decreased by 76.3% from RMB729.3 million in 2021 to RMB173.1 million for the Reporting Period.

The gross profit margin of the Group in 2021 was 38.4%, whilst for the Reporting Period it was 35.2%.

Other Income

During the Reporting Period, the Group recorded other income in the amount of RMB56.0 million, representing a decrease of 29.7% year-on-year. Other income during the Reporting Period mainly included interest income of bank deposits of RMB10.1 million, interest income of debt instruments at amortised cost of RMB18.5 million, government grants of RMB3.2 million and dividends from financial instruments at fair value through profit or loss ("**FVTPL**") of RMB2.1 million.

Other Gains and Losses

During the Reporting Period, the Group recorded other gains and losses in the amount of RMB15.4 million, representing an increase of 48.4% year-on-year. The other gains and losses during the Reporting Period mainly included gain on lease modifications, net of deposits losses of RMB13.2 million and foreign exchange gains of RMB1.4 million.

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

This item refers to the provision for impairment of financial assets or the reversal of provision. During the Reporting Period, the reversal of provision was RMB18.7 million, which was mainly because the provision for impairment of wealth management products was overdue in 2021, while some overdue wealth management products were recovered in 2022.

Fair Value Changes on Investments at FVTPL

The change in fair value of investments recorded at FVTPL resulted in a loss of approximately RMB144.4 million in 2021, while a loss of approximately RMB12.4 million was recorded during the Reporting Period. The changes in fair value include losses from change in fair value of listed equity investments.

Selling Expenses

During the Reporting Period, the Group's total selling expenses decreased by approximately 82.1% to RMB32.4 million from RMB181.0 million in 2021.

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 RMB88.7 million, representing a decrease of 60.2% as compared to RMB223.0 million in 2021.

Other Operating Expenses

Other operating expenses mainly included personnel compensation and rental expenses. During the Reporting Period, the Group recorded other operating expenses of RMB70.2 million, representing a decrease of 57.1% year-on-year.

Finance Costs

During the Reporting Period, the Group recorded finance costs in the amount of approximately RMB12.4 million, which were attributable to the interest on lease liabilities in the amount of RMB8.2 million under IFRS 16 and interest on bank borrowings in the amount of RMB4.2 million.

Income Tax Credit (Expense)

During the Reporting Period, the Group's income tax credit (expense) was RMB9.8 million.

Profit (Loss) for the Year

The Group recorded a profit approximately RMB54.1 million for the Reporting Period, increased by 116.6% as compared to a loss of approximately RMB325.6 million in 2021.

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

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

Our unaudited adjusted net profit increased by 116.5% from RMB-331.5 million in 2021 to RMB54.8 million for the Reporting Period.

The following table reconciles unaudited adjusted net profit and net profit in 2021 and 2022, the most directly comparable financial measurement calculated and presented in accordance with IFRSs:

	For the year ended 31 December		
	2022	2021	% Change
	RMB'000	RMB'000	
Net profit	**54,073**	(325,593)	116.6%
Add:			
Equity-settled compensation costs	**726**	(5,914)	112.3%
Unaudited adjusted net profit	**54,799**	(331,507)	116.5%

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

Liquidity and Financial Resources

As at 31 December 2022, bank balances and cash of the Group amounted to RMB195.1 million.

Cash at banks bears 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 Ratio

As at 31 December 2022, the current ratio of the Group was approximately 1.30, representing an increase as compared to 0.94 as at 31 December 2021. The current ratio is equal to total current assets divided by the total current liabilities.

As at 31 December 2022, the gearing ratio of the Group was 0.53, representing a decrease as compared to 0.73 as at 31 December 2021. The gearing ratio is equal to total debts divided by the sum of total equity and total debts.

Future Plans for Material Investments and Capital Assets

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

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

As at 31 December 2022, the Group held financial assets comprising (i) debt investments of RMB104.2 million (31 December 2021: RMB577.3 million), in aggregate accounted for 12.0% of the Group's total assets as at 31 December 2022, representing investments in various types of short-term wealth management products issued by licensed banks, unlisted trust plans, asset management plans, funds and corporate debts; and (ii) equity investments of RMB59.8 million (31 December 2021: RMB56.2 million), in aggregate accounted for 6.9% of the Group's total assets as at 31 December 2022, representing investment portfolio of unlisted companies and a listed company.

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

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

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

Financial assets held by the Group as at 31 December 2022

Set forth below is a breakdown of the financial assets held by the Group as at 31 December 2022, of which individual investments are separately disclosed if its carrying amount is of 5% or more of the Group's total assets, including the carrying amount of such investment as at 31 December 2022 and its size as compared to the Group's total assets, and its performance during the Reporting Period.

	As at 31 December 2022		For the year ended 31 December 2022	
	Fair value/ carrying amount RMB'000	Approximate percentage as compared to the Group's total assets %	Fair value gain/ (loss) RMB'000	Dividend income RMB'000
Equity investments at FVTPL:				
— unlisted equity investments	8,099	1.0	621	180
— listed equity investments	51,683	5.9	2,698	1,928
Sub-total	**59,782**	**6.9**	**3,319**	**2,108**
Debt instruments at FVTPL:				
— funds	40,938	4.7	(12,784)	N/A
— wealth management products issued by banks	—	—	236	N/A
— unlisted trust plans and asset management plans	17,222	2.0	(3,174)	N/A
Sub-total	**58,160**	**6.7**	**(15,722)**	

	As at 31 December 2022		For the year ended 31 December 2022	
	Carrying amount RMB'000	Approximate percentage as compared to the Group's total assets %	Impairment losses reversed (recognised) under expected credit loss model, net RMB'000	Interest income RMB'000
Debt instruments at amortised cost:				
— Corporate debts	46,058	5.3	23,049	18,501
Sub-total	**46,058**	**5.3**	**23,049**	**18,501**

(i) Information on the listed equity investment is stated as follows:

Name of listed shares	China Kepei Education Group Limited (01890.HK)
Date of investment	January 2019
Number of shares	18,664,000
Initial amount of investment (RMB'000)	40,094
The fair value as at 31 December 2022 (RMB'000)	51,683
Gain on fair value changes recognised during the Reporting Period (RMB'000)	2,698

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

(ii) Apart from the listed equity investment as set out above, investments held by the Group do not constitute discloseable transactions as all the highest applicable percentage ratios are less than 5%, and none of them constituted connected transaction under Chapter 14A of the Listing Rules nor significant investments under 32(4) of Appendix 16 of the Listing Rules.

Contingent Liabilities

As at 31 December 2022, the Group did not have any unrecorded significant contingent liabilities, guarantees or any litigations against the Group.

Pledge of Assets

As at 31 December 2022, the Group did not have any unrecorded pledge of assets.

BANK LOANS AND OTHER BORROWINGS

As at 31 December 2022, the Group did not have any bank loans and other borrowings.

Foreign Exchange Exposure

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

EVENTS AFTER THE REPORTING PERIOD

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

HUMAN RESOURCES

As at 31 December 2022, the Group had a total of 1,022 (31 December 2021: 3,043) employees. Total staff costs, including directors emoluments for the period amounted to approximately RMB270.5 million (2021: RMB945.0 million). 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.

FINAL DIVIDEND

The Board did not recommend the distribution of dividend for the Reporting Period.

REGULATORY UPDATE

On 28 October 2022, the Department of Education of Guangdong Province and the Department of Culture and Tourism of Guangdong Province jointly issued the Standard of the Establishment of Off-campus Tutoring Institutions for Arts and Culture in Guangdong Province (for Trial Implementation)* (《廣東省文化藝術類校外培訓機構設置標準（試行）》), specifying the requirements for the establishment and operation of off-campus tutoring institutions in the arts and culture category in Guangdong Province.

On 21 November 2022, the General Office of the Chinese Ministry of Education ("**MOE**") together with eleven other government authorities released the Opinion on Further Prevention and Governance of Hidden Variations on Tutoring Services on Academic Subjects* (《關於進一步加強學科類隱形變異培訓防範治理工作的意見》), requiring to improve the mechanism for preventing and detecting hidden variations in subject-based tutoring, strictly monitoring and punishing illegal and irregular tutoring in accordance with laws and regulations, continuously consolidating the achievements of subject-based tutoring governance, and ensuring that the "Double Reduction Policy" is implemented.

On 30 November 2022, thirteen government authorities including MOE issued the Opinion on Standardising Non-academic Off-campus Tutoring Services for Primary and Secondary Students* (《關於規範面向中小學生的非學科類校外培訓的意見》), which provides that: (1) non-academic offline tutoring institutions shall obtain administrative permission from relevant county-level authorities before registering as legal entities in accordance with the law; (2) non-academic tutoring institutions shall collect and manage tutoring fees through designated banks and dedicated accounts for specified purposes only; and (3) local government authorities shall incorporate non-academic tutoring institutions and supervise them via a national comprehensive platform.

Directors and Senior Management

BOARD OF DIRECTORS

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

Executive Directors

Mr. Junjing Tang (唐俊京), aged 53, is an executive Director, the chairman of the Board and our chief executive officer, being responsible for the overall development, operation and management of our Company. Mr. Junjing Tang co-founded our Group as a key senior management member of Guangzhou Beststudy Training Centre (廣州卓越教育培訓中心) (formerly known as "Guangzhou Beststudy Tuition Centre (廣州卓越教育補習中心)" from June 1998 to September 2000) in October 1997. He was appointed as a Director on 27 August 2010 and designated as an executive Director on 13 June 2018, and was appointed as the chairman of the Board and our chief executive officer on 13 June 2018. He has served as a director and the chairman of the board of directors of Guangzhou Beststudy Educational Co., Ltd. (廣州市卓越里程教育科技有限公司) (the "**Guangzhou Beststudy**") since July 2000 and served as the principal of Guangzhou Beststudy Training Centre from October 1997 to June 2000. Mr. Junjing Tang has over 25 years' experience in the PRC education industry.

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

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

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

Mr. Junying Tang (唐俊膺), aged 53, 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 as an executive Director on 13 June 2018. Mr. Junying Tang co-founded our Group as a key senior management member of Guangzhou Beststudy Training Centre in October 1997. He was the legal representative of Guangzhou Beststudy Training Centre from March 1999 to March 2000. Mr. Junying Tang has over 25 years' experience in the PRC education industry.

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

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

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

Mr. Gui Zhou (周貴), aged 50, is an executive Director and a senior vice president, being responsible for the overall management of our Company, administrative management, talent education and strategic cooperation. Mr. Zhou co-founded our Group as a senior management member of Guangzhou Beststudy Training Centre in October 1997. He was appointed as a Director on 21 January 2011 and designated as an executive Director on 13 June 2018. Mr. Zhou has over 25 years' experience in the PRC education industry.

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

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

Ms. Weiying Guan (關瑋瑩), aged 52, is an executive Director and a senior vice president, being responsible for the overall management of the tutorial class products department and marketing department of the business division of elegant learning program, as well as the integrated operation in places such as Guangzhou and Shenzhen. Ms. Guan joined our Group in February 2009 and was appointed as a senior vice president of the Company on 1 March 2023. Since September 2017, she has been served as the vice president of Guangzhou Beststudy Enterprise Co. Ltd., which is currently known as Guangzhou Beststudy Education Technology Co., Ltd. and a subsidiary of the Company. From February 2009 to August 2017, she served as the marketing director of the Group, as well as the principal of our Dongguan school and Guangzhou school.

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

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

Non-executive Directors

Mr. Wenhui Xu (徐文輝), aged 53, 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 19 years' experience in corporate finance and corporate management.

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

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

Mr. Wai Ng (吳煒), aged 49, is a non-executive Director, being responsible for overseeing the corporate development and strategic planning of our Group. Mr. Ng was appointed as a non-executive Director on 28 March 2023.

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

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

Independent Non-executive Directors

Ms. Yu Long (隆雨), aged 47, is an independent non-executive Director, being responsible for supervising and providing independent judgement to our Board. Ms. Long was appointed as an independent non-executive Director on 3 December 2018 and served as an independent director of Guangzhou Beststudy from May 2017 to March 2018.

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

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

Mr. Caihe Lin (林才合), aged 52, is an independent non-executive Director and is responsible for overseeing and providing independent judgement to the Board. Mr. Lin was appointed as an independent non-executive Director on 23 March 2022.

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

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

Mr. Jun Gan (甘軍), aged 54, is an independent non-executive Director, being responsible for supervising and providing independent judgement to our Board. Mr. Gan is a certified public accountant and registered tax adviser in the PRC and has over 31 years of experience in accounting and taxation. From October 2004 to February 2006, he worked as a financial manager and an assistant to the general manager in Guangdong Gentle Technology Company Limited* (廣東正道科技有限公司); from September 2007 to October 2016, he worked as an assistant to the chief executive officer in Chiho Environmental Group Limited (齊合環保集團有限公司*), formerly known as Chiho-Tiande Group Limited (齊合天地集團有限公司*), a company listed on the Main Board of the Stock Exchange (stock code: 0976), and a director of its subsidiary; from November 2016 to September 2018, he worked as an audit manager in Morison Heng CPA Limited (華利信會計師事務所有限公司); from June 2021 to March 2022, he worked as the chairman and the chief financial officer in a subsidiary of Huazhang Technology Holding Limited (華章科技控股有限公司*), a company listed on the Main Board of the Stock Exchange (stock code: 1673); and from December 2021 to March 2022, he also served as an executive director of Huazhang Technology Holding Limited.

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

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

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

SENIOR MANAGEMENT

Mr. Hongzhang Zheng (鄭洪章), aged 50, 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 18 years' experience in financial management.

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

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

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

COMPANY SECRETARY

Ms. Chau Hing Ling (周慶齡), aged 48, is a company secretary of our Company.

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

Directors' Report

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

GLOBAL OFFERING

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

PRINCIPAL ACTIVITIES

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

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

BUSINESS REVIEW

A review of the Group's business during the year, which includes a fair view of the Company's business, particulars of important events affecting the Group that has occurred since the end of 2022, an analysis of the Group's performance using financial key performance indicators and an indication of likely future developments in the Group's business, could be found in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" in this annual report. In addition, a discussion on relationships with its key stakeholders is included in the section headed "ESG Report". These review and discussion form part of this directors' report.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

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

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

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

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

RESULTS

The consolidated results of the Group for the Reporting Period are set out from pages 127 to 128 of this annual report.

DIVIDEND POLICY

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

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

    a) The financial position of our Group;

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

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

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

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

    f) Any other factors deemed reasonable by the Board.

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

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

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 244 of this report.

PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries of the Company are set out in Note 43 to the consolidated financial statements from pages 237 to 241 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property and equipment of the Group during the Reporting Period are set out in Note 17 to the consolidated financial statements from pages 191 to 193 of this annual report.

SHARE CAPITAL

Details of the movements in share capital of the Company during the Reporting Period are set out in Note 28 to the consolidated financial statements on page 206 of this annual report.

RESERVES

Details of the movement in the reserves of the Group and of the Company during the Reporting Period are set out in Note 29 to the consolidated financial statements from pages 207 and Note 44 to the consolidated financial statements from pages 243 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's distributable reserves were RMB332.1 million.

BANK LOANS AND OTHER BORROWINGS

As at 31 December 2022, the Group did not have any bank loans or other borrowings.

Details of bank loans and other borrowings of the Group on 31 December 2022 are set out in Note 31 to the consolidated financial statements on page 210 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

The Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

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

Executive Directors

Mr. Junjing Tang *(Chairman)*
Mr. Junying Tang
Mr. Gui Zhou
Ms. Weiying Guan *(appointed on 31 March 2022)*

Non-executive Directors

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

Independent Non-executive Directors

Ms. Yu Long
Mr. Peng Xue *(resigned on 4 July 2022)*
Mr. Caihe Lin *(appointed on 23 March 2022)*
Mr. Jun Gan *(appointed on 23 September 2022)*

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

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

DIRECTORS' SERVICE CONTRACTS

Each of our executive Directors has entered into a service contract with our Company. For the executive Directors with appointment dates before the Listing Date, their service contracts were renewed on 1 April 2021 for a period of three years. For the executive Director with an appointment date after the Listing Date, the initial term of her service contract shall be a period of three years commencing from the date of her appointment. Each of our executive Directors is always subject to re-election as and when required under the Articles until termination in accordance with the terms and conditions of the service contract or by either party giving to the other not less than three months' prior notice in writing.

Each of our non-executive Directors has entered into an appointment letter with our Company. For the non-executive Director with an appointment date before the Listing Date, his appointment letter was renewed on 1 April 2021 for a period of three years. For the non-executive Director with an appointment date after the Listing Date, the initial term of his appointment letter shall be a period of three years commencing from the date of his appointment. Each of our non-executive Directors is always subject to re-election as and when required under the Articles until termination in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

Each of our independent non-executive Directors has entered into an appointment letter with our Company. For the independent non-executive Director with an appointment date before the Listing Date, her appointment letter was renewed on 1 April 2021 for a period of three years. For the independent non-executive Directors with appointment dates after the Listing Date, the initial terms of their appointment letters shall be a period of three years commencing from the dates of their appointments. Each of our independent non-executive Directors is always subject to re-election as and when required under the Articles until termination in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

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

CONTRACT WITH CONTROLLING SHAREHOLDERS

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

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

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

EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

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

Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in Note 13 and Note 14 to the consolidated financial statements from pages 186 to 189 of this annual report.

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

The Company has also adopted the Restricted Share Units Scheme (the "**RSU Scheme**") and the Share Option Scheme as incentive for Directors and eligible employees. Details of the said schemes are set out under the section headed "Restricted Share Units Scheme and Share Option Scheme" in this annual report and in Note 33 to the consolidated financial statements on pages 211 to 215 of this annual report.

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

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

DEED OF NON-COMPETITION

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

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

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

RSU Scheme

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

a. Purpose

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

b. Participants

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

c. Terms

The RSU Scheme will be valid and effective for a period of ten (10) years, commencing from the date of the first grant of the RSUs, being December 3, 2018 (unless it is terminated earlier in accordance with its terms) and the remaining life of the RSU Scheme is 5 years and 8 months.

d. Grant and Acceptance

(a) Making an offer

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

(b) Acceptance of an offer

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

(c) *Restrictions on Grants*

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

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

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

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

e. Maximum number of Shares pursuant to RSUs

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

f. Vesting of RSUs

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

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

g. *Exercise of RSUs*

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

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

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

Details of the RSU Scheme of the Company are set out in Note 33 to the consolidated financial statements from pages 211 to 215 of this annual report.

As at 31 December 2022, the trustee of the Company, Ms. Shaoping Fu has purchased an aggregate of 62,156,000 shares (representing approximately 7% of the total issued shares of the Company as at the date of this annual report). A total of 63,760,573 shares (representing approximately 8%[1] of the total issued shares of the Company) have been granted to the grantees under the RSU Scheme.

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

[1] The percentage represents the number of shares divided by the number of the Company's issued shares as at 31 December 2022.

Share Option Scheme

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

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

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

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

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

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

The Share Option Scheme will remain in force for a period of 10 years from 3 December 2018 and the options granted have a 10-year exercise period. The remaining life of the Share Option Scheme is 5 years and 8 months. Options may be vested over such period(s) as determined by the Board in its absolute discretion subject to compliance with the requirements under any applicable laws, regulations or rules.

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

No options were granted, exercised, cancelled or lapsed by the Company under the Share Option Scheme during the Reporting Period and there were no outstanding share options under the Share Option Scheme as at 31 December 2022 and up to the date of this annual report.

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

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at 31 December 2022, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long position in ordinary Shares

Name of Director	Capacity	Number of ordinary shares interested(1)	Approximate percentage+ of the Company's issued share capital
Mr. Junjing Tang(2)	Beneficial owner; Founder of a discretionary trust; interest held jointly with another person	459,098,231 (L)	54.19%
Mr. Junying Tang(3)	Founder of a discretionary trust; interest held jointly with another person	459,098,231 (L)	54.19%
Mr. Gui Zhou(4)	Beneficial owner; Founder of a discretionary trust; interest held jointly with another person	459,098,231 (L)	54.19%
Mr. Wenhui Xu(5)	Beneficial owner; Interest in a controlled corporation	10,911,527 (L)	1.29%
Ms. Weiying Guan(6)	Beneficial owner; Interest in a controlled corporation	9,389,751 (L)	1.11%

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.

(6) Under the SFO, Ms. Weiying Guan is deemed to be interested in all Shares held by Crouching Tiger Holdings Limited.

\+ 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 2022.

Save as disclosed in this annual report and to the best knowledge of the Directors, as at 31 December 2022, 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 2022, the following corporations/persons (other than Directors or the chief executive of the Company) had interests of 5% or more in the issued shares of the Company according to the register of interests required to be kept by the Company under section 336 of the SFO:

Name	Capacity	Number of ordinary shares interested[1]	Approximate percentage[+] of the Company's issued share capital
Ms. Yanyun Huang[2]	Spouse interest	459,098,231 (L)	54.19%
Elite Education Investment Co. Ltd. ("**Elite BVI**")	Beneficial owner; interests held jointly with another person	457,775,231 (L)	54.03%
Ms. Hua Yu[3]	Spouse interest	459,098,231 (L)	54.19%
Texcellence Holding Company Limited ("**Texcellence BVI**")	Beneficial owner; interests held jointly with another person	459,098,231 (L)	54.19%
Ms. Xiaoying Zhang[4]	Spouse interest	459,098,231 (L)	54.19%
Jameson Ying Industrial Co. Ltd. ("**Jameson Ying BVI**")	Beneficial owner; interests held jointly with another person	458,257,231 (L)	54.09%
Soarise Bulex Limited[5]	Nominee for another person (other than a bare trustee)	109,709,397 (L)	12.95%
Ms. Shaoping Fu[5]	Trustee	109,709,397 (L)	12.95%
JTC Trustees (BVI) Limited[5]	Trustee	456,934,231 (L)	53.93%

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) 62,156,000 Shares were purchased by the trustee pursuant to the RSU Scheme as at 31 December 2022. 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 109,709,397 shares held by Soarise, 14,995,441 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 2022.

Save as disclosed above and to the best knowledge of the Directors, as at 31 December 2022, no person (other than the Directors or chief executives of the Company) had registered an interest or a short position in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

MAJOR SUPPLIERS AND CUSTOMERS

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

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

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

HUMAN RESOURCES

As at 31 December 2022, the Group had a total of 1,022 (31 December 2021: 3,043) employees. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination.

Remuneration of the Group's employees includes basic salaries, remuneration, pension, discretionary bonus and other welfares, and is determined with reference to their experience, qualifications and general market conditions. We adopt a market and incentive-based employee emolument structure and implement a multi-layered evaluation system which focuses on performance and management goals. To ensure that the Group is able to attract and retain staff capable of attaining the best performance levels, remuneration packages are reviewed on a regular basis. The decrease in the number of staff was mainly attributable to the loss of staff as affected by the Double Reduction Policy.

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

RETIREMENT BENEFITS SCHEME

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

Details of the pension obligations of the Company are set out in Note 37 to the consolidated financial statements in this annual report.

EQUITY-LINKED AGREEMENTS

During the Reporting Period, other than the RSU Scheme and the Share Option Scheme as set out in the section under "Restricted Share Units Scheme and Share Option Scheme" and Note 33 to the consolidated financial statements, the Company has not entered into any equity-linked agreement.

STRUCTURED CONTRACTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) Parties: Registered Shareholders; and WFOE

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

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

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

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

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

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

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

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

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

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

	Financial Contribution to the Group		
	Revenue for the year ended 31 December 2022	Profit for the year ended 31 December 2022	Total Asset as at 31 December 2022
PRC Operating Entities	100%	91%	91%

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

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

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

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

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

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

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

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

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

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

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

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

(g) Material change in the Structured Contracts:

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 in full to hold all of the interest except for the 0.07% portion held by Mr. Wang Hua in the PRC Operating Entities and unwind the Structured Contracts accordingly.

CONNECTED TRANSACTION

Non-exempted Continuing Connected Transaction

Structured Contracts

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

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

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

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

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

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

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

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

(b) No change without independent Shareholders' approval

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

(c) Economic benefits flexibility

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

(d) Renewal and reproduction

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

(e) Ongoing reporting and approvals

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

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

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Deloitte Touche Tohmatsu has issued the unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. 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 42 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 42 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 for the Reporting Period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of our Group during the period from the Listing Date to 31 December 2022.

SUFFICIENCY OF PUBLIC FLOAT

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

INDEMNITY OF DIRECTORS

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

DONATIONS

During the Reporting Period, the Group made an external donation of RMB0.45 million.

AUDITOR

Deloitte Touche Tohmatsu was appointed as auditor of the Company at the annual general meeting held on 30 June 2022 to fill the vacancy following the retirement of Ernst & Young. The consolidated financial statements for the Reporting Period have been audited by Deloitte Touche Tohmatsu. Apart from the above, no change of auditor after the Listing Date.

COMPLIANCE WITH LAWS AND REGULATIONS

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

CHANGES IN THE BOARD AND DIRECTORS' INFORMATION

The changes in the Board and Directors' information since the date of the Company's 2022 interim report are set out below:

1. Mr. Jun Gan was appointed as an independent non-executive Director of the Company on 23 September 2022; and

2. Mr. Wai Ng was appointed as a non-executive Director of the Company on 28 March 2023.

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

On behalf of the Board

Junjing Tang
Chairman

Hong Kong, 28 March 2023

Corporate Governance Report

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

COMPANY'S CULTURE

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

During 2022, the Company continued to strengthen its cultural framework by focusing on the following:

Our Mission: Nurturing excellent individuals for the future of our country

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

Our Vision: To become children and parents' favourite and most trusted place of learning and growth

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

Our Four Core Values

01 All for children

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

02 Growing through challenges

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

03 Being open and innovative to achieve the extraordinary

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

04 Result-oriented

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

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

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

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company has adopted the code provisions as set out in Part 2 of Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**CG Code**"), as its own code to govern its corporate governance practices.

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

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

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

NON-COMPLIANCE WITH RULES 3.10(1), 3.10(2), 3.10A, 3.21 AND 3.25 OF THE LISTING RULES

On 4 July 2022, Mr. Peng Xue ("**Mr. Xue**") resigned as an independent non-executive Director and ceased to act as the chairman of the Audit Committee of the Company and a member of the Remuneration Committee of the Company. Following the resignation of Mr. Xue, the Company fails to meet the requirements under Rules 3.10(1), 3.10(2), 3.10A, 3.21 and 3.25 of the Listing Rules.

On 23 September 2022, Mr. Jun Gan ("**Mr. Gan**") was appointment as an independent non-executive Director and acted as the chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Upon the appointment of Mr. Gan:

(i) the Board has a total of eight Directors, three of whom are independent non-executive Directors representing more than one-third of the Board and among them, one has appropriate professional qualifications or accounting or related financial management expertise. Accordingly, the Company complies with the requirements under Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules;

(ii) The Audit Committee has three members of which one has appropriate professional qualifications or accounting or related financial management expertise. Two of the Audit Committee members are independent non-executive directors, being the majority of the Audit Committee and one of whom is the chairman of the Audit Committee. Accordingly, the Company complies with the requirements under Rule 3.21 of the Listing Rules and the terms of reference of the Audit Committee; and

(iii) The Remuneration Committee has three members and two of whom are independent non-executive Directors, being the majority of the Remuneration Committee. Accordingly, the Company complies with the requirements under Rule 3.25 of the Listing Rules and the terms of reference of the Remuneration Committee.

THE BOARD

(1) Responsibilities

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

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

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

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

(3) Board Composition

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

Executive Directors

Mr. Junjing Tang *(Chairman)*
Mr. Junying Tang
Mr. Gui Zhou
Ms. Weiying Guan *(appointed on 31 March 2022)*

Non-Executive Directors

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

Independent Non-Executive Directors

Ms. Yu Long
Mr. Peng Xue *(resigned on 4 July 2022)*
Mr. Caihe Lin *(appointed on 23 March 2022)*
Mr. Jun Gan *(appointed on 23 September 2022)*

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

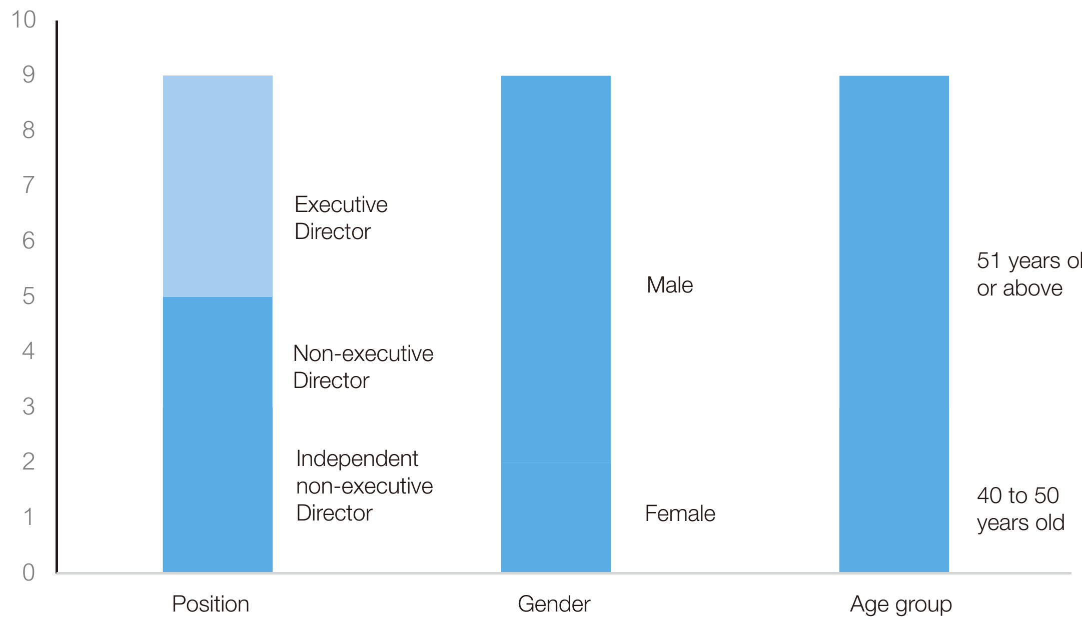
(4) Board Diversity Policy

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

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

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

As at the date of this annual report, the diversity of the Board is illustrated as below. Further details on the biographies and experience of the Directors are set out from page 19 to 22 of this annual report.



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

As at 31 December 2022, we had 1,022 full-time employees, of which 355 were male and 667 were female. The gender ratio in the workforce (including senior management) was approximately 1 males to 1.88 females. The total gender diversity of the Group is balanced and the Group will continue to maintain the gender diversity in workforce. For further details of gender ratio and initiatives taken to improve gender diversity together with the relevant data, please refer to the disclosure in the ESG report.

(5) Measurable Objectives

	Measurable Objectives	Progress for Achieving Objectives
Objective 1	Consider candidates for appointment as independent wide pool of backgrounds, skills, experience and perspectives that would complement the existing Board	1. On-going search for appropriate candidates to be appointed as independent non-executive directors; 2. In the ordinary course of the Board succession process.
Objective 2	Report annually against the objectives and other initiatives taking place within the Company which promote diversity	1. The Board evaluation process includes an assessment of the Board's diversity helping to objectively consider the Board composition and effectiveness; 2. 2022 and ongoing.
Objective 3	Report annually on the outcome of the composition and structure of the Board as well as any issues and challenges the Board is facing when considering the diverse make-up of the Company	1. Make use of the Board evaluation process as an important means of monitoring the progress; 2. Remain committed to getting the right balance of the composition of the Board and work towards understanding and managing some of the challenges we face in the management of corporate development strategy sector, particularly in online education, offline expansion and merger and acquisition areas; 3. 2022 and ongoing.

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

(6) Board Independence

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

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

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

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

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

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

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

As regards the 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.

(8) Induction and Continuous Professional Development

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

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

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

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

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

(9) Chairman and Chief Executive Officer

Please refer to the paragraph headed "CORPORATE GOVERNANCE" of this Corporate Governance Report on page 52 of this annual report.

(10) Appointment and Re-Election of Directors

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

In accordance with Article 109 of the Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Accordingly, Mr. Junjing Tang, Mr. Gui Zhou and Ms. Yu Long shall retire by rotation at the 2023 annual general meeting and, being eligible, offer themselves for re-election.

In accordance with Article 113 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first annual general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until first annual general meeting of the Company after his appointment and shall then be eligible for re-election. Accordingly, each of Mr. Jun Gan (being appointed as a Director with effect from 23 September 2022) and Mr. Wai Ng (being appointed as a Director with effect from 28 March 2023) shall retire from their offices as Directors at the 2023 annual general meeting 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 making recommendations to the Board on the appointment, re-election and succession planning of Directors, in particular the chairman and the chief executive officer.

(11) Board Meetings and Committee Meetings

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

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

Directors	Number of Board meetings attended/held during his/her tenure
Mr. Junjing Tang *(Chairman, Chief Executive Officer and Executive Director)*	7/7
Mr. Junying Tang *(Executive Director)*	7/7
Mr. Gui Zhou *(Executive Director)*	7/7
Ms. Weiying Guan[1] *(Executive Director)*	4/4
Mr. Wenhui Xu *(Non-executive Director)*	7/7
Ms. Yu Long *(Independent Non-executive Director)*	7/7
Mr. Peng Xue[2] *(Independent Non-executive Director)*	5/5
Mr. Caihe Lin[3] *(Independent Non-executive Director)*	6/6
Mr. Jun Gan[4] *(Independent Non-executive Director)*	0/0

Notes:

1. Ms. Weiying Guan was appointed as an executive Director on 31 March 2022.

2. Mr. Peng Xue resigned as an independent non-executive Director on 4 July 2022.

3. Mr. Caihe Lin was appointed as an independent non-executive Director on 23 March 2022.

4. Mr. Jun Gan was appointed as an independent non-executive Director on 23 September 2022.

(12) Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules, as its own code of conduct regarding dealings in the securities of the Company by the Directors and the Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company or its securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the Reporting Period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the Reporting Period.

(13) Delegation by the Board

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

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

(14) Corporate Governance Function

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

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

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

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

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

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

BOARD COMMITTEES

(1) Nomination Committee

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

The principal duties of the Nomination Committee include the followings:

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

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

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

- To make recommendations to the Board on the appointment or 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.

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

Directors	Number of Nomination Committee meetings attended/held during his/her tenure
Mr. Junjing Tang *(Chairman)*	2/2
Ms. Yu Long	2/2
Mr. Caihe Lin[1]	2/2

Note:

1. Mr. Caihe Lin was appointed as a member of the Nomination Committee since 23 March 2022.

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

Nomination Policy

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

Selection criteria

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

— character and integrity;

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

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

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

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

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

Nomination Procedures

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

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

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

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

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

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

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

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

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

(2) Remuneration Committee

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

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

The principal duties of the Remuneration Committee include the followings:

- To make recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- To review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- To make recommendations to the Board on the remuneration packages of individual executive Directors and senior management of the Company. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- To make recommendations to the Board on the remuneration of non-executive Directors;
- To consider salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Company and its subsidiaries;
- To review and approve compensation payable to executive Directors and senior management of the Company for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- To review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
- To ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration;
- where the service contract of a director or proposed director of the Company or its subsidiaries is required to be approved by the shareholders of the Company pursuant to Rule 13.68 of the Listing Rules, the Remuneration Committee (or an independent board committee) shall form a view in respect of such service contract and advise shareholders (other than shareholders who are directors with a material interest in such service contract and their associates) as to whether the terms are fair and reasonable, advise whether such service contract is in the interests of the Company and its shareholders as a whole and advise shareholders on how to vote;
- to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules; and
- to consider all other matters as referred to the Remuneration Committee by the Board or otherwise required by the Listing Rules from time to time.

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

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

Directors	Number of Remuneration Committee meetings attended/held during his/her tenure
Ms. Yu Long *(Chairlady)*	1/1
Mr. Junjing Tang	1/1
Mr. Peng Xue[1]	1/1
Mr. Jun Gan[2]	0/0

Notes:

1. Mr. Peng Xue resigned as a member of the Remuneration Committee since 4 July 2022.

2. Mr. Jun Gan was appointed as a member of the Remuneration Committee on 23 September 2022.

In the meeting held on 17 March 2022, 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	1
Above 1,500,000	3

(3) Audit Committee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- To report to the Board on the matters stated herein above and other matters, if any, in the code provisions of Corporate Governance Code contained in Appendix 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.

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

Directors	Number of Audit Committee meetings attended/held during his/her tenure
Mr. Peng Xue[1] *(Chairman)*	3/3
Mr. Jun Gan[2] *(Chairman)*	0/0
Mr. Wenhui Xu	4/4
Ms. Yu Long	4/4

Notes:

1. Mr. Peng Xue resigned as the chairman of Audit Committee since 4 July 2022.

2. Mr. Jun Gan was appointed as the chairman of Audit Committee since 23 September 2022.

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

In the meeting held on 13 June 2022, the Audit Committee made recommendation to the Board on the appointment of Deloitte Touche Tohmatsu as the new external auditor of the Company for the financial year ending 31 December 2022.

The Audit Committee also reviewed the interim results for the six months ended 30 June 2022, the annual results of the Company and its subsidiaries for the year ended 31 December 2021 as well as the audit report prepared by the external auditor relating to accounting issues and major findings in course of audit.

The Audit Committee has also performed the Company's Corporate governance duties delegated by the Board (details are set out in the section headed "THE BOARD — (13) Corporate Governance Function").

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

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

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

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

The Board's Responsibility for Risk Management and Internal Control

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

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

Characteristics of Risk Management and Internal Control Systems

The Board is responsible for maintaining a good and effective risk management and internal control systems to safeguard the Group's assets and the Shareholders' interests. The Directors confirmed that, during 2022, the Board supervised the management's design, implementation and monitoring of the risk management and internal control systems, and reviewed the adequacy and effectiveness of the risk management and internal control systems of the Group on an ongoing basis; such review covered all major control aspects of the Group, including strategic, financial, operational and compliance controls and risk management activities.

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

Risk Management Organisational System

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

Risk Management and Internal Control and Management Procedures

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

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

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

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

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

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

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

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

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

Risk Management and Internal Control Systems Review for 2022

During the year ended 31 December 2022, 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 28 March 2023, the Audit Committee of the Company has in conjunction with management reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the consolidated financial statements of the Group for the Reporting Period. The Group and the Directors considered the current risk management and internal control systems of the Group remain effective and sufficient with no material issues to be brought to the Board's attention.

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

Anti-corruption Policy

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

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

Whistleblowing Policy

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

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

AUDITOR'S REMUNERATION

Audit fees for the Reporting Period payable to the external auditors were approximately RMB1.8 million. The external auditors did not provide any non-audit services to the Group.

COMPANY SECRETARY AND PRIMARY CONTACT OF THE COMPANY

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

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

GENERAL MEETING

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

Directors	Number of general meetings attended/held during his/her tenure
Mr. Junjing Tang	1/1
Mr. Junying Tang	1/1
Mr. Gui Zhou	1/1
Ms. Weiying Guan[1]	1/1
Mr. Wenhui Xu	1/1
Ms. Yu Long	1/1
Mr. Peng Xue[2]	1/1
Mr. Caihe Lin[3]	1/1
Mr. June Gan[4]	0/0

Notes:

1. Ms. Weiying Guan was appointed as an executive Director on 31 March 2022.

2. Mr. Peng Xue resigned as an independent non-executive Director on 4 July 2022.

3. Mr. Caihe Lin was appointed as an independent non-executive Director on 23 March 2022.

4. Mr. Jun Gan was appointed as an independent non-executive Director on 23 September 2022.

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.

Having considered the multiple channels of communication in place provided Shareholders and investment community with information about the latest development of the Group in a timely manner, and the Company has established a range of communication channels between itself and its Shareholders, investors and other stakeholders to allow the Company to receive feedback effectively, the Board is satisfied that the Shareholders communication policy has been properly implemented during 2022 and is effective.

SHAREHOLDERS' RIGHTS

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

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

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

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

(2) Procedures for putting forward proposals at general meeting

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

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

(3) Enquiries to the Board

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

Address: 41/F, Xinde Business Centre, Zhongshan 4th 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 was amended for once during the Reporting Period. For details, please refer to the announcement of the Company dated 13 June 2022, circular of the Company dated 16 June 2022 and the amended Articles published on the website of the Stock Exchange on 4 July 2022.

INTRODUCTION AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES

Corporate Culture

Since its establishment in 1997, the Group has been deeply involved in the education sector for 25 years. During the period, the Group continued to innovate, uphold the brand strategy of "growing for the future", adhere to the mission of "cultivating excellent quality and contributing to the future of the country", and adhere to the vision of "becoming the place for study and growth most favoured by children and trusted by parents", continuously optimise the business system, seek innovation, and forge ahead. The Group helps students improve their academic performance, guides students to identify their own characteristics, and helps students achieve comprehensive and healthy growth by providing quality and diversified educational products and services.

Four Core Values	
Healthy growth of children utmost	Healthy growth of each child is fundamental to our work. We regard every child as our own, and help them maximise their potential, keeping their promising future in mind
Growth in challenges	The Group is self-driven to overcome difficulties and make good use of resources to grow rapidly amid unlimited challenges
Open innovation to create extraordinary value	The Group remains young, breaks the shackles of thinking with an open mind, and constantly creates new ideas and models that lead the industry
Results orientation	The Group's mission must be achieved, and the results will be used as the main basis for measuring the effectiveness of work, to create a culture of success. Those who have made achievements will have a larger development platform

About the Report

Based on the principles of materiality, quantification, balance and consistency, this Environmental, Social and Governance ("**ESG**") Report (the "**Report**") outlines the Group's concepts, practices and achievements in sustainable development such as teaching management, employee rights and interests, environmental protection and social welfare. The Report covers the Reporting Period.

Reporting Scope

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

Basis for Preparation

The Report is prepared in accordance with Appendix 27: Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") to the Listing Rules issued by the Stock Exchange.

In preparing the Report, the Group has adopted the reporting principles set out in the ESG Reporting Guide above as follows:

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

Quantification: The standards and methodologies used and the applicable assumptions used in the calculation of the Key Performance Indicators ("**KPIs**") are supplemented with notes.

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

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

Report 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 Report has been confirmed by the Working Group and approved by the Board.

ESG Governance Structure

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

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

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

Chairman’s Statement

Dear Extinguished Stakeholders:

On behalf of the Board, I am pleased to present the Report, which demonstrates the Group’s commitment to continuously improving its ESG performance in four aspects, namely, student development, social security, corporate governance and environmental protection.

In view of the impact of the Double Reduction Policy and the outbreak of the pandemic, the Group's business in the education and training industry has been greatly affected. The Group has always responded to various challenges with a positive attitude, strived to turn challenges into opportunities, and turned opportunities into the driving force for continuous development. The Group mainly provides services and products including full-time revision, talent education, self-study and vocational education. Under the Double Reduction Policy, the Group continues to focus its resources on exploring and developing talent education and vocational education. The Group has comprehensively optimised its layout in talent education sector and upgraded a wide range of talent education products, in order to meet the needs of students’ all-round development of moral, intellectual, physical, aesthetic and labour education, and equip them with the critical abilities and necessary characters so that they can adapt themselves to lifelong development and social development. The Group is committed to the mission of “cultivating excellent quality and contributing to the future of the country” and pursuing the vision of “becoming the place for study and growth most favoured by children and trusted by parents”. Looking forward, under the guidance of both policies and market, the Group will continue to actively branch out into multiple fields of education program, and provide students with comprehensive and diversified teaching services, so as to promote overall development and healthy growth of children. During the Reporting Period, the Group was awarded the "2022 Guangzhou Private Education Party Building Demonstration Site" by the Guangzhou Education Bureau and the Civic Education Association, and the "2022 Most Trustworthy Brand for Netizens" at the 5th "Shenzhen Energy" Shenzhen Internet Festival.

The Group believes that sustainable development is vital to the planet, which also contributes to the long-term prosperity and development of the Group’s business. Therefore, the Group has strived to establish a sound governance structure to effectively manage ESG issues related to the Group. The Board must assess the potential impact of ESG issues on the Group’s overall strategy, formulate ESG management approach and strategy, and supervise the Group’s ESG issues. Information on the Group’s ESG governance structure is set out in the section headed “ESG Governance Structure”.

In order to identify and prioritise material ESG issues that have a significant impact on the Group’s operations and stakeholders, the Group has been communicating with internal and external stakeholders continuously. Information on stakeholder engagement channels and the materiality assessment conducted by the Group are set out in the sections headed “Stakeholder Engagement” and “Materiality Assessment” respectively. In order to better understand stakeholders’ expectations on the Group’s sustainable development, the Group will further strengthen the communication with stakeholders and formulate relevant policies and measures with reference to their opinions to improve the Group’s ESG performance.

As a socially responsible enterprise, the Group recognises the importance of reducing environmental impact. In order to fulfil the Group's commitment to corporate social responsibility and allow the Group's stakeholders to better understand the Group's continuous improvement in ESG performance, the Group has set environmental targets accordingly. The targets cover the two main aspects including energy conservation and emission reduction, and waste management to respond to the national vision of carbon neutrality and waste reduction, and enhance our corporate reputation. To achieve the targets, the Group actively implements the principle of sustainable development and takes relevant measures at the operational level. To ensure effective implementation of these measures, the Board has delegated the Working Group to collect relevant ESG data, track and review the Group's performance, and evaluate the Group's progress in achieving the targets. The relevant targets and progress are set out in the section headed "Environmental Targets".

Finally, on behalf of the Board and the management team of the Group, I would like to express my sincere gratitude to our extinguished stakeholders for their continuous support and valuable contributions to the development of the Group. Looking ahead, the Group will continue to integrate ESG philosophies into its business strategy and management system, to operate its business in a more responsible and sustainable manner, create sustainable value for stakeholders and pursue a sustainable future.

Junjing Tang
Chairman, Chief Executive Officer and Executive Director
28 March 2023

Stakeholder Engagement

The Group continues to pay attention to the demands and expectations of various stakeholders, establishes convenient communication channels to improve the efficiency of communication with internal and external stakeholders, and responds to the opinions of relevant stakeholders in a timely manner. The Group is committed to protecting the interests of stakeholders while promoting the improvement of internal management to promote the sustainable development of the Group.

Category of Stakeholders	Demands and Expectations	Communication Channels and Responses
Government and regulatory authorities	• Operation in compliance with laws and regulations • Implement national policies • Student safety and health protection	• Continuously strengthen corporate compliance management • Actively respond to relevant national policies • Implement relevant safety management measures
Investors/Shareholders	• Create market value • Compliance operation • Sustainable development and risk management	• Continue to grow operating results • Improve the Company's risk management level • Formulate ESG planning objectives and improve ESG management system
Suppliers/Partners	• Cooperation and mutual benefit • Promote industry development	• Improve supplier assessment and management mechanism • Convene regular bidding meetings • Build a Sustainable Supply Chain
Students	• Students' satisfaction • Diversified education model	• Conduct regular satisfaction surveys • Improve the quality of education products and services
Parents	• Teaching environment security and health protection • Teaching quality assessment and improvement • Complaint handling process and service improvement • Privacy and information security of students and parents	• Implement relevant safety management measures • Improve the feedback and complaint handling mechanism • Provide diversified communication channels and regularly collect feedback • Establish a student data recording system

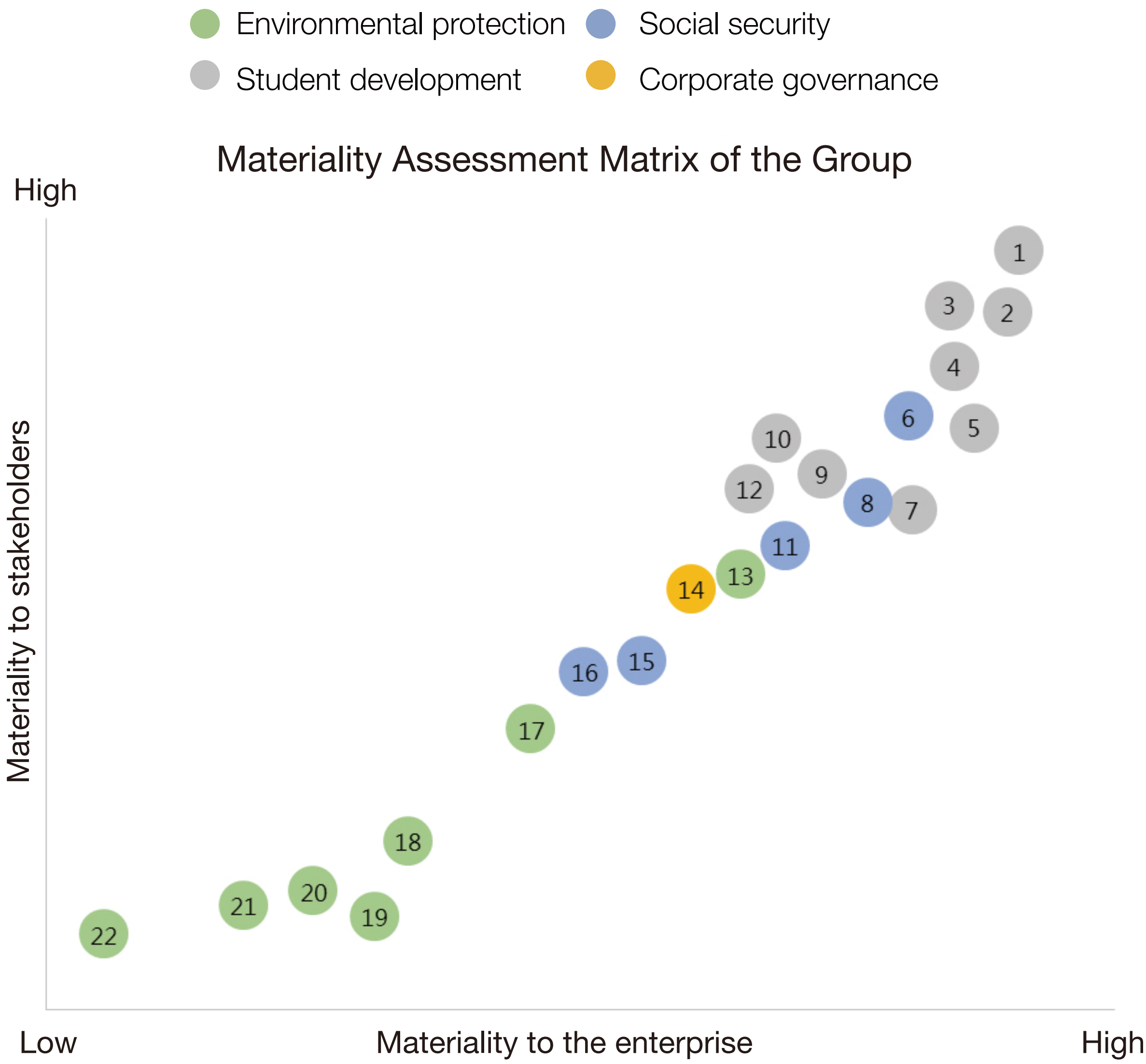
Category of Stakeholders	Demands and Expectations	Communication Channels and Responses
Teachers/Staff	• Employee remuneration and welfare system • Management and structure of teacher team • Promote employee development • Employee safety and occupational health • Teacher ethics and morality development • Development and innovation of after-school education service • Protection of intellectual property rights in education products	• Develop a competitive compensation and welfare system guarantee mechanism • Build a diversified development platform • Organise employee training and improve the promotion mechanism • Carry out employee care activities • Cultivate teachers' professional ethics and build a star-level teacher team • Build a diversified product system • Improve the application process for intellectual property protection
Media/Public	• Participation in charity activities • Provide job opportunities	• Actively participate in social welfare activities • Carry out campus recruitment and social recruitment
Environmental	• Green teaching and office environment • Cultivation of environmental awareness and course development	• Implement energy conservation and emission reduction measures • Promote green office • Improve the environmental awareness of employees and students

Material ESG Issues

The Group regularly conducts comprehensive surveys on a wide range of stakeholders to continuously collect their feedback. During the Reporting Period, the Group reviewed issues related to ESG management in the previous year, and adjusted material ESG issues based on the status of business development of the Group and through benchmarking itself against peer companies. In addition, the Group conducted a questionnaire survey on all stakeholders to understand the changes in their views and demands. During the Reporting Period, the Group collected a total of 114 questionnaires, and adjusted the priority of issues based on the actual operation of the firm.

Materiality Assessment

The Group has formed important reference for this materiality assessment based on the stakeholders' evaluation and expectations for the Group's ESG performance. Through the survey results analysis, the Group identified 8 highly material issues, including "Teaching quality assessment and improvement", "High-quality faculty building", "Students' satisfaction", "Health protection and safety of teaching environment", "Teacher ethics and morality development", "Protection of employees' safety and occupational health", "Development and innovation of education services" and "Employee remuneration and welfare system". The Group will focus on responding to issues identified in the Report to effectively improve the pertinence and responsiveness of the Report and serve as an important guideline for future sustainable development.



List of material ESG issues in 2022

Materiality of issues	Materiality ranking	Issues
Highly important	1	Teaching quality assessment and improvement
	2	High-quality faculty building
	3	Students' satisfaction
	4	Health protection and safety of teaching environment
	5	Teacher ethics and morality development
	6	Protection of employees' safety and occupational health
	7	Development and innovation of education services
	8	Employee remuneration and welfare system
Moderately important	9	Students and parents privacy and data protection
	10	Home-school communication and complaint handling
	11	Employees training measures and career development management
	12	Protection of intellectual property rights in education products
	13	Green teaching and office environment
	14	Compliance operation and anti-corruption
	15	Access, review and management of suppliers
	16	Participation in community development and social charity activities
	17	Environmental awareness cultivation and courses
Generally important	18	Water resources and water conservation performance
	19	Energy consumption management
	20	Waste management
	21	Climate change
	22	Greenhouse gas ("**GHG**") emissions and reduction treatment

Contact the Group

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 contact us at ir@zy.com.

SOCIAL

For Healthy Growth of Children

The Group insists on thinking for the long-term development of children, explores innovative education methods, cultivates children's "excellent quality", explores individuality potential of children, builds a personalised growth system for children with professionalism, and always pays attention to physical and mental health and lifelong development of children, so as to promote students to create their greatest possibility. Providing students with diversified educational programs, effective learning environment 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.

Teaching Philosophy

Cultivating talents is the fundamental task of education. The Group upholds the "All for Children's Healthy Development" education philosophy to help children develop comprehensive competitiveness for the future and to empower children's future life through education. Committed to the mission of "nurturing excellent individuals for the future of our country" and the education idea of "happy education and successful education", the Group adopts new brand values and children's ability model to establish a diverse product system. In the meantime, the Group insists on teaching in accordance with students' aptitude, flexibly utilises resources to help students achieve self-directed and efficient learning, grow healthily and happily and develop into high-quality talents, and therefore builds itself into "the place for study and growth most favoured by children and trusted by parents".

Brand Philosophy

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 Philosophy	
Advocating "Diversity"	Respect children's personality development, expand their horizon, and create a versatile talent cultivation system
Encouraging "Innovation"	Further promote product update and innovation, develop courses that better align with the cultivation of Chinese children's innovation ability, and lead children's future growth
Promoting "Happiness"	Rouse children's desire for knowledge, customise edutainment model for children, develop children's self-motivation, and let children to learn in joy
Based on "Harvest"	Help children to discover their own potential, realise all-round development and win the future with greater competitiveness

Education Programs

During the Reporting Period, the Group has achieved good results in promoting the diversification of fields around the core strategic system of "talent education + vocational education + full-time school". The Group has optimised its layout in the talent education sector to meet the needs of students' all-round development of moral, intellectual, physical, aesthetic and labour education, and equip them with the necessary characters and critical abilities so that they can adapt themselves to lifelong development and social development. In the vocational education segment, the Group has established a comprehensive strategic partnership with secondary vocational schools and institutions, tailor-made a fully closed management program for secondary vocational school students, with the college entrance examination for vocational school students as the final destination, to help students to fulfil their dreams of higher education while developing high-quality and highly skilled applied talents for the society and the nation. The Group has launched the "3+ Certificate" in Higher Vocational Studies on top of the fully closed management program, and has successfully offered a number of courses such as "Summer Course" and "Autumn Course". The Group has also been pushing forward the rapid development of its full-time revision business segment, with new schools opening in Guangdong Province. Leveraging on the strengths of its existing business brand, the Group has attracted students and received positive feedback and recognition from the market.

Comprehensive Talent Education to Build a One-stop Education Service Platform

In the talent education segment, following the implementation of the Double Reduction Policy in 2021, the Group actively responded to the national policy and accelerated its transformation by setting up the Quality Products Centre to continue its efforts in the field of talent education. The Group expects to build an "individualised growth system" for students' quality and ability, develop the core quality of primary and secondary school students, and equip students with key capabilities and characters that can meet the needs of social development and their own development, so as to achieve comprehensive development of moral, intellectual, physical, aesthetic and labour thereby laying a solid foundation for the improvement of the overall quality of the new generation of Chinese citizens and the cultivation of professional and innovative talents, and providing more possibilities for the future of children. The Group also develops learning products to train students' basic qualities, focusing on four comprehensive abilities, namely language expression, scientific literacy, humanistic literacy and innovation capability, while taking into account improvement in five intellectual abilities, namely attention, observation, memory, imagination and thinking. In the meantime, the Group develops new family ability products, strives to extend students' learning beyond the two key segments of psychology education and family education, assisting students to adapt to growth and changes and support social development.

During the Reporting Period, 9 quality products, including Beststudy Programming, Curious Young Reporter, Thinking Planet, Di-Da Literature, Literature and Aesthetic Education, Practical Practice, Bilingual Culture, Multiple Thinking and Social Science Literacy, have passed the on-academic accreditation by the education authorities. At the same time, the Group partnered with 45 primary and secondary schools in Guangzhou to provide "430" integrated on-campus tutoring services, offering high-quality services and experiences to students through more than 50 talent education products, including moral education, thinking development, language expression, aesthetic arts, science literacy, cooking labour, sports, and research practice.

Teaching Innovation

In order to implement the original intention of “All for Children’s Healthy Development” and create a positive and loving growth environment, the Group establishes the “Di-Da Growth Centre”, which offers courses in the five intelligence systems of linguistic intelligence, mathematical and logical intelligence, physical and sport intelligence and in visual and aesthetic intelligence and interpersonal intelligence, provides individualised solutions for children’s growth for families in the community, and builds a centre for children’s growth. In the future, the Group will continue to explore the new model of “quality-oriented education + community”, build a one-stop quality-oriented education platform for comprehensive ability cultivation, growth and evaluation, accelerate market penetration, enhance brand influence, and facilitate the new development of quality-oriented education.

Teaching System Development

Due to the impact of the pandemic, after the small class courses were quickly transferred from offline to online, the Group still exhibited strong operating capabilities. On the basis of high-quality teaching, the follow-up rate of winter and spring courses remained at a high level, indicating that the Group’s teaching effect and course experience were recognised by parents and students, and established a good reputation for the Group’s online and offline education services and products (“**OMO**”) teaching model. This year, the Group launched its "online + offline" intelligent teaching system, Beststudy Intelligent Learning System, a teaching system that provides a one-stop solution for teachers, students, parents and schools, enabling teachers to "teach accurately", students to "learn efficiently", and parents and schools to "manage intelligently". At present, the system has served nearly 10,000 students and assigned more than one million learning packages.

Community Teaching

In the future, the Group will continue to explore the new model of “quality-oriented education + community” to provide families in the community with more personalised and flexible solutions for children’s growth, build a community-centred third space for children’s growth, and promote the development of children’s personality. The Group will build a one-stop quality education base for parents and children within “8 minutes’ walk”. The Group always believes that its sustainable and healthy development over the past 20+ years and its everlasting original aspiration for education will help the enterprise to go higher and longer.

Education Quality

Responsible Operation

The Group adheres to the bottom line of compliant operation and conducts education in strict compliance with the "Education Law of the People's Republic of China", the "Law for Promoting Private Education of the People's Republic of China", the "Implementation Rules for the Law for Promoting Private Education of the People's Republic of China" and the "Opinions of the General Office of the State Council on Regulating the Development of After-school Tutoring Institutions and Other Relevant Laws and Regulations". As the Group's principal business is the provision of quality-oriented education services, it does not involve any product production safety and health issues that require recall. In addition, during the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to product and service quality.

In the future, the Group will rely on the accumulation of policy resources to forge ahead in the direction of diversified businesses such as quality-oriented education, retake program, self-learning space, international Chinese language and academic tutoring to provide more solid education services for students and parents from the South of the People's Republic of China and even the whole country with full efforts to help children grow better for the future.

High-quality Education

Excellent teaching quality is the core competitive advantage of the Group's long-term development. The Group adheres to the quality education concept of "Growing to the Future". As early as in 2015, the Group has set foot on quality-oriented education track. Through independent development and cooperative development, the Group has incubated a series of quality-oriented education products based on the principle of cultivating children's hands-on practical ability and stimulating scientific and technological innovation thinking. The Group upgraded the original campus to create an educational complex of "Weekday Academic Programs + Weekend Quality Programs", and launched eight quality courses, including "Excellent Programming", "Fun Go", "Thinking Planet", "Cantonese Culture", "Oral Training", "Focus Improvement", "Excellent Writing", and "Introducing Chinese Stories to the World", amongst over 10 quality programs, covering segments like preliminary preparation, teaching, feedback after classes and assessment, to comprehensively implement quality control throughout the teaching life cycle from enrollment to completion, continuously polish high-quality courses, and help children grow healthily.

Adequate Course Preparation

The Group has formulated internal management documents such as the "Teaching Quality System", "Eight Procedures for Personalised Customer Service", "Teaching Manual and Teaching" and "Research Standards to Standardise Teaching Quality Management and Personalised Service Standards", and has further improved customised course content, teaching templates and course matching, creating high-quality courses that are more suitable for examinations and more suitable for children's learning habits, so as to meet the needs of children and parents to cultivate "Excellent Quality".

In terms of customised course content, the Group actively responded to the national new curriculum standard reform, established a dedicated product management team, and worked closely with teaching staff to design, research and develop, update and improve course materials and teaching methods in a timely manner to accommodate market development trend and students' needs, so as to continuously improve the applicability and practicality of courses. The "personalised tutoring for general practice" launched by the Group meets the needs of each student in one-to-one or one-to-many (e.g. one-to-three) courses, and comprehensively evaluates major personalities of students in terms of learning motivation, learning ability and learning habits, so as to provide accurate tutoring on solving difficulties, consolidating knowledge and internalisation ability. The Group will continue to standardise the internal use of teaching materials and use excellent teacher courseware as templates to create high-quality courseware for all academic subjects to ensure the consistency of teaching content and progress.

In terms of teaching style, the Group actively optimised classroom design, produced a number of video micro-classes for students to learn in advance, and added interactive designs such as animation for online teaching courseware to strengthen classroom display effect and ensure teaching efficiency.

In terms of course matching, the Group provides students with a variety of teaching products and selection of teachers. Through comprehensive study diagnosis and professional individualised factor evaluation, the Group understands students' personality characteristics and learning needs, sorts out teacher labels and specialties, and conducts smart teacher matching based on students' exclusive files and teacher labels.

Control 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", the "Standard Procedures for Teaching Business", the "Procedures for Teachers' Routine Teaching Services" and the "Procedures for Teachers' First and Last Class Teaching Services". 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, upholding a responsible attitude towards students, the Group 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.

Focus on After-school Feedback

In order to understand the quality of teaching in a timely manner, the Group actively carries out feedback and communication with parents. Learning planners and teachers conduct return visits after each session, regularly summarise the progress and the leakage of knowledge of students , and follow up the learning trajectory of students and the changes in personalised factors throughout the process. The Group timely adjusts teaching plans to ensure students' learning effectiveness, and allows parents to carry out family counseling on the basis of in-depth understanding of students' classroom performance, knowledge point mastering, individual characteristics and other learning conditions. At the same time, the Group has established a multi-channel feedback mechanism combining online and offline channels. Parents and students can provide real-time feedback on classroom quality and target expectations through the online evaluation system and online parent-teacher association, and timely review students' progress and learning improvement plans. The Group also regularly conducts sampling visits to customers by telephone to conduct periodic systematic surveys on teaching.

In order to continuously improve service quality, the Group attaches great importance to customer complaints and has formulated the General Procedures for Handling Public Relations of Excellence Education Crisis, especially major complaints related to teaching quality. Parents and students can make complaints and provide feedback through customer service hotline, official website and Niu Shi Bang platform. The Group undertakes to provide solutions within 3 hours and to follow up within 24 hours. At the same time, customer satisfaction is included in the annual report of each school, and the improvement of customer satisfaction is valued. For core customers, the Group also conducts annual satisfaction monitoring and surveys to conduct face-to-face in-depth interviews through door-to-door testing, stage testing and level evaluation, so as to deeply understand customers' needs and provide effective guidance for optimising the Group's products and services. During the Reporting Period, the Group received 8 complaints and the response rate for customer complaints was 100% (2021: 63 complaints, 100% response rate).

Realisation of Employee Values

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.

Diverse Development of Teachers with Dignity

Adhering to the people-oriented management philosophy, the Group is committed to creating an open platform full of passion, challenges and common growth, and building a team with high cohesion and high execution capability. As at 31 December 2022, the Group had 1,022 full-time employees (as at 31 December 2021: 3,043 full-time employees), including senior teaching experts and gold coaches. As the Group has ceased its tutoring business related to academic subjects, the total number of employees decreased as compared to 2021. For detailed data on the Group's total number of employees and their breakdown, please refer to "Appendix I Key Performance Indicators".

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

✔ **Respect for differences:**

Welcoming people from different backgrounds with a positive attitude, respect each person's right to speak, and help the team make the best decisions with collective thinking;

✔ **Respect for contribution:**

Adopting the performance growth system which is positioned as driving the cultivation and growth of personnel, the talent assessment mechanism which matches the progress and the remuneration concept of performance-based salary, to motivate individuals to fully develop their potential and make excellent achievements;

✔ **Respect for growth:**

Taking the development and cultivation of talents as its own responsibility, a diversified training model that combines self-learning, practical work and course training has been established to encourage individuals to lead self-development and strive to build an excellent coaching team.

Treating Employees Fairly

Protecting the rights and interests of employees is the foundation for unleashing their potential. The Group complies with the "Labour Law of the People's Republic of China", the "Labour Contract Law of the People's Republic of China", the "Teachers Law of the People's Republic of China" and other laws and regulations and adheres to the concept of fair employment and prohibits discrimination against employees based on gender, age, ethnicity, religion and physical condition of employees, so as to provide equal and fair employment opportunities for employees. During the Reporting Period, the Group was not aware of any material violation of relevant local employment laws and regulations.

Treasuring Talents

The Group advocates a diverse and inclusive workplace atmosphere, actively promotes various recruitment channels such as online and internal recommendations, introduces more outstanding first-line teachers to join the Group, and continues to promote the reasonable distribution of employees in terms of gender, age and region, so as to provide sufficient talent resources for the development of the Group.

Labour Standards

The Group strictly complies with the "Law of People's Republic of China on the Protection of Minors" and 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". The Group also enters into labour contracts with all regular employees to effectively protect their legitimate rights and interests. At the same time, the Group strictly complies with relevant national regulations to adopt a 40-hour work week, respects the rights of employees to rest and leave, and regulates the working hours of employees and their rights to various types of rest times and holidays. Details of the application and arrangements for holidays are set out in the "Employee Handbook" and the "Leave Management Rules of China Beststudy Education Group". The Group also conducts regular reviews and inspections to prevent any child or forced labour in its operations. If any violation is found, the child labour or forced labour will be immediately stopped from work and handled as appropriate. During the Reporting Period, the Group's labour contract signing rate with all full-time employees was 100%. The Group was not aware of any material non-compliance with laws and regulations related to the prevention of child labour or forced labour.

Employee Compensation and Benefits

The Group insists on providing employees with competitive compensation package, and has formulated the "Remuneration and Operations Management Rules of China Beststudy Education Group" to build a remuneration and welfare system on the principle of position value and more pay for more work, including fixed salary such as monthly salary, and variable salary such as performance bonus, year-end bonus, excess profit bonus and equity incentive, and continues to stimulate employees' vitality and improve work efficiency through performance management. The Group makes at least one annual salary adjustment in line with compensation levels in the industry every year to enhance the attractiveness of external talents. During the pandemic, the Group guaranteed timely and full payment of employees' remuneration and benefits, and promoted the granting and vesting of shares as planned to satisfy basic employees' needs.

In addition to basic remuneration, the Group also provides employee benefits and rights. The Group always pays attention to the needs of employees, provides employees with multi-level welfare system, timely relieves employees' difficulties and concerns, encourages employees to live colourful lives, helps them achieve work-life balance, and improves employees' happiness.

✔ **Satisfaction of employees' needs:**

The Group has formulated the "Staff Welfare and Cash Gift Management Rules" to regulate the application process for staff welfare and cash gift. In addition to the statutory five insurances and one fund and paid holidays, the Group provides employees with a variety of additional benefits, including long-term service leave, commercial medical insurance, annual physical examination, computer subsidies, tele-communication subsidies, flexible work, team building activities, festival-themed activities, life welfare group purchase and living lecture salons. At the same time, the Group has set up mother-and-baby breastfeeding rooms for female employees to meet their diverse needs and enhance corporate cohesion.

✔ **Helping employees in difficulties:**

The Group adheres to the people-oriented principle and provides solutions to employees' difficulties. The Group has established the "Hand-in-Hand Fund" and formulated the "Hand-in-Hand Fund Management Measures" to raise funds through money from the firm, and donations from employees and the society. By setting up the scope and standards of funding, the Group provides financial assistance to employees and their immediate family members who are suffering from serious diseases, work-related injuries and difficult living conditions to help employees solve their difficulties.

Employee Promotion and Dismissal

The Group formulates management policies such as the "Position and Ranking Management Rules" and the "Non-teaching Staff Promotion Management Rules" to clearly define the criteria for staff promotion. Meanwhile, 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, just 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 teaching staff, the Group selected and evaluated teachers with the "one passion and six abilities" teacher's ability model, which includes education passion, teaching ability, professional ability, communication ability, motivating ability, learning ability and innovation ability, identified teachers' ability level based on the one-star to five-star teacher criteria, and built an outstanding star-level educational team.

In addition, the Group complies with the employment regulations and guidelines in the "Employee Handbook". In case of dismissal of employees, the Group will handle it in accordance with the "Labour Contract Management Rules", the "Labour Agreement and the Labour Relationship Termination Agreement", and make reasonable compensation for the dismissed employees. The relevant provisions on separation of employment are set out in the employment contract of each employee. As the Group has ceased its tutoring business related to academic subjects, the employee turnover rate during the Reporting Period increased as compared to 2021. For detailed data on the Group's employee turnover rate during the Reporting Period, please refer to "Appendix I Key Performance Indicators".

The Group has formulated the "Administrative Measures on the Reinstatement of Former Employees of China Beststudy Education Group" to provide a platform for outstanding former employees to rejoin the Group and regulate the reinstatement of former employees to promote the Group's overall business development.

Boosting Diversified Growth

The Group takes an open mind to build a colourful development stage for employees. The Group makes use of its own brand advantages, capital platform, functional support and mentoring to provide entrepreneurial opportunities for employees, encourage employees to become internal investors and share the development results of the Group.

The Group continues to implement the "Starfish Program". Being customer-oriented, the Group established an autonomous operation model through the dual empowerment of organisation and employees, so that each education member can become an operator, gain insight into development opportunities, exercise independent problem-solving capabilities, and achieve self-value and self-improvement.

Trust Arises from Communication

The Group practices democratic management of employees, encourages open communication, and builds a communication and feedback platform for employees, including various communication channels such as "face-to-face with CEO", "employee forum", "employee communication meeting" and "online communication community". The Group widely listens to the voices of employees, timely discovers and solves the problems that employees are concerned about, and carries out organisational capacity research, covering employee communication, strategic understanding and engagement, etc., to guide the direction for improving internal management and continuously improve employee satisfaction.

Talent Development and Training

The Group is committed to creating a systematic talent development system and providing employees with a diversified and equal development platform. The Group has developed a scientific and systematic training program 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.

Focus on Talent Cultivation

Excellent talents are the driving force behind the Group's continuous development and the guarantee of quality teaching services. The Group has established the "Beststudy University" and formulated relevant policies and development plans to encourage employees to continue to grow and achieve self-fulfilment, and established the "Best Talent Cultivation Base in the People's Republic of China's Education Industry", which includes development plans such as product manager, teacher trainee and star teacher assessment, in an effort to cultivate outstanding education talents. The Group has established the "Training Management Rules" and the "Training Rules for New Employees" and conducted training in a planned manner to improve the business skills and overall quality of employees and enhance its competitiveness in the industry.

The Group has established a training system covering all kinds of key talents, carried out employee training programs for different types and positions such as management trainees, new teachers, functional and professional talents and management personnel, and designed targeted training programs such as teacher growth series, functional series, operation management series, product management series and starfish growth series based on professional ability and professional quality to meet different growth needs of employees, and we are also committed to establishing teachers' ethics and to cultivating excellent education talents. For the management, the Group offers targeted course guidance for campus chief, campus deputy director and campus principal and regional principal, to improve employees' leadership and management skills. At the same time, the Group insists on integrating training programs into the daily work of employees, helping and encouraging employees to practice their learning and knowledge transformation through action learning, job rotation, project system, task assignment and group system.

In order to further promote the accessibility and effectiveness of training resources, the Group has integrated training resources through online professional training and offline communication mode to solve the restrictions on time, space and pandemic prevention requirements. In order to ensure the effectiveness of training, while controlling the scale of training, the Group promotes the evaluation and feedback of training effectiveness, especially in the process of training for new teachers, to evaluate their professional ability, behaviour and work performance, and link the evaluation results with teacher transfer and star rating to improve the initiative of independent learning. The Group holds micro-class competitions regularly. During the Reporting Period, the Group launched the 11th Micro-Class Competition in each of its city campuses and product centres, allowing teachers in each city to compete for the championship and continuously polish their lessons, demonstrating their professional teaching skills and unique teaching styles.

For detailed data on the percentage of employees trained and average training hours of the Group, please refer to "Appendix I Key Performance Indicators".

Safety and Health Education

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 pandemic 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.

The Group strictly abides by the "Labour Law of the People's Republic of China", the "Law of the People's Republic of China on the Prevention and Control of Occupational Diseases", the "Fire Protection Law of the People's Republic of China" and other relevant laws and regulations, and has formulated management rules such as the "Campus Safety Management Rules", the "Fire Safety Management Rules", the "Guidelines for Handling Accidental Injuries to Students on Campus", the "Emergency Response Plan for Emergencies" and the "Brief Guide for Disaster Prevention and Mitigation" to effectively implement the safety management system and standardise the safety of teachers and students. During the Reporting Period, the Group was also not aware of any material non-compliance with relevant local health and safety laws and regulations, and there have been no major safety incidents or confirmed cases of the pandemic on campus. Under the Group's stringent management system, the Group did not record any work-related fatalities over the past three years (including the Reporting Period), and there were no days lost due to work injury during the Reporting Period (2021: 117 days lost due to work injury).

Safety First

For the safety and health of teachers, the Group requires all campuses to clarify the division of safety management responsibilities, regularly monitor and identify campus safety hazards, 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. During the Reporting Period, the Group continued to carry out activities such as traditional Chinese medicine physiotherapy and health knowledge lectures, workplace stress relief lectures and psychological counseling to encourage employees to participate in physical exercise and maintain physical and mental health.

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

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

Emergency Response

The Group follows the "prevention orientation" crisis management principle, establishes the emergency team in accordance with requirements as set out in the "Guidelines for Handling Accidental Injuries to Students on Campus" and the "Safety Emergency Response Plan", and 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 to ensure that relevant personnel in compliance with requirements are on duty for 24 hours. Once a safety potential is identified, such safety potential must be escalated in time, and measures must be taken to cope with the risk.

Fostering 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 safety education to students, and through holding safety theme class meeting at the beginning of the courses, broadcasting safety promotion videos during the break, posting safety promotion signboards, setting safety manuals and setting up fire safety promotion bulletin boards, appropriately promotes safety knowledge in respect of fire safety, fire escape and use of electrical equipment and first aid treatment to students to improve their safety quality and self-protection capabilities.

Strict Pandemic Prevention and Control

The Group adhered to the red line of pandemic prevention and control, standardised campus information reporting, pandemic prevention inspection, material allocation and other relevant regulations, and strictly implemented the responsibility of pandemic prevention and control. The Group has also issued guidelines such as the "Guidelines on Pandemic Prevention", the "Emergency Response Plan for Pandemic Prevention Work" and the "Plan for Prevention and Control of COVID-19 Pandemic" to improve the allocation of medical rooms and medical staff, require real-time isolation and retention of suspicious cases, and report to the health authority and the education authority within 2 hours to cooperate in transportation and investigation. To better prevent the spread of the pandemic, the Group also conducted a COVID-19 Pandemic Emergency Response Exercise to simulate the situation of students returning to school with abnormal body temperature and to handle the situation in a timely manner.

In response to the arrangement of teachers, the Group has formulated the "Operational Guidelines for Staff to Apply for Work from Home due to the Impact of the Pandemic". According to the green, yellow and red health codes, the Group reported daily health registration forms and implemented staggered working hours and remote working to reduce people crowding while minimising the impact of the pandemic on operations. The Group continues to promote regular pandemic prevention, implementing measures such as testing body temperature, establishing health running books, deploying pandemic prevention supplies, maintaining indoor ventilation, disinfecting and cleaning regularly and organising psychological counselling in offices and campuses. The Group also launched timely online activities such as publicity on pandemic prevention strategies and experience sharing to improve employees' pandemic protection awareness and eliminate the risk of pandemic spread, so as to jointly create a safe and healthy working environment.

In response to the arrangement of students, on the opening day, the Group effectively implemented body temperature monitoring, attendance tracking, review of itinerary of teachers and students, regular ventilation and disinfection of the campus and environmental hygiene inspection, and required students who may pass through places listed in high-risk areas during the pandemic after holidays to attend classes only after self-isolation or confirming that there is no abnormal travel, so as to reduce the risk of spreading the pandemic. The Group actively carried out pandemic prevention publicity in the campus, and scientifically popularised health education on pandemic prevention and control through campus broadcast, class lectures, knowledge competitions, etc., to improve personal protection awareness.

Supply Chain Management

The Group strictly abides by the "Bidding Law of the People's Republic of China" and other relevant laws and regulations, formulates internal rules and regulations such as the "Bidding Process" and the "Procurement Rules", standardises the standard bidding and procurement process, continuously strengthens the supply management level, improves and implements relevant management rules, and takes a series of measures to build a responsible supply chain to ensure supply quality. During the Reporting Period, the Group engaged 2,876 suppliers, all of which were located in the PRC (2021: 2,228 PRC suppliers). For detailed data, please refer to "Appendix I Key Performance Indicators".

Improving Supply Chain Management

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

In the access stage, the Group selects and inspects 1,188 new suppliers (2021: 1,250 new suppliers) in accordance with the "Access Evaluation Form" in the "Supplier Management Regulations". The Group establishes a supplier development group to evaluate the operation, performance ability and certification of suppliers, issue review reports and complete the supplier access procedures.

In the evaluation stage, the Group attaches great importance to comprehensive evaluation and dynamic management of suppliers and establishes the supplier assessment group to assess suppliers from multiple dimensions covering supply quality, timely delivery, and contract performance and service quality. For engineering suppliers, the finance, development and campus employees who have undergone standardised training by the Group jointly participate in project acceptance inspection to effectively protect the quality of projects. At the same time, the Group conducts a full-round evaluation of all categories of suppliers it cooperates with every year to identify suppliers' performance in environmental and social risks, and places suppliers with poor rating in the evaluation report into the elimination list for interview and inspection, and never hires suppliers that have been blacklisted.

Promoting Green Supply Chain

The Group is committed to promoting green procurement with the philosophy of sustainable development. The Group gives preference to local suppliers to reduce the air pollutant emission and the energy consumption generated by transportation. In the meantime, the Group actively promotes environmental protection to suppliers, and gives extra points to suppliers with management system certification and environmental protection qualification 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.

Compliance Controls

The Group strictly complies with the national laws and regulations, continuously improves its internal system construction and risk response capability, establishes a sense of integrity and self-discipline, sticks to the bottom line of compliance and protects personal privacy and intellectual property rights. We will continue to strengthen the foundation of the Group's development through honest, stable and compliant operations, so as to safeguard the long-term development of the Group.

Strengthening Risk Management

The Group continuously strengthens its risk management system. The board of directors, as the Group's highest risk management body, is responsible for building and safeguarding risk management and internal controls. At the same time, the Group has established a risk management structure of "three lines of defence", in which the Group's business and functional centres are responsible for coordinating the formulation, supervision and implementation of the Group's risk management and internal control policies and systems; the internal audit team is responsible for performance of supervisory duties and carry regular tests on the integrity and effectiveness of the risk management and internal control systems. In order to continuously improve the assessment and control of internal material risks, the Group has formulated relevant management regulations such as the "Risk Assessment Management System" and "Internal Audit Workflow", engaged a third-party professional institution to undertake risk audits and regularly updated the risk database and prepared annual risk reports, so as to identify and review significant risks in the course of operation and countermeasures thereof, and conduct timely monitoring and evaluation of the Group's operational compliance in conjunction with internal audit works.

Promoting Integrity in the Workspace

In compliance with 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" and the "Basic Norms of Internal Control for Enterprises" and other national laws and regulations, the Group has formulated internal policies such as the "Anti-fraud Management Rules" and the "Guidelines for the Use of Compliance Hotline Mailbox" to continuously improve 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. During the Reporting Period, the Group did not violate any laws and regulations related to bribery, extortion, fraud and money laundering, and there were no settled legal cases regarding corrupt practices brought against the Group or its employees (2021: no cases).

At least once a year, the Group promotes integrity awareness and education through corporate WeChat official account, corporate email and other channels. During the Reporting Period, the Group's Internal Audit Department delivered 5 (2021: 5) presentations on anti-fraud and whistleblowing channels to all employees of the Group through the department's corporate WeChat official account in the form of case studies. The Group has also incorporated the integrity code into the “Employee Handbook” and posted integrity publicity posters on the bulletin boards of office areas and campuses, calling on all employees to remain highly vigilant and abide by regulations. In addition, the Group also conducted anti-corruption training for directors and employees. Please refer to "Appendix I Key Performance Indicators" for details of the number of trainees. In September 2022, the Sixth Party Branch of the Guangzhou Municipal Education Bureau and the Group's Party Committee jointly launched a party day activity on the theme of "strengthening the construction of an integrity culture in the new era, consolidating the foundation of clean and honest thinking and welcoming the 20th Party Congress with practical actions".

The Group has also joined the non-profit organisation “Trust and Integrity Enterprise Alliance” (**TIEA**), and actively promoted the business philosophy of integrity, self-discipline and law-abiding by the anti-fraud experience in seminars and the anti-fraud sharing meeting of enterprises in the South of the People’s Republic of China, so as to enhance the professional ethics of employees and create a transparent and honest business environment. The Group will continue to cultivate employees’ anti-corruption awareness and good professional ethics to comply with the regulations in Hong Kong and Mainland China. In addition, with the support of the Financial Management Centre and the Purchasing Department, the Group's Internal Audit Department organised integrity education activities for suppliers. In December 2022, the Group conducted the Sunshine Integrity Compliance Survey on its major suppliers in various ways to understand major suppliers’ awareness of and willingness to follow the Group's integrity management and situation on an anonymous basis, and to solicit relevant opinions and suggestions.

In addition, the Group has set up and disclosed the smooth reporting channels such as email and QQ on its official website to encourage whistleblowers to report illegal, non-compliant or improper activities in the Group’s business activities in real name or anonymously. The Group will 100% follow up on all 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 investigation into the reporting. 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. The audit committee will regularly review the complaints received by the Group to measure the effectiveness of the whistleblowing mechanism.

Protecting Personal Privacy

The Group's primary responsibility is to protect the privacy of its customers and safeguard information security. The Group strictly complies with relevant regulations about personal information protection including the "Law of the People's Republic of China on the Protection of Consumer Rights and Interests" and the "Tort Law of the People's Republic of China". The Group classified and filed student registration information in a timely manner, signed electronic contracts with customers, strictly prohibited marketing personnel from divulging customer information, and set strict access to students' and parents' information and duties to protect the personal privacy of students and parents. For teaching applications developed by the Group, customers are required to sign the "Beststudy Online APP Privacy Policy" before using the application to ensure customers' right to know. At the same time, the Group strictly requires all schools to properly keep materials containing important information such as employee information, core content of products and application data to ensure information security. During the Reporting Period, the Group did not receive any substantiated complaints concerning breaches of customer privacy or losses of customer data (2021: No complaint).

Intellectual Property Protection

The Group formulates the Administrative Measures on Intellectual Property and other internal system documents in accordance with the "Trademark Law of the People's Republic of China", the "Copyright Law of the 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". In order to effectively protect its own intellectual property rights, the Group encourages and supports the application for intellectual property rights such as patents, copyrights and trademarks. For suspected infringement cases, the frontline business department will report to the Securities and Compliance Department in a timely manner. The Group will judge the severity of infringement and the applicable treatment methods based on evidence submitted. If necessary, litigation will be taken to effectively protect its own intellectual property rights from infringement.

For external publicity materials and lessons, the Group strictly requires and ensures that the quoted text and pictures are legally authorised. In case of infringement, the Group will immediately negotiate and deal with it to fully respect the intellectual property rights of others. At the same time, the Group requires signing a portrait right agreement with the parties before using the portrait of teachers and students to ensure the legitimate rights and interests of others.

Upholding Integrity Promotion

The Group attaches great importance to the compliance of publicity and strictly abides by the "Advertising Law of the People's Republic of China", the "Trademark Law of the People's Republic of China" and other laws and regulations. The Group has set up a special department to strictly review relevant materials and refuse false publicity in the process of student recruitment. The Group has formulated the "Management Procedures for Advertising of Beststudy Education" and the "Advertising Regulations of Beststudy Education" to ensure the authenticity and accuracy of the Group's advertising and brand publicity content without misleading statements.

Corporate Social Responsibility

The Group upholds its mission of “nurturing excellent individuals for the future of our country”, supports the development of social welfare undertakings and procures students to participate in social activities. The Group strictly abides by the “Charity Law of the People’s Republic of China” and other laws and regulations, gives full play to its own educational and resource advantages, conveys goodwill, and has formulated relevant policies to clarify the provisions on charity to ensure that its donations and sponsorships are used properly. During the Reporting Period, the Group was committed to contributing to pandemic prevention and educational development in the community by providing funds and materials in an aggregate amount of approximately RMB450,000 (2021: approximately RMB360,000).

Making Due Contribution to Pandemic Prevention and Control

As the pandemic was raging, the Group actively participated in social welfare undertakings amid the pandemic. The Group actively responded to the call of the party and the government, actively took part in and contributed to the pandemic prevention and control work in Guangzhou in terms of charity donation, material supply, resumption of work and production, and volunteer services. The Group also carried out a number of public welfare and volunteer activities for pandemic prevention and control. In July 2022, the Party Working Committee of Datang Street, Yuexiu District, the Group and Future Bookstore jointly organised the first "Future Youth" summer holiday charity party-enterprise series activities to provide "childcare" services for the children of personnel at the frontline of pandemic prevention, and formed volunteer service teams to join the frontline pandemic prevention work in Guangzhou communities. In July 2022, the Group was awarded the title of "Advanced Unit in Combating the COVID-19 Pandemic in 2022" by the Party Working Committee of Datang Street, Yuexiu District.

Spreading Love with Excellence

The Group always adheres to the mission of “cultivating excellent quality and contributing to the future of the country” and actively responds to the call of the state to carry out charity activities to help poor schools in rural areas.

In January 2022, the Group donated a total of 804 sets of desks and chairs to three schools, namely Tangjia Town Centre Primary School in Leizhou City, Zhanjiang, Anliu Town Centre Primary School in Wuhua County, Meizhou and Guanzhu Town Centre Primary School in Dianbai District, Maoming, as part of the Yangtze River Charity's "Moss Blossoms" rural children's aesthetic education program, to help rural schools improve their schooling conditions and create a better learning environment for rural children. In June 2022, the Group and the Postgraduate Voluntary Teaching Team of Sun Yat-sen University jointly initiated the "Love Books Donation Campaign" for the No. 1 Senior Secondary School in Changdu City, Tibet, with the Group donating a total of 1,598 books. (2021: the Group donated materials to various rural primary schools 5 times and donated books to the No.1 Senior Secondary School in Changdu City, Tibet).

The Group will continue to uphold the philosophy of “spreading love with excellence” and fulfil its corporate social responsibility, so that more children in rural areas can receive better education.

ENVIRONMENTAL

Environmental Targets

To ensure that we are able to effectively implement a sustainable business model, the Group has set a number of environmental targets in line with its direction and strategic direction, and closely monitors and regularly reviews its progress against these targets. With a base year of 2021, the Group will achieve the following targets in 2022:

Aspects	Targets	Progress
GHG emissions	In response to the national policy of "Carbon Peak by 2030 and Carbon Neutrality by 2060", the Group will strictly implement and actively cooperate with the government to achieve the goal of emission reduction plan, and strive to achieve the goal of carbon peak and emission reduction by the target time limit.	In progress. This target will continue for the year ending 31 December 2023 ("**2023**").
Hazardous waste	Carry out activities every year to raise awareness of resource conservation among employees.	No related activities were organised due to pandemic prevention reasons. This target will be taken forward in due course in 2023.
Non-hazardous waste	Gradually reduce the amount of paper used and increase the amount of paper recycled.	In progress. This target will continue for 2023
Energy management	Remind employees to conserve electricity through publicity channels such as intranet notices and emails to raise their awareness of energy saving.	Completed. This target will continue for 2023.
Water management	Remind employees to treasure water resources through publicity channels such as intranet notices and emails to encourage water conservation and enhance the effectiveness of water conservation.	Completed. This target will continue for 2023.

Emissions

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

The Group pays close attention to and strictly complies with the national environmental laws and regulations, including but not limited to the requirements set out in the relevant laws and regulations such as the “Environmental Protection Law of the People’s Republic of China”, the “Environmental Protection Tax Law of the People’s Republic of China”, the “Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution” and the “Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes”, and has formulated environmental-related policies to reduce the harm caused by the Group to the environment. During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations related to environment.

Air Emissions

The Group's air emissions are mainly from gasoline consumed for business purposes. For detailed data, please refer to "Appendix I Key Performance Indicators". To reduce emissions, the Group regularly maintains and repairs its vehicles to prevent them from emitting excessive emissions due to breakage of parts or other reasons. At the same time, non-compliant vehicles are phased out in accordance with regional emission policies.

Greenhouse Gas Emissions

The Group's greenhouse gas emissions are mainly direct GHG emissions (Scope 1) from gasoline consumption in business vehicles and energy indirect GHG emissions (Scope 2) from purchased electricity in educational sites. As the Group has ceased its tutoring business related to academic subjects, total greenhouse gas emissions during the Reporting Period decreased by approximately 74.42%. For detailed data, please refer to "Appendix I Key Performance Indicators". The Group will also actively enhance its image by reducing electricity consumption, thereby reducing greenhouse gas emissions. For detailed measures, please refer to the section headed "Energy Management".

Waste Management

The Group adheres to the principles of waste management and is committed to rational management and disposal of waste generated from business activities. The Group maintains a high standard in waste reduction, educates its employees on the importance of sustainable development and provides them with relevant support to enhance their skills and knowledge in sustainable development.

Hazardous Waste

Hazardous wastes generated during the operation of the Group are mainly wastes generated from production of educational materials and wastes generated from site equipment, including printer toner cartridges, ink cartridges, batteries and light tubes. For detailed data, please refer to “Appendix I Key Performance Indicators”. As the Group has ceased its tutoring business related to academic subjects, the total amount of hazardous waste during the Reporting Period decreased by approximately 87.16% as compared to 2021. In order to achieve sustainable development, the Group classifies and recycles its hazardous waste to minimise the impact of its business on the environment. The Group will organise seminars and exchange activities every year to raise employees’ awareness of resource conservation.

Non-hazardous Waste

Non-hazardous waste generated during the Group’s operation is mainly paper. For detailed data, please refer to “Appendix I Key Performance Indicators”. As the Group has ceased its tutoring business related to academic subjects, the total amount of non-hazardous waste during the Reporting Period decreased by approximately 80.89% as compared to 2021. In order to reduce the production of non-hazardous wastes, the Group not only requires employees to properly dispose of them and encourages employees to classify and place them before disposal, but also arranges personnel to handle them in a unified manner. For old books and paper waste, the Group also provides them to recyclers for waste recycling.

Use of Resources

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

The Group regularly reviews the business operation process and takes improvement measures to more effectively save water, electricity and other resources, reduce or even stop the use of materials that waste resources or pollute the environment, with an aim to achieve higher energy efficiency and reduce unnecessary use of resources.

Energy Management

In daily operations, major energy consumption of the Group is electricity consumption in offices. As the Group has ceased its tutoring business related to academic subjects, the total energy consumption during the Reporting Period decreased by approximately 63.76% as compared to 2021. However, due to the significant decrease in revenue during the Reporting Period, the total energy consumption intensity increased by approximately 40.14% as compared to 2021. To uphold the Group's commitment to energy conservation and consumption reduction, the Group has been reminding its employees to conserve electricity through communication channels such as intranet notifications and emails on an annual basis since 2022 in order to raise employees' awareness of energy conservation. The Group will review the effectiveness of the above measures from time to time and make adjustments appropriate for its operation to achieve the purpose of improving the efficiency of resource use. Please refer to "Appendix I Key Performance Indicators" for detailed energy consumption data.

Water Management

The Group's water consumption is mainly domestic water in the office area. The Group has been strengthening its water-saving promotion and posting water-saving slogans in prominent places in the office to remind all employees and customers to develop the habit of conserving water consciously. The Group has reminded its employees to treasure water resources through communication channels such as intranet notifications and emails since 2022 to encourage water conservation and enhance the effectiveness of water conservation. As the Group has ceased its tutoring business related to academic subjects, the total water consumption during the Reporting Period decreased by approximately 54.83% as compared to 2021. However, due to the significant decrease in revenue during the Reporting Period, the total water consumption intensity increased by approximately 74.62% compared to 2021. Please refer to "Appendix I Key Performance Indicators" for detailed water consumption data. Due to geographical location of the Group's operations, the Group has no issue in sourcing water that is fit for purpose.

Use of Packaging Materials

Due to its business nature, the Group does not involve the use of packaging materials.

Climate Change

The escalating risks and challenges posed by climate change to the global economy may also have a negative impact on the Group's business. Therefore, the Group understands the importance of identifying and mitigating the impact of climate change. Based on international recommendations of the Task Force on Climate-Related Financial Disclosures ("**TCFD**") established by the Financial Stability Board, the Group's management has assessed and is fully aware of climate-related risks and the corresponding opportunities that have an impact on the Group's business. Based on the assessment results, the Group has incorporated climate risks into its internal risk management, to manage and review climate-related risks and seize related opportunities. With reference to the risk classification of TCFD, climate-related risks identified by the Group and the corresponding management measures are as follows:

Physical Risks

Increased frequency and severity of extreme weather events, such as extreme cold or extreme heat, storms, heavy rains and typhoons, may affect students' safety, prevent teachers or employees from working, and even cause casualties. These events could also increase the risk of power shortages and damage the Group's assets, disrupt the operations of the Group's offices and result in lower revenues and increase the costs of restoring or restoring damaged locations. In response to the above risks, the Group has formulated the "Emergency Response Plan for Emergencies" and the "Guidelines for Campus Response in Typhoon Weather" to reduce or avoid losses when extreme weather affects the Group's business premises. The Group will identify these risks and prioritise those with significant impact so that preventive measures can be taken at the first time. At the same time, the Group will explore the possibility of changing the business model to reduce or avoid these serious impacts on the business operations.

Transition Risks

To achieve sustainable development, governments have successively enacted climate-related legislation or tightened regulations to support the global decarbonisation vision. For example, the Chinese government aims to peak carbon dioxide emissions by 2030 and achieve carbon neutrality by 2060, and the Stock Exchange also requires listed companies to strengthen climate-related disclosures in their ESG reports. The above and other related policies have become increasingly stringent, and the relevant compliance costs may increase accordingly. Failure to meet the compliance requirements of climate change may expose the Group to claims and litigation risks, which may lead to a decline in corporate reputation.

In view of this, the Group has set targets to reduce GHG emissions, and regularly monitors existing and emerging trends, policies and regulations related to climate change to avoid reputational risks caused by slow response. The Group will continue to assess the effectiveness of its climate change actions and enhance its ability to address climate-related issues.

APPENDIX I KEY PERFORMANCE INDICATORS

ESG KPI		Unit	2022	2021
A. ENVIRONMENTAL				
A1. Emissions				
A1.1	**Air emissions** (Note a)(1)			
	Nitrogen oxide	kg	4.36	N/A
	Sulphur oxide	kg	0.07	N/A
	Particulate matter	kg	0.32	N/A
A1.2	**GHG emissions**(2)			
	Direct GHG emissions (Scope I) (Note a)	tonnes of carbon dioxide equivalent ("**tCO_2e**")	12.57	—
	Indirect GHG emissions (Scope 2)	tCO_2e	2,820.69	11,078.20
	Total GHG emissions	tCO_2e	2,833.26	11,078.20
	Total GHG emissions intensity	tCO_2e/RMB million revenue(3)	5.77	5.83
A1.3	**Hazardous waste emissions**			
	Total hazardous waste	kg	50.58	393.84
	Total hazardous waste intensity	kg/RMB million revenue	0.10	0.21
	Waste fluorescent lamps or energy-saving lamps (Note b)	kg	46.91	122.22
A1.4	**Non-hazardous waste emissions**			
	Total non-hazardous waste	tonnes	25.55	133.72
	Total non-hazardous waste intensity	tonnes/RMB million revenue	0.05	0.07
	Office paper	tonnes	25.55	133.72

ESG KPI		Unit	2022	2021
A2. Use of Resources				
A2.1	**Energy consumption**			
	Total direct energy consumption — Total vehicle fuel consumption (Note a)	MWh	45.79	—
	Total indirect energy consumption — Total purchased electricity	MWh	4,945.98	13,773.47
	Total energy consumption	MWh	4,991.77	13,773.47
	Total energy consumption intensity	MWh/RMB million revenue	10.16	7.25
A2.2	**Water consumption**			
	Total office and domestic water consumption	tonnes	100,339.00	222,140.61
	Total water consumption intensity	tonnes/RMB million revenue	204.30	117.00
B. SOCIAL				
B1. Employment				
B1.1	**Number of employees**			
	Total number of employees	person	1,022	3,043
Gender	Male	person	355	986
	Female	person	667	2,057
Employment type	Teachers	person	559	1,640
	Others	person	463	1,403
Age group	Under 30 years old	person	459	1,580
	30–50 years old	person	532	1,409
	Over 50 years old	person	31	54
Geographical region	Guangdong Province, China	person	576	2,832
	Other provinces in China	person	445	211
	Overseas	person	1	—

ESG KPI		Unit	2022	2021
B1.2	**Employee turnover rate** [4]			
	Total employee turnover rate	%	224.8%	204.2%
Gender	Male	%	202.8%	180.5%
	Female	%	236.4%	215.5%
Age group	Under 30 years old	%	245.8%	307.8%
	30–50 years old	%	213.0%	92.1%
	Over 50 years old	%	116.1%	96.3%
Geographical region	Guangdong Province, China	%	243.9%	200.5%
	Other provinces in China	%	200.0%	253.6%
	Overseas	%	200.0%	—
B2. Health and Safety				
B2.1	**Number and rate of work-related fatalities** (Note c)			
	Number of work-related fatalities	person	—	—
	Rate of work-related fatalities	%	—	—
B2.2	**Total number of days lost due to work-related injuries**			
	Total number of days lost due to work-related injuries	day(s)	—	117
B3. Development and Training (Note d)				
B3.1	**Percentage of employees trained** [5]			
Gender	Male	%	30.0%	30.0%
	Female	%	70.0%	70.0%
Employment type	Teachers	%	29.8%	57.4%
	Others	%	70.2%	42.6%

ESG KPI		Unit	2022	2021
B3.2	**Average training hours of employees** [6]			
	Average training hours	hours/person	478.2	210.4
Gender	Male	hours/person	413.0	194.8
	Female	hours/person	512.9	217.8
Employment type	Teachers	hours/person	448.1	253.7
	Others	hours/person	514.5	159.7
B5. Supply Chain Management				
B5.1	**Number of suppliers**			
	Guangdong Province, China	unit	2,154	1,641
	Other provinces in China	unit	722	587
B7. Anti-corruption				
B7.1	**Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period**			
	Number of legal cases regarding corrupt practices brought or concluded	case	—	—
B7.3	**Number of anti-corruption trainees**			
Employment type	Directors	person	8	N/A
	Employees	person	374	N/A
B8. Community Investment				
B8.2	**Resources contributed to the focus area**			
	Donation of funds	RMB0'000	14	36
	Donation of materials	RMB0'000	31	—

Notes:

(a) KPIs A1.1, A1.2 and A2.1: As new vehicles were added for official use during the Reporting Period, the relevant emission and energy consumption data will be disclosed from 2022 onwards.

(b) KPI A1.3: The statistical scope of waste fluorescent tubes or energy-saving light tubes covers only the administrative department of the Group's Guangzhou branch campus.

(c) KPI B2.1: The Group has not recorded any material safety accidents and work-related fatalities in the past three years and no claims or compensation has been paid to its employees due to such incidents.

(d) KPI B3: This data only focuses on the record of employee career development training and the data includes employees who have resigned.

Data Calculation Standards

(1) Air emissions are calculated with reference to the "How to Prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange. The relevant data will be disclosed from 2022 onwards.

(2) Greenhouse gas emissions are calculated with reference to the "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard " published by the World Resources Institute and the World Business Council for Sustainable Development, the "IPCC Fifth Assessment Report, 2014 (AR5)", the "How to Prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange and the "Notice on Effective Management of Greenhouse Gas Emissions Reporting of Enterprises in the Power Generation Industry for 2023–2025" issued by the Ministry of Ecology and Environment of the PRC.

(3) During the Reporting Period, the Group's total revenue was RMB491,134 thousand (2021: RMB1,898,627 thousand), which is also used for calculating other intensity data.

(4) Employee turnover rate = number of employees in the category who resigned during the year ÷ total number of employees in the category at the end of the year × 100%.

(5) Percentage of employees trained = number of employees trained in the category for the year ÷ number of employees trained for the year × 100%.

(6) Average training hours of employees = total training hours of employees in the category for the year ÷ total number of employees in the category at the end of the year.

THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE

Mandatory Disclosure Requirements	Section/Statement
Governance Structure	Introduction and Environmental, Social and Governance Policies — ESG Governance Structure
Reporting Principles	Introduction and Environmental, Social and Governance Policies — Basis for Preparation
Reporting Scope	Introduction and Environmental, Social and Governance Policies — Reporting Scope

Aspects, General Disclosures and KPIs	Description	Section/Statement
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	ENVIRONMENTAL — Emissions
KPI A1.1	The types of emissions and respective emissions data.	Appendix I Key Performance Indicators
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix I Key Performance Indicators
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix I Key Performance Indicators
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix I Key Performance Indicators

Aspects, General Disclosures and KPIs	Description	Section/Statement
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Environmental Targets; Emissions — Greenhouse Gas Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environmental Targets; Emissions — Waste Management
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	ENVIRONMENTAL — Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity (e.g. per unit of production volume, per facility).	Appendix I Key Performance Indicators
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Appendix I Key Performance Indicators
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental Targets; Use of Resources -Energy Management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environmental Targets; Use of Resources -Water Management
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	N/A — Explained

Aspects, General Disclosures and KPIs	Description	Section/Statement
Aspect A3: The Environment and Natural Resources		
General Disclosure	Description of the significant impacts of activities on the environment and natural resources and the policies taken to manage them.	As the Group mainly provides education-related services, its impact on the environment and natural resources is not significant and the relevant environmental policies are disclosed under "ENVIRONMENTAL — Emissions" and "ENVIRONMENTAL — Use of Resources”
KPI A3.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	ENVIRONMENTAL — Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	ENVIRONMENTAL — Climate Change
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	SOCIAL — Realisation of Employee Values
KPI B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	Appendix I Key Performance Indicators
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix I Key Performance Indicators

Aspects, General Disclosures and KPIs	Description	Section/Statement
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	SOCIAL — Safety and Health Education
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Appendix I Key Performance Indicators
KPI B2.2	Lost days due to work injury.	Appendix I Key Performance Indicators
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Safety and Health Education — Safety First
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	SOCIAL — Talent Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Appendix I Key Performance Indicators
KPI B3.2	The average training hours completed per employee by gender and employee category.	Appendix I Key Performance Indicators
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	SOCIAL — Realisation of Employee Values
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Realisation of Employee Values — Treasuring Talents
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Realisation of Employee Values — Treasuring Talents

Aspects, General Disclosures and KPIs	Description	Section/Statement
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	SOCIAL — Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Appendix I Key Performance Indicators
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management — Improving Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management — Improving Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management — Promoting Green Supply Chain
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	SOCIAL — Education Quality; SOCIAL — Compliance Controls
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A — Explained
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Education Quality — Focus on After-school Feedback
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Compliance Controls — Intellectual Property Protection
KPI B6.4	Description of quality assurance process and recall procedures.	Education Quality — Responsible Operation
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Compliance Controls — Protecting Personal Privacy

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

Independent Auditor's Report

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

OPINION

We have audited the consolidated financial statements of China Beststudy Education Group (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 127 to 243, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of profit of loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including 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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of debt instruments measured at amortised cost	
We identified the impairment assessment of debt instruments measured at amortised cost as a key audit matter due to the complexity and significant judgements and estimates management makes to measure the expected credit losses ("**ECL**"), including those related to the probability of default ("**PD**"), loss given default ("**LGD**") and forward-looking information. As disclosed in notes 4, 23 and 39(b) to the consolidated financial statements, the Group adopts ECL model to assess the impairment of debt instruments measured at amortised cost. As at 31 December 2022, the carrying amount of debt instruments measured at amortised cost amounted to approximately RMB46,058,000 representing 5.3% of the Group's total assets. During the year ended 31 December 2022, the Group recognised impairment losses of approximately RMB3,893,000 and reversed impairment losses of approximately RMB26,942,000 under ECL model for debt instruments measured at amortised cost.	Our procedures in relation to the impairment assessment of debt instruments measured at amortised cost included: • Understanding the key control over the management's impairment assessment process of debt instruments measured at amortised cost; • Evaluating the competence and objectivity of the management's external valuation specialist and obtaining an understanding of its scope of work and terms of engagement; • With the assistance of our internal valuation specialists, evaluating the reasonableness of the impairment methodology and significant assumptions used by management, including the determination of PD, LGD and forward-looking information; • Testing the mathematical accuracy of the calculation of ECL; and; • Evaluating the disclosures regarding the impairment assessment of debt instruments measured at amortised cost in notes 4, 23 and 39(b) to the consolidated financial statements.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
*Valuation of debt instruments measured at fair value through profit or loss ("**FVTPL**") classified as level 3 under fair value hierarchy (the "**Level 3 debt instruments measured at FVTPL**")*	
We identified the valuation of the Level 3 debt instruments measured at FVTPL as a key audit matter due to the complex proprietary models and unobservable inputs management uses to estimate fair value, including the expected recoverable amounts, expected recovery date and discount rates. As disclosed in notes 4 and 22 to the consolidated financial statements, as at 31 December 2022, the Level 3 debt instruments measured at FVTPL amounted to approximately RMB48,114,000, representing 5.5% of the Group's total assets. As disclosed in notes 4 and 39(c) to the consolidated financial statements, the fair values of the Level 3 debt instruments measured at FVTPL are determined based on discounted cash flows. The Group recognised losses from changes in fair value of Level 3 debt instruments measured at FVTPL of approximately RMB10,756,000 during the year ended 31 December 2022.	Our procedures in relation to the valuation of the Level 3 debt instruments measured at FVTPL included: • Understanding the key control over the management's valuation process of the Level 3 debt instruments measured at FVTPL; • Evaluating the competence and objectivity of the management's external valuation specialists and obtaining an understanding of its scope of work and terms of engagement; • With the assistance of our internal valuation specialists, evaluating the reasonableness of the valuation methodology and unobservable inputs including expected recoverable amounts, expected recovery date and discount rates used by the management; • Testing the mathematical accuracy of the fair value calculations; and • Assessing the adequacy of the Group's fair value disclosures including the valuation techniques, fair value hierarchy and other related disclosures in note 39(c) to the consolidated financial statements.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those statements on 29 April 2022.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Wong Ka I.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 March 2023

Consolidated Statement of Profit or Loss

For the year ended 31 December 2022

	NOTES	2022 RMB'000	2021 RMB'000
Revenue	5 & 6	**491,134**	1,898,627
Cost of sales		**(318,073)**	(1,169,280)
Gross profit		**173,061**	729,347
Other income	7	**55,970**	79,631
Other gains and losses	8	**15,370**	10,356
Selling expenses		**(32,447)**	(180,984)
Administrative expenses		**(88,694)**	(222,961)
Other operating expenses		**(70,216)**	(163,633)
Fair value changes on financial assets at fair value through profit or loss ("**FVTPL**")	22	**(12,403)**	(144,438)
Loss on disposal of:			
— property, plant and equipment		**(1,562)**	(140,132)
— intangible assets		**—**	(46)
Impairment loss recognised on:			
— property, plant and equipment		**—**	(11,758)
— intangible assets		**—**	(6,470)
— investments in associates		**—**	(56,054)
Impairment losses reversed (recognised) under expected credit loss model, net	10	**18,735**	(100,288)
Share of results of associates		**(49)**	(7,532)
Share of results of joint ventures		**(1,153)**	(698)
Finance costs	9	**(12,366)**	(57,795)
Profit (loss) before tax		**44,246**	(273,455)
Income tax credit (expense)	11	**9,827**	(52,138)
Profit (loss) for the year	12	**54,073**	(325,593)
Profit (loss) for the year attributable			
— to owners of the Company		**56,287**	(325,031)
— non-controlling interests		**(2,214)**	(562)
		54,073	(325,593)
EARNINGS (LOSS) PER SHARE			
— Basic	16	**RMB7.48 cents**	RMB(43.2) cents
— Diluted	16	**RMB7.48 cents**	RMB(43.2) cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	2022 **RMB'000**	2021 RMB'000
Profit (loss) for the year	**54,073**	(325,593)
Other comprehensive income (expense)		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**—**	(4,134)
Total comprehensive income (expense) for the year	**54,073**	(329,727)
Total comprehensive income (expense) attributable to:		
— to owners of the Company	**56,287**	(329,165)
— non-controlling interests	**(2,214)**	(562)
	54,073	(329,727)

Consolidated Statement of Financial Position

At 31 December 2022

	NOTES	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**66,904**	51,858
Right-of-use assets	18	**185,193**	192,166
Intangible assets	19	**28,346**	33,642
Investments in associates	20	**17,131**	17,492
Investment in joint ventures	21	**6,224**	7,377
Financial assets at fair value through profit or loss	22	**18,146**	22,475
Debt instruments measured at amortised cost	23	**22,853**	186,047
Long-term time deposits		**50,000**	—
Deferred tax assets	30	**46,460**	35,080
Prepayments for purchases of property, plant and equipment	24	**13,862**	552
		455,119	546,689
CURRENT ASSETS			
Financial assets at fair value through profit or loss	22	**99,796**	294,975
Debt instruments measured at amortised cost	23	**23,205**	130,000
Prepayments, deposits and other receivables	24	**61,962**	67,846
Amounts due from associates	42	**130**	130
Amounts due from a related party	42	**4,789**	4,789
Other current assets		**1,498**	778
Short-term time deposits		**20,000**	50,130
Restricted bank deposits	25	**8,099**	12,135
Bank balances and cash	25	**195,084**	211,180
		414,563	771,963
CURRENT LIABILITIES			
Other payables and accruals	26	**93,455**	149,685
Contract liabilities	27	**151,196**	191,725
Amounts due to related parties	42	**737**	22,161
Income tax liabilities		**18,876**	33,874
Bank borrowings	31	**—**	333,218
Lease liabilities	32	**54,602**	87,163
		318,866	817,826

Consolidated Statement of Financial Position

At 31 December 2022

	NOTES	2022 RMB'000	2021 RMB'000
NET CURRENT ASSETS (LIABILITIES)		**95,697**	(45,863)
TOTAL ASSETS LESS CURRENT LIABILITIES		**550,816**	500,826
NON-CURRENT LIABILITY			
Lease liabilities	32	**144,926**	150,222
NET ASSETS		**405,890**	350,604
CAPITAL AND RESERVES			
Share capital	28	**303**	303
Reserves	29	**407,557**	350,547
Equity attributable to owners of the Company		**407,860**	350,850
Non-controlling interests		**(1,970)**	(246)
TOTAL EQUITY		**405,890**	350,604

The consolidated financial statements on pages 127 to 243 were approved and authorised for issue by the Board of directors on 28 March 2023 and are signed on its behalf by:

JUNJING TANG
DIRECTOR

JUNYING TANG
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to owners of the Company										
	Share capital RMB'000 Note 28	Share premium* RMB'000 Note 29(b)	Shares held for restricted share unit scheme* RMB'000 Note 29(c)	Share based payment reserve* RMB'000	Statutory surplus reserve* RMB'000 Note 29(a)	Other reserve* RMB'000	Translation reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	304	248,380	(83,162)	12,136	100,673	226,302	(33,668)	327,378	798,343	(2,473)	795,870
Loss for the year	–	–	–	–	–	–	–	(325,031)	(325,031)	(562)	(325,593)
Other comprehensive expense for the year	–	–	–	–	–	–	(4,134)	–	(4,134)	–	(4,134)
Total comprehensive expense for the year	–	–	–	–	–	–	(4,134)	(325,031)	(329,165)	(562)	(329,727)
Share-based payments reversed	–	–	–	(5,914)	–	–	–	–	(5,914)	–	(5,914)
Exercise of share awards under the restricted share unit ("**RSU**") scheme	–	–	4	(5,628)	–	–	–	5,624	–	–	–
Repurchase of shares under the RSU scheme	–	–	(72,725)	–	–	–	–	–	(72,725)	–	(72,725)
Repurchase and cancellation of shares	(1)	(5,602)	–	–	–	–	–	–	(5,603)	–	(5,603)
Deregistration of subsidiaries	–	–	–	–	(2,461)	–	–	2,461	–	–	–
Disposal of subsidiaries	–	–	–	–	(61,642)	–	–	61,642	–	2,751	2,751
Transfer from retained profits	–	–	–	–	387	–	–	(405)	(18)	18	–
Contributions from non-controlling shareholders	–	–	–	–	–	–	–	–	–	20	20
Final 2020 dividend declared and paid	–	(34,068)	–	–	–	–	–	–	(34,068)	–	(34,068)
At 31 December 2021	303	208,710	(155,883)	594	36,957	226,302	(37,802)	71,669	350,850	(246)	350,604
Profit (loss) for the year and total comprehensive income (expense) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**56,287**	**56,287**	**(2,214)**	**54,073**
Share-based payments	**–**	**–**	**–**	**726**	**–**	**–**	**–**	**–**	**726**	**–**	**726**
Exercise of share awards under the RSU scheme	**–**	**–**	**–**	**(555)**	**–**	**–**	**–**	**555**	**–**	**–**	**–**
Transfer from retained profits	**–**	**–**	**–**	**–**	**385**	**–**	**–**	**(388)**	**(3)**	**3**	**–**
Additional interest in a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(445)**	**(445)**
Contributions from non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**932**	**932**
At 31 December 2022	**303**	**208,710**	**(155,883)**	**765**	**37,342**	**226,302**	**(37,802)**	**128,123**	**407,860**	**(1,970)**	**405,890**

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
OPERATING ACTIVITIES		
Profit (loss) before tax	**44,246**	(273,455)
Adjustments for:		
Finance costs	**12,366**	57,795
Interest income	**(28,644)**	(27,711)
Dividends from an financial instrument at FVTPL	**(2,108)**	(1,863)
Share of results of associates	**49**	7,532
Share of results of joint ventures	**1,153**	698
Depreciation of property, plant and equipment	**18,640**	75,012
Depreciation of right-of-use assets	**76,829**	221,663
Amortisation of intangible assets	**6,251**	8,314
Impairment loss, net of reversal		
— other intangible assets	**—**	6,470
— property, plant and equipment	**—**	11,758
— investments in associates	**—**	56,054
— financial assets and other items under expected credit loss model	**(19,185)**	100,288
Share-based payment expense	**726**	(5,914)
Loss on disposal of property, plant and equipment	**1,562**	140,132
Loss on disposal of other intangible assets	**—**	46
Gain on lease modifications, net of deposits losses	**(13,188)**	(10,270)
Loss on fair value changes of financial assets at fair value through profit or loss	**12,403**	144,438
Gain on disposal of investment in an associate	**(610)**	(20,511)
Loss on disposal of investments in subsidiaries	**366**	14,453
Covid-19-related rent concessions from lessors	**—**	(6,093)
Operating cash flows before movements in working capital	**110,856**	498,836
Increase in amounts due from associates	**—**	(130)
Increase in prepayments, deposits and other receivables	**(7,820)**	(63,451)
Increase in other current assets	**(720)**	(86)
Decrease in other payables and accruals	**(55,811)**	(94,593)
Decrease in contract liabilities	**(40,529)**	(358,466)
(Decrease) increase in amount due to related parties	**(21,373)**	21,958
Cash (used in) generated from operations	**(15,397)**	4,068
Income tax paid	**(16,551)**	(57,498)
NET CASH USED IN OPERATING ACTIVITIES	**(31,948)**	(53,430)

	NOTE	2022 RMB'000	2021 RMB'000
INVESTING ACTIVITIES			
Interest received		**20,290**	66,458
Dividend received from an associate		**—**	200
Dividends from an equity investment at fair value through profit or loss		**2,108**	1,863
Proceeds from disposal of investment in an associate		**922**	20,511
Proceeds from disposal of:			
— debt investments measured at amortised cost		**291,818**	200,400
— debt investments measured at FVTPL		**187,356**	875,165
Proceeds from disposal of property, plant and equipment		**5,236**	749
Acquisition of investment in associates		**—**	(1,400)
Purchases of:			
— equity investment at FVTPL		**(251)**	(319)
— debt investments measured at amortised cost		**—**	(382,000)
— debt investments measured at FVTPL		**—**	(586,160)
Purchases of property, plant and equipment		**(44,090)**	(129,474)
Payment for right-of-use assets		**(5,480)**	—
Payments for rental deposits		**(6,123)**	(3,812)
Refund of rental deposits		**8,963**	18,812
Purchases of other intangible assets		**(955)**	(15,832)
Net cash outflow on disposal of subsidiaries	34	**(366)**	(217,965)
Placement of time deposits		**(70,000)**	(120,000)
Withdrawal of time deposits		**50,000**	220,000
Withdrawal of restricted bank deposits		**12,004**	727
Placement of restricted bank deposits		**(7,968)**	(8,777)
Advances to (repayment from) independent third parties		**7,000**	(7,000)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**450,464**	(67,854)

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	NOTE	2022 RMB'000	2021 RMB'000
FINANCING ACTIVITIES			
Dividends paid		**—**	(34,068)
Interest paid		**(4,625)**	(12,636)
Acquisition of additional interest of a subsidiary		**(445)**	—
Capital contribution from a non-controlling shareholder of a subsidiary		**932**	20
Repayments of bank borrowings		**(333,190)**	(275,782)
Repayments of lease liabilities		**(97,255)**	(225,096)
New bank loans raised		**—**	260,000
Proceeds from exercise of share awards		**—**	4,563
Payment on repurchase and cancellation of shares		**—**	(78,328)
NET CASH USED IN FINANCING ACTIVITIES		**(434,583)**	(361,327)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(16,067)**	(482,611)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**211,180**	693,733
Effect of foreign exchange rate changes		**(29)**	58
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**195,084**	211,180
Represented by:			
Bank balances and cash	25	**195,084**	211,180

1. GENERAL INFORMATION

China Beststudy Education Group (the "**Company**") was incorporated in the Cayman Islands on 27 August 2010 as an exempted company with limited liability under the laws of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited. The ultimate controlling parties are Mr. Junjing Tang, Mr. Junying Tang and Mr. Gui Zhou, who have entered into an acting in concert agreement. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (the "**Group**") are engaged in providing education related courses including full time revision business (equivalent to full-time test preparation programs), talent education, self-study program, vocational education and after-school tutoring program for high school students.

Prior to 2022, the Group's principal activities also included the provision of after-school education ("**ASE**") services for preparing kindergarten students for their transition into primary schools to Grade 9 ("**K-9**"), including small group tutoring courses and tutoring courses for individuals, in the mainland of China ("**Mainland China**"). On 24 July 2021, the General Office of Central Committee of the Communist Party of China and the General Office of State Council jointly promulgated the Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education, or the Double Reduction Policy. The key provisions of the Double Reduction Policy include, but not limited to: (i) institutions providing after-school education services on academic subjects in relation to the Compulsory Stage Education ("**Compulsory Stage ASE subjects tutoring**") are required to be registered as non-profit organisation; (ii) foreign investors shall not control or hold interest in Compulsory Stage ASE subjects tutoring by means of direct investment, merger and acquisition, franchise or contractual arrangements; and (iii) certain restrictions on timing and fees of academic ASE services. The impact of the Double Reduction Policy has been gradually exerted on the operations of the Group since after 2021 summer vacation. In compliance with regulatory policies promulgated in 2021, the Group ceased offering K-9 academic ASE services in Mainland China at the end of 2021.

Due to regulatory restrictions on foreign ownership in the after-school education business in Mainland China, the Group conducts a substantial portion of the business through 廣州市卓越里程教育科技有限公司 (Guangzhou Beststudy Enterprise Co., Ltd.) ("**Guangzhou Beststudy**") and its subsidiaries listed in note 43 (collectively referred to as the "**Consolidated Affiliated Entities**") in the People's Republic of China (the "**PRC**"). 廣州市卓學信息科技有限責任公司 (Guangzhou Zhuoxue Information Technology Co., Ltd.) ("**Zhuoxue Information**"), a wholly-owned subsidiary of the Company, has entered into the contractual arrangements with Guangzhou Beststudy and their respective equity holders, which enable Zhuoxue Information and the Group to:

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

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

1. GENERAL INFORMATION (CONTINUED)

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

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

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

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

	2022 **RMB'000**	2021 RMB'000
Revenue	**490,984**	1,561,660
Profit (loss) before tax	**49,741**	(193,025)

	2022 **RMB'000**	2021 RMB'000
Non-current assets	**377,063**	512,445
Current assets	**415,901**	624,618
Current liabilities	**226,151**	626,567
Non-current liabilities	**144,926**	150,222

1. GENERAL INFORMATION (CONTINUED)

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

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

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standard Board ("**IASB**") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018–2020

In addition, the Group applied the agenda decision of the Committee of the IASB, Demand Deposits with Restrictions on Use arising from a Contract with a Third Party (IAS 7 *Statement of Cash Flows*) issued on 28 April 2022, which is relevant to the Group.

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

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

2.1 Impacts on application of Amendment to IFRS 3 Reference to the Conceptual Framework

The Group has applied the amendments to business combinations for which the acquisition date was on or after 1 January 2022. The amendments update a reference in IFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting* issued by IASB in March 2018 (the "**Conceptual Framework**") instead of the International Accounting Standards Committee's *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in September 2010), add a requirement that, for transactions and events within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, an acquirer applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination and add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments in the current year has had no impact on the Group's consolidated financial statements.

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1	Non-current Liabilities with Covenants[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendment to IFRS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2024.

Except for the new and amendments to IFRSs mentioned below, management of the Company anticipates that the application of all other new and amendments to IFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

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

2.1 Impacts on application of Amendment to IFRS 3 Reference to the Conceptual Framework (continued)

New and amendments to IFRSs in issue but not yet effective (continued)

*Amendments to IAS 1 Classification of Liabilities as Current or Non-current (the "**2020 Amendments**") and Amendments to IAS 1 Non-current Liabilities with Covenants (the "**2022 Amendments**")*

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2022, the application of 2020 and 2022 Amendments will not result in reclassification of the Group's liabilities.

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

2.1 Impacts on application of Amendment to IFRS 3 Reference to the Conceptual Framework (continued)

New and amendments to IFRSs in issue but not yet effective (continued)

Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

IAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

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

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

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies.

Amendments to IAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in IAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

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

2.1 Impacts on application of Amendment to IFRS 3 Reference to the Conceptual Framework (continued)

New and amendments to IFRSs in issue but not yet effective (continued)

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

As disclosed in note 3 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for the Group's annual reporting period beginning on 1 January 2023. As at 31 December 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB185,193,000 and RMB199,528,000 respectively, in which the Group will recognise the related deferred tax assets and deferred tax liabilities of RMB46,298,000 and RMB49,882,000 respectively. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained earnings at the beginning of the earliest comparative period presented.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the International Accounting Standards Board. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

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

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of preparation of consolidated financial statements (continued)

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for asset or liability.

3.2 Significant accounting policies

Basis of consolidation

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Basis of consolidation (continued)

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

All 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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Investments in associates and joint ventures (continued)

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, e.g., 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 and the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised services to the customer.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

<u>Output method</u>

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Variable consideration

For contracts that contain 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.), the Group estimates the amount of consideration to which it will be entitled using the expected value method, which better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Refund liabilities

The Group recognises a refund liability if the Group expects to refund some or all of the consideration received from customers. 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

Contract costs

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application of IFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies practical expedient not to separate non-lease components (e.g., property management services for leases of property) from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* ("**IFRS 9**") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities (continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease modifications (continued)

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

When the modified contract contains one or more additional lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component. The associated non-lease components are included in the respective lease components.

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- 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;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Group, as a lessee of a head lease, re-leases unoccupied part of the underlying leased properties (the lead lease) to third parties, by consent of the head lessor.

The Group recognised the rental income derived from leases of the underlying right-of-use assets in a sublease in profit or loss on a straight-line basis over the term of the relevant sublease and presented the rental income as other income in its consolidated statement of profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

The change in functional currency of the Company was applied prospectively from the date of change. All items were translated into new functional currency at the exchange rate on that date. The cumulative currency translation differences which had arisen from the translation of foreign operations up to the date of the change in functional currency were not reclassified from equity to profit or loss until the disposal of the relevant operations.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Borrowing costs

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

Any specific borrowing that remains outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

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

Employee benefits

Retirement benefit costs

Payments to the state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Employee benefits (continued)

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

Share-based payments

Equity-settled share-based payment transactions

<u>Shares and share options granted to employees</u>

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payment reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve. For shares/share options that vest immediately at the date of grant, the fair value of the shares/share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to share capital and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to retained profits.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Share-based payments (continued)

Equity-settled share-based payment transactions (continued)

Shares and share options granted to employees (continued)

When share awards granted are vested, the amount previously recognised in share-based payment reserve will be transferred to shares held for restricted share unit scheme and retained profits.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Taxation (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in the consolidated statements of profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are tangible assets held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The 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

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Intangible assets (continued)

Internally-generated intangible assets — research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Computer software	1~10 years
Domain names, trademarks and copyrights	10 years

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Intangible assets (continued)

Internally-generated intangible assets — research and development expenditure (continued)

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

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on property, plant and equipment, right-of-use assets, intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Impairment on property, plant and equipment, right-of-use assets, intangible assets (continued)

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Cash and cash equivalents

Bank balance and cash presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Cash and cash equivalents (continued)

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in note 25.

Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

<u>Classification and subsequent measurement of financial assets</u>

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

A financial asset is held as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "fair value changes on financial assets at fair value through profit or loss" line item.

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including debt investments measured at amortised cost, loan receivables, deposits and other receivables, amounts due from associates, restricted bank deposits and bank balances), which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For all financial assets at amortised cost, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (continued)

(i) Significant increase in credit risk

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

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (continued)

(i) Significant increase in credit risk (continued)

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of loan receivables, rental and other deposits, where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the management of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Control through contractual arrangements

The Group conducts a substantial portion of the business through the Consolidated Affiliated Entities in the PRC due to regulatory restrictions on foreign ownership in the Group's education services to student businesses in the PRC, including full-time test preparation programs, talent education and tutoring programs. The Group does not have any equity interest in the Consolidated Affiliated Entities. The directors of the Company assessed whether or not the Group has control over the Consolidated Affiliated Entities based on whether the Group has the power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities. After assessment, the directors of the Company concluded that the Group has control over the Consolidated Affiliated Entities as a result of the Contractual Arrangements and other measures and accordingly, the assets, liabilities and their operating results of the Consolidated Affiliated Entities are included in the consolidated financial statements throughout the year or since the respective dates of incorporation/establishment/acquisition, whichever is the shorter period.

Nevertheless, the Contractual Arrangements and other measures may not be as effective as direct legal ownership in providing the Group with direct control over the Consolidated Affiliated Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the operating results, assets and liabilities of the Consolidated Affiliated Entities. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements among Zhuoxue Information, the Consolidated Affiliated Entities and their equity holders are in compliance with the relevant PRC laws and regulations and are legally enforceable as set out in note 1.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty

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

Fair value measurement of debt instruments at FVTPL classified as level 3 under the fair value hierarchy

As at 31 December 2022, financial assets including debt instruments measured at FVTPL classified as level 3 under the fair value hierarchy amounting to RMB48,114,000 (2021: RMB193,889,000). The debt instruments are measured at fair value at end of the reporting period. The fair value are determined based on discounted cash flow which involves the use of significant unobservable inputs including expected recoverable amounts, expected recovery date and discount rates that correspond to the expected risk level of the debt instruments. The Group recognised losses from changes in fair value of Level 3 debt instruments measured at FVTPL of approximately RMB10,756,000 (2021: RMB131,713,000) during the year ended 31 December 2022.

Judgements and estimations are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See note 39(c) for further disclosures.

Impairment loss under ECL model for debt instruments measured at amortised cost

Debt instruments measured at amortised cost are assessed for ECL individually. As at 31 December 2022, debt instruments measured at amortised cost amounting to RMB46,058,000 (2021: RMB316,047,000).

The Group uses ECL model to measure the expected credit losses for these debt instruments measured at amortised cost. The ECL model is based on significant assumptions including the probability of default ("**PD**") and loss given default ("**LGD**") taking into consideration of reasonable and supportable forward-looking information that is available without undue costs or effort. At every reporting date, the rates of PD and LGD for each individual debt instrument are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's debt investments measured at amortised cost are disclosed in note 39(b).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (continued)

Recognition and realisation of deferred tax assets

As at 31 December 2022, deferred tax assets of RMB46,460,000 (2021: RMB35,080,000) in relation to deductible temporary differences have been recognised in the consolidated statement of financial position (see note 30 for details). No deferred tax asset has been recognised on the tax losses of RMB135,278,000 (2021: RMB194,702,000) and other deductible temporary differences of RMB198,786,000 (2021: RMB205,119,000) for certain subsidiaries of the Company as it is not probable that taxable profits will be available against the tax losses can be utilised. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or recognition takes place.

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2022				
	Full-time test preparation programs RMB'000	Talent education RMB'000	Tutoring programs RMB'000	Others RMB'000	Total RMB'000
Timing of revenue recognition					
Services transferred at a point in time	–	–	95,138	751	95,889
Services transferred over time	163,520	81,502	150,223	–	395,245
	163,520	81,502	245,361	751	491,134

5. REVENUE (CONTINUED)

(i) Disaggregation of revenue from contracts with customers (continued)

	For the year ended 31 December 2021				
	Full-time test preparation programs RMB'000	Talent education RMB'000	Tutoring programs RMB'000	Others RMB'000	Total RMB'000
Timing of revenue recognition					
Services transferred at a point in time	–	–	747,193	471	747,664
Services transferred over time	161,639	73,956	915,368	–	1,150,963
	161,639	73,956	1,662,561	471	1,898,627

(ii) Performance obligations for contracts with customers

a) *Revenue from full-time test preparation programs, talent education and tutoring programs*

The Group is providing full-time test preparation programs, talent education and tutoring programs for students, i.e., customers, in Mainland China.

Revenue from provision of education services of full-time test preparation programs, talent education programs and small group tutoring programs is recognised as a performance obligation satisfied over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. Full-time test preparation programs, talent education programs and small group tutoring programs are usually conduct over a specific period of time, such as school terms. Revenue from these services is recognised based on the output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of the education services.

For individualised tutoring service that charge on a per class basis, revenue from these tutoring services are recognised at a point in time upon the completion of each class, when the customer receives and consumes the benefits provided by the Group's performance as the Group performs.

The Group typically collect tuition fees from students in advance for the classes that they purchase and record the tuition fees initially as contract liabilities. Revenue is recognised as tuition fee proportionally as the tuition services are delivered.

5. REVENUE (CONTINUED)

(ii) Performance obligations for contracts with customers (continued)

b) Revenue from others

The Group provides vocational education in an innovative model with the support of public vocational colleges.

Revenue from provision of vocational education is recognised at a point in time upon completion of each program, when performance obligation of the Group is fulfilled and the customer receives the service.

(iii) Transaction price allocated to remaining performance obligations for contracts with customers

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

6. OPERATING SEGMENTS

Information reported to directors of the Company, being the chief operating decision makers ("**CODMs**"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

The Group is principally engaged in the provision of ASE services for K-12 before the promulgation of the Double Reduction Policy, primarily including small group tutoring courses and tutoring courses for individuals, talent education and full-time test preparation courses in the Mainland China. Once upon the effectiveness of the relevant regulatory policies, the Group ceased offering the ASE services on academic subjects offered to students of K-9 at the end of 2021 and started to focus toward providing full-time test preparation programs, talent education and tutoring programs for students during current year.

The information reported to the CODMs does not contain discrete operating segment financial information and the directors review the Group's results and financial position as a whole. Therefore, only entity-wide disclosures are presented.

6. OPERATING SEGMENTS (CONTINUED)

Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2022 RMB'000	2021 RMB'000
Full-time test preparation programs	**163,520**	161,639
Talent education	**81,502**	73,956
Tutoring programs	**245,361**	1,662,561
Others	**751**	471
	491,134	1,898,627

Geographical information

The Group's operations are substantially located in Mainland China and all significant non-current assets of the Group are located in Mainland China. Therefore, no further geographical segment information is presented.

Information about major customers

No revenue from services provided to a single customer accounted for to 10% or more of total revenue of the Group during the years ended 31 December 2022 and 2021.

7. OTHER INCOME

	2022 RMB'000	2021 RMB'000
Interest income		
— bank deposits	**10,143**	11,615
— debt instruments at amortised cost	**18,501**	16,096
Value-added tax exemption (note a)	**175**	20,113
Government grants (note b)	**3,213**	7,846
Dividends from financial instruments at FVTPL	**2,108**	1,863
Rental income	**1,399**	2,218
Income on sales of education materials	**9,307**	10,037
Other project income	**10,492**	8,765
Other tax refund	**628**	721
Others	**4**	357
	55,970	79,631

Notes:

(a) For the year ended 31 December 2021, the value-added tax exemption was tax concessions according to the taxation policy issued concerning the Covid-19 pandemic.

(b) During the current year, the Group recognised government grants of RMB3,213,000 (2021: RMB7,846,000) which mainly represents subsidies granted by the local government as encouragement for the contribution to the local economy.

8. OTHER GAINS AND LOSSES

	2022 RMB'000	2021 RMB'000
Gain on lease modifications, net of deposits losses	**13,188**	10,270
Loss on disposal of investments in subsidiaries	**(366)**	(14,453)
Gain on disposal of investment in an associate	**610**	20,511
Net foreign exchange gains (losses)	**1,356**	(321)
Others	**582**	(5,651)
	15,370	10,356

9. FINANCE COSTS

	2022 RMB'000	2021 RMB'000
Interest on bank borrowings (note 31)	**4,156**	12,758
Interest on lease liabilities (note 32)	**8,210**	45,037
	12,366	57,795

10. IMPAIRMENT LOSSES REVERSED (RECOGNISED) UNDER EXPECTED CREDIT LOSS MODEL, NET

	2022 RMB'000	2021 RMB'000
Impairment loss reversed (recognised) in respect of		
— debt investments measured at amortised cost	**23,049**	(76,097)
— bank balances	**(450)**	—
— financial assets included in prepayments, deposits and other receivables	**(3,864)**	(24,191)
	18,735	(100,288)

Details of impairment assessment are set out in note 39.

11. INCOME TAX (CREDIT) EXPENSE

	2022 **RMB'000**	2021 RMB'000
Current tax:		
PRC Enterprise Income Tax ("**EIT**")	**–**	28,757
Underprovision in prior year	**1,553**	40,774
	1,553	69,531
Deferred tax credit (note 30)	**(11,380)**	(17,393)
	(9,827)	52,138

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and therefore is not subject to income tax.

Hong Kong profits tax

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both years.

No provision for taxation in Hong Kong has been made as the Group has no assessable profits in Hong Kong for the year ended 31 December 2022. For the year ended 31 December 2021, the assessable profits in Hong Kong were absorbed by tax losses carried forward.

11. INCOME TAX (CREDIT) EXPENSE (CONTINUED)

PRC Enterprise Income Tax ("EIT")

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% during the reporting period (2021: 25%).

The Group's subsidiaries operating in the PRC are eligible for certain tax holidays and concessions and were exempted from PRC income taxes for the year. Details are as follows:

(1) Guangzhou Beststudy Enterprise Co., Ltd. was accredited as a High-tech Enterprise in 2019 and was entitled to a preferential tax rate of 15% from 2019 to 2021. The EIT rate for Guangzhou Beststudy Enterprise Co., Ltd. from 2022 onwards is 25%.

(2) Guangzhou Qiaowen Education Technology Co., Ltd (廣州巧問教育科技有限公司), Dongguan Dongcheng Beststudy Training Centre (東莞市東城卓越培訓中心), Foshan Nanhai Beststudy Frontline Education and Training Centre (佛山市南海區卓越前線教育培訓中心), Zhongshan Xiaolan Zhuoye Boda Education and Training Centre (中山市小欖卓業博達教育培訓中心), Zhuhai Beststudy Education Training School (珠海市卓越教育培訓學校), 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) and Nanning Qingxiu Zhuole Training School Co., Ltd. (南寧市青秀區卓樂培訓學校有限公司) were certified as small and micro-sized enterprises ("**SMEs**") in 2021, Guangzhou Qiaowen Education Technology Co., Ltd and Nanning Qingxiu Zhuole Training School Co., Ltd. were certified as SMEs in 2022.

During 2021, 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 EIT rate of 20%. Effective from 1 January 2022, they enjoyed a 87.5% reduction of the first RMB1,000,000 of taxable income, a 75% reduction of taxable income between RMB1,000,000 and RMB3,000,000 and the preferential EIT rate of 20%.

EIT of the Group has been provided at the applicable tax rates on the estimated taxable profits arising in Mainland China during the year.

11. INCOME TAX (CREDIT) EXPENSE (CONTINUED)

The income tax expense for the year can be reconciled to the profit (loss) before tax per the consolidated statement of profit or loss as follows:

For the year ended 31 December 2022

	Hong Kong RMB'000	%	Mainland China RMB'000	%	Total RMB'000	%
Profit before tax	4,421		39,825		44,246	
Tax at the domestic income tax rate	729	16.5	9,956	25.0	10,685	24.1
Tax effect of share of results of associates/joint ventures	2	–	(304)	(0.7)	(302)	(0.7)
Tax effect of expenses not deductible for tax purpose	–	–	496	1.2	496	1.1
Tax effect of income not taxable for tax purpose	(731)	(16.5)	–	–	(731)	(1.7)
Underprovision in respect of prior years	–	–	1,553	3.9	1,553	3.5
Tax effect of tax losses not recognised	–	–	6,285	15.8	6,285	14.2
Utilisation of tax losses previously not recognised	–	–	(6,668)	(16.7)	(6,668)	(15.2)
Utilisation of deductible temporary differences previously not recognised	–	–	(1,583)	(4.0)	(1,583)	(3.6)
Increase in opening deferred tax assets resulting from an increase in applicable tax rate (note)	–	–	(19,562)	(49.1)	(19,562)	(44.7)
	–	–	(9,827)	(24.7)	(9,827)	(22.5)

Note: the change in tax rate in opening deferred tax assets was mainly attributable to the change in tax rate of Guangzhou Beststudy Enterprise Co., Ltd. to 25% from 2022.

11. INCOME TAX (CREDIT) EXPENSE (CONTINUED)

For the year ended 31 December 2021

	Hong Kong RMB'000	%	Mainland China RMB'000	%	Total RMB'000	%
Loss before tax	(44,887)		(228,568)		(273,455)	
Tax at the domestic income tax rate	(7,406)	16.5	(57,142)	25.0	(64,548)	23.6
Tax effect of share of results of associates/joint ventures	(7)	—	653	(0.3)	646	(0.3)
Tax effect of expenses not deductible for tax purpose	—	—	532	(0.3)	532	(0.2)
Tax effect of income not taxable for tax purpose	5,214	(11.6)	—	—	5,214	(1.9)
Under provision in respect of prior years	—	—	40,774	(17.8)	40,774	(14.9)
Tax effect of tax losses not recognised	2,199	(4.9)	35,679	(15.6)	37,878	(13.8)
Tax effect of deductible temporary differences not recognised	—	—	51,280	(22.4)	51,280	(18.8)
Effect of tax exemptions granted to PRC subsidiaries	—	—	(13,703)	6.0	(13,703)	5.0
Tax effect of concessionary tax rate	—	—	(5,935)	2.6	(5,935)	2.2
	—	—	52,138	(22.8)	52,138	(19.1)

12. PROFIT (LOSS) FOR THE YEAR

Profit (loss) for the year has been arrived at after charging (crediting):

	2022 **RMB'000**	2021 RMB'000
Auditor's remuneration	**1,800**	3,980
Depreciation of property, plant and equipment	**18,640**	75,012
Depreciation of right-of-use assets	**76,829**	221,663
Amortisation of other intangible assets	**6,251**	8,314
Total depreciation and amortisation	**101,720**	304,989
Covid-19-related rent concessions from lessors	**–**	(6,093)
Research and development costs recognised as an expense (included in other operating expenses)	**55,725**	142,310
Directors' and chief executive's emoluments	**5,039**	4,548
Staff salaries and benefits	**248,263**	835,775
Staff retirement benefits schemes contributions	**16,460**	110,568
Recognition of (reversal of) share-based payments	**726**	(5,914)
Total staff costs (note)	**270,488**	944,977

Note: The staff costs of RMB191,586,000 (2021: RMB747,143,000) and the depreciation and amortisation of RMB82,833,000 (2021: RMB270,636,000) are included in "Cost of sales" in the consolidated statement of profit or loss.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

	2022 RMB'000	2021 RMB'000
Fees	304	264
Other emoluments:		
Salaries, allowances and benefits in kind	4,609	4,068
Retirement benefits contributions	126	216
	4,735	4,284
	5,039	4,548

(a) Executive directors and non-executive directors

For the year ended 31 December 2022

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement benefits contributions RMB'000	Total RMB'000
Executive directors:				
Mr. Junjing Tang (Chairman)	—	1,537	42	1,579
Mr. Junying Tang	—	1,538	42	1,580
Mr. Gui Zhou	—	1,534	42	1,576
Ms. Weiying Guan*	—	—	—	—
Non-executive director:				
Mr. Wenhui Xu**	—	—	—	—
	—	4,609	126	4,735

* Effective from 31 March 2022, Ms. Weiying Guan was appointed as executive director, and the Company does not pay remuneration to Ms. Guan in respect of her duties as an executive director.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

(a) Executive directors and non-executive directors (continued)

For the year ended 31 December 2021

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement benefits contributions RMB'000	Total RMB'000
Executive directors:				
Mr. Junjing Tang	—	1,357	72	1,429
Mr. Junying Tang	—	1,357	72	1,429
Mr. Gui Zhou	—	1,354	72	1,426
		4,068	216	4,284
Non-executive director:				
Mr. Wenhui Xu**	—	—	—	—
	—	4,068	216	4,284

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above were for their services as directors of the Group and its subsidiaries, if applicable.

** Mr. Wenhui Xu is not entitled to remuneration for acting as a non-executive director of the Company.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

(b) Independent non-executive directors

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

	2022 RMB'000	2021 RMB'000
Ms. Yu Long	**132**	132
Mr. Peng Xue*	**67**	132
Mr. Caihe Lin**	**78**	—
Mr. Jun Gan***	**27**	—
	304	264

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

There were no other emoluments payable to the independent non-executive directors during the year (2021: nil).

* Mr. Peng Xue resigned as an independent non-executive director as of 4 July 2022.

** Effective from 23 March 2022, Mr. Caihe Lin was appointed as an independent non-executive director.

*** Effective from 23 September 2022, Mr. Jun Gan was appointed as an independent non-executive director.

For the years ended 31 December 2022 and 2021, none of the directors waived or agreed to waive any emoluments, except that Mr. Yingmin Wu, an independent non-executive director, resigned on 24 December 2021 and waived emoluments.

14. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included three (2021: three) directors, details of whose remuneration are set out in note 13 above. Details of the remuneration for the year of the remaining two (2021: two) highest paid employees of the Company are as follows:

	2022 **RMB'000**	2021 RMB'000
Salaries, allowances and benefits in kind	**1,996**	1,888
Performance related bonuses	**176**	–
Equity-settled share-based expense	**–**	2,569
Retirement benefits	**69**	94
	2,241	4,551

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	2022 **No. of employees**	2021 No. of employees
Hong Kong dollars ("**HK$**")		
HK$500,001 to HK$1,000,000	**1**	–
HK$1,500,001 to HK$2,000,000	**1**	1
HK$3,500,001 to HK$4,000,000	**–**	1
	2	2

During the year ended 31 December 2021, share awards were granted to two non-director and non-chief executive highest paid employees in respect of their services to the Group under the share unit scheme of the Company. Details of share unit scheme are set out in note 33. 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.

15. DIVIDEND

No dividend was paid or proposed for shareholders of the Company during the years ended 31 December 2022 and 2021.

16. EARNINGS (LOSS) PER SHARE

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

	2022 **RMB'000**	2021 RMB'000
Earnings (loss)		
Profit (loss) for the purpose of basic earnings (loss) per share and dilutive earnings (loss) per share	**56,287**	(325,031)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**752,427,225**	753,199,077
Effect of dilutive potential shares:		
Unvested share awards	**277,626**	—
Weighted average number of ordinary shares for the purpose of dilutive earnings (loss) per share	**752,704,851**	753,199,077
Basic earnings (loss) per share (note)	**RMB7.48 cents**	RMB(43.2) cents
Diluted earnings (loss) per share (note)	**RMB7.48 cents**	RMB(43.2) cents

The weighted average number of ordinary shares for the purpose of basic earnings (loss) per share has been adjusted for the shares held for the Company's restricted share unit scheme.

For the year ended 31 December 2021, the computation of diluted loss per share has not taken into account the effects of share awards which are anti-dilutive.

17. PROPERTY, PLANT AND EQUIPMENT

	Office equipment RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2022					
At 31 December 2021 and 1 January 2022					
Cost	10,975	24,257	2,588	76,218	114,038
Accumulated depreciation and impairment	(7,710)	(16,512)	(2,062)	(35,896)	(62,180)
Net book value	3,265	7,745	526	40,322	51,858
At 1 January 2022, net of accumulated depreciation and impairment	3,265	7,745	526	40,322	51,858
Additions	1,808	1,828	56	36,792	40,484
Disposals	(377)	(403)	(1)	(6,017)	(6,798)
Depreciation provided during the year	(1,761)	(3,734)	(183)	(12,962)	(18,640)
At 31 December 2022, net of accumulated depreciation and impairment	2,935	5,436	398	58,135	66,904
At 31 December 2022					
Cost	11,192	25,020	2,633	99,507	138,352
Accumulated depreciation and impairment	(8,257)	(19,584)	(2,235)	(41,372)	(71,448)
Net book value	2,935	5,436	398	58,135	66,904

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Office equipment RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2021					
At 1 January 2021					
Cost	25,937	52,856	4,196	305,892	388,881
Accumulated depreciation and impairment	(18,464)	(31,487)	(2,614)	(130,099)	(182,664)
Net book value	7,473	21,369	1,582	175,793	206,217
At 1 January 2021, net of accumulated depreciation and impairment	7,473	21,369	1,582	175,793	206,217
Additions	3,278	23,192	95	104,443	131,008
Disposals	(1,525)	(7,787)	(592)	(129,805)	(139,709)
Depreciation provided during the year	(3,923)	(13,740)	(534)	(56,815)	(75,012)
Impairment loss recognised in profit or loss, net	(145)	(202)	—	(11,411)	(11,758)
Assets included in subsidiaries disposed of	(1,893)	(15,087)	(25)	(41,883)	(58,888)
At 31 December 2021, net of accumulated depreciation and impairment	3,265	7,745	526	40,322	51,858
At 31 December 2021					
Cost	10,975	24,257	2,588	76,218	114,038
Accumulated depreciation and impairment	(7,710)	(16,512)	(2,062)	(35,896)	(62,180)
Net book value	3,265	7,745	526	40,322	51,858

The above items of property, plant and equipment, after taking into account the residual values, are depreciated on a straight-line basis at the rates per annum as stated in note 3.2.

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment assessment

The management of the Group concluded there was no indication for impairment or reversal of impairment for certain property, plant and equipment, right-of-use assets and other intangible assets with finite useful lives as of 31 December 2022.

The recoverable amounts of the office equipment, electronic equipment and leasehold improvements have been determined based on their value in use.

During the year ended 31 December 2021, given the adverse negative impact of the Double Reduction Policy to the Group's business and operations, the management disposed of and identified the assets for write-off which were related to the closed education centres. An aggregate loss on disposal of property, plant and equipment of RMB140,132,000 and intangible assets of RMB46,000 were recorded during the year ended 31 December 2021. In addition, the management had performed impairment assessment on the non-current assets for the education centres which remained opened. A full impairment loss of RMB11,758,000 and RMB6,470,000 have been recognised in profit or loss for certain property, plant and equipment and intangible assets respectively during the year ended 31 December 2021.

18. RIGHT-OF-USE ASSETS

	Leased properties RMB'000
As at 31 December 2022 Carrying amount	**185,193**
As at 31 December 2021 Carrying amount	192,166
For the year ended 31 December 2022 Depreciation charge	**76,829**
For the year ended 31 December 2021 Depreciation charge	221,663

18. RIGHT-OF-USE ASSETS (CONTINUED)

	2022 RMB'000	2021 RMB'000
Expense relating to short-term leases	**6,820**	10,869
Total cash outflow for leases	**104,075**	235,965
Additions to right-of-use assets	**110,883**	385,473

For both years, the Group leases properties for its operations. Lease contracts are entered into for fixed term ranging from short term (under 12 months) to 12 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for certain property, equipment and vehicles. As at 31 December 2022 and 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Rent concessions

During the year ended 31 December 2021, the Group received rent concessions through forgiveness of certain amount of lease payments as a direct consequence of the Covid-19 pandemic and met of all of the conditions in IFRS 16.46B. The Group applied the practical expedient not to assess whether the changes constitute lease modifications and accordingly recognised RMB6,093,000 as negative variable lease payments for the effects on changes in lease payments due to forgiveness of payments by the lessors for the relevant leases.

During the year ended 31 December 2022, the Group received rent concessions through forgiveness of certain amount of lease payments that were not within the scope of Covid-19-related rent concessions and concluded the changes in lease payments constitute lease modifications. The reduction of the Group's lease liabilities of RMB12,215,000 and a corresponding adjustment of the same amount to the right-of-use assets were recognised.

Details of the lease maturity analysis of lease liabilities are set out in note 32 and note 39(b).

Details of impairment of right-of-use assets are set out in note 17.

19. INTANGIBLE ASSETS

	Computer software RMB'000	Domain names RMB'000	Trademarks and copyrights RMB'000	Deferred development costs RMB'000	Total RMB'000
COST					
At 1 January 2021	25,924	2,657	8,000	7,853	44,434
Additions	6,136	2	—	9,694	15,832
Transfer	13,232	—	—	(13,232)	—
Disposals	(997)	—	—	—	(997)
At 31 December 2021	**44,295**	**2,659**	**8,000**	**4,315**	**59,269**
Additions	**955**	**—**	**—**	**—**	**955**
At 31 December 2022	**45,250**	**2,659**	**8,000**	**4,315**	**60,224**
AMORTISATION AND IMPAIRMENT					
At 1 January 2021	(1,283)	(2,326)	(7,400)	—	(11,009)
Charge for the year	(7,450)	(264)	(600)	—	(8,314)
Impairment loss recognised in the year	(6,470)	—	—	—	(6,470)
Eliminated on disposals	166	—	—	—	166
At 31 December 2021	**(15,037)**	**(2,590)**	**(8,000)**	**—**	**(25,627)**
Charge for the year	**(6,182)**	**(69)**	**—**	**—**	**(6,251)**
At 31 December 2022	**(21,219)**	**(2,659)**	**(8,000)**	**—**	**(31,878)**
CARRYING VALUES					
At 31 December 2022	**24,031**	**—**	**—**	**4,315**	**28,346**
At 31 December 2021	29,258	69	—	4,315	33,642

Deferred development costs are internally generated for the development of computer software. Except for the internally generated portion of computer software, all of the other intangible assets of the Group were acquired from third parties in prior years.

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over periods as stated in note 3.2.

An impairment loss of RMB6,470,000 was recognised for computer software in 2021. Details are set out in note 17.

20. INVESTMENTS IN ASSOCIATES

	2022 RMB'000	2021 RMB'000
Cost of investments in associates — unlisted	**36,528**	40,526
Share of post-acquisition losses and other comprehensive expenses, net of dividends received	**(4,202)**	(7,824)
Accumulated impairment	**(15,195)**	(15,210)
	17,131	17,492

Details of each of the Group's associates at the end of the reporting period are as follows:

Name of associates	Country of incorporation/ registration and operations	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
		2022	2021	**2022**	2021	
Guangdong Donghu Qiyuan Co., Ltd. ("**Donghu Qiyuan**")	PRC/Mainland China	**30.00%**	30.00%	**30.00%**	30.00%	Chess training services
Guangzhou Sairui Sports Co., Ltd. ("**Sairui Sports**")	PRC/Mainland China	**–**	24.00%	**–**	24.00%	Physical education services
Guangzhou Haite Sports Development Co., Ltd. ("**Haite Sports**")	PRC/Mainland China	**36.00%**	36.00%	**36.00%**	36.00%	Physical education services
Guangzhou Xinyue Sports Co., Ltd. ("**Xinyue Sports**")	PRC/Mainland China	**40.00%**	40.00%	**40.00%**	40.00%	Physical education services
Guangzhou Walmonos Sports Development Co., Ltd. ("**Walmonos Sports**") (note)	PRC/Mainland China	**18.00%**	18.00%	**18.00%**	18.00%	Physical education services
Guangzhou Yuyou Pinxue Co., Ltd. ("**Yuyou Pinxue**") (note)	PRC/Mainland China	**17.48%**	17.48%	**17.48%**	17.48%	Inactive
Guangzhou Wandou Information and Technology Co., Ltd. ("**Guangzhou Wandou**")	PRC/Mainland China	**–**	33.33%	**–**	33.33%	Information and technology services
Guangzhou Shengshi Zhiben Education Investment Co., Ltd. ("**Guangzhou Shengshi**")	PRC/Mainland China	**20.00%**	20.00%	**20.00%**	20.00%	Education investment and consultation services

Note: In the opinion of the directors, the Group has significant influence over through the board representation, even though the respective shareholdings of these investments are below 20%. Accordingly, these investments have been classified as associates.

20. INVESTMENTS IN ASSOCIATES (CONTINUED)

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

Summarised financial information of Walmonos Sports

Walmonos Sports is considered a material associate of the Group and is accounted for using the equity method.

Summarised financial information in respect of Walmonos Sports is set out below. The Summarised financial information below represents amounts shown in Walmono Sports' s financial statements prepared in accordance with IFRSs.

The associate is accounted for using the equity method in these financial statements.

Walmonos Sports

	2022 RMB'000	2021 RMB'000
Current assets	**42,079**	49,328
Non-current assets	**12,070**	17,282
Current liabilities	**49,313**	64,402
Non-current liabilities	**5,100**	5,700

	2022 RMB'000	2021 RMB'000
Revenue	**108,095**	104,105
Profit (loss) for the year	**3,234**	(11,428)
Profit (loss) and total comprehensive income (expense) for the year	**3,234**	(11,428)

20. INVESTMENTS IN ASSOCIATES (CONTINUED)

Summarised financial information of Walmonos Sports (continued)

Walmonos Sports (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2022 **RMB'000**	2021 RMB'000
Net liabilities of Walmonos Sports	**(264)**	(3,492)
Proportion of the Group's interest in Walmonos Sports	**18.00%**	18.00%
The Group's share of net assets of Walmonos Sports	**(47)**	(629)
Goodwill	**7,409**	7,409
Carrying amount of the Group's interest in Walmonos Sports	**7,362**	6,780

Note: Due to the significant impact by the Double Reduction Policy, Walmonos Sports remained in loss making position and in position of net liabilities of RMB3,492,000 as at 31 December 2021, which was considered as impairment indicator by management of the Group. At 31 December 2021, management of the Group therefore conducted an impairment assessment by comparing its recoverable amount (value in use) in the investment in Walmonos Sports with its carrying amount and an impairment loss amounting RMB15,195,000 was recognised.

At 31 December 2022, the Group did not identify any indicator for a reversal of that impairment loss recognised or any further impairment.

20. INVESTMENTS IN ASSOCIATES (CONTINUED)

Aggregate information of associates that are not individually material

	2022 RMB'000	2021 RMB'000
The Group's share of loss and total comprehensive expense for the year	**(631)**	(5,475)
Aggregate carrying amount of the Group's interests in these associates	**9,769**	10,712

Note: During the year ended 31 December 2021, considering the unsatisfied financial performance with no obvious upturn in the foreseeable future due to the significant impact by the Double Reduction Policy to certain associates of the Group, management of the Group conducted an impairment assessment individually by comparing the recoverable amount (value in use) in its investments in these associates with their carrying amount and an impairment loss amounting RMB40,844,000 was recognised. In December 2021, these associates were disposed of together with their holding company, Tibet Zhuoye Venture Capital Investment Management Co., Ltd.

Disposal of associates

During the year ended 31 December 2022, the Group disposed of all its interests in Sairui Sports and Guangzhou Wandou to independent third party at consideration of RMB922,000 (received in September 2022). During the year ended 31 December 2021, the Group transferred the total equity interest in 廣州市果肉教育科技有限公司 (Guangzhou GROW Education Technology Co., Ltd.) to a third party for a consideration of RMB20,511,000 during the year ended 31 December 2021.

This transaction has resulted in the recognition of a gain in profit or loss, calculated as follows:

	2022 RMB'000	2021 RMB'000
Proceeds of disposal	**922**	20,511
Less: carrying amount of the investments on the date of disposal	**312**	—
Gain on disposal	**610**	20,511

21. INVESTMENTS IN JOINT VENTURES

	2022 RMB'000	2021 RMB'000
Cost of investment in joint ventures	**2,750**	2,750
Share of post-acquisition losses and other comprehensive expenses	**(1,436)**	(283)
Exchange adjustments	**283**	283
	1,597	2,750
Loan to a joint venture	**4,627**	4,627
	6,224	7,377

The loan to a joint venture is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the directors of the Company, this loan is considered as part of the Group's net investment in the joint venture. There was no recent history of default and past due amounts for the loan to a joint venture. As at 31 December 2022 and 2021, the loss allowance was assessed to be minimal.

Details of each of the Group's joint ventures at the end of the reporting period are as follows:

Name of entity	Country of incorporation/ registration and operations	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
		2022	2021	**2022**	2021	
Gowise Education Holdings Pty Ltd. ("**Gowise Education**")	Australia	**50.00%**	50.00%	**50.00%**	50.00%	Property management and investment
Guangzhou Beststudy Lele Culture Communication Co., Ltd. ("**Lele Culture**")	PRC/Mainland China	**55.00%**	55.00%	**55.00%**	55.00%	Offline study room

Aggregate information of joint ventures that are not individually material

	2022 RMB'000	2021 RMB'000
The Group's share of losses and total comprehensive expenses for the year	**(1,153)**	(698)
Aggregate carrying amount of the Group's interests in these joint ventures	**1,597**	2,750

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		2022 RMB'000	2021 RMB'000
Financial assets mandatory measured at FVTPL:			
Equity investments — unlisted equity investments		**8,099**	7,227
Financial assets designated at FVTPL:			
Equity investments — listed equity investments	(i)	**51,683**	48,986
Debt instruments			
— funds	(ii)	**40,938**	199,793
— wealth management products issued by banks	(ii)	**—**	41,048
— unlisted trust plans and asset management plans	(ii)	**17,222**	20,396
		109,843	310,223
		117,942	317,450
Analysed for reporting purposes as:			
— current assets		**99,796**	294,975
— non-current assets		**18,146**	22,475
		117,942	317,450

Notes:

(i) The above listed equity investments represent ordinary shares of an entity listed in Hong Kong. The fair value of listed equity investment is determined based on the quoted market bid price (Level 1: quoted price (unadjusted) in active markets).

(ii) Wealth management products issued by banks, unlisted trust plans, asset management plans and funds issued by financial institutions, were denominated in RMB at aggregate amounts of RMB58,160,000 (2021: RMB261,237,000), with rate of return ranging from 6% to 8% (2021: 4.0% to 14.0%) per annum. As at 31 December 2022, unlisted trust plans and funds pledged with collaterals of properties with a carrying amount of RMB48,114,000 (2021: RMB57,039,000) were overdue without being redeemed pursuant to the terms of the subscriptions agreements.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Notes: (continued)

(iii) Amounts recognised in profit or loss:

	2022 RMB'000	2021 RMB'000
Fair value changes in equity investments at FVTPL		
— Unlisted equity investments	621	801
— Listed equity investments	2,698	(34,303)
	3,319	(33,502)
Fair value changes in debt investments at FVTPL		
— Unlisted trust plans and asset management plans	(12,784)	(88,792)
— Wealth management products issued by banks	236	3,205
— Funds	(3,174)	(25,349)
	(15,722)	(110,936)
	(12,403)	(144,438)

23. DEBT INSTRUMENTS MEASURED AT AMORTISED COST

	2022 RMB'000	2021 RMB'000
Corporate debts	**46,058**	316,047
Analysed for reporting purposes as:		
— current assets	**23,205**	130,000
— non-current assets	**22,853**	186,047
	46,058	316,047

Debt instruments measured at amortised cost are debt assets with guaranteed returns using interest rate per annum ranges from 5% to 7% (2021: 5% to 7%). They are denominated in RMB.

At 31 December 2022, debt instruments with principal amount of RMB68,200,000 (2021: RMB120,000,000) are past due and among which, RMB21,640,000 (2021: RMB32,199,000) are pledged with collaterals of equity instruments (2021: equity instruments). Included in the carrying amount of debt instruments measured at amortised cost as at 31 December 2022 is accumulated impairment losses of RMB53,048,000 (2021: RMB76,097,000).

23. DEBT INSTRUMENTS MEASURED AT AMORTISED COST (CONTINUED)

For the year ended 31 December 2022, the Group recognised impairment losses of RMB3,893,000 and reversed impairment loss of RMB26,942,000 (2021: recognised impairment of RMB76,097,000), respectively through profit or loss for the debt instruments.

Details of the impairment assessment are set out in note 39(b).

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Loan receivables from third parties (note)	**30,000**	37,000
Less: allowance of credit loss	**(19,276)**	(15,671)
	10,724	21,329
Prepaid operation expenses	**12,067**	7,928
Prepayments for purchase of properties, plant and equipment	**13,862**	552
Staff advances	**130**	229
Rental and other deposits	**20,652**	23,778
Receivables from payment channels	**11,887**	5,874
Loans to employees	**1,689**	4,617
Others	**4,813**	4,091
	75,824	68,398
Analysed by:		
— current	**61,962**	67,846
— non-current	**13,862**	552
	75,824	68,398

Note:

The effective interest rate of these loan receivables are ranging from 2.75% to 5% (2021: 2.75% to 5%). As at 31 December 2022, included in the Group's loan receivables balance are debtor with aggregate principle amount of RMB5,000,000 (2021:nil) which is past due over 90 days as at reporting date.

As at 31 December 2022, the carrying amount of loan receivables amounting to RMB28,000,000 (2021: RMB35,000,000) are pledged with collaterals such as properties or equity instruments (2021: properties or equity instruments). The Group is not permitted to sell or repledge the collaterals in the absence of default by the borrower. There has not been any significant changes in the quality of the collateral held for the loan receivables.

Details of impairment assessment are set out in note 39.

25. BANK BALANCES AND CASH AND RESTRICTED BANK DEPOSITS

	2022 RMB'000	2021 RMB'000
Bank balances and cash	**195,084**	211,180
Restricted bank deposits	**8,099**	12,135
	203,183	223,315

Cash include demand deposits for the purpose of meeting the Group's short term cash commitments, which carry interest at market rate of 0.3% (2021: 0.3%) per annum.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The majority of the bank balances and deposits are deposited with creditworthy banks. During the current year, the Group recognised an impairment loss amounting RMB450,000 (2021: nil) for the bank balances.

As at 31 December 2022, bank balances amounting to RMB8,099,000 (2021: RMB12,135,000) are restricted. Restricted bank deposits amounting to RMB8,777,000 at 31 December 2021 were restricted as guarantee deposit of a bank loan, and carry fixed interest rate of 2.25% and represent deposits pledged to banks to secure banking facilities granted to the Group. The restricted bank deposits were released during the year ended 31 December 2022 upon the settlement of the relevant bank borrowings. Bank balances that are placed in restricted bank accounts in accordance with the applicable government regulations amounting to RMB7,376,000 (2021: RMB3,216,000), such balances can only be applied once the Group has fulfilled its obligation to transfers the promised services on a systematic way. The balances carrying interest at market rate of 0.3% per annum. Bank balances amounting to RMB100,000 (2021: RMB100,000) were restricted for capital verification purposes upon setting up one (2021: one) of the Group's subsidiaries.

Details of impairment assessment are set out in note 39.

26. OTHER PAYABLES AND ACCRUALS

	31/12/2022 RMB'000	31/12/2021 RMB'000
Accrued staff benefits and payroll	**41,611**	93,436
Payable for operating activities	**31,388**	31,977
Other tax payables	**3,287**	7,839
Refund liabilities (note)	**–**	7,001
Deposits	**2,940**	2,972
Payable for listing expenses	**–**	682
Interest payable	**–**	469
Others	**14,229**	5,309
	93,455	149,685

Note:

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 records the amount that will be refunded as a refund liability.

27. CONTRACT LIABILITIES

	2022 RMB'000	2021 RMB'000
Short-term tutoring fees from customers in advance	**151,196**	191,725

As at 1 January 2021, contract liabilities amounted to RMB797,078,000.

The following table shows how much of the revenue recognised relates to carried-forward contract liabilities.

	2022 RMB'000	2021 RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	**191,725**	774,468
Cash refunded to customers that was included in contract liability balance at the beginning of the year	**–**	(22,610)

28. SHARE CAPITAL OF THE COMPANY

Ordinary shares of United States dollars ("US$") 0.00005 each	Number of shares 2022 '000	2021 '000	Share capital 2022 RMB'000	2021 RMB'000
Authorised				
At beginning of year	**3,000,000**	3,000,000	**1,070**	1,070
Increase (decrease)	**—**	—	**—**	—
At end of year	**3,000,000**	3,000,000	**1,070**	1,070
Issued and fully paid				
At beginning of year	**847,221**	849,720	**303**	304
Shares repurchased and cancelled (note)	**—**	(2,499)	**—**	(1)
At end of year	**847,221**	847,221	**303**	303

Note: No share was repurchased by the Company during the year ended 31 December 2022. During the year ended 31 December 2021, the Company repurchased 2,499,000 of its ordinary shares at fair value through The Stock Exchange of Hong Kong Limited with a consideration of HK$6,807,270 (approximately RMB5,603,000). The excess of the fair value of the consideration paid over the par value which amounted RMB5,602,000 were recorded as a reduction of share premium. All the shares were cancelled during the reporting period.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

29. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity.

(a) Statutory surplus reserve

Pursuant to the relevant laws in the PRC, the Company's subsidiaries in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the boards of directors of the relevant subsidiaries in the 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 of the Company.

(c) Shares held for the RSU scheme

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

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

30. DEFERRED TAX ASSETS/LIABILITIES

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

	2022 RMB'000	2021 RMB'000
Deferred tax assets	46,460	35,080

The following are the major deferred tax assets recognised and movements thereon during the current and prior years:

	Fair value adjustments RMB'000	Retirement benefit obligation RMB'000	Impairment losses RMB'000	Deductible tax exemptions and allowance RMB'000	Right-of-use assets/ lease liabilities RMB'000	Others RMB'000	Total RMB'000
At 1 January 2021	(1,589)	(1,470)	5,387	–	13,759	1,600	17,687
Credit (charge) to profit or loss	1,589	(330)	(1,342)	27,141	(8,093)	(1,572)	17,393
At 31 December 2021	–	(1,800)	4,045	27,141	5,666	28	35,080
Credit (charge) to profit or loss	–	1,800	(1,766)	(3,595)	(4,664)	43	(8,182)
Credit to profit or loss due to effect on change in tax rate	–	–	290	16,672	2,581	19	19,562
At 31 December 2022	–	–	2,569	40,218	3,583	90	46,460

At the end of the reporting period, the Group has the following unused tax losses and deductible temporary differences available for offset against future profits:

	2022 RMB'000	2021 RMB'000
Tax loss carried forward	135,278	194,702
Deductible temporary differences	198,786	205,119
	334,064	399,821

30. DEFERRED TAX ASSETS/LIABILITIES (CONTINUED)

At 31 December 2022, the Group has tax losses arising in Mainland China of RMB135,278,000 (2021: RMB194,702,000) that will expire in coming one to five years for offsetting against future taxable profits. The Group also has unrecognised deductible temporary differences of RMB198,786,000 (2021: RMB205,119,000). No deferred tax asset has been recognised in relation to such tax losses and deductible temporary differences as it is not probable that taxable profit will be available against which the tax losses and deductible temporary differences can be utilised.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. A 10% (or a lower rate if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors) withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was nil for both reporting periods. No deferred tax liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

31. BANK BORROWINGS

	2022 RMB'000	2021 RMB'000
Bank borrowings		
— Secured (note a)	–	8,218
— Unsecured (note b)	–	325,000
	–	333,218
The carrying amounts of the above borrowings are repayable:*		
Within one year and shown under current liabilities	–	333,218

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

Notes:

(a) The bank loan denominated in HK$ borne variable interest at Hong Kong Interbank Offered Rate ("**HIBOR**") plus 100 basis point and was secured with restricted bank deposits of RMB8,777,000 in 2021 (see note 25 for details). Interest was reset every one months. The bank loan was fully repaid in January 2022.

(b) These unsecured bank loans were denominated in RMB. As at 31 December 2021, the bank loans of RMB145,000,000 with an effective interest rate of 3.60% were guaranteed by Zhuoxue Information, while the bank loan of HK$180,000,000 with an effective interest rate of 3.55% was unsecured. The bank loans were fully repaid in 2022.

32. LEASE LIABILITIES

	2022 RMB'000	2021 RMB'000
Lease liabilities payable:		
Within one year	**54,602**	87,163
Within a period of more than one year but not more than two years	**46,137**	41,497
Within a period of more than two years but not more than five years	**74,248**	66,066
Within a period of more than five years	**24,541**	42,659
	199,528	237,385
Less: Amount due for settlement within 12 months shown under current liabilities	**(54,602)**	(87,163)
Amount due for settlement after 12 months shown under non-current liabilities	**144,926**	150,222

The weighted average incremental borrowing rates applied to lease liabilities range from 4.75% to 4.90% (2021: from 4.75% to 4.90%).

33. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled RSU scheme of the Company ("RSU Scheme"):

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

The maximum number of shares that may be issued under the RSU Scheme is up to a number of shares in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the rules of the RSU Scheme) equal to 10% of the issued shares of the Company held or to be held by the RSU Trustee for the purpose of the RSU Scheme from time to time. The RSU Scheme is subject to annual renewal and approval by shareholders at each annual general meeting of the Company.

Upon the RSU Scheme, the Company may grant share awards to eligible employees provided that the employees have fulfilled any performance and/or service conditions, and may issue and deliver to each eligible employee an award of a number of shares equal to (i) the value of the compensation determined by the Board of directors to be earned by such eligible employee on the date of approval of an award, divided by (ii) the average market price of the shares on the date of approval of the share award less the maximum allowable discount to the average market price permitted by the securities exchange upon which the shares are listed.

33. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Equity-settled RSU scheme of the Company ("RSU Scheme"): (continued)

During the year ended 31 December 2022, the Group granted 200,000 (2021: 10,843,400) RSUs at a consideration of nil per share to one employee of the Group pursuant to the RSU Scheme, which were vested immediately. The fair value of each restricted share unit granted to the employee is measured with reference to the closing prices of the ordinary shares of the Company at the grant date of average HK$0.52 (equivalent to RMB0.43) (2021: HK$0.65 (equivalent to RMB0.66) per share.

The movements of the Company's shares held for the RSU Scheme account during the years ended 31 December 2022 and 2021 are as follows:

	Number of shares	Amount
		RMB'000
As at 1 January 2021	72,222,358	83,162
Repurchase of shares held for RSU Scheme	33,835,000	72,725
Exercise of share awards	(11,010,067)	(4)
As at 31 December 2021 and 1 January 2022	**95,047,291**	**155,883**
Exercise of share awards	**(367,000)**	**—**
As at 31 December 2022	**94,680,291**	**155,883**

Notes:

(a) During the year ended 31 December 2021, the total consideration of repurchase of ordinary shares of the Company on the Stock Exchange for the RSU Scheme was HK$87,620,000 (approximately RMB72,725,000). No shares of the Company were repurchased by the Company during the year ended 31 December 2022.

(b) During the year ended 31 December 2022, 200,000 RSUs are granted on 5 January 2022 to the employee without vesting condition and the RSUs vested immediately at the date of grant. 367,000 granted RSUs were exercised in 2022.

33. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Equity-settled RSU scheme of the Company ("RSU Scheme"): (continued)

The following table discloses details of the specific category of share awards and the movements of the RSU Scheme during the respective financial years.

For the year ended 31 December 2022

					Number of share awards				
Category of grantees	Date of grant	Exercise price RMB	Vesting date	Grant-date price per share	Outstanding at 1.1.2022 '000	Granted during the year '000	Exercised during the year '000	Expired/ forfeited during the year '000	Outstanding at 31.12.2022 '000
Employees	10 September 2020	–	01.09.2022	HK$3.20 (equivalent to RMB2.82)	167	–	(167)	–	–
Employees	10 September 2020	–	10.09.2023	HK$3.20 (equivalent to RMB2.82)	166	–	–	–	166
One employee	5 January 2022	–	05.01.2022	HK$0.52 (equivalent to RMB0.43)	–	200	(200)	–	–
					333	200	(367)	–	166

33. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Equity-settled RSU scheme of the Company ("RSU Scheme"): (continued)

For the year ended 31 December 2021

					Number of share awards				
Category of grantees	Date of grant	Exercise price RMB	Vesting date	Grant-date price per share	Outstanding at 1.1.2021 '000	Granted during the year '000	Exercised during the year '000	Expired/ forfeited during the year '000	Outstanding at 31.12.2021 '000
Employees	3 September 2019	0.8	31.05.2022	HK$1.70 (equivalent to RMB1.54)	16,202	–	–	(16,202)	–
Employees	3 September 2019	–	31.05.2022	HK$1.70 (equivalent to RMB1.54)	4,412	–	–	(4,412)	–
Employees	3 September 2019	–	31.07.2021	HK$1.70 (equivalent to RMB1.54)	167	–	–	(167)	–
Employees	3 September 2019	–	31.07.2022	HK$1.70 (equivalent to RMB1.54)	167	–	–	(167)	–
Employees	3 September 2019	–	31.12.2021	HK$1.70 (equivalent to RMB1.54)	167	–	–	(167)	–
Employees	10 September 2020	–	10.09.2021	HK$3.20 (equivalent to RMB2.82)	167	–	(167)	–	–
Employees	10 September 2020	–	10.09.2022	HK$3.20 (equivalent to RMB2.82)	167	–	–	–	167
Employees	10 September 2020	–	10.09.2023	HK$3.20 (equivalent to RMB2.82)	166	–	–	–	166
Employees	29 October 2020	–	29.10.2021	HK$2.80 (equivalent to RMB2.45)	256	–	–	(256)	–
Employees	29 October 2020	–	29.10.2022	HK$2.80 (equivalent to RMB2.45)	324	–	–	(324)	–
Employees	29 October 2020	–	29.10.2023	HK$2.80 (equivalent to RMB2.45)	134	–	–	(134)	–
Employees	8 November 2020	–	08.10.2021	HK$3.10 (equivalent to RMB2.68)	105	–	–	(105)	–
Employees	8 November 2020	–	08.10.2022	HK$3.10 (equivalent to RMB2.68)	105	–	–	(105)	–
Employees	8 November 2020	–	08.10.2023	HK$3.10 (equivalent to RMB2.68)	105	–	–	(105)	–
Employees	8 November 2020	–	08.10.2024	HK$3.10 (equivalent to RMB2.68)	105	–	–	(105)	–
Employees	30 April 2021	–	30.04.2021	HK$2.5 (equivalent to RMB2.05)	–	372	(372)	–	–
Employees	18 September 2021	–	18.09.2021	HK$0.56 (equivalent to RMB0.46)	–	10,471	(10,471)	–	–
					22,749	10,843	(11,010)	(22,249)	333

33. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Equity-settled RSU scheme of the Company ("RSU Scheme"): (continued)

During current year, nil shares (2021: 22,249,000) were forfeited as the participants failed to satisfy the agreed performance condition and service condition.

The fair value of the share awards of RMB86,000 (2021: RMB5,624,000) is estimated based on the Company's share price on respective date of grant and amounted to RMB726,000 that has been recognised as share-based payment expenses during the year ended 31 December 2022 (2021: reversal of RMB5,914,000).

Equity-settled share option scheme of the Company:

The Company's share option scheme (the "**Share Option Scheme**") was adopted pursuant to a resolution passed on 3 December 2018 for the primary purpose of providing incentives to directors and eligible employees. The Share Option Scheme is valid and effective for a period of ten years, commencing from 3 December 2018.

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

No share option was in issue pursuant to the Share Option Scheme at the end of the reporting period.

34. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2022, there was no material disposal of subsidiaries.

In December 2021, the Group had entered into an equity transfer agreement with a related party to sell the entire equity interest in 46 subsidiaries held by the Company for a consideration of RMB1. The disposal of subsidiaries was completed in 2021 with a loss of RMB14,453,000 and a net cash outflow of RMB217,965,000.

Analysis of assets and liabilities over which control was lost:

	2021 RMB'000
Property, plant and equipment	58,888
Right-of-use assets	73,625
Intangible assets	38
Investments in associates (net of impairment loss recognised in 2021 of RMB40,844,000)	293
Financial assets at fair value through profit or loss	87
Prepayments, deposits and other receivables (net of impairment loss recognised in 2021 of RMB5,945,000)	38,029
Cash and cash equivalent	217,965
Restricted bank deposits	900
Other payables and accruals	(45,079)
Lease liabilities	(85,295)
Contract liabilities	(246,887)
Income tax payables	(862)
	11,702
Loss on disposal of subsidiaries:	
Consideration received	—
Net assets disposed of	(11,702)
Non-controlling interests	(2,751)
Loss on disposal	(14,453)
Net cash outflow arising on disposal:	
Cash consideration	—
Less: cash and cash equivalents disposed of	(217,965)
	(217,965)

35. CONTINGENT LIABILITIES

Subsidiaries of the Company are subject to periodic legal and administrative proceedings in the ordinary course of business. At 31 December 2022, the directors of the Company believe, based on legal advice, that there was no pending legal proceeding to which the Group is a party that will have a material effect on the Group's business, results of operations or cash flows.

At 31 December 2022, no contingent liabilities have arisen as a result of the Group's interests in joint ventures or associates.

36. CAPITAL COMMITMENTS

As at 31 December 2022, there was no commitments either for the Group or arose from the Group's interests in joint ventures.

37. RETIREMENT BENEFITS PLANS

Defined contribution plans

The employees of the Group's subsidiary in Mainland China are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiary is required to contribute a certain percent of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total expense recognised in profit or loss of RMB16,460,000 (2021: RMB110,568,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2022, contributions of RMB733,000 (2021: RMB2,091,000) due in respect of the year ended 31 December 2022 (2021: 2021) had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.

38. CAPITAL RISK MANAGEMENT

The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of business.

The directors review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through the raising of new debts as well as the redemption of the existing debt. The Group's overall strategy remains unchanged from prior years.

The Group monitors capital using a debt-to-asset ratio, which is total liabilities divided by total assets. The debt-to-asset ratios as at the end of the reporting periods were as follows:

	2022 **RMB'000**	2021 RMB'000
Total liabilities	**463,792**	968,048
Total assets	**869,682**	1,318,652
Debt-to-asset ratio	**53%**	73%

39. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2022 RMB'000	2021 RMB'000
Financial assets		
FVTPL		
— Equity investments at FVTPL	**59,782**	56,213
— Debt instruments at FVTPL	**58,160**	261,237
At amortised cost		
— Debt instruments at amortised cost	**46,058**	316,047
— Loan to a joint venture	**4,627**	4,627
— Loan receivables	**10,724**	21,329
— Deposits and other receivables	**39,041**	38,360
— Amounts due from associates	**130**	130
— Amounts due from a related party	**4,789**	4,789
— Short-term time deposits	**20,000**	50,130
— Long-term time deposits	**50,000**	—
— Restricted bank deposits	**8,099**	12,135
— Bank balances	**195,084**	211,180
	496,494	976,177
Financial liabilities		
At amortised cost		
— Other payables	**48,557**	45,928
— Amounts due to related parties	**788**	22,161
— Bank borrowings	**—**	333,218
— Lease liabilities	**199,528**	237,385
	248,873	638,692

39. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, debt instruments measured at amortised cost, loan to a joint venture, deposits and other receivables, amounts due from associates, short-term time deposits, restricted bank deposits, bank balances, other payables, amounts due to related parties and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. With the majority of the Group's businesses transacted in RMB, the aforesaid currencies are determined as the functional currencies of certain subsidiaries of the Company.

The Company and its subsidiaries have foreign currencies included in bank balances, financial assets at fair value through profit or loss, deposits and other receivables, loan to a joint venture, other payables and bank borrowings which expose them to foreign currency risk. In addition, the Company has intra-group balances with several subsidiaries denominated in foreign currency which also expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets, monetary liabilities and intra-group balances at the end of the reporting period are as follows:

	Liabilities		**Assets**	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
US$	**290**	290	**8,778**	15,990
HK$	**55**	8,396	**65,528**	61,080
Australian Dollar	**—**	—	**4,627**	4,627
Intra-group balances				
US$	**208,530**	190,897	**208,530**	190,897

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

39. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

Currency risk (continued)

Sensitivity analysis

The management of the Company considers that the exposure to fluctuations in exchange rate of US$ and HK$ against RMB are not significant as the foreign currency amounts are not material and thus no sensitivity analysis is presented.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to debt instruments at amortised cost (see note 23), restricted bank deposits (see note 25), fixed-rate bank borrowings (note 31 for details of these borrowings) and lease liabilities (see note 32). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see note 25) and variable-rate bank borrowings (see note 31). The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and HIBOR arising from the Group's Hong Kong dollar denominated borrowings. The Group aims at keeping borrowings at variable rates. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. Bank balances are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If interest rate had been 50 basis points higher/lower and all other variables were held constant, the Group's profit/loss before tax for the year ended 31 December 2021 would increase/decrease by RMB41,000. This is mainly attributable to the Group's exposure to variable interest rate on its bank loan. No outstanding loan as at 31 December 2022.

39. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to debt instruments at FVTPL, debt instruments at amortised costs, loan to a joint venture, amounts due from associates, amounts due from related parties, deposits and other receivables, short-term time deposits, restricted bank deposits and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risk associated with certain debt instruments at FVTPL, debt instruments at amortised costs and loan receivables because they are secured over properties or equity instruments.

Except for debt securities at FVTPL, the Group performed impairment assessment for financial assets and other items under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

Debt instruments at FVTPL

The directors of the Company regularly reviews and monitors the portfolio of debt instruments. Details of the terms of these investments are disclosed in note 22. Summary of the fair value and principal amount of these debt instruments at FVTPL are set out below.

	2022		2021	
	Fair value RMB'000	**Principal amount RMB'000**	Fair value RMB'000	Principal amount RMB'000
Debt instruments at FVTPL				
— Funds	**40,938**	**187,974**	199,793	307,369
— Wealth management products issued by banks	**—**	**—**	41,048	40,000
— Unlisted trust plans and asset management plans	**17,222**	**22,300**	20,396	22,300

39. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Debt instruments at amortised cost

The management of the Group estimates the estimated credit loss rates of debt instruments at amortised cost individually based on historical credit loss experience of the debtors, adjusted for factors that are specific to the debtors and forward looking information that is available. Details of the debt instruments at amortised cost are disclosed in note 23.

At 31 December 2022, debt instruments at amortised cost with a gross carrying amount of RMB74,488,000 (2021: RMB112,387,000) were past due. Based on the assessment of the management of the Group, these debt instruments are considered as credit-impaired. The remaining debt instruments at amortised cost of RMB24,618,000 (2021: RMB279,757,000) are not yet past due at end of the reporting period and ECL is measured based on 12m ECL. Included in the carrying amount of debt instruments measured at amortised cost as at 31 December 2022 is accumulated impairment losses of RMB RMB53,048,000 (2021: RMB76,097,000).

Loan receivables

The management of the Group estimates the estimated loss rates of loan receivables on an individual assessment basis based on historical credit loss experience of the debtors as well as the fair value of the collateral pledged by debtors. At 31 December 2022, the Group's loan receivables gross carrying amount is RMB30,000,000 (2021: RMB37,000,000). Details of the loans receivables are disclosed in note 24.

At 31 December 2022, loan receivables with gross carrying amount of RMB28,000,000 (2021: nil) have been past due. Based on the assessment of the management of the Group, of loan receivables with gross carrying amount of RMB28,000,000 (2021: nil) are considered credit-impaired and RMB2,000,000 (2021: RMB37,000,000) of loan receivables are considered as significant increased in credit risk at 31 December 2022. Included in the carrying amount of loan receivables as at 31 December 2022 is accumulated impairment losses of RMB19,276,000 (2021: RMB15,671,000).

For the year ended 31 December 2022, impairment of RMB3,605,000 (2021: RMB15,671,000) was recognised through profit or loss for loan receivables.

39. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Long-term time deposits/restricted bank deposits/short-term time deposits/bank balances

Credit risk on long-term time deposits, restricted bank, short-term time deposits and bank balances is limited because the counterparties are reputable banks with high credit ratings. The Group assessed 12m ECL for long-term time deposits, restricted bank deposits, short-term time deposits and bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. During the current year, the Group recognised an impairment loss amounting to RMB450,000 (2021: nil) for the bank balances.

Loan to a joint venture/Amounts due from associates/Amount due from a related party

The Group regularly monitors the business performance of the associates and joint ventures and also the credit profile of the related party. The Group's credit risks in these balances are mitigated through the value of the assets held by these entities and the power to participate or jointly control the relevant activities of these entities or the related parties are management of the Group. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 December 2022, the Group assessed the ECL for amounts due from associates are insignificant and thus no loss allowance is recognised (2021: nil).

Other receivables and deposits

For other receivables and deposits, the management makes periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. At 31 December 2022 and 2021, the Group assessed the ECL for other receivables and included in the carrying amount of other receivables and deposits, is accumulated impairment loss amounting RMB1,702,000 (2021: RMB2,575,000).

39. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Other receivables and deposits (continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	All financial assets
Low	The counterparty has a low risk of default and does not have any past-due amounts	12m ECL
Normal	Debtor frequently repays after due dates but usually settle in full	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired
Write off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Write off

39. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount 31/12/2022 RMB'000	31/12/2022 RMB'000	31/12/2021 RMB'000	31/12/2021 RMB'000
Financial assets at amortised cost								
Debt instruments measured at amortised cost	23							
– Corporate debts		Caa-C	Normal	12m ECL	**24,618**		279,757	
		Caa-C	Loss	Lifetime ECL – (credit-impaired)	**74,488**	**99,106**	112,387	392,144
Long-term time deposits		N/A	Low	12m ECL		**50,000**		–
Loan receivables	24	N/A	Doubtful	Lifetime ECL – (not credit-impaired)	**2,000**		37,000	
			Loss	Lifetime ECL – (credit-impaired)	**28,000**	**30,000**	–	37,000
Loan to a joint venture	21	N/A	Normal	12m ECL		**4,627**		4,627
Other receivables and deposits*	24	N/A	Normal	12m ECL		**40,743**		40,934
Amounts due from associates	42	N/A	Low	12m ECL		**130**		130
Amounts due from a related party	42	N/A	Low	12m ECL		**4,789**		4,789
Restricted bank deposits	25	N/A	Low	12m ECL		**8,099**		12,135
Bank balances	25	N/A	Low	12m ECL		**195,534**		211,180
Short-term time deposits		N/A	Low	12m ECL		**20,000**		50,130

* The credit quality of other receivables and deposits is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

39. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The following tables show reconciliation of loss allowances that has been recognised for debt instruments measured at amortised cost, bank balances, other receivables and loan receivables.

	12m ECL RMB'000	Lifetime ECL (not credit – impaired) RMB'000	Lifetime ECL (credit – impaired) RMB'000	Total RMB'000
As at 1 January 2021	—	—	—	—
New financial assets originated or purchased	1,576	24,191	74,521	100,288
Disposal of subsidiaries	—	(5,945)	—	(5,945)
As at 31 December 2021	**1,576**	**18,246**	**74,521**	**94,343**
Change due to financial instruments recognised at 1 January 2022				
— transfer to credit impaired	**—**	**(14,665)**	**14,665**	**—**
— impairment loss recognised	**1,079**	**1,253**	**5,875**	**8,207**
— impairment loss reversed	**(440)**	**—**	**(26,502)**	**(26,942)**
— write-offs	**—**	**(1,132)**	**—**	**(1,132)**
As at 31 December 2022	**2,215**	**3,702**	**68,559**	**74,476**

39. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Changes in the loss allowance for debt instruments measured at amortised cost bank balances, other receivables and loan receivables are mainly due to:

		Increase (decrease) in lifetime ECL	
	12m ECL RMB'000	Non credit – impaired RMB'000	Credit – impaired RMB'000
For the year ended 31 December 2022			
Two loan receivables default and transfer to credit-impaired	**—**	**(14,665)**	**14,665**
Change in credit rating of the financial assets during the year	**1,079**	**1,253**	**5,875**
Settlement of debt instruments	**(440)**	**—**	**(26,502)**
For the year ended 31 December 2021			
Advance of loan receivables with a gross carrying amount of RMB37,000,000	—	15,671	—
New debt instruments at amortised cost with a gross carrying amount of RMB392,144,000	1,576	8,520	74,521
Disposal of subsidiaries	—	(5,945)	—

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The contractual maturities of the Group's non-current portion of lease liability are described in note 32. The remaining financial liabilities, consisting of other payables, amounts due to related parties, the current portion of lease liability are expected to be realised within one year.

The following tables detail the Group's remaining contractual maturity for its financial liabilities and lease liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest rates are floating rate, the undiscounted amount is derived from interest rate curve at the end of each reporting period.

39. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables

	Weighted average effective interest rate %	On demand RMB'000	Within 1 year RMB'000	1–5 years RMB'000	>5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
2022							
Other payables	–	48,557	–	–	–	48,557	48,557
Amounts due to related parties	–	788	–	–	–	788	788
Lease liabilities	4.75% to 4.90%	–	63,318	134,050	26,357	223,725	199,528
		49,345	63,318	134,050	26,357	273,070	248,873
2021							
Other payables	–	45,928	–	–	–	45,928	45,928
Amounts due to related parties	–	22,161	–	–	–	22,161	22,161
Bank borrowings							
– fixed rate	3.55%/3.60%	–	329,296	–	–	329,296	325,000
– variable rate	1.72%	–	8,590	–	–	8,590	8,218
Lease liabilities	4.75% to 4.90%	–	94,864	123,457	45,875	264,196	237,385
		68,089	432,750	123,457	45,875	670,171	638,692

39. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements of financial instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purposes.

In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports findings to the directors of the Company to explain the cause of fluctuations in the fair value.

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

Fair value hierarchy as at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at FVTPL				
Equity investment				
– Unlisted equity investment	–	–	8,099	8,099
– Listed equity investment	51,683	–	–	51,683
Debt instruments				
– Funds	–	10,046	30,892	40,938
– Unlisted trust plans and asset management plans	–	–	17,222	17,222
	51,683	10,046	56,213	117,942

39. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements of financial instruments (continued)

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis (continued)

Fair value hierarchy as at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at FVTPL				
Equity investment				
– Unlisted equity investment	–	–	7,227	7,227
– Listed equity investment	48,986	–	–	48,986
Debt instruments				
– Funds	–	26,300	173,493	199,793
– Wealth management products issued by banks	–	41,048	–	41,048
– Unlisted trust plans and asset management plans	–	–	20,396	20,396
	48,986	67,348	201,116	317,450

At 31 December 2022, included in the Group's financial instruments measured at level 2 fair value hierarchy is a fund investment of RMB10,046,000 (2021:15,248,000) with the underlying assets mainly being equity securities trading on the Stock Exchange of Hong Kong Limited and money market funds. The fair value of the financial instruments is determined by the quoted closing price of the equity securities and the money market funds as adjusted by the net assets of the funds.

At 31 December 2021, included in the Group's financial instruments measured at level 2 fair value hierarchy are funds of RMB11,052,000 with the underlying assets mainly being assets management portfolio, and wealth management products issued by banks of RMB41,048,000 with the underlying assets mainly being debts of fixed interest return. The fair value of the financial instruments are determined by cash flow discounted using expected return.

39. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements of financial instruments (continued)

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis (continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis under level 3 measurement as at 31 December 2022:

Financial assets	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Equity investments at FVTPL			
– Unlisted equity investments	The net asset value based on the fair value of the underlying investments.	· The fair value of underlying assets	· The higher the underlying assets valuation, the higher the fair value.
Debt instruments at FVTPL			
– Unlisted trust plans and asset management plans	Discounted cash flows with future cash flows that are estimated based on expected that reflect management's best estimation of the expected risk level.	· Expected recoverable amounts	· The higher the recoverable amounts, the higher the fair recoverable amounts, discounted at rates value.
		· Expected recovery date	· The earlier the recovery date, the higher the fair value.
		· Discount rates that correspond to the expected risk level	· The lower the discount rates, the higher the fair value.
– Funds	Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	· Expected recoverable amounts	· The higher the recoverable amounts, the higher the fair value.
		· Expected recovery date	· The earlier the recovery date, the higher the fair value.
		· Discount rates that correspond to the expected risk level	· The lower the discount rates, the higher the fair value.

39. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements of financial instruments (continued)

(ii) Reconciliation of Level 3 fair value measurements

	2022 RMB'000	2021 RMB'000
Financial assets at FVTPL:		
At 1 January	**201,116**	6,346
Total losses recognised in profit or loss	**(10,134)**	(113,155)
Purchased	**251**	417,111
Disposals/settlements	**(135,020)**	(109,034)
Exchange realignment	**—**	(152)
At 31 December	**56,213**	201,116

For the year ended 31 December 2022, RMB622,000 (2021: 18,558,000) were recognised as gains from changes in fair value for equity investment measured at FVTPL in profit or loss and RMB10,756,000 (2021: 131,713,000) were recognised as loss from changes in fair value in respect of Level 3 debt instruments measured at FVTPL in profit or loss.

During the years ended 31 December 2022 and 2021, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

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

(iii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank Borrowings RMB'000	Interest payable RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2021	349,000	347	927,867	1,277,214
Financing cash flows	(15,782)	(12,636)	(225,096)	(253,514)
Non-cash transactions:				
New leases entered	—	—	385,473	385,473
Lease modified	—	—	(804,508)	(804,508)
Rent concession	—	—	(6,093)	(6,093)
Interest expenses	—	12,758	45,037	57,795
Decrease due to disposal of subsidiaries	—	—	(85,295)	(85,295)
At 31 December 2021	**333,218**	**469**	**237,385**	**571,072**
Financing cash flows	**(333,190)**	**(4,625)**	**(97,255)**	**(435,070)**
Non-cash transactions:				
New leases entered	**—**	**—**	**105,403**	**105,403**
Lease modified	**—**	**—**	**(54,215)**	**(54,215)**
Interest expenses	**—**	**4,156**	**8,210**	**12,366**
Exchange adjustments	**(28)**	**—**	**—**	**(28)**
At 31 December 2022	**—**	**—**	**199,528**	**199,528**

41. MAJOR NON-CASH TRANSACTIONS

(i) During the year ended 31 December 2022, the Group entered into new lease agreements for the use of leased properties for one to ten years. On the lease commencement, the Group recognised right-of-use assets and lease liabilities of RMB110,883,000 and RMB105,403,000 (2021: RMB385,473,000 and RMB385,473,000) respectively.

(ii) During the year ended 31 December 2022, the Group entered into an agreement with the issuer of one of debt instruments measured at amortised cost, and redeemed RMB9,704,000 in exchange for commercial properties, the redemption is included in the prepayments for purchase of properties, plant and equipment of RMB13,862,000.

42. RELATED PARTY DISCLOSURES

Other than as disclosed elsewhere in these consolidated financial statements, the Group has following transactions and balances with related parties:

Nature of transactions	Name of related parties	Relationship	2022 RMB'000	2021 RMB'000
Consulting services income	Walmonos Sports	Associate	–	114
	Xinyue Sports	Associate	**56**	56
			56	170
Purchases of teaching materials	Donghu Qiuan	Associate	**29**	29
	Sairui	Associate	**26**	26
	Walmons Sports	Associate	–	92
	Xinyue Sports	Associate	–	112
	Yuyou Pinxue	Associate	–	45
			55	304
Rental income	Yuyou Pinxue	Associate	–	1,281

42. RELATED PARTY DISCLOSURES (CONTINUED)

Nature of balances	Name of related parties	Relationship	2022 RMB'000	2021 RMB'000
Amounts due from associates	Donghu Qiyuan	Associates	**36**	36
	Haite Sports	Associates	**94**	94
			130	130
Amounts due from a related party	Ms. Weiying Guan	Executive director	**4,789**	4,789
Amounts due to related parties	Sairui Sports	Associate	**(26)**	(26)
	Walmonos Sports	Associate	**(136)**	(136)
	Xinyue Sports	Associate	**(56)**	(56)
	Yuyou Pinxue	Associate	**(495)**	(45)
	Shenzhen Wandie	Disposed subsidiary (note)	**—**	(21,898)
	Shenzhen Beststudy	Disposed subsidiary (note)	**(21)**	—
	Foshan Culture	Disposed subsidiary (note)	**(3)**	—
			(737)	(22,161)

Note: As disclosed in note 34, the Group disposed these subsidiaries in December 2021 to an entity under the common control of the ultimate controlling parties.

The balances with associates and related parties are unsecured, non-interest bearing and have no fixed repayment terms.

Details of impairment assessment of the respective amounts due from associates are set out in note 39.

42. RELATED PARTY DISCLOSURES (CONTINUED)

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2022 RMB'000	2021 RMB'000
Short-term employee benefits	7,085	6,853
Retirement benefits contributions	195	356
Share-based payments	–	(1,512)
	7,280	5,697

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

43a. General information of subsidiaries

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Company name	Place of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
ETJ Education Group	Cayman Islands	United States dollar ("**US$**") 50,000	100	–	Investment holding
China Beststudy Education (HK) Limited ("**Beststudy HK**")	Hong Kong	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	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	RMB47,442,411	–	100	After-school education services

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

43a. General information of subsidiaries (continued)

Company name	Place of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Guangzhou Yuexiu District Beststudy Education and Training Centre Co., Ltd. 廣州市越秀區卓越教育培訓中心有限公司 ("**Yuexiu Beststudy**") *#	PRC/Mainland China	RMB100,000	–	100	After-school education services
Guangzhou Haizhu District Beststudy Teaching and Auxiliary Training Centre Co., Ltd. 廣州市海珠區卓越里程教輔 培訓中心有限公司 ("**Haizhu Beststudy**") *#	PRC/Mainland China	RMB150,000	–	100	After-school education services
Guangzhou Tianhe District Beststudy Education and Training Centre Co., Ltd. 廣州市天河區卓越教育培訓中心有限公司 ("**Tianhe Beststudy**") *#	PRC/Mainland China	RMB100,000	–	100	After-school education services
Guangzhou Baiyun District Beststudy Education Training Centre Co., Ltd. 廣州白雲區卓越教輔培訓中心有限公司 ("**Baiyun Beststudy**") *#	PRC/Mainland China	RMB150,000	–	100	After-school education services
Guangzhou Liwan District Beststudy Education and Training Centre Co., Ltd. 廣州市荔灣區卓越教育培訓中心有限公司 ("**Liwan Beststudy**") *#	PRC/Mainland China	RMB150,000	–	100	After-school education services
Guangzhou Huadu Education Beststudy After-school Education and Training. Centre Co., Ltd 廣州市花都區卓越課外教育培訓中心有限公司("**Huadu Beststudy**") *#	PRC/Mainland China	RMB100,000	–	100	After-school education Services
Guangzhou Zengcheng District Beststudy Extracurricular Education and Training Centre Co., Ltd. 廣州市增城區卓越課外輔導教育培訓中心有限公司 ("**Zengcheng Beststudy**") *#	PRC/Mainland China	RMB100,000	–	100	After-school education services
Guangzhou Conghua District Beststudy Education Training Centre Co., Ltd. 廣州市從化區卓越里程培訓中心有限公司 ("**Conghua Beststudy**") *# note (b)	PRC/Mainland China	RMB100,000	–	100	After-school education services

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

43a. General information of subsidiaries (continued)

Company name	Place of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Guangzhou Nansha District Beststudy Counseling Education Training Centre Co., Ltd. 廣州市南沙區卓越輔導教育培訓中心有限公司 ("**Nansha Beststudy**") *#	PRC/Mainland China	RMB300,000	–	100	After-school education services
Guangzhou Beststudy Culture and Technology Investment Co., Ltd. 廣州卓越文化科技投資有限公司 ("**Culture and Technology Investment**")*#	PRC/Mainland China	RMB500,000	–	100	Publicity services and advertising
Guangzhou Beststudy Technology Investment Co., Ltd. 廣州卓越科技投資有限公司 ("**Technology Investment**") *#	PRC/Mainland China	RMB1,000,000	–	51	Investment
Guangzhou Yuyou Information Consulting Co., Ltd. 廣州譽優信息諮詢有限公司 ("**Guangzhou Yuyou**") *#	PRC/Mainland China	RMB5,080,000	–	100	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	RMB1,000,000	–	100	Internet information 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	RMB1,000,000	–	80	Internet information services
Guangzhou Aiyuwen Technology Information Consulting Co., Ltd. 廣州市愛語文信息科技諮詢有限責任公司 ("**Guangzhou Aiyuwen**") *#	PRC/Mainland China	RMB1,071,429	–	80	Internet information services
Dongguan Nancheng Beststudy Training Centre Co., Ltd. 東莞市南城卓越培訓中心有限公司 ("**Dongguan Nancheng Beststudy**") *# note (b)	PRC/Mainland China	RMB215,765	–	100	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 Beststudy**") *# note (b)	PRC/Mainland China	RMB200,000	–	100	After-school education services

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

43a. General information of subsidiaries (continued)

Company name	Place of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Dongguan Dongcheng Jinghu Beststudy Training Centre Co., Ltd. 東莞市東城景湖卓越培訓中心有限公司 ("**Dongcheng Jinghu Beststudy**") *#	PRC/Mainland China	RMB270,000	–	100	After-school education services
Dongguan Guancheng Beststudy Training Centre Co., Ltd. 東莞市莞城卓越培訓中心有限公司 ("**Guancheng Beststudy**") *# note (b)	PRC/Mainland China	RMB150,000	–	100	After-school education services
Shanghai Beststudy Education Training School Co., Ltd. 上海卓越里程培訓學校有限公司 ("**Shanghai Beststudy**") *#	PRC/Mainland China	RMB5,000,000	–	100	After-school education services
Shanghai Beststudy Youxue Xinguang Culture Communication Co., Ltd. 上海卓越蓚學鑫光文化傳播有限公司 ("**Youxue Culture**") *# note (b)	PRC/Mainland China	RMB500,000	–	100	Culture and art counseling services
Nanning Beststudy Education Technology Co., Ltd. 南寧卓越里程教育科技有限公司 ("**Nanning Beststudy**") *# note (b)	PRC/Mainland China	RMB5,000,000	–	100	Investment
Nanning Qingxiu District Zhuole Training School Co., Ltd. 南寧市青秀區卓樂培訓學校有限公司 ("**Qingxiu Zhuole**") *# note (b)	PRC/Mainland China	RMB500,000	–	100	After-school education services
Guangzhou Qizuo Education Consulting Co., Ltd. 廣州奇作教育諮詢有限公司 ("**Guangzhou Qizuo**") *#	PRC/Mainland China	RMB5,000,000	–	100	Internet information services
Beijing Qiaowen Education Technology Co., Ltd. 北京巧問教育科技有限公司 ("**Beijing Qiaowen**") *#	PRC/Mainland China	RMB2,000,000	–	100	After-school education services
Guangzhou Qiaowen Education Technology Co., Ltd. 廣州巧問教育科技有限公司 ("**Guangzhou Qiaowen**") *#	PRC/Mainland China	RMB2,000,000	–	100	Internet information services
Guangdong Future Youth Palace Education Technology Co., Ltd. 廣東未來青少年宮教育科技有限公司 ("**Future Youth Palace**") *#	PRC/Mainland China	RMB10,000,000	–	100	Internet information services

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

43a. General information of subsidiaries (continued)

Company name	Place of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Guangzhou Zhuoye Information Technology Co., Ltd. 廣州市卓業信息技術有限公司 ("**Guangzhou Zhuoye**") *	PRC/Mainland China	RMB19,779,000	–	100	Provision of technical support and development 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	RMB12,000,000	–	92	Internet information services
Guangzhou Beststudy Wendao Travel Service Co., Ltd. 廣州卓越問道旅行社有限公司 ("**Guangzhou Wendao**") *	PRC/Mainland China	RMB1,000,000	–	80	Consulting services

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

These entities are owned through contractual arrangements.

Notes:

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

(b) In 2022, the directors of the Company determined to close certain subsidiaries of the Company which merely had no operations due to the Double Reduction Policy.

As at 31 December 2022, Conghua Beststudy, Dongguan Nancheng Beststudy, Dongcheng Xinshijie Beststudy, Guancheng Beststudy, Youxue Culture, Nanning Beststudy and Qingxiu Zhuole were still in the process of deregistration while other three subsidiaries including 東莞市東城世博卓越培訓中心有限公司 (Dongcheng Shibo Beststudy Training Centre Co., Ltd.), 東莞市南城城市風景卓越培訓中心有限公司 (Dongguan Nancheng Cityscape Beststudy Education and Training Centre Co., Ltd.) and 惠州市卓越里程教育科技有限公司 (Huizhou Beststudy Education Technology Co., Ltd.) have been completed on deregistration.

None of the subsidiaries had issued any debt securities at the end of the year.

43b. Details of non-wholly owned subsidiaries that have material non-controlling interests

None of the non-wholly owned subsidiaries of the Group have material non-controlling interests.

44. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS		
Investment in a subsidiary	**40,420**	40,420
Amounts due from subsidiaries	**122,481**	—
	162,901	40,420
CURRENT ASSETS		
Amounts due from subsidiaries	**1,210**	113,550
Prepayments, deposits and other receivables	**8,475**	8,097
Cash and cash equivalents	**9,694**	17,839
	19,379	139,486
CURRENT LIABILITIES		
Other payables and accruals	**4,745**	4,690
Bank borrowings	**—**	8,218
Amount due to a subsidiary	**242**	260
	4,987	13,168
NET CURRENT ASSETS	**14,392**	126,318
TOTAL ASSETS LESS CURRENT LIABILITIES	**177,293**	166,738
NET ASSETS	**177,293**	166,738
CAPITAL AND RESERVES		
Share capital	**303**	303
Reserves	**176,990**	166,435
TOTAL EQUITY	**177,293**	166,738

44. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

Movement in the Company's reserves:

	Share premium RMB'000	Shares held for the RSU scheme RMB'000	Share-based payment reserve RMB'000	Retained profits RMB'000	Translation reserve RMB'000	Total reserves RMB'000
At 1 January 2021	248,380	(83,162)	12,136	157,248	(34,419)	300,183
Loss for the year	–	–	–	(13,402)	–	(13,402)
Other comprehensive expense for the year:						
Exchange differences on translation of financial statements	–	–	–	–	(2,037)	(2,037)
Total comprehensive expense for the year	–	–	–	(13,402)	(2,037)	(15,439)
Share-based payments	–	–	(5,914)	–	–	(5,914)
Exercise of share awards under the restricted share unit scheme	–	4	(5,628)	5,624	–	–
Repurchase of shares under the restricted share unit scheme	–	(72,725)	–	–	–	(72,725)
Repurchase and cancellation of shares	(5,602)	–	–	–	–	(5,602)
Final 2020 dividend declared	(34,068)	–	–	–	–	(34,068)
At 31 December 2021	208,710	(155,883)	594	149,470	(36,456)	166,435
Profit for the year	**–**	**–**	**–**	**9,829**	**–**	**9,829**
Total comprehensive income for the year	**–**	**–**	**–**	**9,829**	**–**	**9,829**
Share-based payments	**–**	**–**	**726**	**–**	**–**	**726**
Exercise of share awards under the restricted share unit scheme	**–**	**–**	**(555)**	**555**	**–**	**–**
At 31 December 2022	**208,710**	**(155,883)**	**765**	**159,854**	**(36,456)**	**176,990**

45. RECLASSIFICATION

Certain comparative in the financial statements have been reclassified to conform with the current year's presentation. The reclassification has no effect on previous reported profit or equity.

Five-Year Financial Summary

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

	For the year ended 31 December				
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	**2022** **RMB'000**
RESULTS					
Revenue	1,473,748	1,831,667	1,687,798	1,898,627	**491,134**
Gross profit	598,031	767,623	615,186	729,347	**173,061**
(Loss)/profit	73,971	134,881	127,794	(325,593)	**54,073**

	As at 31 December				
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	**2022** **RMB'000**
ASSETS AND LIABILITIES					
Total non-current assets	302,158	1,476,297	1,572,421	546,689	**455,119**
Total current assets	1,137,464	1,288,705	1,611,632	771,963	**414,563**
Total current liabilities	776,330	1,234,870	1,526,862	817,826	**318,866**
Total non-current liabilities	41,210	733,470	861,321	150,222	**144,926**
Total equity	622,082	796,662	795,870	350,604	**405,890**