



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA EAST EDUCATION HOLDINGS LIMITED AND BNP PARIBAS SECURITIES (ASIA) LIMITED

Introduction

We report on the historical financial information of China East Education Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages I-3 to I-71, which comprises the consolidated statements of financial position of the Group as at December 31, 2016, 2017 and 2018, the statement of financial position of the Company as at December 31, 2018 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the three years ended December 31, 2018 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-71 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated May 30, 2019 (the "Document") in connection with the [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at December 31, 2016, 2017 and 2018, of the Company's financial position as at December 31, 2018, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which contains information about the dividends declared or paid by the group entities in respect of the Track Record Period and states that no dividend has been paid by the Company since its incorporation.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
[REDACTED]

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HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended December 31,		
		2016	2017	2018
		RMB'000	RMB'000	RMB'000
Continuing operations				
Revenue	5	2,335,730	2,850,165	3,264,964
Cost of revenue		(1,014,265)	(1,281,339)	(1,559,856)
Gross profit		1,321,465	1,568,826	1,705,108
Other income	6	21,578	34,403	61,827
Other gains and losses	7	26,704	59,809	58,089
Selling expenses		(363,889)	(456,926)	(648,032)
Administrative expenses		(277,798)	(349,936)	(437,863)
[REDACTED].		–	–	(23,873)
Research and development expenses		(8,403)	(24,021)	(28,252)
Profit before taxation		719,657	832,155	687,004
Income tax expense	8	(132,278)	(170,965)	(171,863)
Profit and total comprehensive income for the year from continuing operations		587,379	661,190	515,141
Discontinued operation				
Loss and total comprehensive expense for the year from discontinued operation	10	(21,901)	(19,569)	(5,048)
Profit and total comprehensive income for the year	9	565,478	641,621	510,093
Profit (loss) and total comprehensive income (expenses) for the year attributable to owners of the Company				
– from continuing operations		587,379	661,190	515,141
– from discontinued operation	10	(21,901)	(19,569)	(5,048)
		565,478	641,621	510,093
From continuing and discontinued operations				
Earnings per share	13			
– Basic (RMB cents)		9.06	10.28	10.26
– Diluted (RMB cents)		N/A	N/A	10.25
From continuing operations				
Earnings per share	13			
– Basic (RMB cents)		9.41	10.59	10.36
– Diluted (RMB cents)		N/A	N/A	10.35

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	The Group		
		As at December 31,		
		2016	2017	2018
		RMB'000	RMB'000	RMB'000
Non-current assets				
Property and equipment	14	611,342	1,060,309	1,361,005
Prepaid lease payments	15	88,549	126,349	123,409
Deferred tax assets	16	3,579	3,849	2,996
Prepayments for rental		18,959	31,902	17,873
Deposits for rental and utilities		29,660	36,792	39,904
		<u>752,089</u>	<u>1,259,201</u>	<u>1,545,187</u>
Current assets				
Inventories	18	26,896	29,899	37,138
Prepaid lease payments	15	2,010	2,940	2,940
Trade and other receivables	19	127,193	190,506	242,290
Tax recoverable		1,357	1,029	1,687
Bank balances and cash	20	1,738,599	2,034,750	986,293
		<u>1,896,055</u>	<u>2,259,124</u>	<u>1,270,348</u>
Current liabilities				
Trade and other payables	21	308,010	471,082	507,643
Amounts due to Controlling Equity Holders	23	209,000	209,000	–
Dividend payable		–	–	34,112
Tax liabilities		81,085	101,566	108,167
Contract liabilities	24	955,170	1,089,507	1,233,230
		<u>1,553,265</u>	<u>1,871,155</u>	<u>1,883,152</u>
Net current assets (liabilities)		<u>342,790</u>	<u>387,969</u>	<u>(612,804)</u>
Total assets less current liabilities		<u>1,094,879</u>	<u>1,647,170</u>	<u>932,383</u>
Non-current liabilities				
Contract liabilities	24	26,946	36,317	56,101
Government grants		2,830	4,129	3,651
		<u>29,776</u>	<u>40,446</u>	<u>59,752</u>
Net assets		<u>1,065,103</u>	<u>1,606,724</u>	<u>872,631</u>
Capital and reserves				
Paid-in capital/share capital	25	360,000	360,000	–
Reserves		705,103	1,246,724	872,631
Total equity		<u>1,065,103</u>	<u>1,606,724</u>	<u>872,631</u>

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STATEMENT OF FINANCIAL POSITION

	NOTES	<u>The Company</u> <u>As at December</u> <u>31, 2018</u> <i>RMB'000</i>
NON-CURRENT ASSET		
Investment in a subsidiary	17	—
CURRENT ASSETS		
Amount due from a subsidiary	22	533
Deferred issue costs	19	5,474
Prepayments for [REDACTED]	19	1,799
		<u>7,806</u>
CURRENT LIABILITIES		
Accrued [REDACTED] and [REDACTED]	21	4,562
Amount due to a subsidiary	22	26,583
		<u>31,145</u>
NET CURRENT LIABILITIES		<u>(23,339)</u>
		<u><u>(23,339)</u></u>
CAPITAL AND RESERVE		
Share capital	25	—
Reserves	26	(23,339)
		<u>(23,339)</u>
		<u><u>(23,339)</u></u>

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Notes	Attributable to owners of the Company						Total
		Share capital/paid-in capital	Capital reserve	Share premium	Share options reserve	Statutory surplus reserve	Retained profits	
		RMB'000	RMB'000 (note b)	RMB'000	RMB'000	RMB'000 (note a)	RMB'000	
At January 1, 2016		360,000	-	-	-	127,957	11,668	499,625
Profit and total comprehensive income for the year		-	-	-	-	-	565,478	565,478
Transfer		-	-	-	-	118,577	(118,577)	-
At December 31, 2016.		360,000	-	-	-	246,534	458,569	1,065,103
Profit and total comprehensive income for the year		-	-	-	-	-	641,621	641,621
Transfer		-	-	-	-	157,015	(157,015)	-
Dividend distribution	12	-	-	-	-	-	(100,000)	(100,000)
At December 31, 2017.		360,000	-	-	-	403,549	843,175	1,606,724
Profit and total comprehensive income for the year		-	-	-	-	-	510,093	510,093
Capital increase (note c)		141,940	-	-	-	(51,240)	(90,700)	-
Capital deduction (note d)		(401,940)	-	-	-	-	-	(401,940)
Deemed contribution from the Controlling Equity Holders (as defined in note 1) (note 30)		-	56,947	-	-	-	-	56,947
Recognition of equity-settled share-based payments (note 27)		-	-	-	8,125	-	-	8,125
Arising from reorganisation		(100,000)	100,000	-	-	-	-	-
Ordinary shares issued	25	-	-	533	-	-	-	533
Transfer		-	-	-	-	(128,461)	128,461	-
Dividend distribution	12	-	-	-	-	-	(907,851)	(907,851)
At December 31, 2018.		-	156,947	533	8,125	223,848	483,178	872,631

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Notes:

- (a) Pursuant to the relevant laws in the People's Republic of China (the "PRC"), the Company's subsidiaries in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the management of the relevant PRC subsidiaries. These reserves include: (i) general reserve of the limited liabilities companies and (ii) the development fund of schools.
- i. For PRC subsidiaries with limited liability, they are required to make annual appropriations to general reserve of 10% of after-tax profits as determined under the PRC laws and regulations at each year-end until the balance reaches 50% of the relevant PRC entity's registered capital.
 - ii. According to the relevant PRC laws and regulations, for private school that does not require for reasonable return, it is required to appropriate to development fund of not less than 25% of the net income of the relevant schools as determined in accordance with generally accepted accounting principles in the PRC. The development fund shall be used for the construction or maintenance of the schools or procurement or upgrading of educational equipment. When the development fund is used, the reserve will be transferred back to retained profits directly.
- (b) The amounts of capital reserve mainly include:
- i. an amount of RMB56,947,000 representing the differences between the consideration received on disposal of the entire equity interests of Hefei Xin'an Automobile Driver Training School (合肥新安機動車駕駛員培訓學校) ("Hefei Xin'an"), Hefei Yuxing Automobile Driver Training Co., Ltd. (合肥宇星機動車駕駛員培訓有限公司) ("Hefei Yuxing"), Xi'an City Yuxing Driver Training Co., Ltd. (西安市宇星駕駛員培訓有限公司) ("Xi'an Yuxing"), Chongqing Yuxing Xincheng Automobile Driving Training Co., Ltd. (重慶宇星新城汽車駕駛培訓有限公司) ("Chongqing Yuxing") and Changsha City Yuxing Automobile Driver Training Co., Ltd. (長沙市宇星機動車駕駛員培訓有限公司) ("Changsha Yuxing"), which provided training course for diving examinations, and Beijing Miwei Technology Co., Ltd. (北京秘味科技有限公司) ("Miwei Technology"), which developed and ran two mobile applications, with one providing cooking tutorial videos and online courses, and the other providing online academic support for students, to companies controlled by the Controlling Equity Holders (as defined in note 1) and the carrying amounts of the net assets of the five subsidiaries and Miwei Technology (details are set out in note 30); and
 - ii. an amount of RMB100,000,000 representing the difference between the nominal value of the share capital issued by the Company and the registered capital of Anhui Xinhua Education Group Co., Ltd. (安徽新華教育集團有限公司) ("Anhui Xinhua Education") upon the Reorganisation (as defined in note 1).
- (c) On September 18, 2018, Anhui Xinhua Education increased its paid-in capital by transferring RMB51,240,000 from statutory surplus reserve and RMB90,700,000 from retained profits to paid-in capital.
- (d) On November 13, 2018, Anhui Xinhua Education reduced its paid-in capital by RMB401,940,000 and its paid-in capital changed to RMB100,000,000. The reduction of registered capital was completed in cash settlement and in accordance with the procedures under the articles of Anhui Xinhua Education.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
OPERATING ACTIVITIES			
Profit for the year	565,478	641,621	510,093
Adjustments for:			
Income tax expense	131,903	170,965	171,863
Interest income from banks	(9,034)	(16,959)	(23,954)
Depreciation of property and equipment	171,428	239,544	357,507
Amortisation of prepaid lease payments	2,010	2,940	2,940
Release of asset-related government grants	(2,176)	(1,146)	(1,274)
Losses (gains) on disposals of property and equipment	753	1,268	(86)
Gains on other financial assets measured at fair value through profit or loss ("FVTPL")	(27,457)	(61,077)	(58,003)
Gain on disposal of a subsidiary	–	–	(4,358)
Equity-settled share option expense	–	–	8,125
Operating cash flow before movements in working capital	832,905	977,156	962,853
Increase in inventories	(6,629)	(3,003)	(7,300)
Increase in trade and other receivables	(3,730)	(30,860)	(19,383)
Increase in prepayments for rental	(4,286)	(45,396)	(17,542)
Increase in deposits for rental and utilities	(9,514)	(7,132)	(3,798)
Increase in trade and other payables	57,565	113,201	38,924
Increase in contract liabilities	167,056	143,708	191,433
Cash generated from operations	1,033,367	1,147,674	1,145,187
Income taxes paid	(51,788)	(150,426)	(165,067)
Net cash from operating activities	981,579	997,248	980,120
INVESTING ACTIVITIES			
Interest received from banks	9,034	16,959	23,954
Proceeds on disposals of property and equipment	2,989	3,692	9,274
Purchases of property and equipment	(240,548)	(643,600)	(665,585)
Payments for prepaid lease payments	–	(41,670)	–
Purchases of other financial assets	(3,105,000)	(6,540,000)	(5,849,900)
Redemptions of other financial assets	3,182,457	6,601,077	5,907,903
Net cash inflow from disposal of a subsidiary	–	–	596
Asset-related government grants	1,953	2,445	796
Net cash used in investing activities	(149,115)	(601,097)	(572,962)
FINANCING ACTIVITIES			
Proceeds from issue of shares	–	–	533
Dividend paid	–	(100,000)	(873,739)
Reduction of paid-in capital	–	–	(401,940)
Receipt from the Controlling Equity Holders	–	–	50,715
Repayment to the Controlling Equity Holders	–	–	(209,000)
Repayment to former group companies	–	–	(13,000)
Issue costs paid	–	–	(4,918)
Net cash outflow from disposals of subsidiaries to Controlling Equity Holders as part of the Reorganisation (as defined in note 1)	–	–	(4,266)
Net cash used in financing activities	–	(100,000)	(1,455,615)
Net increase (decrease) in cash and cash equivalents	832,464	296,151	(1,048,457)
Cash and cash equivalents at the beginning of the year	906,135	1,738,599	2,034,750
Cash and cash equivalents at the end of the year, representing bank balances and cash	1,738,599	2,034,750	986,293

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NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands and registered as an exempted company with limited liability under the Companies Law Chapter 22 of the Cayman Islands on October 4, 2018. Its shareholders are Wu Wei Education Company Limited ("Wu Wei Education"), Wu Junbao Education Company Limited ("Wu Junbao Education") and Xiao Guoqing Education Company Limited ("Xiao Guoqing Education"), which are incorporated in the British Virgin Islands (the "BVI"). Its ultimate controlling parties are Mr. Wu Wei, Mr. Wu Junbao and Mr. Xiao Guoqing, who have historically and throughout the Track Record Period been the controlling equity holders of the Group (Mr. Wu Wei, Mr. Wu Junbao and Mr. Xiao Guoqing collectively referred as the "Controlling Equity Holders"). The addresses of the registered office and the principal place of business of the Company are disclosed in the section "Corporate Information" in the [REDACTED].

The Company is an investment holding company. The principal activities of its subsidiaries are mainly engaged in the operation of vocational education institutions under the common control of the Controlling Equity Holders historically and throughout the Track Record Period. Details of the subsidiaries are disclosed in note 35.

The Historical Financial Information has been prepared based on the accounting policies set out in note 3 which conform with HKFRSs issued by the HKICPA and the principle of merger accounting in accordance with Accounting Guidance 5 "Merger Accounting for Common Control Combinations" issued by HKICPA.

Pursuant to the reorganisation as more fully explained in the paragraph under the sections headed "History and Corporate Structure" and "Structured Contracts" in the [REDACTED] (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on November 30, 2018. Since the Controlling Equity Holders control all the companies now comprising the Group before and after the Reorganisation, the Group comprising the Company and its subsidiaries is regarded as a continuing entity.

Under the relevant PRC laws and regulations requirement, the Company is restricted to independently or jointly operate most of vocational and training business. In preparation for the [REDACTED] of the Company's shares on the Main Board of the Stock Exchange, the Group underwent the Reorganisation through entering into contractual arrangements with the Controlling Equity Holders to maintain and exercise the control over the operation of Anhui Xinhua Education, and to obtain all of its entire economic benefits (the "Contractual Arrangements"). The Contractual Arrangements were entered into by a wholly-owned subsidiary of the Company, Hefei Xinhua Chuangzhi Education Management Co., Ltd. (合肥新華創智教育管理有限公司) ("Xinhua Chuangzhi") with Anhui Xinhua Education and the Controlling Equity Holders, which, effective from November 30, 2018, enable Xinhua Chuangzhi and the Group to:

- exercise effective financial and operational control over Anhui Xinhua Education;
- exercise equity holders' voting rights of Anhui Xinhua Education;
- receive substantially all economic returns generated by Anhui Xinhua Education in consideration for the business support, technical and consulting services provided by the Group;
- obtain an irrevocable and exclusive right to purchase the entire equity interests in Anhui Xinhua Education from the Controlling Equity Holders at nil consideration or a minimum purchase price permitted under PRC laws and regulations. The Group may exercise such options at any time until it has acquired all equity interests and/or all assets of Anhui Xinhua Education. In addition, Anhui Xinhua Education is not allowed to sell, transfer, or dispose any assets, or make any distributions to its equity holders without prior consent of the Group; and
- obtain a pledge over the entire equity interests of Anhui Xinhua Education from the Controlling Equity Holders as collateral security for all of the amounts Anhui Xinhua Education due to the Group and to secure performance of the Controlling Equity Holders' obligations under the Contractual Arrangements.

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Consequently, the Company regards Anhui Xinhua Education as an indirect subsidiary.

However, certain subsidiaries under Anhui Xinhua Education including Beijing Langjie Technology Co., Ltd. (北京朗杰科技有限公司) ("Langjie Technology"), Anhui Simai'er Catering Co., Ltd. (安徽思麥爾餐飲有限公司) and other 20 companies in providing specialised culinary training, were not restricted to be held by the foreigner and these subsidiaries were transferred from Anhui Xinhua Education to Xinhua Chuangzhi in October 2018.

As the Reorganisation involved inserting new holding companies and has not resulted in any change of economic substance, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Track Record Period have been prepared as if the current group structure had been in existence throughout the Track Record Period, or since the respective dates of incorporation/establishment of the relevant companies now comprising the Group where this is a shorter period. The consolidated statements of financial position of the Group as at December 31, 2016 and 2017 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure were in existence at those dates.

The following balances and amounts of the Anhui Xinhua Education and its subsidiaries, excluding those which have been transferred to Xinhua Chuangzhi, were included in the Historical Financial Information:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Revenue	2,320,089	2,839,316	3,232,176
Profit before taxation	743,024	873,341	801,627
	<u> </u>	<u> </u>	<u> </u>
	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Non-current assets	705,731	1,176,941	1,507,880
Current assets	1,867,194	2,211,611	1,249,157
Current liabilities	1,489,811	1,734,800	1,856,575
Non-current liabilities	29,776	40,446	59,752
	<u> </u>	<u> </u>	<u> </u>

The Historical Financial Information is presented in RMB, which is the same as the functional currency of the Company and its subsidiaries.

The Group and the Company recorded net current liabilities of RMB612,804,000 and RMB23,339,000 as at December 31, 2018 respectively. In view of the net current liabilities position, the management of the Group has considered the cash inflow from operations and is satisfied that the Group and the Company are able to meet in full their financial obligations as they fall due for the foreseeable future. The management of the Group considers that the Group and the Company will have sufficient financial resources to continue as a going concern. Therefore, the financial statements of the Group and the Company for the Track Record Period have been prepared on going concern basis.

2. APPLICATION OF HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has applied HKFRSs issued by the HKICPA that are effective for the Group's accounting period beginning on January 1, 2018, including HKFRS 9 *Financial Instruments* and HKFRS 15 *Revenue from Contracts with Customers*, consistently throughout the Track Record Period.

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

HKFRS 16	<i>Leases</i> ¹
HKFRS 17	<i>Insurance Contracts</i> ³
HK(IFRIC) – Int 23	<i>Uncertainty over Income Tax Treatments</i> ¹
Amendments to HKFRS 3	<i>Definition of a Business</i> ⁴
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i> ¹
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ²
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i> ⁵
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i> ¹
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> ¹
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2015-2017 Cycle</i> ¹

- ¹ Effective for annual periods beginning on or after January 1, 2019.
- ² Effective for annual periods beginning on or after a date to be determined.
- ³ Effective for annual periods beginning on or after January 1, 2021.
- ⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after January 1, 2020.
- ⁵ Effective for annual periods beginning on or after January 1, 2020.

HKFRS 16 Leases

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

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

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

Other than certain requirement which are also applicable to lessors, HKFRS 16 substantially carries forward the lessors accounting requirements in HKAS 17, and continues to require a lessors to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at December 31, 2018, the Group has non-cancellable operating lease commitments of RMB2,302,181,000 as disclosed in note 31. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of RMB36,873,000 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustment to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

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In the opinion of the directors of the Company, the adoption of HKFRS 16 as compared with the current accounting policy would result in increase in the Group's right-of-use assets and related lease liabilities. The combination of straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to the profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term, but there is no impact on the total expenses recognised over the lease term. The directors of the Company anticipate that the application of HKFRS 16 will not significantly affect the financial performance and net assets of the Group upon adoption on January 1, 2019. These estimates are based on accounting policies, assumptions, judgements and estimation techniques that remain subject to change until the Group finalises its financial statements for the year ending December 31, 2019.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group has not reassessed whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group has elected the modified retrospective approach for the application of HKFRS 16 as lessee and has recognised the cumulative effect of initial application to opening retained profits without restating comparative information.

HK(IFRIC) – Int 23 "Uncertainty over Income Tax Treatments"

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

As disclosed in note 8, the detailed implementation rules of New Law for Promoting Private Education has not yet been announced, certain schools of the Group have not yet elected to be for-profit or non-profit private schools, there will be uncertainty whether the schools could follow previous PRC Enterprise Income Tax ("EIT") exemption treatment for the tuition income when facts and circumstances change or new information become available. The management of the Group would reassess any judgments and estimates if the facts and circumstances change or new information becomes available.

Except as described above, the management of the Group anticipates that the application of other new and revised HKFRSs in issue but not yet effective will have no material impact on the Group's financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial investments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the entities now comprising the Group. Control is achieved when the Group:

- 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.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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 intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Change 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.

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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 the subsidiary and non-controlling interest (if any) are derecognised. A gain or loss is recognised in profit or loss when the subsidiary is disposed to independent third parties, while a gain or loss is recognised in capital reserve if the subsidiary is disposed to the Controlling Equity Shareholders. The gain and loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets, and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

Merger accounting for business combination involving businesses under common control

The Historical Financial Information incorporates the financial statements items of the combining businesses in which the common control combination occurs as if they had been consolidated from the date when the combining businesses first came under the control of the controlling party.

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

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

Investment in a subsidiary

Investment in a subsidiary is stated in the statement of financial position of the Company at cost less any identified impairment loss.

Revenue recognition

Revenue is recognised to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Specifically, the Group uses a 5-step approach to revenue recognition:

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

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation, representing tuition and ancillary services are transferred to the students.

A performance obligation represents service (or a bundle of services) that is distinct or a series of distinct 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 and enhances an asset that the customer controls as the Group performs; or

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- 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 service.

Contract liabilities represents the Group's obligation to transfer services to the students for which the Group has received tuition fees and fees for ancillary services from the students.

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs (mainly representing teaching staff costs, rental expenses and depreciation of school premises) to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Tuition fees are generally paid in advance at the beginning of each courses, and are initially recorded as contract liabilities. The portion of tuition payments received from students but not earned is recorded as contract liabilities. Amounts which will be earned within one year is reflected as a current liability and those which will be earned beyond one year is reflected as a non-current liability.

Research and development expenses

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

When no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Leasing

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

The Group as lessee

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

Leasehold land and building

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

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

Foreign currencies

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

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

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.

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

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

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Retirement benefit costs

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS 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.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information 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 of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in 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 each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or in equity respectively.

Property and equipment

Property and equipment, including buildings held for use in the supply of services or for administrative purposes (other than properties under construction as described below) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property and equipment, other than construction in progress, less their residual values over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property 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.

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

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If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

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

Financial instruments

Financial assets and financial liabilities are recognised 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 HKFRS 15 during the Track Record Period. 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) 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 fair value through profit or loss 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

Classification and subsequent measurement of financial assets

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.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; 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.

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All other financial assets are subsequently measured at FVTPL, except that at the date of initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and 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.

(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 earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, other financial assets measured at amortised cost and bank balances). The amount of ECL is updated at each reporting dates 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 each reporting date. Assessment 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.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, 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.

(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 each 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;

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- 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;
- 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.

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.

(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, whichever occurs sooner. 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.

(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.

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Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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 amortized cost of the financial asset.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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 trade and other receivables and other financial assets measured at amortised cost, where the corresponding adjustment is recognised through a loss allowance account.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definition 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 group entities are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

All financial liabilities including trade and other payables and amounts due to Controlling Equity Holders are subsequently measured at amortised cost using the effective interest method.

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

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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the application of the Group's accounting policies, which are described in note 3, the management of the Group is 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.

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The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that the management of the Group has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

Contractual Arrangements

The Group conducts a substantial portion of the business through Anhui Xinhua Education in the PRC due to regulatory restrictions on foreign ownership in the Group's schools in the PRC. The Group does not have any equity interest in Anhui Xinhua Education. The management of the Group assessed whether or not the Group has control over Anhui Xinhua Education based on whether the Group has the power over Anhui Xinhua Education, has rights to variable returns from its involvement with Anhui Xinhua Education and has the ability to affect those returns through its power over Anhui Xinhua Education. After assessment, the management of the Group concluded that the Group has control over Anhui Xinhua Education as a result of the Contractual Arrangements and accordingly, the assets, liabilities and their operating results of Anhui Xinhua Education are included in the Historical Financial Information throughout the Track Record Period or since the respective dates of establishment, 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 Anhui Xinhua Education and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of Anhui Xinhua Education. The management of the Group, based on the advice of its legal counsel, considers that the Contractual Arrangements among Xinhua Chuangzhi, Anhui Xinhua Education and the Controlling Equity Holders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

Key sources of estimation uncertainties

The following are the key assumptions concerning the future, and other key sources of estimation uncertainties at the end of each reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Useful lives and impairment of property and equipment

The Group's management determines the estimated useful lives and the depreciation method in determining the related depreciation charges of its property and equipment. This estimate is based on the management's experience of the actual useful lives of property and equipment of similar nature and functions. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property and equipment may not be recoverable. Management will increase the depreciation charge where useful lives are estimated to be shorter than previously estimated, or will write off or write down obsolete assets that have been abandoned or impaired. Any change in these estimates may have a material impact on the results of the Group.

As at December 31, 2016, 2017 and 2018, the carrying amounts of property and equipment of the Group were RMB611,342,000, RMB1,060,309,000 and RMB1,361,005,000 respectively, details of which are set out in note 14.

Income taxes

Significant judgment is required in interpreting the relevant tax rules and regulation so as to determine whether the Group is subject to EIT. This assessment relies on estimates and assumptions about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of the tax liabilities. Such changes to tax liabilities will impact tax expense in the period that such determination is made.

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5. REVENUE AND SEGMENT INFORMATION

The Group is mainly engaged in the provision of vocational education services in the PRC.

Revenue represents service income from tuition fees and service fees less sales related tax, and is recognised over time.

Transaction price allocated to the remaining performance obligation for contracts with customers

The majority of the contracts for provision of vocational education services are for periods of one year or less. As permitted under HKFRS15, the transaction price allocated to these unsatisfied contracts is not disclosed.

The Group's operating segments are based on information prepared and reported to the chief operating decision makers ("CODM"), the board of directors of the Company, for the purposes of resource allocation and performance assessment. The Group is organised into the following segments,

- (a) New East Culinary Education: providing comprehensive culinary training programs to students who pursue a career in becoming professional chefs;
- (b) Xinhua Internet Technology Education: providing a wide range of information technology-related training to students;
- (c) Wontone Automotive Education: providing hands-on auto repair skill training as well as practical knowledge of automobile commerce;
- (d) Omick Education of Western Cuisine and Pastry: offering a variety of courses, including baking, deserts, western cuisines, bartending and barista training;
- (e) Wisezone Data Technology Education: providing short-term programs to junior college and university students who have already had the basic theoretical knowledge and seek to further develop relevant practical skills;
- (f) Cuisine Academy: providing people with culinary skill training on small-class settings and/or individual classes that are delivered on an one-on-one basis; and
- (g) Other miscellaneous businesses.

These segments are the basis on which the Group reports its segment information.

The management of the Group assesses the performance of the operating and reportable segment based on the revenue and gross profit for the year of the Group as presented in the consolidated statements of profit or loss and other comprehensive income. The accounting policies of the reportable segment are the same as the Group's accounting policies described in note 3. Segment results represent the profits earned by each segment and excluding certain other income, other gains and losses, corporate administrative expenses, [REDACTED] and income tax expense. No analysis of the Group's assets and liabilities is regularly provided to the management of the Group for review. Inter-segment sales are charged at cost plus approach.

Provision of steer training services was discontinued during the year ended December 31, 2018. The segment information reported does not include any amounts for the discontinued operation, which are described in note 10.

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The following is an analysis of the Group's revenue from continuing operations and results by operating and reportable segments for the Track Record Period:

For the year ended December 31, 2016

	New East Culinary Education	Xinhua Internet Technology Education	Wontone Automotive Education	Omick Education of Western Cuisine and Pastry	Wisezone Data Technology Education	Cuisine Academy	Other miscellaneous businesses	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue									
External sales	1,432,112	480,533	354,256	-	53,188	-	15,641	-	2,335,730
Inter-segment sales	-	-	-	-	25,385	-	64,624	(90,009)	-
Segment revenue	1,432,112	480,533	354,256	-	78,573	-	80,265	(90,009)	2,335,730
Results									
Segment results	507,920	129,192	89,659	-	(11,542)	-	(8,681)	-	706,548
Unallocated									
Other income									10,621
Other gains and losses									26,704
Corporate administrative expenses									(24,216)
Profit before taxation									719,657
Income tax expense									(132,278)
Profit for the year									587,379
Other segment information									
Depreciation of property and equipment	80,040	43,420	31,902	1,490	3,183	-	1,183	-	161,218
Amortisation of prepaid lease payments	536	896	219	-	-	-	359	-	2,010
Purchase of property and equipment	122,768	49,425	38,822	17,381	17,548	-	3,259	-	249,203

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For the year ended December 31, 2017

	New East Culinary Education	Xinhua Internet Technology Education	Wontone Automotive Education	Omick Education of Western Cuisine and Pastry	Wisezone Data Technology Education	Cuisine Academy	Other miscellaneous businesses	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue									
External sales	1,738,743	542,249	419,347	74,838	64,139	333	10,516	-	2,850,165
Inter-segment sales	-	-	-	-	23,656	-	43,042	(66,698)	-
Segment revenue	1,738,743	542,249	419,347	74,838	87,795	333	53,558	(66,698)	2,850,165
Results									
Segment results	691,082	148,053	44,189	(41,119)	(40,540)	(5,020)	(12,847)	-	783,798
Unallocated									
Other income									18,181
Other gains and losses									59,809
Corporate administrative expenses									(29,633)
Profit before taxation									832,155
Income tax expense									(170,965)
Profit for the year									661,190
Other segment information									
Depreciation of property and equipment	133,366	35,854	41,006	11,612	6,793	89	1,510	-	230,230
Amortisation of prepaid lease payments	1,033	928	619	-	-	-	360	-	2,940
Purchase of property and equipment	267,348	99,528	177,507	116,406	13,385	13,149	2,781	-	690,104
Acquisition of prepaid lease payments	22,196	-	19,474	-	-	-	-	-	41,670

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For the year ended December 31, 2018

	New East Culinary Education	Xinhua Internet Technology Education	Wontone Automotive Education	Omick Education of Western Cuisine and Pastry	Wisezone Data Technology Education	Cuisine Academy	Other miscellaneous businesses	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue									
External sales	1,900,126	604,413	444,305	213,256	70,076	20,797	11,991	-	3,264,964
Inter-segment sales	-	-	-	-	13,000	-	42,453	(55,453)	-
Segment revenue	1,900,126	604,413	444,305	213,256	83,076	20,797	54,444	(55,453)	3,264,964
Results									
Segment results	663,831	182,604	4,781	(35,978)	(70,468)	(35,186)	(28,111)	-	681,473
Unallocated									
Other income									25,034
Other gains and losses									58,089
Corporate administrative expenses									(53,719)
[REDACTED]									(23,873)
Profit before taxation									687,004
Income tax expense									(171,863)
Profit for the year									515,141
Other segment information									
Depreciation of property and equipment	140,898	51,654	81,507	51,755	5,837	13,536	6,286	-	351,473
Amortisation of prepaid lease payments	1,033	928	619	-	-	-	360	-	2,940
Purchase of property and equipment	306,382	96,209	131,169	112,599	12,947	12,719	2,690	-	674,715

Geographical information

The Group primarily operates in the PRC. Substantially all of the non-current assets of the Group are located in the PRC.

Information about major customers

No single customer contributes over 10% or more of total revenue of the Group during the Track Record Period.

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6. OTHER INCOME

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Continuing operations			
Asset-related government grants	2,176	1,146	1,274
Unconditional government grants	8,781	15,076	35,519
Interest income from banks	9,034	16,959	23,954
Others.	1,587	1,222	1,080
	<u>21,578</u>	<u>34,403</u>	<u>61,827</u>

7. OTHER GAINS AND LOSSES

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Continuing operations			
Net gains on other financial assets measured at FVTPL	27,457	61,077	58,003
(Losses) gains on disposals of property and equipment.	(753)	(1,268)	86
	<u>26,704</u>	<u>59,809</u>	<u>58,089</u>

8. INCOME TAX EXPENSE

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Continuing operations			
EIT			
– Current tax	132,917	171,235	171,010
Deferred tax (credit) charge (note 16)	(639)	(270)	853
	<u>132,278</u>	<u>170,965</u>	<u>171,863</u>

The Company was incorporated in the Cayman Islands and China East Education Investment Limited (中國東方教育投資有限公司) ("China East BVI") was incorporated in the BVI that are tax exempted as no business carried out in Cayman Islands and BVI under the tax laws of the Cayman Islands and the BVI.

On March 21, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on March 28, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the Historical Financial Information, since subsidiaries of the Company operating in Hong Kong did not have tax assessable profit during the Track Record Period.

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Pursuant to the Enterprise Income Tax Law and Implementation Regulations of the Law of the PRC (the "New PRC Tax Law"), the applicable tax rate of PRC subsidiaries is 25% during the Track Record Period.

According to the Implementation Rules for the Law for Promoting Private Education, private schools, which are providing academic qualification education and the school sponsors do not require reasonable returns, are eligible to enjoy income tax exemption treatment as public schools. During the Track Record Period, Shijiazhuang New East Secondary Vocational School (石家莊新東方中等專業學校) ("Shijiazhuang Secondary"), Jiangxi Wontone Automobile Technical School (江西萬通汽車技工學校), Jiangxi Nanchang New East Culinary Secondary Vocational School (江西南昌新東方烹飪中專學校), Jiangxi Nanchang Xinhua Computer Secondary Vocational School (江西南昌新華電腦中專學校), Nanjing Wontone Automobile Vocational Technical School (南京萬通汽車技工學校) and Nanjing Culinary Technical School (南京烹飪技工學校) ("Nanjing Culinary") (collectively referred as "EIT Exempted Schools") have received EIT exemption confirmations/approvals from relevant local tax authorities and been exempted from income tax.

In the opinion of the directors of the Company, the Group inclines to apply the for-profit business model to the EIT Exempted Schools. Given that the specific taxation policies applicable to for-profit private schools under the Decision on Amending the Law for Promoting Private Education of the PRC are yet to be introduced, the EIT Exempted Schools may be subject to PRC enterprise income tax going forward.

For the years ended December 31, 2016, 2017 and 2018, the non-taxable tuition income amounted to approximately RMB169,083,000, RMB213,599,000 and RMB244,244,000, and the related non-deductible expenses amounted to approximately RMB143,123,000, RMB135,412,000 and RMB136,869,000, respectively.

Certain subsidiaries were qualified as high-tech companies and enjoyed the preferential tax rate of 15% during the Track Record Period. Details are set out below:

Name of subsidiary	Starting date	Expiring date
Langjie Technology	January 1, 2004	December 31, 2020
Beijing Wisezone Education Technology Co., Ltd. (北京華信智原教育技術有限公司) ("Beijing Wisezone")	January 1, 2016	December 31, 2019

Certain subsidiaries of the Company are entitled to the preferential tax rate of 15% because they are located in the western region of the PRC. Details are set out below:

Name of subsidiary	Starting date	Expiring date
Chengdu New East Culinary Vocational Training School Co., Ltd. 成都新東方烹飪職業技能培訓學校有限公司	January 1, 2011	December 31, 2020
Chengdu Wisezone Technology Co., Ltd. 成都華信智原科技有限公司	January 1, 2016	December 31, 2020
Sichuan Wontone Automobile Vocational Training Institute 四川萬通汽車職業培訓學院	January 1, 2011	December 31, 2020
Sichuan Xinhua Computer Institute 四川新華電腦學院	January 1, 2011	December 31, 2020
Gansu New East Culinary Vocational Training School 甘肅新東方烹飪職業培訓學校	January 1, 2015	December 31, 2020
Guiyang City New East Culinary Secondary Vocational School 貴陽市新東方烹飪中等職業學校	January 1, 2011	December 31, 2020
Guiyang City Xinhua Computer Secondary Vocational School 貴陽市新華電腦中等職業學校	January 1, 2011	December 31, 2020
Guiyang New East Culinary Institute 貴陽新東方烹飪學院	January 1, 2011	December 31, 2020
Guizhou Xinhua Computer Institute 貴州新華電腦學院	January 1, 2011	December 31, 2020

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Name of subsidiary	Starting date	Expiring date
Guizhou Wisezone Technology Co., Ltd. 貴州華信智原科技有限公司	January 1, 2016	December 31, 2020
Guiyang Xinhua Internet Technical School 貴陽新華互聯網技工學校	January 1, 2017	December 31, 2020
Guiyang New East Culinary Technical School 貴陽新東方烹飪技工學校	January 1, 2016	December 31, 2020
Hohhot New City East Technical School 呼和浩特市新東方技工學校	January 1, 2016	December 31, 2020
Hohhot New East City Culinary Vocational Training School 呼和浩特市新東方烹飪職業培訓學校	January 1, 2016	December 31, 2020
Ningxia New East Vocational Training School 寧夏新東方職業技能培訓學校	January 1, 2017	December 31, 2020
Shaanxi New East Culinary Training School Co., Ltd. 陝西新東方烹飪培訓學校有限公司 (formerly known as Shaanxi New East Culinary Training School 陝西新東方烹飪培訓學校)	August 1, 2011	December 31, 2020
Shaanxi Xinhua Computer Software Training School Co., Ltd. 陝西新華電腦軟體培訓學校有限公司 (formerly known as Shaanxi Xinhua Computer Software School 陝西新華電腦軟件學校)	January 1, 2012	December 31, 2020
Xi'an Wontone Automobile Vocational Skills Training School Co., Ltd. 西安萬通汽車職業技能培訓學校有限公司	January 1, 2014	December 31, 2020
Xinjiang New East Culinary School 新疆新東方烹飪學校	January 1, 2016	December 31, 2020
Yunnan Wontone Automobile Repair Vocational Training School 雲南萬通汽修職業培訓學校	January 1, 2014	December 31, 2020
Yunnan New East Culinary School 雲南新東方烹飪學校	January 1, 2015	December 31, 2020
Yunnan New East Culinary Vocational Training School 雲南新東方烹飪職業培訓學校	January 1, 2015	December 31, 2020
Yunnan Xinhua Computer Vocational Training School 雲南新華電腦職業培訓學校	January 1, 2009	December 31, 2020
Chongqing City New East Culinary Vocational Training Institute 重慶市新東方烹飪職業培訓學院	January 1, 2012	December 31, 2020
Chongqing Xinhua Computer Vocational Training School 重慶新華電腦職業培訓學校	January 1, 2011	December 31, 2020
Chongqing City Xinhua Technical School 重慶市新華技工學校	January 1, 2017	December 31, 2020
Chengdu City Longquanyi District New East Culinary Technical School Co., Ltd. 成都市龍泉驛區新東方烹飪技工學校有限公司	January 1, 2018	December 31, 2020
Chengdu City Shuangliu District Xinhua Technical School Co., Ltd. 成都市雙流區新華技工學校有限公司	January 1, 2018	December 31, 2020
Chengdu Wontone Weilai Automobile Technical School Co., Ltd. 成都萬通未來汽車技工學校有限公司	January 1, 2018	December 31, 2020

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The income tax expense for the Track Record Period can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Profit before taxation (from continuing operations)	719,657	832,155	687,004
Tax at PRC EIT rate of 25%	179,914	208,039	171,751
Tax effect on expenses not deductible for tax purposes.	38,108	36,516	37,450
Tax effect of income not taxable for tax purpose	(42,271)	(53,400)	(61,061)
Tax effect of deductible temporary differences not recognised	–	–	10,237
Tax effect of tax losses not recognised	14,212	40,404	60,876
Utilisation of tax losses previously not recognised	(18,697)	(18,570)	(15,647)
Tax benefit on research and development expenses	(1,081)	(1,836)	(3,178)
Income tax at concessionary rate	(37,907)	(40,188)	(28,565)
	<u>132,278</u>	<u>170,965</u>	<u>171,863</u>

9. PROFIT FOR THE YEAR

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Profit for the year from continuing operations has been arrived after changing:			
Directors' remuneration	229	285	338
Other staff costs			
– salaries and other allowances	535,775	679,611	892,325
– retirement benefit scheme contributions	67,354	89,601	122,712
– equity-settled share-based payments expenses	–	–	8,059
Total staff costs	<u>603,358</u>	<u>769,497</u>	<u>1,023,434</u>
Depreciation of property and equipment	161,218	230,230	351,473
Amortisation of prepaid lease payments.	2,010	2,940	2,940
Operating lease rental expenses in respect of rental premises	162,081	223,668	273,795
Auditor's remuneration	550	850	1,199
	<u>162,081</u>	<u>223,668</u>	<u>273,795</u>

Share-based payments expenses of approximately RMB8,125,000 were recognised in profit or loss during the year ended December 31, 2018 in respect of share options of the Company. Details of transactions are set out in note 27.

10. DISCONTINUED OPERATION

In October and November 2018, the Group disposed of six subsidiaries which provided training courses for driving examinations. Five out of these subsidiaries were disposed to companies controlled by the Controlling Equity Holders at cash consideration of RMB10,000 each and one was disposed to the independent third parties at cash consideration of RMB1,000,000. The disposals were consistent with the Group's long-term policy to focus its activities on operation of private higher education institutions.

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Loss for the year from discontinued operation were set out below:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Loss for the year from discontinued operation . . .	(21,901)	(19,569)	(9,406)
Gain on disposal of discontinued operation (note 30)	—	—	4,358
	<u>(21,901)</u>	<u>(19,569)</u>	<u>(5,048)</u>

The results of the discontinued operation were as follows:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Revenue	52,702	40,184	24,269
Cost of revenue	(52,264)	(44,514)	(24,035)
Gross profit (loss)	438	(4,330)	234
Other income	(214)	267	392
Selling expenses	(9,829)	(7,139)	(4,256)
Administrative expenses	(12,671)	(8,367)	(5,776)
Loss before taxation from discontinued operation	(22,276)	(19,569)	(9,406)
Income tax credit	375	—	—
Loss for the year from discontinued operation . . .	<u>(21,901)</u>	<u>(19,569)</u>	<u>(9,406)</u>
Loss for the year from discontinued operation include the followings:			
Staff costs			
– salaries and other allowances	30,450	23,963	13,459
– retirement benefit scheme contributions	3,727	3,382	1,969
Total staff costs	<u>34,177</u>	<u>27,345</u>	<u>15,428</u>
Depreciation of property and equipment	10,210	9,314	6,034
Purchase of property and equipment	6,451	3,367	847
Operating lease rental expenses in respect of rental premises	<u>4,001</u>	<u>5,995</u>	<u>4,450</u>

The net cash flows (used in) from the discontinued operation were as follows:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Operating activities	1,563	6,059	(2,215)
Investing activities	(4,059)	(1,601)	7,594
Financing activities	—	(5,500)	—
Net cash (outflow) inflow	<u>(2,496)</u>	<u>(1,042)</u>	<u>5,379</u>

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

Directors

Details of the emoluments paid or payable by the entities comprising the Group to the directors and chief executive of the Company (including emolument for services as employee/directors of the group entities prior to becoming the directors of the Company) during the Track Record Period are as follows:

For the year ended December 31, 2016

	Directors fees	Salaries and other allowances	Retirement benefit contribution	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Executive directors</u>				
Mr. Wu Wei	–	–	–	–
Mr. Xiao Guoqing	–	–	–	–
	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
<u>Non-executive director</u>				
Mr. Wu Junbao	–	224	5	229
	<u>–</u>	<u>224</u>	<u>5</u>	<u>229</u>

For the year ended December 31, 2017

	Directors fees	Salaries and other allowances	Retirement benefit contribution	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Executive directors</u>				
Mr. Wu Wei	–	–	–	–
Mr. Xiao Guoqing	–	–	–	–
	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
<u>Non-executive director</u>				
Mr. Wu Junbao	–	280	5	285
	<u>–</u>	<u>280</u>	<u>5</u>	<u>285</u>

For the year ended December 31, 2018

	Directors fees	Salaries and other allowances	Share-based payment expenses	Retirement benefit contribution	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Executive directors</u>					
Mr. Wu Wei	–	244	–	7	251
Mr. Xiao Guoqing	–	–	–	–	–
	–	244	–	7	251
	<u>–</u>	<u>244</u>	<u>–</u>	<u>7</u>	<u>251</u>

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	Directors fees	Salaries and other allowances	Share-based payment expenses	Retirement benefit contribution	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<u>Non-executive directors</u>					
Mr. Wu Junbao	–	20	–	1	21
Mr. Lu Zhen	–	–	66	–	66
	–	20	66	1	87
<u>Independent non-executive directors</u>					
Mr. Hung Ka Hai, Clement	–	–	–	–	–
Mr. Cheung Tsun Yung, Thomas	–	–	–	–	–
Dr. Zhu Guobin	–	–	–	–	–
	–	–	–	–	–

The executive directors' emoluments shown above were paid for their services in connection with the management of affairs of the Group entities during the Track Record Period. The non-executive directors' and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

On November 25, 2018, Mr. Lu Zhen was appointed as a non-executive director of the Company and Mr. Hung Ka Hai, Clement, Mr. Cheung Tsun Yung, Thomas and Dr. Zhu Guobin were appointed as the independent non-executive directors of the Company.

Employees

The five highest paid individuals of the Group did not include any directors for the Track Record Period whose emoluments are included in the disclosures above. The emoluments of the five highest paid individuals for the Track Record Period are as follows:

	Year ended December 31,		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries and other benefits	1,628	1,688	3,329
Retirement benefit scheme contributions	21	25	26
Share-based payment expenses	–	–	1,477
	1,649	1,713	4,832

The emoluments of the five highest paid individuals, other than directors of the Company, were within the following bands:

	Year ended December 31,		
	2016	2017	2018
	number of employees	number of employees	number of employees
Nil to HK\$1,000,000.	5	5	5

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ACCOUNTANTS' REPORT OF THE GROUP

During the Track Record Period, no emoluments were paid by the Group to any of the executive directors, non-executive director, independent non-executive directors, or 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, supervisors and chief executive has waived any emoluments during the Track Record Period.

During the year ended December 31, 2018, certain director and employees were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 27.

12. DIVIDENDS

No dividend has been paid or proposed by the Company since its incorporation, nor has any dividend been proposed since the end of the reporting period.

During the years ended December 31, 2016, 2017 and 2018, the Group declared and paid dividends of nil, RMB100,000,000 and RMB907,851,000, respectively, to the Controlling Equity Holders. The rate of dividend and the number of shares, ranking for the dividend are not presented, as such information is not meaningful having regard to the purpose of this report.

13. EARNINGS PER SHARE

From continuing operations

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

	Year ended December 31		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Earnings:			
Earnings for the purposes of calculating basic and diluted earnings per share – attributable to the owners of the Company	587,379	661,190	515,141
Number of shares:			
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	6,242,248,814	6,242,248,814	4,972,877,114
Effect of dilutive potential ordinary shares – share options	N/A	N/A	2,756,243
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	N/A	N/A	4,975,633,357

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation and the Capitalisation Issue (as defined in note 38) is completed on January 1, 2016. No diluted earnings per share is presented for years ended December 31, 2016 and 2017 as there was no potential dilutive shares during the years ended December 31, 2016 and 2017.

APPENDIX I ACCOUNTANTS' REPORT OF THE GROUP

From continuing and discontinued operations

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

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Earnings:			
Earnings for the purposes of calculating basic and diluted earnings per share – attributable to the owners of the Company	565,478	641,621	510,093

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operations

Basic loss per share for the discontinued operations is RMB0.35 cents, RMB0.31 cents and RMB0.19 cents for the years ended December 31, 2016, 2017 and 2018 respectively, based on the loss for the year from the discontinued operations of RMB21,901,000, RMB19,569,000 and RMB5,048,000 respectively and the denominators detailed above for basic earnings per share.

No diluted loss per share for the discontinued operation for the years ended December 31, 2016 and 2017 were presented as there were no potential dilutive shares during those years. For the year ended December 31, 2018, the diluted loss per share was the same with the basic loss per share.

14. PROPERTY AND EQUIPMENT

	Buildings	Leasehold improvements and structures	Furniture and fixtures	Electronic equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At January 1, 2016	261,029	194,002	194,128	152,227	60,329	15,760	877,475
Additions	–	118,468	44,348	35,903	18,141	38,794	255,654
Transfer	1,037	3,001	1,471	–	–	(5,509)	–
Disposals/write-off	–	(59,465)	(4,046)	(12,296)	(13,266)	–	(89,073)
At December 31, 2016	262,066	256,006	235,901	175,834	65,204	49,045	1,044,056
Additions	1,255	323,180	144,294	76,237	17,473	131,032	693,471
Transfer	42,341	5,823	–	–	–	(48,164)	–
Disposals/write-off	–	(100,641)	(11,369)	(10,588)	(8,019)	–	(130,617)
At December 31, 2017	305,662	484,368	368,826	241,483	74,658	131,913	1,606,910
Additions	854	399,536	113,031	66,308	14,651	81,182	675,562
Transfer	112,056	10,143	–	–	–	(122,199)	–
Disposals/write-off	–	(160,931)	(17,053)	(11,735)	(10,467)	–	(200,186)
Disposals of subsidiaries (note 30)	(111)	(3,864)	(1,161)	(2,697)	(23,595)	–	(31,428)
At December 31, 2018	418,461	729,252	463,643	293,359	55,247	90,896	2,050,858

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	Buildings	Leasehold improvements and structures	Furniture and fixtures	Electronic equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
DEPRECIATION							
At January 1, 2016	59,689	67,755	93,936	87,808	37,429	–	346,617
Provided for the year	11,957	86,184	33,923	29,078	10,286	–	171,428
Eliminated on disposals/write-off	–	(59,465)	(3,265)	(11,568)	(11,033)	–	(85,331)
At December 31, 2016	71,646	94,474	124,594	105,318	36,682	–	432,714
Provided for the year	12,620	141,032	37,354	37,511	11,027	–	239,544
Eliminated on disposals/write-off	–	(100,641)	(9,564)	(8,848)	(6,604)	–	(125,657)
At December 31, 2017	84,266	134,865	152,384	133,981	41,105	–	546,601
Provided for the year	15,871	239,249	40,054	48,484	13,849	–	357,507
Eliminated on disposals/write-off	–	(160,931)	(11,408)	(11,106)	(7,553)	–	(190,998)
Disposals of subsidiaries (note 30)	(68)	(1,945)	(902)	(2,116)	(18,226)	–	(23,257)
At December 31, 2018	100,069	211,238	180,128	169,243	29,175	–	689,853
CARRYING VALUES							
At December 31, 2016	190,420	161,532	111,307	70,516	28,522	49,045	611,342
At December 31, 2017	221,396	349,503	216,442	107,502	33,553	131,913	1,060,309
At December 31, 2018	318,392	518,014	283,515	124,116	26,072	90,896	1,361,005

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

Buildings	20 years
Leasehold improvements	Shorter of lease term or 3-5 years
Structures	Shorter of lease term or 15 years
Furniture and fixtures	3-5 years
Electronic equipment	3-5 years
Motor vehicles	4-8 years

As of December 31, 2016, 2017 and 2018, the Group is in the process of obtaining title deeds of buildings with carrying value of approximately RMB106,810,000, RMB99,746,000 and RMB203,651,000, respectively.

15. PREPAID LEASE PAYMENTS

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Analysed for reporting purpose as:			
Current assets	2,010	2,940	2,940
Non-current assets	88,549	126,349	123,409
	90,559	129,289	126,349

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

At December 31, 2016, 2017 and 2018, the carrying values of the prepaid lease payments of RMB84,666,000, RMB123,564,000 and RMB120,791,000 respectively are allocated by the government, which have no definite lease term stated in the relevant land use rights certificates. However, without the relevant administrative authorities' permission, the Group cannot transfer, lease or pledge as security such land use rights allocated by the government.

16. DEFERRED TAX ASSETS

The followings are the major deferred tax assets recognised and movements thereon during the Track Record Period:

	Asset-related government grants	Excess of advertising expenses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2016	552	2,388	2,940
(Charge) credit to profit or loss.	(27)	666	639
At December 31, 2016	525	3,054	3,579
(Charge) credit to profit or loss.	(211)	481	270
At December 31, 2017	314	3,535	3,849
Charge to profit or loss.	(120)	(733)	(853)
At December 31, 2018	<u>194</u>	<u>2,802</u>	<u>2,996</u>

At December 31, 2018, the Group has unrecognised deductible temporary differences of RMB40,948,000. In the opinion of the directors of the Company, no deferred tax asset is recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized.

At December 31, 2016, 2017 and 2018, the Group has unrecognised tax losses of approximately RMB104,074,000, RMB186,684,000 and RMB364,831,000, respectively from continuing operations. In the opinion of the directors of the Company, no deferred tax asset is recognised due to the unpredictability of future profit streams. Such unrecognised losses will expire at various dates up to and including 2023.

At December 31, 2016, 2017 and 2018, the Group also has unused tax losses without expiry date, amounted to RMB3,010,000, RMB7,736,000 and RMB10,503,000, respectively.

17. INVESTMENT IN A SUBSIDIARY

The Company

	As at December 31, 2018
	<i>RMB'000</i>
Unlisted shares, at cost	<u>—</u>

Investment in a subsidiary represents the investment cost in China East BVI.

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18. INVENTORIES

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
School materials and consumables	26,896	29,899	37,138

19. TRADE AND OTHER RECEIVABLES

The Group

Details of trade and other receivables are as follows:

	As at	As at December 31,		
	January 1,	2016	2017	2018
	2016	RMB'000	RMB'000	RMB'000
Trade receivables				
– from government (note i)	17,061	22,227	23,717	27,922
– from others (note ii)	6,120	4,891	7,242	6,427
	23,181	27,118	30,959	34,349

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Other receivables			
Prepayments for consumables	15,132	27,681	25,361
Prepayments for rental	39,325	71,778	102,569
Prepayments for services	11,286	16,959	15,440
Prepayments for advertisement	16,501	24,914	44,774
Prepayments for [REDACTED]	–	–	1,799
Value added tax recoverable	708	3,602	1,287
Advance to staff	10,586	8,758	4,386
Deferred issue costs	–	–	5,474
Other receivables	6,537	5,855	6,851
	100,075	159,547	207,941
	127,193	190,506	242,290

The Company

	As at
	December 31,
	2018
	RMB'000
Deferred issue costs	5,474
Prepayments for [REDACTED]	1,799
	7,273

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Notes:

- i. The amounts represent receivables from the local governments, which purchased vocational education services for students.
- ii. The amounts mainly represent receivables from customers, which purchased ancillary services other than vocational education services.

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on revenue recognition dates:

	As at December 31,		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	16,194	18,583	20,589
Over 3 months but within 12 months	9,070	9,758	11,382
Over 1 year	1,854	2,618	2,378
	<u>27,118</u>	<u>30,959</u>	<u>34,349</u>

In order to minimise credit risk on trade receivables and other receivables, the management of the Group makes individual assessment on the historical default experience and considering various external sources of actual and forecast economic information, as appropriate.

The expected loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

In the opinion of the management of the Group, all of the trade receivable balances at the end of each year which have been past due over 90 days are not considered as in default as these are contributed by local governments with extremely low credit risks. The management of the Group considered that the impairment loss was insignificant as there has not been a significant change in credit quality and amounts are considered recoverable at the end of each year and no impairment loss on ECL is recognised during the Track Record Period.

20. BANK BALANCES AND CASH

The Group's bank balances carry interest at prevailing market rates is 0.35% per annum for the Track Record Period.

21. TRADE AND OTHER PAYABLES

The Group

	As at December 31,		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	90,393	138,001	143,727
Payable for property and equipment	39,145	89,016	98,993
Value added tax and other taxes payable	8,859	25,877	7,382
Payroll payable	90,237	132,313	153,805
Discretionary subsidies received on behalf of students	18,972	16,021	22,235
Miscellaneous deposits received from students			
– within 12 months	32,398	41,900	51,472
[REDACTED] and [REDACTED] payable	–	–	4,562
Other payables	28,006	27,954	25,467
	<u>308,010</u>	<u>471,082</u>	<u>507,643</u>

APPENDIX I ACCOUNTANTS' REPORT OF THE GROUP

The Company

	As at December 31, 2018
	<u>RMB'000</u>
[REDACTED] and [REDACTED] payable	<u>4,562</u>

The credit period of trade creditors is normally 90 days. The following is an aged analysis of trade payables presented based on the dates of delivery of goods:

	As at December 31,		
	2016	2017	2018
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Within 90 days	<u>90,393</u>	<u>138,001</u>	<u>143,727</u>

22. AMOUNT DUE FROM (TO) A SUBSIDIARY

The Company

(a) Amount due from a subsidiary

	As at December 31, 2018
	<u>RMB'000</u>
HK New Oriental Culinary Art Limited (香港新東方烹飪培訓有限公司) ("HK New Oriental").	<u>533</u>

The amount was not trading in nature, unsecured, interest-free and repayable on demand. The maximum outstanding balance during the year ended December 31, 2018 was RMB533,000.

(b) Amount due to a subsidiary

	As at December 31, 2018
	<u>RMB'000</u>
Anhui Xinhua Education	<u>26,583</u>

The amount was not trading in nature, unsecured, interest-free and repayable on demand.

23. AMOUNTS DUE TO CONTROLLING EQUITY HOLDERS

	As at December 31,		
	2016	2017	2018
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Amounts due to Controlling Equity Holders . . .	<u>209,000</u>	<u>209,000</u>	<u>–</u>

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On December 31, 2015, the Group entered into a sales and purchase agreement with the Controlling Entity Holders to acquire the entire equity interests of Shijiazhuang Secondary, Nanjing Culinary and Beijing City New East Culinary Vocational Training School (北京市新東方烹飪職業技能培訓學校) ("Beijing New East") with an aggregate consideration of RMB209,000,000. The amounts were unsecured, interest-free and repayable on demand, which were fully repaid in November 2018.

24. CONTRACT LIABILITIES

	As at January 1,	As at December 31,		
	2016	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Tuition fees and service fees	815,060	982,116	1,125,824	1,289,331
Less: current liabilities	794,012	955,170	1,089,507	1,233,230
	<u>21,048</u>	<u>26,946</u>	<u>36,317</u>	<u>56,101</u>
Non-current liabilities				

The contract liabilities as at January 1, 2016, December 31, 2016 and 2017, amounted to RMB794,012,000, RMB955,170,000 and RMB1,089,507,000, respectively, were recognised as revenue during the years ended December 31, 2016, 2017 and 2018, respectively.

25. PAID-IN CAPITAL/SHARE CAPITAL

The Company

	<i>Notes</i>	<u>Number of shares</u>	<u>Share Capital</u> <i>HK\$</i>
<i>Ordinary shares of HK\$0.0001 each</i>			
<i>Authorised:</i>			
At the date of incorporation on October 4, 2018 and at December 31, 2018	<i>i</i>	3,800,000,000	380,000
<i>Issued:</i>			
1 share issued and allotted, at the date of incorporation on October 4, 2018	<i>ii</i>	1	–
999,999 shares issued and allotted, on October 4, 2018	<i>iii</i>	999,999	100
30 shares issued and allotted, on October 26, 2018	<i>iv</i>	30	–
At December 31, 2018		<u>1,000,030</u>	<u>100</u>
Shown in the Historical Financial Information (RMB'000).			<u>–</u>

Notes:

- i. The Company was incorporated in the Cayman Islands on October 4, 2018 with an authorised share capital of HK\$380,000 divided into 3,800,000,000 shares with a par value of HK\$0.0001 each.
- ii. On October 4, 2018, 1 share of HK\$0.0001 was issued and allotted to the subscriber and transferred to Wu Wei Education at par value.

APPENDIX I ACCOUNTANTS' REPORT OF THE GROUP

- iii. On October 4, 2018, 426,667 shares, 292,221 shares and 281,111 shares were issued and allotted to Wu Junbao Education, Wu Wei Education and Xiao Guoqing Education, respectively, at par.
- iv. On October 26, 2018, 30 shares were issued and allotted to Lu Lu Education for a cash consideration at HK\$600,000 (approximately equivalent to RMB533,000).

The Group

The paid-in capital of the Group at January 1, 2016, December 31, 2016, and 2017 represented the paid-in capital of Anhui Xinhua Education directly held by the Controlling Equity Holders. The share capital of the Group as at December 31, 2018 represents the share capital of the Company.

26. RESERVES

The Company

	Share premium	Share options reserve	Accumulated losses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At the date of incorporation	–	–	–	–
Issue of new shares	533	–	–	533
Loss and total comprehensive expense for the year	–	–	(31,997)	(31,997)
Recognition of equity-settled share-based payments	–	8,125	–	8,125
At December 31, 2018	<u>533</u>	<u>8,125</u>	<u>(31,997)</u>	<u>(23,339)</u>

27. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on December 7, 2018 for the primary purpose of providing incentives to eligible employees, including directors of the Company, its subsidiaries and consolidated affiliated entities, to subscribe for shares in the Company.

According to the terms of the Scheme, options granted must be taken up within 28 days from the date of grant, upon payment of HK\$1.00. The maximum number of shares, which may be issued upon exercise of all options granted under the Scheme and any other schemes of the Group, shall not in aggregate exceed 10% of the shares in issue as at the date on which dealings in the shares first commence on the Stock Exchange, excluding shares which may fall to be issued upon the exercise of any [REDACTED] granted by the Company.

The options may be exercised in accordance with the terms of the Scheme at any time during the exercise period determined by the board of directors, which shall in any event not be more than ten years from the date of [REDACTED] of the Company (the "Expiry Date").

On December 7, 2018, 135,244,720 options were granted assuming that the Capitalisation Issue (as defined in note 38) are completed.

On December 31, 2018, the number of shares in respect of which options had been granted and remained outstanding under the scheme was 135,244,720, assuming that the Capitalisation Issue (as defined in note 38) are completed.

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Details of specific categories of options are as follows:

<u>Date of grant</u>	<u>Vesting period</u>	<u>Exercise period</u>	<u>Percentage of the options to be vested</u>	<u>Fair value at grant date</u> <i>HK\$'000</i>
December 7, 2018	December 7, 2018 ~ 30 days after the [REDACTED]	30 days after the [REDACTED] to the Expiry Date (both days inclusive)	10%	48,074
December 7, 2018	December 7, 2018 ~ December 31, 2020	Any time after December 31, 2020 but prior to and including the Expiry Date	10%	46,869
December 7, 2018	December 7, 2018 ~ December 31, 2021	Any time after December 31, 2021 but prior to and including the Expiry Date	10%	46,310
December 7, 2018	December 7, 2018 ~ December 31, 2022	Any time after December 31, 2022 but prior to and including the Expiry Date	10%	45,867
December 7, 2018	December 7, 2018 ~ December 31, 2023	Any time after December 31, 2023 but prior to and including the Expiry Date	10%	45,501
December 7, 2018	December 7, 2018 ~ December 31, 2024	Any time after December 31, 2024 but prior to and including the Expiry Date	10%	45,173
December 7, 2018	December 7, 2018 ~ December 31, 2025	Any time after December 31, 2025 but prior to and including the Expiry Date	10%	44,857
December 7, 2018	December 7, 2018 ~ December 31, 2026	Any time after December 31, 2026 but prior to and including the Expiry Date	10%	44,549
December 7, 2018	December 7, 2018 ~ December 31, 2027	Any time after December 31, 2027 but prior to and including the Expiry Date	10%	44,242
December 7, 2018	December 7, 2018 ~ December 31, 2028	Any time after December 31, 2028 but prior to and including the Expiry Date	10%	43,392

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The following table disclosed movements of the Company's options granted under the Scheme during the year ended December 31, 2018:

Name of grantee	Date of grant	Exercisable period	Exercise price	Outstanding as at January 1, 2018	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding as at December 31, 2018
<i>(note i)</i>								
Director								
Lu Zhen	December 7, 2018	May 31, 2019 – May 31, 2029	*	–	1,090,510	–	–	1,090,510
Employees								
Employees	December 7, 2018	May 31, 2019 – May 31, 2029	*	–	134,154,210	–	–	134,154,210
				–	135,244,720	–	–	135,244,720
Exercisable at the end of the year								–
Weighted average exercise price				–	*	–	–	*

Note:

(i) The total number of options granted during the year ended December 31, 2018 can be converted into approximately 77,586 shares before the Capitalisation Issue (as defined in note 38) being completed.

The fair value of the share options was determined at the date of grant using the Black-scholes option pricing model (the "Black-scholes model") with the following inputs and based on the respective vesting period of the share options:

	2018
Stock price as at grant date	N/A
Exercise price	*
Expected volatility	45.02%
Expected life of options	10 years
Risk free rate	2.11%
Expected dividend yield	2%

* The exercise price of the options is at 20% of the final [REDACTED] per share on the [REDACTED], which was under the best estimation by the management at the date of grant.

The Black-scholes model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Expected volatility was determined by using the historical volatility of comparable company's share prices with discounts for lack of marketability. Changes in variables and assumptions may result in changes in the fair value of the options.

During the year ended December 31, 2018, the Group recognised total expenses of RMB8,125,000 in relation to share options granted by the Company.

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28. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to equity holders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of equity attributable to owners of the Group, comprising capital and retained profits as disclosed in the consolidated statements of changes in equity.

The management of the Group reviews the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends as well as new share issues.

29. FINANCIAL INSTRUMENTS

A. Categories of financial instruments

The Group

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
<i>Financial assets</i>			
Financial assets at amortised cost (including bank balances and cash)	1,782,840	2,080,322	1,031,879
<i>Financial liabilities</i>			
Amortised cost	417,914	521,892	380,568

The Company

	As at December 31 2018 RMB'000
<i>Financial assets</i>	
Financial assets at amortised cost (including bank balances and cash)	533
<i>Financial liabilities</i>	
Amortised cost	31,145

B. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances and cash, amounts due to Controlling Equity Holders and trade and other payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. The risks associated with these financial instruments and the management policies remain unchanged during the Track Record Period.

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(i) Market risk

(a) Interest rate risk

The Group is exposed to cash flow interest rate risk through the impact of rate changes on bank balances. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of Benchmark Borrowing Rate of the People's Bank of China.

The Group will continue to monitor the exposure on cash flow interest rate risk and will consider hedging the interest rate should the need arise. In the management's opinion, the Group does not have material interest rate risk exposure and hence no sensitivity analysis is presented.

(ii) Credit Risk and Impairment Assessment

The Group's maximum exposure to credit risk which will cause a financial loss to the Group is arising from the amount of each class of financial assets as disclosed in the consolidated statements of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The ECL on trade receivables are assessed individually, based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort at the end of each year.

The Group has concentration of credit risk as 82.0%, 76.6% and 81.3% of the total trade receivables were due from the PRC government as at December 31, 2016, 2017 and 2018 respectively. The Group's remaining customers were mainly the corporate customers, and individually contributed less than 10% of the total trade receivables of the Group.

In the opinion of management, the Group has no significant credit risk for the receivables from the PRC government.

In order to minimise the credit risk with the corporate customers, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

For other receivables, the Group has applied 12m ECL in HKFRS 9 to measure the loss allowance. The ECL on other receivables are assessed individually based on historical settlement records and past default experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of each year.

For other receivables which are mainly consisted of deposits paid for advertising services, the management closely monitors the progress of advertising services rendered and takes follow-up action when the cooperation with advertising agency ended. Only reputable advertising agency could be selected by the Group with good credit record.

The management of the Group believes that the Group's credit risk in trade and other receivables is significantly reduced.

The credit risk on bank balances are limited because the counterparties are reputable financial institutions. The management are of the opinion that the average loss rate is insignificant and no impairment was provided at the end of each year.

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(iii) 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 Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The Group recorded net current liabilities of RMB612,804,000 as at December 31, 2018. In view of the net current liabilities position, the management of the Group has given careful consideration to the future liquidity and performance of the Group to continue as a going concern. Having considered the cash inflow from operations, the management of the Group is satisfied that the Group is able to meet in full its financial obligations as they fall due for the foreseeable future.

The following is the maturity analysis for financial assets and financial liabilities held by the Group and the Company which is based on undiscounted remaining contractual obligations:

The Group

	Weighted average interest rate	On demand or less than 1 year	Total undiscounted balances	Carrying amounts
	%	RMB'000	RMB'000	RMB'000
At December 31, 2016				
Trade and other payables	–	208,914	208,914	208,914
Amounts due to Controlling Equity Holders	–	209,000	209,000	209,000
		<u>417,914</u>	<u>417,914</u>	<u>417,914</u>
At December 31, 2017				
Trade and other payables	–	312,892	312,892	312,892
Amounts due to Controlling Equity Holders	–	209,000	209,000	209,000
		<u>521,892</u>	<u>521,892</u>	<u>521,892</u>
At December 31, 2018				
Trade and other payables	–	346,456	346,456	346,456
Dividend payable	–	34,112	34,112	34,112
		<u>380,568</u>	<u>380,568</u>	<u>380,568</u>

The Company

	Weighted average interest rate	On demand or less than 1 year	Total undiscounted balances	Carrying amounts
	%	RMB'000	RMB'000	RMB'000
At December 31, 2018				
[REDACTED] and [REDACTED] payable	–	4,562	4,562	4,562
Amount due to a subsidiary	–	26,583	26,583	26,583
		<u>31,145</u>	<u>31,145</u>	<u>31,145</u>

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C. Fair value measurements

Fair value of financial assets that are recorded at amortised cost

The management of the Group considers that the carrying amounts of financial assets recorded at amortised cost in the Historical Financial Information approximate to their fair values at the end of each reporting period.

30. DISPOSALS OF SUBSIDIARIES

(I) Disposal of Nanjing Yuxing Driver Training Co., Ltd. (南京宇星駕駛員培訓有限公司) ("Nanjing Yuxing")

On September 27, 2018, Anhui Wontone Automobile Maintenance Institute (安徽萬通汽車專修學院) ("Anhui Wontone") entered into an equity transfer agreement with independent third parties, to dispose of the entire equity interests in Nanjing Yuxing at a cash consideration of RMB1,000,000. The disposal was completed on October 31, 2018.

(II) Disposal of Hefei Xin'an

On October 15, 2018, Anhui Wontone entered into an equity transfer agreement with Anhui Xinhua Investment Group Co., Ltd. (安徽新華投資集團有限公司) ("Xinhua Investment"), Anhui Xinhua Real Estate Co., Ltd. (安徽新華房地產有限公司) ("Anhui Xinhua Real Estate"), and Anhui Huadi Rongxin Real Estate Co., Ltd. (安徽華地融信房地產有限公司) ("Huadi Rongxin"), which are controlled by the Controlling Equity Holders, to dispose of the entire equity interests in Hefei Xin'an at a cash consideration of RMB10,000. The disposal was completed on October 26, 2018.

(III) Disposal of Hefei Yuxing

On October 30, 2018, Anhui Wontone entered into an equity transfer agreement with Xinhua Investment, Anhui Xinhua Real Estate, and Huadi Rongxin, which are controlled by the Controlling Equity Holders, to dispose of the entire equity interests in Hefei Yuxing at a cash consideration of RMB10,000. The disposal was completed on November 15, 2018.

(IV) Disposal of Xi'an Yuxing

On October 8, 2018, Anhui Wontone entered into an equity transfer agreement with Xinhua Investment, Anhui Xinhua Real Estate, and Huadi Rongxin, which are controlled by the Controlling Equity Holders, to dispose of the entire equity interests in Xi'an Yuxing at a cash consideration of RMB10,000. The disposal was completed on November 19, 2018.

(V) Disposal of Chongqing Yuxing

On October 10, 2018, Anhui Wontone entered into an equity transfer agreement with Xinhua Investment, Anhui Xinhua Real Estate, and Huadi Rongxin, which are controlled by the Controlling Equity Holders, to dispose of the entire equity interests in Chongqing Yuxing at a cash consideration of RMB10,000. The disposal was completed on November 27, 2018.

(VI) Disposal of Changsha Yuxing

On November 11, 2018, Hunan Wontone Automobile Vocational Training School (湖南萬通汽車職業培訓學校) entered into an equity transfer agreement with Xinhua Investment, Anhui Xinhua Real Estate, and Huadi Rongxin, which are controlled by the Controlling Equity Holders to dispose of the entire equity interests in Changsha Yuxing at a consideration of RMB10,000. The disposal was completed on November 22, 2018.

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(VII) Disposal of Miwei Technology

On November 13, 2018, Hefei Xinhua East Education Investment Co., Ltd. (合肥新華東方教育投資有限公司) ("Xinhua East Investment") entered into an equity transfer agreement with the Controlling Equity Holders, to dispose of the entire equity interests in Miwei Technology at a consideration of RMB1,000,000. The disposal was completed on November 28, 2018.

Details of the consideration, and assets and liabilities disposed of are set out below:

	Nanjing Yuxing	Hefei Xin'an	Hefei Yuxing	Xi'an Yuxing	Chongqing Yuxing	Changsha Yuxing	Miwei Technology	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets								
Property and equipment	1,864	3,007	–	347	1,715	537	701	8,171
Prepayments for rental	139	87	–	–	–	–	554	780
Deposits for rental and utilities . . .	–	261	–	–	–	375	50	686
Current assets								
Inventories	15	46	–	–	–	–	–	61
Trade and other receivables	195	532	–	334	1,499	549	755	3,864
Amounts due from shareholders . . .	–	13,000	–	–	–	–	–	13,000
Bank balances and cash	404	2,437	–	443	1,076	1,360	–	5,720
Current liabilities								
Trade and other payables	1,179	6,960	–	436	2,888	1,137	296	12,896
Amounts due to related parties . . .	–	–	–	10,500	16,200	14,300	–	41,000
Amounts due to Controlling Equity Holders	–	–	–	–	–	–	9,715	9,715
Contract liabilities	4,796	17,370	–	1,874	2,451	1,435	–	27,926
Net liabilities disposed of	(3,358)	(4,960)	–	(11,686)	(17,249)	(14,051)	(7,951)	(59,255)
Consideration	1,000	10	10	10	10	10	1,000	2,050
Less: Net liabilities disposed of . . .	(3,358)	(4,960)	–	(11,686)	(17,249)	(14,051)	(7,951)	(59,255)
	<u>4,358</u>	<u>4,970</u>	<u>10</u>	<u>11,696</u>	<u>17,259</u>	<u>14,061</u>	<u>8,951</u>	<u>61,305</u>
Analysis as:								
Net gain on disposal of a subsidiary	4,358	–	–	–	–	–	–	4,358
Deemed contribution from Controlling Equity Holders	–	4,970	10	11,696	17,259	14,061	8,951	56,947
	<u>–</u>	<u>4,970</u>	<u>10</u>	<u>11,696</u>	<u>17,259</u>	<u>14,061</u>	<u>8,951</u>	<u>56,947</u>
Net cash inflow (outflow) arising on disposal								
Cash consideration received	1,000	10	10	10	10	10	1,000	2,050
Less: Bank balances and cash disposed of	404	2,437	–	443	1,076	1,360	–	5,720
	<u>596</u>	<u>(2,427)</u>	<u>10</u>	<u>(433)</u>	<u>(1,066)</u>	<u>(1,350)</u>	<u>1,000</u>	<u>(3,670)</u>

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31. OPERATING LEASES

The Group as lessee

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Within one year	163,142	244,172	289,716
In the second to fifth year inclusive	487,381	756,602	983,979
Over five years	626,216	811,087	1,028,486
	<u>1,276,739</u>	<u>1,811,861</u>	<u>2,302,181</u>

Operating lease payments commitments represent rental payables for the premises leased for schools and offices. The rental is fixed in the lease terms. These leases are negotiated for lease terms of one to ten years.

32. CAPITAL COMMITMENTS

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the Historical Financial Information in respect of acquisition of property and equipment	65,903	107,468	40,468
	<u>65,903</u>	<u>107,468</u>	<u>40,468</u>

33. 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 flow were, or future cash flow will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Dividend payable	Accrued issue costs	Amounts due to Controlling Equity Holders	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, and December 31, 2016	–	–	209,000	209,000
Financing cash flow	(100,000)	–	–	(100,000)
Dividend declared	100,000	–	–	100,000
At December 31, 2017	–	–	209,000	209,000
Financing cash flow	(873,739)	(4,918)	(209,000)	(1,087,657)
Dividend declared	907,851	–	–	907,851
Accrued/prepaid issue costs	–	5,474	–	5,474
At December 31, 2018	<u>34,112</u>	<u>556</u>	<u>–</u>	<u>34,668</u>

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34. RELATED PARTY TRANSACTIONS

- (i) The relationships between the Company and related parties are as follows:

Name of the related parties	Relationship with the Company
Anhui Xinhua University 安徽新華學院	Under common control of Mr. Wu Junbao
The School of Clinical Medicine of Anhui Medical University (安徽醫科大學臨床醫學院 ("School of Clinical Medicine")).	Under common control of Mr. Wu Junbao
Anhui Xinhua Boyi Landscape Engineering Co., Ltd. (安徽新華博藝景觀工程有限公 司) ("Xinhua Boyi")	Under common control of Mr. Wu Wei

- (ii) Save for those disclosed in other notes to the Historical Financial Information, during the Track Record Period, the Group entered into the following transactions with the related parties:

- (1) Service income

Name of a related party	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Anhui Xinhua University	2,741	2,778	2,428

- (2) Rental income

Name of a related party	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
School of Clinical Medicine	–	–	545

- (3) Construction service

Name of a related party	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Xinhua Boyi	–	–	10,900

- (iii) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management of the Group during the Track Record Period is as follows:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Short-term benefits	1,852	1,904	3,593
Post-employment benefits	26	30	34
Equity-settled share-based payments expenses	–	–	1,543
	1,878	1,934	5,170

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35. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries at December 31, 2016, 2017 and 2018 and up to date of the report are as follows:

Name of subsidiary	Place/country and date of establishment/incorporation	Issued and fully paid share/registered capital	Equity interest attributable to the Group				Principal activities
			As at December 31,			Up to date of the report	
			2016	2017	2018		
			%	%	%	%	
Anhui Xinhua Education Group Co., Ltd. 安徽新華教育集團有限公司 (formerly known as Anhui Xinhua Education Development Co., Ltd. 安徽新華教育發展有限公司)	March 30, 2004 PRC	RMB100,000,000	100	100	100	100	Education Investment
China East Education Investment Limited 中國東方教育投資有限公司	October 19, 2018 BVI	US\$1	N/A	N/A	100	100	Investment holding
China Xinhua Vocational Education Holdings Limited 中國新華職業教育控股有限公司	August 10, 2018 Hong Kong	HK\$1	N/A	N/A	100	100	Investment holding
Wide Bridge Education Limited 慧橋教育有限公司	October 26, 2018 Hong Kong	HK\$1	N/A	N/A	100	100	Investment holding
Xinhua Education Group	October 2, 2018 United States	US\$10	N/A	N/A	100	100	Education investment
Hefei Xinhua Chuangzhi Education Management Co., Ltd. 合肥新華創智教育管理有限公司	August 28, 2018 PRC	RMB5,000,000	N/A	N/A	100	100	Education Investment
Hefei Xinhua East Education Investment Co., Ltd. 合肥新華東方教育投資有限公司	November 6, 2016 PRC	RMB1,000,000	100	100	100	100	Education Investment
Hefei Xinhua Xueli Education Investment Co., Ltd. 合肥新華學力教育投資有限公司	November 6, 2016 PRC	RMB1,000,000	100	100	100	100	Education Investment
Hefei Xinhua Zhiyuan Education Investment Co., Ltd. 合肥新華智原教育投資有限公司	November 6, 2016 PRC	RMB1,000,000	100	100	100	100	Education Investment
Sichuan Xinhua Jinjin Education Investment Co., Ltd. 四川新華金津教育投資有限公司	May 29, 2018 PRC	RMB50,000,000	N/A	N/A	100	100	Education Investment
Chengdu Tianji Education Management Co., Ltd. 成都天極教育管理有限公司	April 16, 2001 PRC	RMB600,000	100	100	100	100	Education Investment
Anhui Wontone Automobile Technical School 安徽萬通汽車技工學校	October 16, 2015 PRC	RMB1,500,000	100	100	100	100	Provision of automobile related educational services
Anhui Wontone Automobile Maintenance Institute 安徽萬通汽車專修學院	March 19, 2007 PRC	RMB30,000,000	100	100	100	100	Provision of automobile related educational services
Anhui New East Culinary Technical School 安徽新東方烹飪技工學校	October 30, 2016 PRC	RMB1,500,000	100	100	100	100	Provision of culinary related educational services

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Name of subsidiary	Place/country and date of establishment/ incorporation	Issued and fully paid share/ registered capital	Equity interest attributable to the Group				Principal activities
			As at December 31,			Up to date of the report	
			2016	2017	2018		
%	%	%	%				
Anhui New East Culinary Institute 安徽新東方烹飪專修學院	March 2, 2006 PRC	RMB40,000,000	100	100	100	100	Provision of culinary related educational services
Anhui Xinhua Computer Institute 安徽新華電腦專修學院	December 28, 2004 PRC	RMB5,000,000	100	100	100	100	Provision of internet technology related educational services
Anhui Xinhua Technical School Co., Ltd. 安徽新華技工學校有限公司	April 10, 2017 PRC	RMB1,500,000	N/A	100	100	100	Provision of internet technology related educational services
Beijing Wisezone Educational Technology Co., Ltd. 北京華信智原教育技術有限公司	November 1, 2005 PRC	RMB2,550,000	100	100	100	100	Provision of data technology related educational services
Beijing Cuisine East Educational Technology Co., Ltd. 北京美味東方教育科技有限公司	August 14, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of customized catering experience services
Beijing Omick Educational Technology Co., Ltd. 北京歐米奇教育科技有限公司	August 9, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of western cuisine and pastry related educational services
Beijing City Chaoyang District New East Culinary Vocational Training School 北京市朝陽區新東方烹飪職業技能培訓學校	December 25, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of culinary related educational services
Beijing City Daxing District Wontone Automobile Vocational Skills Training School 北京市大興區萬通汽車修理職業技能培訓學校	February 4, 2010 PRC	RMB500,000	100	100	100	100	Provision of automobile related educational services
Beijing City Daxing District Xinhua Computer Vocational Training School 北京市大興區新華電腦職業技能培訓學校	July 8, 2008 PRC	RMB500,000	100	100	100	100	Provision of internet technology related educational services
Beijing City New East Culinary Vocational Training School 北京市新東方烹飪職業技能培訓學校	September 8, 2003 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Chengdu Wisezone Technology Co., Ltd. 成都華信智原科技有限公司	September 2, 2015 PRC	RMB500,000	100	100	100	100	Provision of data technology related educational services
Chengdu Omick Western Pastry Vocational Training School 成都歐米奇西點職業技能培訓學校	May 6, 2014 PRC	RMB500,000	100	100	100	100	Provision of western cuisine and pastry related educational services
Chengdu City Longquanyi District New East Culinary Technical School Co., Ltd. 成都市龍泉驛區新東方烹飪技工學校有限公司	April 17, 2018 PRC	RMB1,000,000	N/A	N/A	100	100	Provision of culinary related educational services

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Name of subsidiary	Place/country and date of establishment/ incorporation	Issued and fully paid share/ registered capital	Equity interest attributable to the Group				Principal activities
			As at December 31,			Up to date of the report	
			2016	2017	2018		
%	%	%	%				
Chengdu City Shuangliu District Xinhua Technical School Co., Ltd. 成都市雙流區新華技工學校有限公司	April 13, 2018 PRC	RMB2,000,000	N/A	N/A	100	100	Provision of internet technology related educational services
Chengdu Wontone Weilai Automobile Technical School Co., Ltd. 成都萬通未來汽車技工學校有限公司	June 1, 2018 PRC	RMB500,000	N/A	N/A	100	100	Provision of automobile related educational services
Chengdu New East Culinary Vocational Training School Co., Ltd. 成都新東方烹飪職業技能培訓學校有限公司 (formerly known as Chengdu New East Culinary School 成都新東方烹飪學校)	January 14, 2003 PRC	RMB3,500,000	100	100	100	100	Provision of culinary related educational services
Dalian Wisezone Educational Technology Co., Ltd. 大連華信智原教育科技有限公司	March 6, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of data technology related educational services
Dalian Jinzhou New District New East Culinary Vocational Training School 大連金州新區新東方烹飪職業培訓學校	July 25, 2015 PRC	RMB1,000,000	100	100	100	100	Provision of culinary related educational services
Fujian Province New East Technical School 福建省新東方技工學校	March 9, 2012 PRC	RMB1,000,000	100	100	100	100	Provision of culinary related educational services
Fujian Province New East Culinary Vocational Training School 福建省新東方烹飪職業培訓學校	December 3, 2010 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Gansu Wontone Automobile Vocational Training School 甘肅萬通汽車職業培訓學校	September 7, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of automobile related educational services
Gansu New East Culinary Vocational Training School 甘肅新東方烹飪職業培訓學校	February 14, 2014 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Guangzhou Cuisine Classroom Training Co., Ltd. 廣州美味課堂培訓有限公司	July 31, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of customized catering experience services
Guangzhou City Panyu District Wontone Automobile Vocational Training School 廣州市番禺區萬通汽車職業培訓學校	July 4, 2011 PRC	RMB500,000	100	100	100	100	Provision of automobile related educational services
Guangzhou City Panyu District New East Culinary Vocational Training School 廣州市番禺區新東方烹飪職業培訓學校	February 17, 2009 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services

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%	%	%	%				
Guangzhou City Omick Western Pastry Vocational Training School 廣州市歐米奇西點職業培訓學校	September 15, 2015 PRC	RMB500,000	100	100	100	100	Provision of western cuisine and pastry related educational services
Guiyang Omick International Western Pastry Vocational Training School 貴陽歐米奇國際西點職業培訓學校	March 10, 2015 PRC	RMB500,000	100	100	100	100	Provision of western cuisine and pastry related educational services
Guiyang City New East Culinary Secondary Vocational School 貴陽市新東方烹飪中等職業學校	December 28, 2007 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Guiyang City Xinhua Computer Secondary Vocational School 貴陽市新華電腦中等職業學校	July 10, 2007 PRC	RMB500,000	100	100	100	100	Provision of internet technology related educational services
Guiyang New East Culinary Technical School 貴陽新東方烹飪技工學校	December 8, 2016 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Guiyang New East Culinary Institute 貴陽新東方烹飪學院	December 28, 2007 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Guiyang Xinhua Internet Technical School 貴陽新華互聯網技工學校	March 27, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of internet technology related educational services
Guizhou Wisezone Technology Co., Ltd. 貴州華信智原科技有限公司	August 27, 2015 PRC	RMB500,000	100	100	100	100	Provision of data technology related educational services
Guizhou Cuisine Academy Education & Training Co., Ltd. 貴州美味學院教育培訓有限公司	August 25, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of customized catering experience services
Guizhou Wontone Automobile Education & Training Co., Ltd. 貴州萬通汽車教育培訓有限公司	August 23, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of automobile related educational services
Guizhou Xinhua Computer Institute 貴州新華電腦學院	July 11, 2005 PRC	RMB1,000,000	100	100	100	100	Provision of internet technology related educational services
Harbin Omick Vocational Training School 哈爾濱歐米奇職業培訓學校	January 8, 2015 PRC	RMB500,000	100	100	100	100	Provision of western cuisine and pastry related educational services
Harbin New East Culinary Vocational Training School Co., Ltd. 哈爾濱新東方烹飪職業培訓學校有限公司 (formerly known as Harbin New East Culinary Vocational Training School 哈爾濱新東方烹飪職業培訓學校)	December 28, 2011 PRC	RMB400,000	100	100	100	100	Provision of culinary related educational services

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%	%	%	%				
Hainan New East Culinary Technical School 海南新東方烹飪技工學校	December 20, 2016 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Hainan New East Culinary Vocational Training School 海南新東方烹飪職業培訓學校	July 23, 2014 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Hangzhou Wisezone Educational Technology Co., Ltd. 杭州華信智原教育科技有限公司	November 21, 2016 PRC	RMB500,000	100	100	100	100	Provision of data technology related educational services
Hangzhou Economic & Technology Development Area Omick Western Pastry School 杭州經濟技術開發區歐米奇西點學校 (formerly known as Hangzhou Xihu District Omick Western Pastry School (杭州西湖區歐米奇西點學校))	May 23, 2011 PRC	RMB600,000	100	100	100	100	Provision of western cuisine and pastry related educational services
Hangzhou Cuisine Consultancy Service Co., Ltd. 杭州美味諮詢服務有限公司	November 9, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of customized catering experience services
Hangzhou City Yuhang District New East Culinary School 杭州市余杭區新東方烹飪學校	July 5, 2015 PRC	RMB600,000	100	100	100	100	Provision of culinary related educational services
Hangzhou Wontone Automobile Vocational Skills Training Co., Ltd. 杭州萬通汽車職業技能培訓有限公司	April 12, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of automobile related educational services
Hefei Cuisine Classroom Education Consultancy Co., Ltd. 合肥美味課堂教育諮詢有限公司 (formerly known as Hefei Cuisine Classroom Catering Training Co., Ltd. 合肥美味課堂餐飲培訓有限公司)	August 1, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of customized catering experience services
Hefei City Omick Western Pastry Vocational Training School 合肥市歐米奇西點職業培訓學校	January 12, 2015 PRC	RMB500,000	100	100	100	100	Provision of western cuisine and pastry related educational services
Henan Cuisine Academy Educational Consultancy Co., Ltd. 河南美味學院教育諮詢有限公司	September 18, 2017 PRC	RMB1,000,000	N/A	100	100	100	Provision of customized catering experience services
Henan Xinhua Computer Institute 河南新華電腦學院	April 7, 2003 PRC	RMB1,000,000	100	100	100	100	Provision of internet technology related educational services

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Hohhot City Wontone Automobile Vocational Training School 呼和浩特市萬通汽車職業培訓學校	July 10, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of automobile related educational services
Hohhot City New East Technical School 呼和浩特市新東方技工學校	March 23, 2015 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Hohhot City New East Culinary Vocational Training School 呼和浩特市新東方烹飪職業培訓學校	July 29, 2013 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Hubei Cuisine Academy Training Co., Ltd. 湖北美味學院培訓有限公司	February 5, 2018 PRC	RMB2,000,000	N/A	N/A	100	100	Provision of customized catering experience services
Hubei New East Culinary Vocational Training School 湖北新東方烹飪職業培訓學校	March 12, 2013 PRC	RMB900,000	100	100	100	100	Provision of culinary related educational services
Hunan Wisezone Information Technology Co., Ltd. 湖南華信智原資訊科技有限公司	October 21, 2015 PRC	RMB2,200,000	100	100	100	100	Provision of data technology related educational services
Hunan Wontone Automobile Vocational Training School 湖南萬通汽車職業培訓學校 (formerly known as Hunan Wontone Automobile Repair Vocational Training School 湖南萬通汽修職業培訓學校)	May 10, 2010 PRC	RMB500,000	100	100	100	100	Provision of automobile related educational services
Jilin Province Cuisine Classroom Vocational Skills Consultancy Co., Ltd. 吉林省美味課堂職業技能諮詢有限公司	November 9, 2017 PRC	RMB2,000,000	N/A	100	100	100	Provision of customized catering experience services
Jilin Province Wontone Technical School Co., Ltd. 吉林省萬通技工學校有限責任公司 (formerly known as Changchun Wontone Education Consultancy Co., Ltd. 長春萬通教育諮詢有限公司)	January 15, 2018 PRC	RMB500,000	N/A	N/A	100	100	Provision of automobile related educational services
Jinan Lixia District Wisezone Training School Co. Ltd. 濟南歷下區華信智原培訓有限公司 (formerly known as Jinan Wisezone Educational Technology Co., Ltd. 濟南華信智原教育科技有限公司)	October 23, 2015 PRC	RMB500,000	100	100	100	100	Provision of data technology related educational services
Jinan Cuisine Classroom Catering Management Consultancy Co., Ltd. 濟南美味課堂餐飲管理諮詢有限公司	July 9, 2018 PRC	RMB500,000	N/A	N/A	100	100	Provision of customized catering experience services

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%	%	%	%				
Jiangsu New East Culinary Training School 江蘇新東方烹飪技術學校	April 12, 2002 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Jiangxi Nanchang New East Culinary Secondary Vocational School 江西南昌新東方烹飪中專學校	March 14, 2005 PRC	RMB1,800,000	100	100	100	100	Provision of culinary related educational services
Jiangxi Nanchang Xinhua Computer Secondary Vocational School 江西南昌新華電腦中專學校	March 22, 2005 PRC	RMB2,600,000	100	100	100	100	Provision of internet technology related educational services
Jiangxi Wontone Automobile Technical School 江西萬通汽車技工學校	July 13, 2015 PRC	RMB500,000	100	100	100	100	Provision of automobile related educational services
Jiangxi Wontone Automobile Vocational Training Institute 江西萬通汽車職業培訓學院	December 26, 2014 PRC	RMB500,000	100	100	100	100	Provision of automobile related educational services
Kunming Cuisine Education Information Consultancy Co., Ltd. 昆明美味教育資訊諮詢有限公司 (formerly known as Kunming Cuisine Academy Education & Training Co., Ltd. 昆明美味學院教育培訓有限公司)	August 1, 2017 PRC	RMB1,000,000	N/A	100	100	100	Provision of customized catering experience services
Kunming Omick Western Pastry & Cuisine Training Co., Ltd. 昆明歐米奇西點西餐培訓有限公司	July 13, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of western cuisine and pastry related educational services
Lanzhou Wisezone Information Technology Co., Ltd. 蘭州華信智原資訊科技有限公司	March 13, 2018 PRC	RMB500,000	N/A	N/A	100	100	Provision of data technology related educational services
Lanzhou Cuisine Academy Educational Consultancy Co., Ltd. 蘭州美味學院教育諮詢有限公司	August 21, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of customized catering experience services
Nanchang Wisezone Technology Co., Ltd. 南昌華信智原科技有限公司	September 1, 2015 PRC	RMB500,000	100	100	100	100	Provision of data technology related educational services
Nanchang Omick Western Pastry Vocational Training School 南昌歐米奇西點職業培訓學校	December 22, 2016 PRC	RMB500,000	100	100	100	100	Provision of western cuisine and pastry related educational services
Nanchong New East Culinary Vocational Skills Training Co., Ltd. 南充新東方烹飪職業技能培訓有限公司	September 8, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of culinary related educational services
Nanjing Wisezone Educational Technology Co., Ltd. 南京華信智原教育科技有限公司	September 8, 2015 PRC	RMB500,000	100	100	100	100	Provision of data technology related educational services

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%	%	%	%				
Nanjing Omick Western Pastry School 南京歐米奇西點學校	November 10, 2014 PRC	RMB500,000	100	100	100	100	Provision of western cuisine and pastry related educational services
Nanjing Culinary Technical School 南京烹飪技工學校	July 16, 2007 PRC	RMB300,000	100	100	100	100	Provision of culinary related educational services
Nanjing Wontone Automobile Technical School 南京萬通汽車技工學校 (formerly known as Nanjing Wontone Automobile Repair Technical School 南京萬通汽修技工學校)	July 1, 2015 PRC	RMB3,000,000	100	100	100	100	Provision of automobile related educational services
Nanjing Wontone Automobile Vocational Training School 南京萬通汽車職業培訓學校	December 29, 2009 PRC	RMB1,500,000	100	100	100	100	Provision of automobile related educational services
Nanjing Xinhua Computer Institute 南京新華電腦專修學院	December 15, 2004 PRC	RMB3,390,000	100	100	100	100	Provision of internet technology related educational services
Ningxia New East Vocational Training School 寧夏新東方職業技能培訓學校	April 9, 2015 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Omick Western Pastry Training (Shanghai) Co., Ltd. 歐米奇西點培訓(上海)有限公司	September 21, 2015 PRC	RMB1,000,000	100	100	100	100	Provision of western cuisine and pastry related educational services
Qingdao Chengyang New East Culinary Vocational Training School Co., Ltd. 青島城陽新東方烹飪職業培訓學校有限公司 (formerly known as Qingdao Chengyang New East Culinary Vocational Training School 青島城陽新東方烹飪職業培訓學校)	July 16, 2014 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Qingdao Cuisine Classroom Education & Training Co., Ltd. 青島美味課堂教育培訓有限公司	September 12, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of customized catering experience services
Qinghai New East Culinary Vocational Training School Co., Ltd. 青海新東方烹飪職業培訓學校有限公司	June 6, 2017 PRC	RMB1,000,000	N/A	100	100	100	Provision of culinary related educational services
Xiamen Cuisine East Education Co., Ltd. 廈門美味東方教育有限公司	September 26, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of customized catering experience services
Xiamen Omick Western Pastry & Cuisine Educational Co., Ltd. 廈門歐米奇西點西餐教育有限公司	July 19, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of western cuisine and pastry related educational services

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Xiamen City Tong'an District New East Culinary Vocational Training School 廈門市同安區新東方烹飪職業培訓學校	March 11, 2015 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Shandong Wontone Automobile Vocational Training Institute Co., Ltd. 山東萬通汽車職業培訓學院有限公司 (formerly known as Shandong Wontone Automobile Vocational Training Institute 山東萬通汽車職業培訓學院)	September 27, 2010 PRC	RMB3,000,000	100	100	100	100	Provision of automobile related educational services
Shandong New East Culinary Vocational Training School Co., Ltd. 山東新東方烹飪職業培訓學院有限公司 (formerly known as Shandong New East Culinary Vocational Training School 山東新東方烹飪職業培訓學院)	July 14, 2009 PRC	RMB3,000,000	100	100	100	100	Provision of culinary related educational services
Shandong Xinhua Computer Institute Co., Ltd. 山東新華電腦學院有限公司 (formerly known as Shandong Xinhua Computer Institute 山東新華電腦學院)	May 27, 2003 PRC	RMB3,000,000	100	100	100	100	Provision of internet technology related educational services
Shanxi New East Culinary Vocational Training School 山西新東方烹飪職業培訓學校	December 7, 2010 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Shanxi Xinhua Computer Vocational Training School 山西新華電腦職業培訓學校	August 19, 2005 PRC	RMB1,000,000	100	100	100	100	Provision of internet technology related educational services
Shaanxi New East Culinary Training School Co., Ltd. 陝西新東方烹飪培訓學校有限公司 (formerly known as Shaanxi New East Culinary Training School 陝西新東方烹飪培訓學校)	August 30, 2011 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Shaanxi Xinhua Computer Software Training School Co., Ltd. 陝西新華電腦軟體培訓學校有限公司 (formerly known as Shaanxi Xinhua Computer Software School 陝西新華電腦軟體學校)	May 22, 2006 PRC	RMB500,000	100	100	100	100	Provision of internet technology related educational services
Shanghai Fengxian District East Delicacy Vocational Training School 上海奉賢區東方美食職業培訓學校	March 27, 2014 PRC	RMB2,600,000	100	100	100	100	Provision of culinary related educational services

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Shanghai Xinman Culinary Training Co., Ltd. 上海新曼烹飪培訓有限公司	September 11, 2013 PRC	RMB3,000,000	100	100	100	100	Provision of culinary related educational services
Shenzhen Cuisine East Institute Training Co., Ltd. 深圳美味東方學院培訓有限公司	August 21, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of customized catering experience services
Shenzhen City Pingshan District New East Culinary Vocational Training School 深圳市坪山區新東方烹飪職業培訓學校 (formerly known as Shenzhen City Pingshan New District New East Culinary Vocational Training School 深圳市坪山新區新東方烹飪職業培訓學校)	June 15, 2015 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Shenyang Cuisine Classroom Education Enterprise Management Co., Ltd. 沈陽美味課堂教育企業管理有限公司 (formerly known as Shenyang Cuisine Academy Vocational Skills Training Co., Ltd. 沈陽美味學院職業技能培訓有限公司)	August 3, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of customized catering experience services
Shenyang City Omick Western Pastry Training School Co., Ltd. 沈陽市歐米奇西點培訓學校有限公司 (formerly known as Shenyang City Omick Western Pastry Training School 沈陽市歐米奇西點培訓學校)	December 5, 2014 PRC	RMB500,000	100	100	100	100	Provision of western cuisine and pastry related educational services
Shenyang City Wontone Automobile Vocational Training School Co., Ltd. 沈陽市萬通汽車職業培訓學校有限公司 (formerly known as Shenyang City Wontone Automobile Vocational Training School 沈陽市萬通汽車職業培訓學校)	January 22, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of automobile related educational services
Shenyang New East Culinary School Co., Ltd. 沈陽新東方烹飪學校有限公司 (formerly known as Shenyang New East Culinary School 沈陽新東方烹飪學校)	December 14, 2010 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services

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Shijiazhuang City Luancheng District New East Culinary Vocational Skills Training School Co., Ltd. 石家莊市樂城區新東方烹飪職業技能培訓學校有限公司 (formerly known as Shijiazhuang City Luancheng District New East Culinary Vocational Training School 石家莊市樂城區新東方烹飪職業培訓學校)	July 9, 2010 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Shijiazhuang New East Secondary Vocational School 石家莊新東方中等專業學校	May 20, 2005 PRC	RMB2,000,000	100	100	100	100	Provision of culinary related educational services
Shijiazhuang Xinhua Computer School 石家莊新華電腦學校	July 17, 2005 PRC	RMB2,000,000	100	100	100	100	Provision of internet technology related educational services
Chengdu Wontone Automobile Vocational Training School Co., Ltd. 成都萬通汽車培訓職業技能學校有限公司 (formerly known as Sichuan Wontone Automobile Vocational Training Institute 四川萬通汽車職業培訓學院)	March 19, 2010 PRC	RMB1,000,000	100	100	100	100	Provision of automobile related educational services
Sichuan Xinhua Computer Institute 四川新華電腦學院	May 25, 2004 PRC	RMB3,500,000	100	100	100	100	Provision of internet technology related educational services
Suzhou City Omick Western Pastry & Cuisine Training Co., Ltd. 蘇州市歐米奇西點西餐培訓有限公司	March 13, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of western cuisine and pastry related educational services
Suzhou City New East Vocational Training School 蘇州市新東方烹飪職業培訓學校	December 16, 2015 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Taiyuan City Omick Western Pastry & Catering Vocational Training School 太原市歐米奇西點西餐職業培訓學校	September 28, 2016 PRC	RMB500,000	100	100	100	100	Provision of western cuisine and pastry related educational services
Tianjin Wisezone Technology Co., Ltd. 天津華信智原科技有限公司	December 1, 2016 PRC	RMB500,000	100	100	100	100	Provision of data technology related educational services
Tianjin Cuisine Educational Technology Co., Ltd. 天津美味教育科技有限公司	September 7, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of customized catering experience services

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			2016	2017	2018		
%	%	%	%				
Tianjin City Jinghai District New East Culinary Vocational Skills Training School Co., Ltd. 天津市靜海區新東方烹飪職業技能培訓學校有限公司 (formerly known as Tianjin City Jinghai New East Culinary Vocational Training School 天津市靜海新東方烹飪職業培訓學校)	July 29, 2015 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Urumqi Xinhua Wontone Automobile Vocational Skills Training School Co., Ltd. 烏魯木齊新華萬通汽車職業技能培訓學校有限公司 (formerly known as Xinjiang Production and Construction Corps 12th Division Wontone Automobile Maintenance School 新疆生產建設兵團第十二師萬通汽車專修學校)	January 23, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of automobile related educational services
Urumqi Xinhua Zhiyuan Internet Technology Co., Ltd. 烏魯木齊新華智原互聯網科技有限責任公司	January 31, 2018 PRC	RMB500,000	N/A	N/A	100	100	Provision of internet technology related educational services
Wuhan Donghu New Technology Development Zone Wontone Automobile Repair Vocational Training School Co., Ltd. 武漢東湖新技術開發區萬通汽修職業培訓學校有限公司 (formerly known as Wuhan Wontone Yuxing Automobile Training Co., Ltd. 武漢萬通宇星汽車培訓有限公司)	January 12, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of automobile related educational services
Wuhan Donghu New Technology Development Zone Wisezone Vocational Training School Co., Ltd. 武漢東湖新技術開發區華信智原職業培訓學校有限公司 (formerly known as Wuhan City Wisezone Technology Co., Ltd. 武漢市華信智原科技有限公司)	December 24, 2015 PRC	RMB500,000	100	100	100	100	Provision of data technology related educational services
Wuhan City Omick Western Pastry & Cuisine Vocational Training Co., Ltd. 武漢市歐米奇西點西餐職業技能培訓有限公司	January 19, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of western cuisine and pastry related educational services
Wuhan Xinhua Computer Vocational Training School 武漢新華電腦職業培訓學校	July 28, 2007 PRC	RMB3,600,000	100	100	100	100	Provision of internet technology related educational services

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Name of subsidiary	Place/country and date of establishment/ incorporation	Issued and fully paid share/ registered capital	Equity interest attributable to the Group				Principal activities
			As at December 31,			Up to date of the report	
			2016	2017	2018		
%	%	%	%				
Xi'an Cuisine East Catering Management Co., Ltd. 西安美味東方餐飲管理有限公司 (formerly known as Xi'an Cuisine East Catering Skills Training Co., Ltd. 西安美味東方餐飲技能培訓有限公司)	July 25, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of customized catering experience services
Xi'an Omick Western Pastry & Cuisine Training Co., Ltd. 西安歐米奇西點西餐培訓有限公司	June 26, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of western cuisine and pastry related educational services
Xi'an Wontone Automobile Vocational Skills Training School Co., Ltd. 西安萬通汽車職業技能培訓學校有限公司 (formerly known as Xi'an Wontone Automobile Repair Vocational Skills Training School 西安萬通汽車職業技能培訓學校)	January 9, 2014 PRC	RMB500,000	100	100	100	100	Provision of automobile related educational services
HK New Oriental Culinary Art Limited 香港新東方烹飪培訓有限公司	February 3, 2015 Hong Kong	HK\$500,000	100	100	100	100	Provision of culinary related educational services
Xinjiang New East Culinary School 新疆新東方烹飪學校	November 4, 2013 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Xuzhou New East Culinary Vocational Training School Co., Ltd. 徐州新東方烹飪職業培訓學校有限公司	September 13, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of culinary related educational services
Yunnan Wontone Automobile Repair Vocational Training School 雲南萬通汽修職業培訓學校	December 30, 2011 PRC	RMB500,000	100	100	100	100	Provision of automobile related educational services
Yunnan New East Culinary School 雲南新東方烹飪學校	July 30, 2012 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Yunnan New East Culinary Vocational Training School 雲南新東方烹飪職業培訓學校	February 14, 2012 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Yunnan Xinhua Computer Vocational Training School 雲南新華電腦職業培訓學校	June 6, 2003 PRC	RMB1,800,000	100	100	100	100	Provision of internet technology related educational services
Yunnan Xinhua Computer Secondary Vocational School 雲南新華電腦中等專業學校	August 30, 2006 PRC	RMB100,000	100	100	100	100	Provision of internet technology related educational services
Changchun New East Culinary Technical School Co., Ltd 長春新東方烹飪技工學校有限公司 (formerly known as Changchun New East Culinary Technical School 長春新東方烹飪技工學校)	May 3, 2016 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services

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			As at December 31,			Up to date of the report	
			2016	2017	2018		
%	%	%	%				
Changchun City Kuancheng New East Culinary Vocational Training School Co., Ltd. 長春市寬城新東方烹飪職業培訓學校有限責任公司 (formerly known as Changchun New East Culinary Vocational Training School 長春新東方烹飪職業培訓學校)	December 19, 2013 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Changsha New East Culinary Institute 長沙新東方烹飪學院	September 12, 2002 PRC	RMB1,600,000	100	100	100	100	Provision of culinary related educational services
Changsha Xinhua Computer Institute 長沙新華電腦學院	March 13, 2001 PRC	RMB2,200,000	100	100	100	100	Provision of internet technology related educational services
Zhengzhou City Omick Western Pastry Vocational Training School Co., Ltd. 鄭州市歐米奇西點職業培訓學校有限公司 (formerly known as Zhengzhou City Omick Western Pastry Vocational Training School 鄭州市歐米奇西點職業培訓學校)	March 4, 2016 PRC	RMB500,000	100	100	100	100	Provision of western cuisine and pastry related educational services
Zhengzhou City New East Culinary Vocational Skills Training School Co. Ltd. 鄭州市新東方烹飪職業技能培訓學校有限公司 (formerly known as Zheng Zhou City New East Culinary Vocational Training School 鄭州市新東方烹飪職業培訓學校)	December 26, 2008 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Zhengzhou Wontone Automobile Vocational Training School Co., Ltd. 鄭州萬通汽車職業培訓學校有限公司 (formerly known as Zhengzhou City Wontone Automobile Vocational Training School 鄭州萬通汽車職業培訓學校)	March 12, 2009 PRC	RMB2,000,000	100	100	100	100	Provision of automobile related educational services
Zhengzhou Xinhua Secondary Vocational School 鄭州新華中等專業學校	July 25, 2005 PRC	RMB500,000	100	100	100	100	Provision of internet technology related educational services
Chongqing Wisezone Technology Co., Ltd. 重慶華信智原科技有限公司	September 24, 2015 PRC	RMB500,000	100	100	100	100	Provision of data technology related educational services

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			As at December 31,			Up to date of the report	
			2016	2017	2018		
%	%	%	%				
Chongqing City Omick Western Pastry & Cuisine Vocational Training School 重慶市歐米奇西點西餐職業培訓學校	September 28, 2015 PRC	RMB500,000	100	100	100	100	Provision of western cuisine and pastry related educational services
Chongqing City New East Culinary Vocational Training Institute 重慶市新東方烹飪職業培訓學院	March 12, 2008 PRC	RMB500,000	100	100	100	100	Provision of culinary related educational services
Chongqing City Xinhua Technical School 重慶市新華技工學校	June 29, 2011 PRC	RMB750,000	100	100	100	100	Provision of internet technology related educational services
Chongqing City Zhangzheng Culinary Vocational Training School 重慶市長徵烹飪職業培訓學校	November 3, 2009 PRC	RMB500,000	N/A	100	100	100	Provision of culinary related educational services
Chongqing Xinhua Computer Vocational Training School 重慶新華電腦職業培訓學校	August 16, 2004 PRC	RMB750,000	100	100	100	100	Provision of internet technology related educational services
Chongqing Xinhua Wontone Automobile Vocational Skills Training Co., Ltd. 重慶新華萬通汽車職業技能培訓有限公司	March 27, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of automobile related educational services
Anhui Simai'er Catering Co., Ltd. 安徽思麥爾餐飲有限公司	September 5, 2011 PRC	RMB10,000,000	100	100	100	100	Provision of catering services and sale of foodstuffs
Beijing Langjie Technology Co., Ltd. 北京朗傑科技有限公司	September 28, 2006 PRC	RMB20,000,000	100	100	100	100	Technology development, consulting, promotion and services
Beijing Tongzhou New District Wontone Automobile Repairing Vocational Skills Training School 北京通州新區萬通汽車修理職業技能培訓學校	April 8, 2018 PRC	RMB500,000	N/A	N/A	100	100	Provision of automobile related educational services
Lanzhou Xinhua Internet Secondary Vocational School Co., Ltd. 蘭州新華互聯網中等職業學校有限公司	July 31, 2018 PRC	RMB5,000,000	N/A	N/A	100	100	Provision of internet technology related educational services
Nanjing Tasty Culinary Training Co., Ltd. 南京味美廚藝培訓有限公司	August 29, 2018 PRC	RMB500,000	N/A	N/A	100	100	Provision of customized catering experience services
Taiyuan Yuxing Wontone Automobile Education Consultancy Co., Ltd. 太原宇星萬通汽車教育諮詢有限公司	June 6, 2018 PRC	RMB500,000	N/A	N/A	100	100	Provision of automobile related educational services

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			As at December 31,			Up to date of the report	
			2016	2017	2018		
%	%	%	%				
Changsha City Omick Western Pastry Vocational Training School 長沙市歐米奇西點職業培訓學校	December 22, 2016 PRC	RMB500,000	100	100	100	100	Provision of western cuisine and pastry related educational services
Chengdu Cuisine Lecture Culinary Vocational Skills Training School Co., Ltd. 成都美味講堂烹飪職業技能培訓學校有限公司	August 6, 2018 PRC	RMB500,000	N/A	N/A	100	100	Provision of culinary related educational services
Dalian Cuisine East Educational Technology Co., Ltd. 大連美味東方教育科技有限公司	August 21, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of customized catering experience services
Gansu Omick Western Pastry Vocational Training School 甘肅歐米奇西點職業培訓學校	May 16, 2016 PRC	RMB500,000	100	100	100	100	Provision of western cuisine and pastry related educational services
Hainan Omick Western Pastry & Cuisine Training Co., Ltd. 海南歐米奇西點西餐培訓有限公司	January 23, 2017 PRC	RMB1,000,000	N/A	100	100	100	Provision of western cuisine and pastry related educational services
Hohhot City Omick Western Pastry Vocational Training School 呼和浩特市歐米奇西點職業培訓學校	July 20, 2015 PRC	RMB500,000	100	100	100	100	Provision of western cuisine and pastry related educational services
Hunan Wontone Automobile Technical School Co., Ltd. 湖南萬通汽車技工學校有限公司	August 10, 2018 PRC	RMB3,000,000	N/A	N/A	100	100	Provision of automobile related educational services
Ningbo New East Culinary Training School Co., Ltd. 寧波新東方烹飪培訓學校有限公司	September 4, 2018 PRC	RMB1,000,000	N/A	N/A	100	100	Provision of culinary related educational services
Shandong Omick Western Pastry Vocational Training Institute 山東歐米奇西點職業培訓學院	March 10, 2014 PRC	RMB1,000,000	100	100	100	100	Provision of western cuisine and pastry related educational services
Shijiazhuang City Luancheng District Omick Western Pastry Vocational Training School 石家莊市樂城區歐米奇西點職業培訓學校	March 9, 2016 PRC	RMB500,000	100	100	100	100	Provision of western cuisine and pastry related educational services
Shijiazhuang Wontone Automobile Vocational Training School Co., Ltd. 石家莊萬通汽車職業培訓學校有限公司	April 13, 2018 PRC	RMB500,000	N/A	N/A	100	100	Provision of automobile related educational services
Taiyuan Tasty Culinary Education Consultancy Co., Ltd. 太原味美廚藝教育諮詢有限公司	September 25, 2018 PRC	RMB500,000	N/A	N/A	100	100	Provision of customized catering experience services

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			As at December 31,			Up to date of the report	
			2016	2017	2018		
%	%	%	%	%			
Tianjin City Xiqing District Omick Culinary Vocational Training School Co., Ltd. 天津市西青區歐米奇烹飪職業技能培訓學校有限公司	October 30, 2018 PRC	RMB200,000	N/A	N/A	100	100	Provision of western cuisine and pastry related educational services
Zhuhai City New East Culinary Training Co., Ltd. 珠海市新東方烹飪培訓有限公司	September 21, 2018 PRC	RMB500,000	N/A	N/A	100	100	Provision of culinary related educational services
Anhui Wontone Automobile Maintenance Institute Co., Ltd. 安徽萬通汽車專修學院有限公司	February 9, 2017 PRC	RMB30,000,000	N/A	100	100	100	Provision of automobile related educational services
Anhui New East Culinary Institute Co., Ltd. 安徽新東方烹飪專修學院有限公司	February 8, 2017 PRC	RMB40,000,000	N/A	100	100	100	Provision of culinary related educational services
Anhui Xinhua Computer Institute Co., Ltd. 安徽新華電腦專修學院有限公司	February 9, 2017 PRC	RMB5,000,000	N/A	100	100	100	Provision of internet technology related educational services
Guiyang Omick International Western Pastry Vocational Training School Co., Ltd. 貴陽歐米奇國際西點職業培訓學校有限公司	March 23, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of western cuisine and pastry related educational services
Guiyang New East Culinary Institute Co., Ltd. 貴陽新東方烹飪學院有限公司	March 28, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of culinary related educational services
Guiyang Xinhua Internet Technical School Co., Ltd. 貴陽新華互聯網技工學校有限公司	March 27, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of internet technology related educational services
Guizhou Xinhua Computer Institute Co., Ltd. 貴州新華電腦學院有限公司	March 22, 2017 PRC	RMB1,000,000	N/A	100	100	100	Provision of internet technology related educational services
Hefei City Omick Western Pastry Vocational Training School Co., Ltd. 合肥市歐米奇西點職業培訓學校有限公司	September 30, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of western cuisine and pastry related educational services
Hohhot City Omick Western Pastry Vocational Training School Co., Ltd. 呼和浩特市歐米奇西點職業培訓學校有限公司	March 15, 2017 PRC	RMB500,000	N/A	100	100	100	Provision of western cuisine and pastry related educational services
Hefei Yuxing Automobile Driver Training Co., Ltd. 合肥宇星機動車駕駛員培訓有限公司	August 21, 2015 PRC	RMB3,000,000	100	100	N/A	N/A	Provision of driving training educational services
Nanjing Yuxing Driver Training Co., Ltd. 南京宇星駕駛員培訓有限公司	June 24, 2011 PRC	RMB5,000,000	100	100	N/A	N/A	Provision of driving training educational services
Xi'an City Yuxing Driver Training Co., Ltd. 西安市宇星駕駛員培訓有限公司	December 6, 2010 PRC	RMB500,000	100	100	N/A	N/A	Provision of driving training educational services

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			2016	2017	2018		
			%	%	%	%	
Changsha City Yuxing Automobile Driver Training Co., Ltd. 長沙市宇星機動車駕駛員培訓有限公司	December 23, 2008 PRC	RMB260,000	100	100	N/A	N/A	Provision of driving training educational services
Chongqing Yuxing Xincheng Automobile Driving Training Co., Ltd. 重慶宇星新城汽車駕駛培訓有限公司	November 15, 2001 PRC	RMB300,000	100	100	N/A	N/A	Provision of driving training educational services
Beijing City Daxing District Omick Vocational Skills Training 北京市大興區歐米奇烹飪職業技能培訓學校 (formerly known as Beijing City Daxing District New East Culinary Vocational Skills Training School 北京市大興區新東方烹飪職業技能培訓學校)	December 13, 2011 PRC	RMB500,000	100	100	N/A	N/A	Provision of western cuisine and pastry related educational services
Jiangxi New East Gourmet Culinary Training Co., Ltd. 江西省新東方美食烹飪培訓有限公司	September 23, 2016 PRC	RMB2,000,000	100	100	N/A	N/A	Provision of culinary related educational services
Jinan City Tianqiao District Xinhua Jinbang Training School Co., Ltd. 濟南市天橋區新華金榜培訓學校有限公司	July 18, 2017 PRC	RMB100,000	N/A	100	100	N/A	Provision of internet technology related educational services
Beijing Miwei Technology Co., Ltd. 北京秘味科技有限公司	August 14, 2017 PRC	RMB1,000,000	N/A	100	N/A	N/A	Technology consulting and services; production of arts & culture; products design
Hefei Xin'an Automobile Driver Training School 合肥新安機動車駕駛員培訓學校	May 31, 2014 PRC	RMB3,500,000	100	100	N/A	N/A	Provision of driving training educational services
Guangzhou City Nansha District New east Culinary Vocational Training School 廣州市南沙區新東方烹飪職業培訓學校	December 12, 2018 PRC	RMB500,000	N/A	N/A	100	100	Provision of culinary related educational services

The above table lists the subsidiaries of the Group which providing vocational education services, in the opinion of the Company's directors, principally affected the results or assets of the Group.

Each of the subsidiaries has adopted December 31 as their financial year end date.

The statutory financial statements of HK New Oriental Culinary Art Limited (香港新東方烹飪培訓有限公司) for the years ended December 31, 2016, 2017 and 2018 were audited by William Hon & Co. Certified Public Accountants (Practising). No statutory financial statements have been prepared for other subsidiaries, as there is no statutory audit requirement.

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36. RETIREMENT BENEFITS SCHEMES

During the Track Record Period, the employees of the PRC subsidiaries are members of the state-management retirement benefits scheme operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contribution under the scheme.

The amounts of contributions made by the Group in respect of the retirement benefit scheme during the Track Record Period are disclosed in notes 9 and 11.

37. CONTINGENT LIABILITIES

During the Track Record Period, certain subsidiaries of the Group failed to make full contributions to the housing provident fund for their employees in accordance with the relevant regulations and provisions. Based on the actual salaries of the employees of these group entities, the underprovision of the housing provident fund contributions are approximately RMB1,798,000, RMB1,748,000 and RMB3,207,000 for each of the years ended December 31, 2016, 2017 and 2018 respectively. The management of the Group has, taking into account the relevant facts and circumstances, and advice sought from the Group's PRC legal advisers, considered that it is not probable for the Company to be requested by the relevant authorities to pay such outstanding amounts, therefore, no provision has been made as at each reporting date and during the Track Record Period.

38. EVENTS AFTER THE REPORTING PERIOD

Subsequent to December 31, 2018, save for disclosed in other notes to the Historical Financial Information, pursuant to written resolutions of the Company's shareholders passed on May 21, 2019, conditional upon the crediting of the share premium account of the Company as a result of the issue of shares pursuant to the allotment set out in the section headed "Share Capital" in the [REDACTED], the directors of the Company had authorised to allot and issue a total of 1,742,199,970 shares, by way of capitalisation of the sum of approximately HK\$174,220 standing to the credit of the share premium account of the Company, credited as fully paid at par to the shareholders as appearing on the register of members of the Company ("Capitalisation Issue"), details are set out in Appendix IV to the [REDACTED].

39. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of the subsidiaries of the Company have been prepared in respect of any period subsequent to December 31, 2018.