卓越教育集团

China Beststudy Education Group

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3978

ANNUAL REPORT
2021

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Wenhui Xu

Independent Non-executive Directors

Ms. Yu Long
Mr. Peng Xue
Mr. Caihe Lin

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

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

AUTHORIZED REPRESENTATIVES

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

AUDITOR

Ernst & Young
Certified Public Accountant

LEGAL ADVISERS

Tahota (Beijing) Law Firm
Tian Yuan Law Firm LLP

PRINCIPAL BANKS

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

REGISTERED OFFICE

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Cayman Islands

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Grand Cayman, KY1–1002
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

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Hong Kong

STOCK CODE

3978

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www.beststudy.com

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LISTING DATE

27 December 2018

Company Profile

As a leading education service provider in South China, China Beststudy Education Group (the "**Company**" or "**Beststudy Education**" and, together with its subsidiaries, collectively the "**Group**") has been consistently providing high-quality and diversified education products and services to students and parents since our establishment 24 years ago.

Our Group mainly offers education related courses including full-time test preparation programs, talent education, self-study program, vocational education, after-school tutoring program and other education related products and services. Our full-time test preparation programs aim to help middle school and high school graduates to be admitted to their preferred schools through Zhongkao (中考) and Gaokao (高考). Our talent education is designed to promote the all-round development of our students, allowing a more engaging and enjoyable learning process. Our after-school tutoring program targets to help students establish a sound learning thinking and knowledge system and develop good learning habits. Our self-study program aims to improve students' soft power of learning through self-study model, so that they can give full play in their study and daily life. Our vocational education is designed to cultivate new types of vocational and technical talents needed by the country and society in an innovative model with the support of public vocational colleges.

The Group has been focusing on developing in the South China region and established business presence across the country. Through 24 years of efforts and development, our "Zhuoyue Education" (卓越教育) brand and reputation have also been recognized and welcomed by students, parents and all social sectors. During the outbreak of the pandemic, we actively participated in social welfare undertakings and won the awards of "Advanced Anti-epidemic Collective of Private Education in Yuexiu District" (越秀區民辦教育抗疫先進集體) and "Golden Spike Partner of Educational Charity" (教育公益金穗夥伴). We have also made a breakthrough in enhancing the brand image of the Group as an employer who broadens brand building, and won various awards such as "King's Ark Award for Employer Cherishing Talents the Most" (王者之舟最愛人才僱主獎), "2021 Most Influential Employer" (2021年最具影響力僱主), "2021 China Best Employer — Campus Recruitment Case Award" (2021中國年度最佳僱主 — 校招案例獎) as well as the "College Student Education Practice Base of the College of Liberal Arts of Jinan University" (暨南大學文學院大學生教育實踐基地) granted by Jinan University. The recognition from students, parents and people from all walks of life will help us enlarge our student pool and further strengthen our market position in the industry.

Financial and Key Operating Data Highlights

FINANCIAL AND KEY OPERATING DATA HIGHLIGHTS

	For the year ended 31 December		
	2021	2020	% Change
	RMB'000	RMB'000	
Revenue	**1,898,627**	1,687,798	12.5
Gross Profit	**729,347**	615,186	18.6
(Loss)/profit for the Year	**(325,593)**	127,794	(354.8)
Adjusted Profit	**(331,507)**	143,657	(330.8)

Chairman's Statement

Dear Shareholders,

PERFORMANCE REVIEW

The industry was greatly affected by Opinion on Further Reducing the Burden of Homework and off-campus Training for compulsory Education Students (the "**Double Reduction Policy**"). For the year ended 31 December 2021 (the "**Reporting Period**"), the Group's total Revenue increased by 12.5% compared to 2020 to RMB1,898.6 million, with its gross profit of RMB729.3 million, representing a year-on-year increase of 18.6%, and its adjusted loss was RMB331.5 million.

Due to the combined impact of the Double Reduction Policy and the COVID-19 pandemic (the "**COVID-19 pandemic**" or "**pandemic**"), the industry and the Group's business have been greatly affected. However, the Group has always responded to various challenges with a positive attitude, strived to turn challenges into opportunities, and turned opportunities into the driving force for continuous development. The Group mainly provides project-related products and services including full-time revision, talent education, independent learning and vocational education.

The Group's full-time business segment accelerated its development and actively pursued new breakthroughs. With our technology-empowered teaching system, we accurately provided teaching services through smart classroom system, and achieved individualised teaching in classes. With the accumulation of data, we have established a rich teaching content. The content of the database keeps pace with the times, combined with unique experience and technology, further accurately grasps the practical needs of students at different stages and levels, and provides sufficient support for high-quality teaching. Meanwhile, we established a three-in-one life growth system for students, parents and teachers based on the psychological characteristics of students. Through a series of courses, activities and cultural establishment, we stimulated children's internal drive for learning and helped them realize their dreams. The perfection of curriculum system and the improvement of teaching and research capabilities have formed a solid barrier for the healthy and sustainable development of the Group.

Beststudy Education always adheres to the original intention of "All for Children's Healthy Development", and has been actively responding to national policies and implementing rapid business transformation. The Group has further strengthened the layout of the talent education sector by offering eight talent education products, namely "Beststudy Programming, Fun-filled Go Chess, Thinking Planet, Cantonese Language and Culture, Eloquence Training, Concentration Enhancement, Beststudy Calligraphy and Telling Chinese Stories to the World", in order to meet the needs of students' all around development of moral, intellectual, physical, aesthetic and labor education, and equip them with the necessary characters and critical abilities that they can adapt themselves to lifelong development and social development.

The Group has always adhered to the mission of "cultivating excellent quality and contributing to the country's future" and has firmly stuck to the objective of "do warm education" for our public welfare action. We have carried out several public welfare and charitable student aid projects, such as donating teaching equipment and materials to primary and secondary schools in remote mountainous areas many times, and continued to carry out the "Candle Care Program" to help the revitalization of rural education. The Group continues to adhere to the educational philosophy of cultivating people by virtue, actively undertakes social responsibilities, continuously improves corporate credibility and brand influence, and interprets the original intention of public welfare with practical actions.

FUTURE PROSPECTS

To deepen the comprehensive reform in the field of education and promote the building of a strong education nation, the education industry has embraced new development opportunities and challenges under the regulation of the Double Reduction Policy. In this regard, the Group actively responds to the national policy, and always adheres to the original intention of "All for Children's Healthy Development", sticks to the essence of education, builds a quality educational system, strictly implements the relevant regulations and requirements, and operates under the law. Under the dual guidance of policy and market, our core strategy is to establish an education system of "full-time revision + talent education + vocational education + self-study", under which we shall actively promote the layout of full-time revision, talent education, vocational education and self-study and other fields, providing students with a full range of diversified teaching services, and promoting all-round development and healthy growth of children.

Committed to providing precise teaching services on full-time basis and creating a solid development barrier

Facing the new situation and new opportunities, the Group will continue to provide full-time revision business for students, promote the continual development of its existing businesses. The Group will expand the provincial market in a steady pace while putting efforts in promoting, exploring and developing the national market. In addition, we are committed to using high-tech technologies to continuously improve the quality of precise teaching services. We applied AIPT — a technology-empowered precise teaching system in our "smart classes". We combined the scientific teaching system with our rich teaching experience, helping us to better understand the students' needs and thus continuously optimizing the teaching methods. Our full-time precise teaching services will provide us higher and stronger development drive, helping us to build a solid development barrier for the Group in the context of the Double Reduction Policy, so that the Group will be able to overcome the difficulties.

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

With the increase in the supply of higher education talents, the transformation of the economy towards high-quality development, and the continuous upgrading of the educational concepts and consumption level of the new generation's parents, the talent education industry is gradually moving towards a new stage of standardization and maturity. The Group expects to continuously refine its eight talent education products through scientific and professional education approach, build an all-round development education system that embraces the "five educations" integration "moral, intellectual, physical, aesthetic and labor", to achieve the improvement of core literacy of primary and secondary school students, laying a solid foundation for the enhancement of the overall quality of China's new generation of citizens and the cultivation of professional talents.

At present, the Group has further cooperated with multiple public schools in Guangzhou to provide quality courses and on-campus childcare services to meet the learning needs of students for individualized quality courses. Leveraging on its own localization advantages, the Group has established a service operation system and built a diversified learning platform through the talent education product systems, i.e. moral education, thinking growth, language expression, aesthetic arts, technological literacy, labor education, physical education and research practices, endeavouring to assist the implementation of talent education in schools, and create school-based curriculums with the talent education characteristics.

To enhance the new model of "talent education + community", the Group has continued to establish the "Di-Da Growth Center" (嘀嗒成長中心), taking the community as the center to radiate the surrounding area, creating a one-stop talent education base for students and parents, and exploring students' interests and talents through "direct perception, practical operation, and hands-on experience". By establishing a one-stop talent education base and introducing diversified talent education courses, students' comprehensive abilities are further improved.

Looking ahead, Beststudy Education will swiftly enter a brand-new track by offering diversified talent education courses. Given the Company's accumulated customer base and business scale advantages over the years, it will make every effort to develop the new business of talent education.

Exploring vocational education and opening up a new course of development

Since China's reform and opening-up, vocational education has provided sufficient impetus for economic development. As China enters a new stage of development, the market space for vocational education will further grow.

Leveraging on its years of accumulated resources and teaching and research experience, the Group has launched a comprehensive exploration of vocational education products. The Group focus on developing its business in the new arena, and will cater to the practical needs of the market by offering courses for further education at home and abroad, civil service examination training, and vocational certificate, in order to support Beststudy Education to accelerate its progress in the new arena of vocational education, and to increase the Group's market awareness.

In addition, the Group will continue to strengthen its strategic cooperation relationship with private colleges and universities, and secondary vocational colleges, actively explore the innovative training models for vocational education with the goal of cultivating talents empowered with technical skills required by the industry. The Group will give full play to the respective advantages of all parties, integrate and build a talent training consortium to establish the consensus of "complementary advantages, resource sharing and cooperative development" on education, jointly cultivate high-quality and high-skilled application-oriented talents, providing multi-level and diversified technical and skilled talent support to promote the high-quality development of modern vocational education, thereby driving the Group's accelerated transformation.

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

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

Forge ahead and live up to the expectations

Looking ahead, the Group will continue to follow the guidance of national policies and the Group's strategy, explore the provision of more diversified and comprehensive teaching services for students, so as to promote the overall development of children while growing healthily; we cooperated with colleges and universities to explore the development of vocational technical training and education, to promote the development of the Group in multiple fields and tracks. The Group will continue to create a better service and working platform for teachers and employees to help them realize their personal value. The Group will also deliver continuous and increasing investment returns to shareholders and investors through sustainable and healthy operation, so as to achieve a new level of success for Beststudy Education.

APPRECIATION

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

Junjing Tang
Chairman, Chief Executive Officer and Executive Director

29 April 2022

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

The following table sets forth a breakdown of the Group's revenue by type of education services we provided for the years ended 31 December 2021 and 2020:

	For the year ended 31 December		
	2021	2020	% Change
	RMB'000	RMB'000	
Full-time test preparation programs	**161,639**	161,764	(0.1)%
Talent education	**73,956**	51,555	43.5%
Tutoring programs	**1,663,032**	1,474,479	12.8%
Total	**1,898,627**	1,687,798	12.5%

(i) Due to the Double Reduction Policy, small group tutoring, individualized tutoring and other businesses are combined into tutoring programs according to the nature of the business during the Reporting Period.

The Group's revenue is principally generated from the tuition fees we collect from our students. During the Reporting Period, the Group's revenue generated from our principal business increased by RMB210.8 million to approximately RMB1,898.6 million from RMB1,687.8 million in 2020. As compared to 2020, the increase in revenue was mainly attributable to: (i) the increase in revenue of tutoring programs attributable to the increase in tutoring hours and number of students during the first half of 2021; and (ii) the increase in revenue of talent education due to the increase in number of students of admission programs.

COST OF SALES

Cost of sales increased by 9.0% from RMB1,072.6 million as at 2020 to RMB1,169.3 million for the Reporting Period. The increase in cost of sales was mainly attributable to: (i) the increase in various costs of sales, such as teacher labor cost, due to the increase in tutoring hours; and (ii) the conceded rent related to the COVID-19 pandemic in 2020 had recovered to normal level in 2021.

GROSS PROFIT AND GROSS PROFIT MARGIN

As a result of the above principal factors, the Group's gross profit increased by 18.6% from RMB615.2 million as at 2020 to RMB729.3 million for the Reporting Period.

The gross profit margin of the Group as at 2020 was 36.4%, whilst for the Reporting Period it was 38.4%.

OTHER INCOME AND GAINS

During the Reporting Period, the Group recorded other income and gains in the amount of RMB73.6 million, representing an increase of 10% year-on-year. The other income and gains during the Reporting Period mainly include gain on disposal of right-of-use assets in the amount of RMB10.3 million, gain on disposal of an associate in the amount of RMB20.5 million, government tax relief in the amount of RMB20.1 million, interest income of current deposit in the amount of RMB11.6 million and time deposit and government grants in the amount of RMB8.6 million.

FAIR VALUE CHANGES ON INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The fair value changes on investments at fair value through profit or loss decreased by RMB237.0 million from approximately RMB92.6 million in 2020 to approximately RMB-144.4 million for the Reporting Period. The fair value changes included fair value changes on unlisted equity investments, listed equity investments, unlisted trust plans and asset management plans, wealth-management products issued by banks, and funds. The change was primarily attributable to (i) the overdue redemption of part of our investments in unlisted trust plans and asset management plans and funds; and (ii) the decrease in the price of listed shares held by the Group.

SELLING EXPENSES

During the Reporting Period, the Group's total selling expenses amounted to RMB181.0 million, representing a decrease of approximately 7.2% from RMB195.1 million in 2020, which was mainly attributable to a reduction in promotion activities.

ADMINISTRATIVE EXPENSES

Administrative expenses included the compensation for administrative staff, office rentals and daily operational expenses. During the Reporting Period, the Group's total administrative expenses amounted to approximately RMB223.0 million, representing an increase of 4.1% as compared to RMB214.1 million in 2020.

RESEARCH AND DEVELOPMENT EXPENSES

During the Reporting Period, the Group's research and development expenses amounted to RMB142.3 million, representing a decrease of approximately RMB23.3 million from RMB165.6 million in 2020.

LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT AND IMPAIRMENT LOSS

During the Reporting Period, the Group incurred a loss on disposal of property, plant and equipment and intangible assets of RMB140.2 million due to the closure of campuses and an impairment loss on property, plant and equipment and intangible assets of RMB18.2 million.

IMPAIRMENT LOSS ON FINANCIAL ASSETS

Due to the fluctuation of the current economic cycle, some financial assets were exposed to the risk of overdue redemption. The Company has conducted impairment assessments and a provision of RMB100.3 million was made. The following table sets forth the composition of the Group's impairment loss on financial assets during the respective years:

	2021 RMB'000	2020 RMB'000
Impairment of debt investments measured at amortized cost	**76,097**	—
Impairment of financial assets included in prepayments, deposits and other receivables	**24,191**	—

During the Reporting Period, the impairment loss on financial assets of the Group increased by RMB100.3 million as compared to 2020. The change was primarily attributable to (i) the issuers of our debt investments being unable to repay the principal and interest on time due to the delay in the progress of the project and the short-term liquidity issue; and (ii) the increase in impairment loss on our loans to third parties taking into account the pledge and guarantee conditions of the loan and the actual financial conditions of the borrower.

IMPAIRMENT LOSS OF ASSOCIATES

Based on the assessment of impact of the policy change, provision for an impairment loss of RMB56.1 million was made on associates.

OTHER EXPENSES

The Group's other expenses during the Reporting Period amounted to RMB21.0 million, and mainly consisted of a loss on the Group's disposal of equity interests in 22 Target Entities on 31 December 2021 (please refer to the announcement headed "(I) Discloseable Transaction and Connected Transaction in Relation to the Disposal of the Equity Interest in the Target Entities and (II) Breach of the Listing Rules and Remedial Actions" and issued by the Company on 30 March 2022, and the supplemental announcements dated 4 April 2022 and 14 April 2022 respectively) and penalty expenses incurred by the Group during the Reporting Period.

FINANCE COSTS

During the Reporting Period, the Group recorded finance costs in the amount of approximately RMB57.8 million as a result of the interest expenses in relation to leases in the amount of RMB45.0 million and the interest expenses of loans in the amount of RMB12.8 million.

INCOME TAX EXPENSES

During the Reporting Period, the Group's income tax expenses were RMB52.1 million.

PROFIT FOR THE REPORTING PERIOD

The Group's profit for the Reporting Period decreased from RMB127.8 million in 2020 to RMB-325.6 million for the Reporting Period, representing a decrease of 354.8%. The decrease in profit for the Reporting Period were mainly attributable to the changes in the industry as a result of the implementation of the Double Reduction Policy, which led to the changes in business operations, the closure of schools, the provision of compensation for personnels and the losses on the impairment of external investments.

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

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

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

Our adjusted profit decreased from RMB143.7 million for 2020 to RMB-331.5 million for the Reporting Period. Adjusted profit eliminates the effect of non-recurring items and certain items that were not incurred in relation to the Group's principal business, such as equity-settled compensation costs.

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

	For the year ended 31 December		
	2021 **RMB'000**	2020 RMB'000	% Change
(Loss)/profit for the year	**(325,593)**	127,794	(354.8%)
Add:			
Equity-settled compensation costs	**(5,914)**	15,863	(137.3%)
Adjusted (loss)/profit	**(331,507)**	143,657	(330.8%)

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, cash and cash equivalents of the Group amounted to RMB211.2 million.

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

CURRENT AND GEARING RATIO

As at 31 December 2021, the current ratio of the Group was approximately 0.94, representing a decrease from 1.06 as at 31 December 2020. The current ratio is equal to total current assets divided by the total current liabilities.

As at 31 December 2021, the gearing ratio of the Group was 73.4%, representing a decrease from 75.0% as at 31 December 2020. The gearing ratio is equal to total debts divided by the sum of total equity and total debts.

FUTURE PLANS FOR SIGNIFICANT INVESTMENT AND CAPITAL ASSETS

As at the date of this annual report, the Group does not have any plans for significant investment or capital assets.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

As at 31 December 2021, the Group held financial assets comprising (i) debt investments of RMB577.3 million (31 December 2020: RMB943.0 million), in aggregate accounted for 43.8% of the Group's total assets as at 31 December 2021, representing investments in various types of short-term wealth management products issued by licensed banks, unlisted trust plans and asset management plan and funds and corporate debts; and (ii) equity investments of RMB56.2 million (31 December 2020: RMB91.2 million), in aggregate accounted for 4.3% of the Group's total assets as at 31 December 2021, representing investment portfolio of an unlisted company and a listed company.

Due to the current fluctuation of the economic cycle, some of the financial assets is facing the risk of overdue redemption, the Company has conducted fair value assessment on the financial assets and has made provision on impairments.

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

During the Reporting Period, the Group had entered into the following disposal:

On 31 December 2021, Guangzhou Beststudy Educational Co., Ltd.* (廣州市卓越里程教育科技有限公司) (an operating entity controlled by the Company via the VIE Structure and the financial results of which were consolidated into the financial results of the Company) entered into an equity transfer agreement with Huoerguos Lexue Venture Investment Co., Ltd.* (霍爾果斯樂學創業投資有限公司), pursuant to which Guangzhou Beststudy Educational Co., Ltd* agreed to transfer 100% of the equity interests in 22 entities (the "**Target Entities**"), including the Foshan Beststudy Culture Communication Co., Ltd.* (佛山市卓越里程文化傳播有限公司) to Huoerguos Lexue Venture Investment Co., Ltd.* (霍爾果斯樂學創業投資有限公司) or a subsidiary to be designated by Huoerguos Lexue Venture Investment Co., Ltd.* (霍爾果斯樂學創業投資有限公司) at a consideration of RMB1.00. Upon completion of the transaction, the Target Entities will cease to be a subsidiary of Guangzhou Beststudy Educational Co., Ltd.* (廣州市卓越里程教育科技有限公司) and the Company. For more information on this transaction, please refer to the Company's announcement dated 30 March 2022 titled "(I) Discloseable Transaction and Connected Transaction In Relation to the Disposal of Equity Interest in the Target Entities and (II) Breach of the Listing Rules and Remedial Actions" and the supplemental announcements dated 4 April 2022 and 14 April 2022 respectively.

Save as disclosed in this annual report, the Group had not made any significant investments, major acquisitions or disposals of subsidiaries and affiliated companies during the Reporting Period.

INVESTMENT AND TREASURY POLICY

The Board and the finance department are mainly responsible for making, implementing and supervising our investment decisions. The Group continues to adopt a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Reporting Period under review. The Board closely monitors the liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any unrecorded significant contingent liabilities, guarantees or any litigation against the Group.

PLEDGE OF ASSETS

As at 31 December 2021, bank balances amounting to RMB12.1 million were restricted, which was primarily deposits of RMB8.8 million pledged for external borrowings.

BANK LOANS AND OTHER BORROWINGS

As at 31 December 2021, the balance of bank loans was RMB333.2 million.

FOREIGN EXCHANGE EXPOSURE

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

EVENTS AFTER THE REPORTING PERIOD

As at the date of this annual report, the Group has no material subsequent events after 31 December 2021 which are required to be disclosed.

HUMAN RESOURCES

As at 31 December 2021, the Group had a total of 3,043 (31 December 2020: 7,097) employees. To ensure that the Group is able to attract and retain staff capable of attaining the best performance levels, remuneration packages are reviewed on a regular basis. The decrease in the number of staff was mainly attributable to the loss of staff as affected by the Double Reduction Policy.

FINAL DIVIDEND

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

REGULATORY UPDATE

Opinion on Further Reducing the Burden of Homework and off-campus Training for compulsory Education Students

On 24 July 2021, the General Office of State Council and the General Office of Central Committee of the Communist Party of China jointly promulgated the Double Reduction Policy, which provides that, among other things: (i) local government authorities shall no longer approve new after-school tutoring institutions providing tutoring services on academic subjects for students in compulsory education, and the existing after-school tutoring institutions providing tutoring services on academic subjects shall be registered as non-profit; (ii) online academic after-school training institutions that have filed with the local education administration authorities providing tutoring services on academic subjects shall be subject to review and re-approval procedures by competent government authorities, and any failure to obtain such approval will result in the cancellation of its previous filing and internet content provider license; (iii) academic after-school tutoring institutions are prohibited from raising funds by listing on stock markets or conducting any capitalization activities and listed companies are prohibited from investing in academic after-school tutoring institutions through capital markets fund raising activities, or acquiring assets of academic after-school tutoring institutions by paying cash or issuing securities; and (iv) foreign capital is prohibited from controlling or participating in any academic after-school tutoring institutions through mergers and acquisitions, entrusted operation, joining franchise or variable interest entities. After the introduction of the Double Reduction Policy, governments at all levels will further strengthen the supervision and restrictions on extracurricular training activities, which could have significant adverse effect on our business, financial condition and results of operations.

Notice on the Unified Registration of Academic Off-campus Training Institutions for Compulsory Education Students as Non-profit Institutions

On 7 September 2021, the General Office of the Chinese Ministry of Education ("**MOE**") published on its official website that the MOE, together with two other government authorities, issued the Notice on the Unified Registration of Off-campus Training Institutions for Subjects for Compulsory Education Students as Non-profit Institutions (《關於將面向義務教育階段學生的學科類校外培訓機構統一登記為非營利性機構的通知》), requiring all academic after-school tutoring institutions to complete registration as non-profit by the end of 2021, and all academic after-school tutoring institutions shall, before completing such registration, suspend enrollment of students and charging fees. If we fail to complete the registration in a timely manner in accordance with the requirements of the notice, we may face penalties such as fines and order to suspend business.

Administrative Measures for Practitioners of the After-School Tutoring Institutions (for Trial Implementation)

On September 9, 2021, the General Office of MOE and the General Office of the Ministry of Human Resources and Social Welfare jointly issued the Administrative Measures for Practitioners of the After-School Tutoring Institutions (for Trial Implementation)(《校外培訓機構從業人員管理辦法(試行)》), which set out a series of requirements for the after-school tutoring institutions with respect to their employed teachers, research staff and teaching assistants. After-school tutoring institutions in violation of such requirements will be subject to rectification. If we violate the requirements several times or violate several requirements, we may be prohibited from the enrollment of students and shall not conduct tutoring activities during the rectification period; and if we refuse to rectify within the time limit or if the violation is severe, our operating permit may be revoked by the local education administration.

BOARD OF DIRECTORS

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

Executive Directors

Mr. Junjing Tang (唐俊京), aged 52, is an executive Director, the chairman of the Board and our chief executive officer, being responsible for the overall development, operation and management of our Company. Mr. Junjing Tang co-founded our Group as a key senior management member of Guangzhou Beststudy Training Center (廣州卓越教育培訓中心) (formerly known as "Guangzhou Beststudy Tuition Center (廣州卓越教育補習中心)" from June 1998 to September 2000) in October 1997. He was appointed as a Director on 27 August 2010 and designated as an executive Director on 13 June 2018, and was appointed as the chairman of the Board and our chief executive officer on 13 June 2018. He has served as a director and the chairman of the board of directors of Guangzhou Beststudy since July 2000 and served as the principal of Guangzhou Beststudy Training Center from October 1997 to June 2000. Mr. Junjing Tang has over 23 years' experience in the PRC education industry.

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

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

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

Mr. Junying Tang (唐俊膺), aged 52, is an executive Director and a senior vice president, being responsible for the overall management of our Company and for the overall operation and management of the business division of Premium Learning Program. Mr. Junying Tang was appointed as a Director on 21 January 2011 and designated an executive Director on 13 June 2018. Mr. Junying Tang co-founded our Group as a key senior management member of Guangzhou Beststudy Training Center in October 1997. He was the legal representative of Guangzhou Beststudy Training Center from March 1999 to March 2000. Mr. Junying Tang has over 23 years' experience in the PRC education industry.

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

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

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

Mr. Gui Zhou (周貴), aged 49, is an executive Director and a senior vice president, being responsible for the overall management of our Company, administrative management, Elite Talent Program and strategic cooperation. Mr. Zhou co-founded our Group as a senior management member of Guangzhou Beststudy Training Center in October 1997. He was appointed as a Director on 21 January 2011 and designated as an executive Director on 13 June 2018. Mr. Zhou has over 23 years' experience in the PRC education industry.

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

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

Ms. Weiying Guan (關瑋瑩), aged 51, is an executive Director and a vice president, being responsible for the overall management of the tutorial class products department and marketing department of the business division of Elegant Learning Program, as well as the integrated operation in places such as Guangzhou and Shenzhen. Ms. Guan joined our Group in February 2009 and was appointed as a vice president of the Company on 13 June 2018. Since September 2017, she has been served as the vice president of Guangzhou Beststudy Enterprise Co. Ltd., which is currently known as Guangzhou Beststudy Education Technology Co., Ltd. and a subsidiary of the Company. From February 2009 to August 2017, she served as the marketing director of the Group, as well as the principal of our Dongguan school and Guangzhou school.

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

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

Non-executive Director

Mr. Wenhui Xu (徐文輝), aged 52, is a non-executive Director, being responsible for overseeing the corporate development and strategic planning of our Group. Mr. Xu joined our Group in January 2011, serving as a director of Guangzhou Beststudy since then. He was appointed as a Director on 21 January 2011 and re-designated as a non-executive Director on 13 June 2018. Mr. Xu has over 18 years' experience in corporate finance and corporate management.

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

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

Independent non-executive Directors

Ms. Yu Long (隆雨), aged 46, is an independent non-executive Director, being responsible for supervising and providing independent judgment to our Board. Ms. Long was appointed as an independent non-executive Director on 3 December 2018 and served as an independent director of Guangzhou Beststudy from May 2017 to March 2018.

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

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

Mr. Peng Xue (薛鵬), aged 51, is an independent non-executive Director, being responsible for supervising and providing independent judgment to our Board. Mr. Xue was appointed as an independent non-executive Director on 3 December 2018. Mr. Xue has 23 years' experience in corporate finance.

Mr. Xue has been a joint company secretary of SITC International Holdings Company Limited (海豐國際控股有限公司) ("**SITC**", together with its subsidiaries, "**SITC Group**"), a company listed on the Main Board of the Stock Exchange (stock code: 1308), since May 2013. He has been as the general manager of the operations management center of SITC International Holdings Company Limited since July 2017 and was appointed as an executive director and a joint company secretary of SITC in April 2010 and May 2013 respectively. From January 2008 to May 2013, he served as the chief financial officer of SITC. He has been the director of SITC since 2008.

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

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

Mr. Caihe Lin (林才合), aged 51, is an independent non-executive Director and is responsible for overseeing and providing independent judgment to the Board. Mr. Lin was appointed as an independent non-executive Director on 23 March 2022.

From 1994 to 2000, Mr. Lin worked as a department manager in Guangdong Pharmaceutical and Health Products Import and Export Company. From 2003 to 2010, he worked as a practicing lawyer in Guangdong Haiyuntian Law Firm; from 2011 to 2016, he worked as the director of investment cooperation department of Guangzhou Beststudy Enterprise Co. Ltd., which is currently known as Guangzhou Beststudy Education Technology Co., Ltd. and a subsidiary of the Company; from 2017 to 2020, he worked as a practicing lawyer in Guoxin Xinyang Law Firm; from 2018 to December 2019, he worked as a director in Guangzhou Xinbaihe Hotel Management Service Co. Ltd..

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

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

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

SENIOR MANAGEMENT

Mr. Hongzhang Zheng (鄭洪章), aged 49, is the senior general manager of the financial management centre of our Company, being responsible for financial management of our Company. Mr. Zheng joined our Group in February 2017 and was appointed as the chief financial officer of our Company on 13 June 2018. He has served as the chief financial officer of Guangzhou Beststudy since February 2017. Mr. Zheng has over 17 years' experience in financial management.

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

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

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

COMPANY SECRETARY

Ms. Chau Hing Ling (周慶齡), aged 47, is a company secretary of our Company.

Ms. Chau has over 19 years of experience in the corporate services industry. She joined Vistra Corporate Services (HK) Limited in June 2013 and now serves as a director of Corporate Services, where she leads a team of professional staff to provide a full range of corporate services and listed company secretary services. She is currently the company secretary or joint company secretary of several companies listed on the Stock Exchange. She received a master of laws majoring in corporate and financial law from The University of Hong Kong in November 2007. She has been a fellow member of the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) in United Kingdom and the Hong Kong Chartered Governance Institute (formerly known as the Hong Kong Institute of Chartered Secretaries) since May 2013.

Directors' Report

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

GLOBAL OFFERING

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

PRINCIPAL ACTIVITIES

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

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

BUSINESS REVIEW

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

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

- Our business is subject to seasonal fluctuations, which may cause our results of operations to fluctuate from time to time. This may result in volatility and adversely affect the price of our Shares;
- Our business and results of operations depend on the level of tuition fees we are able to charge and our ability to maintain and raise tuition levels;
- Failure to adequately and promptly respond to changes in examination systems, admission standards, test materials, teaching methods and regulation changes in China could render our courses and services less attractive to students;
- Our debt investments may be subject to certain counterparty risks and market risks;
- Our business, financial condition and results of operations have been and are likely to continue to be materially and adversely affected by pandemic. In addition, we also face risks related to natural disasters, pandemic or other conditions in China, which could result in significant impact on our operations;

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

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

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

RESULTS AND DIVIDEND

The consolidated results of the Group for the year ended 31 December 2021 are set out from pages 123 to 124 of this annual report.

Details of the Group's dividend is included in the section headed "Final Dividend" on page 14 of this annual report.

DIVIDEND POLICY

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

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

    a) The financial position of our Group;

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

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

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

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

    f) Any other factors deemed reasonable by the Board.

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

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

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 230 of this report.

PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries of the Company are set out in Note 1 to the consolidated financial statements from pages 133 to 139 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property and equipment of the Group during the Reporting Period are set out in Note 13 to the consolidated financial statements from pages 184 to 185 of this annual report.

SHARE CAPITAL

Details of the movements in share capital of the Company during the Reporting Period are set out in Note 24 to the consolidated financial statements on page 205 of this annual report.

RESERVES

Details of the movement in the reserves of the Group and of the Company during the Reporting Period are set out in Note 25 to the consolidated financial statements from pages 206 and Note 35 to the consolidated financial statements from pages 228 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's distributable reserves were RMB321.7 million.

BANK LOANS AND OTHER BORROWINGS

As at 31 December 2021, the balance of bank loans was RMB333.2 million.

Details of bank loans and other borrowings of the Group on 31 December 2021 are set out in Note 22 to the consolidated financial statements on page 201 of this annual report.

LOAN AND GUARANTEE

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

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

Based on the confidence in the future business development of the Company and the abundant cash reserves at that time, the Company repurchased a total of 2,499,000 Shares as at January 2021, using a total amount of approximately HK$6,807,270, which were all cancelled as at April 2021. The highest price and lowest price paid per share are HK$2.90 and HK$2.62 respectively.

Save as disclosed in this annual report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

PRE-EMPTIVE RIGHTS

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

USE OF PROCEEDS FROM THE LISTING

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

An analysis of the planned use of net proceeds as stated in the Prospectus and the actual use of the net proceeds from 27 December 2018 (being the date of the listing (the "**Listing Date**")) up to 31 December 2021 and the intended use of the proceeds and the expected timeline are set out as below:

Business objective as stated in the Prospectus	Percentage of use of proceeds as stated in the Prospectus	Unused net proceeds as at 1 January 2021 HK$'million	Actual use of net proceeds during the period from the Listing Date to 31 December 2021 *(Note)* HK$'million	Proceeds unused HK$'million	Expected timeline
For footprint expansion	50%		–	–	Completed
For seeking strategic alliances and acquisitions to support and expand the operations	30%	7.9	7.9	–	Completed
For investments to improve the teaching quality	20%		–	–	Completed

Note:

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

DIRECTORS

The Board currently consists of the following eight Directors:

Executive Directors

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

Non-executive Director

Mr. Wenhui Xu

Independent Non-executive Directors

Ms. Yu Long
Mr. Peng Xue
Mr. Caihe Lin *(appointed on 23 March 2022)*
Mr. Yingmin Wu *(resigned on 24 December 2021)*

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

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

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company. Except that of Ms. Weiying Guan, the initial term of their service commenced from the date of their appointment and renewed on 1 April 2021 for a period of three years (subject always to re-election as and when required under the Articles), until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other not less than three months' prior notice in writing. Ms. Weiying Guan was appointed on 31 March 2022, she will hold office from the date of her appointment until the date of the next general meeting, and is eligible for re-election thereon.

The non-executive Director has entered into an appointment letter with the Company. The initial term of his service commenced from the date of his appointment and renewed on 1 April 2021 for a period of three years (subject always to re-election as and when required under the Articles) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

Each of the independent non-executive Directors has entered into an appointment letter with the Company. Except that of Mr. Caihe Lin, the initial term of their service commenced from the date of their appointment and renewed on 1 April 2021 for a period of three years (subject always to re-election as and when required under the Articles) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing. Mr. Caihe Lin was appointed on 23 March 2022, he will hold office from the date of his appointment until the date of the next general meeting, and is eligible for re-election thereon.

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

CONTRACT WITH CONTROLLING SHAREHOLDERS

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

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

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

EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

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

Details of the Directors' emoluments and emoluments of the five highest paid individual in the Group are set out in Note 8 and Note 9 to the consolidated financial statements from pages 176 to 179 of this annual report.

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

The Company has also adopted the RSU Scheme and the Share Option Scheme as incentive for Directors and eligible employees. Details of the said schemes are set out under the section headed "Restricted Share Units Scheme and Share Option Scheme" in this annual report and in Note 26 to the consolidated financial statements on pages 207 to 209 of this annual report.

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

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

DEED OF NON-COMPETITION

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

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

MANAGEMENT CONTRACTS

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

MATERIAL LEGAL PROCEEDINGS

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

RESTRICTED SHARE UNITS SCHEME AND SHARE OPTION SCHEME

Restricted Share Units Scheme ("RSU Scheme")

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

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

As at 31 December 2021, the trustee of the Company, Ms. Shaoping Fu (the "**Trustee**") has purchased an aggregate of 62,156,000 shares (representing approximately 7% of the total issued shares of the Company). A total of 63,560,573 shares (representing approximately 8%[1] of the total issued shares of the Company) have been granted to the grantees under the RSU Scheme.

[1] The percentage represents the number of shares divided by the number of the Company's issued shares as at 31 December 2021.

The Company noted that as at March 3, 2021, the consideration for the Trustee to purchase the Company's shares based on the RSU Scheme has approached HK$150,000,000. Therefore, the meeting of the Board was held on March 4, 2021. After careful and prudent consideration, resolved that it was in the best interests of the Company to increase the allocation amount to the Trustee of the RSU to purchase the existing shares of the Company in the market. Accordingly, on the basis of the resolution of the Board on November 19, 2019, an additional provision up to HK$80,000,000 was made available to the RSU Trustee to purchase shares in the Company available in the market.

Share Option Scheme

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

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

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

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

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

No options were granted, exercised, cancelled or lapsed by the Company under the Share Option Scheme during the Reporting Period and there were no outstanding share options under the Share Option Scheme as at 31 December 2021 and up to the date of this annual report. The remaining life of the Share Option Scheme is 6 years and 10 months.

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

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at 31 December 2021, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long position in ordinary Shares

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

Notes:

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

(2) Under the SFO, Mr. Junjing Tang is deemed to be interested in 171,165,101 Shares held by JTC Trustees (BVI) Limited, a trust which he is a founder. He is also deemed to be interested in all Shares held by Mr. Junying Tang and Mr. Gui Zhou as they are parties acting in concert.

(3) Under the SFO, Mr. Junying Tang is deemed to be interested in 143,510,888 Shares held by JTC Trustees (BVI) Limited, a trust which he is a founder. He is also deemed to be interested in all Shares held by Mr. Junjing Tang and Mr. Gui Zhou as they are parties acting in concert.

(4) Under the SFO, Mr. Gui Zhou is deemed to be interested in 142,258,242 Shares held by JTC Trustees (BVI) Limited, a trust which he is a founder. He is also deemed to be interested in all Shares held by Mr. Junjing Tang and Mr. Junying Tang as they are parties acting in concert.

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

\+ The percentage represents the number of ordinary shares/underlying shares interested divided by the number of the Company's issued shares as at 31 December 2021.

Save as disclosed in this annual report and to the best knowledge of the Directors, as at 31 December 2021, none of the Directors or the chief executive of the Company has any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

So far as is known to any Director or chief executive of the Company, as at 31 December 2021, the following corporations/persons (other than Directors or the chief executive of the Company) had interests of 5% or more in the issued shares of the Company according to the register of interests required to be kept by the Company under section 336 of the SFO:

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

Notes:

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

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

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

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

(5) Pursuant to the RSU Scheme, (i) 27,292,396 existing Shares were reserved; (ii) 43,540,000 new Shares were allotted and issued at par value to Soarise Bulex Limited on the Listing Date will be reserved for the vesting of RSUs granted under the RSU Scheme; and (iii) 62,156,000 Shares were purchased by the trustee pursuant to the RSU Scheme as at 31 December 2021. Ms. Shaoping Fu has been appointed as the trustee of the RSU Scheme and Soarise Bulex Limited has been appointed as the nominee of the RSU Scheme. To the extent permitted under applicable laws and regulations, the trustee shall procure the nominee to exercise the voting rights attached to the underlying Shares in accordance with the instructions of the Board. Out of the 109,709,397 shares held by Soarise, 63,560,573 shares have been vested, pending transfer to the relevant grantees.

\+ The percentage represents the number of ordinary Shares interested divided by the number of the issued Shares as at 31 December 2021.

Save as disclosed above and to the best knowledge of the Directors, as at 31 December 2021, no person (other than the Directors or chief executives of the Company) had registered an interest or a short position in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

MAJOR SUPPLIERS AND CUSTOMERS

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

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

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

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

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

HUMAN RESOURCES

The Group had a total of 3,043 employees as at 31 December 2021, as compared to 7,097 employees as at 31 December 2020. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination.

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

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

RETIREMENT BENEFITS SCHEME

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

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

EQUITY-LINKED AGREEMENTS

During the Reporting Period, other than the RSU Scheme and the Share Option Scheme as set out in the section under "RSU Scheme and Share Option Scheme" and Note 26 to the consolidated financial statements, the Company has not entered into any equity-linked agreement.

STRUCTURED CONTRACTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) Parties: Registered Shareholders; and WFOE

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

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

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

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

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

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

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

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

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

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

	Financial Contribution to the Group		
	Revenue as at 31 Dec 2021	Net Profit as at 31 Dec 2021	Total Asset as at 31 Dec 2021
PRC Operating Entities	100%	86%	93%

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

- the Structured Contracts as a whole and each of the agreements comprising the Structured Contracts are legal, valid and binding on the parties thereto, enforceable under PRC laws and regulations, and in particular, the Structured Contracts do not violate the provisions of Parts I & III of the PRC Civil Code (中華人民共和國民法典第一編及第三編) and other applicable PRC laws and regulations; upon signing, the Structured Contracts will be valid and effective under PRC laws and regulations; each of the Structured Contracts is not in violation of provisions of the articles of association of our PRC Operating Entities; entering into and the performance of the Structured Contracts are not required to obtain any approvals or authorizations from the PRC governmental authorities except that (1) the pledge of any equity interest in company in favor of WFOE is subject to registration requirements with relevant Administration of Industry and Commerce; (2) the transfer of the equity interests in the Company contemplated under the Structured Contracts is subject to applicable approval and/or registration requirements under the then applicable PRC laws; and (3) any arbitral awards in relation to the performance of the Structured Contracts are subject to application to competent PRC courts for recognition and enforcement.

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

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

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

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

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

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

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

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

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

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

(g) Material change in the Structured Contracts:

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

(h) Unwinding of the Structured Contracts:

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

CONNECTED TRANSACTION

Non-exempted Continuing Connected Transaction

Structured Contracts

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

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

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

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

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

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

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

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

(b) No change without independent Shareholders' approval

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

(c) Economic benefits flexibility

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

(d) Renewal and reproduction

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

(e) Ongoing reporting and approvals

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

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

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

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

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

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

The independent non-executive Directors and the audit committee (the "**Audit Committee**") have reviewed the Structured Contracts for the year ended 31 December 2021 and have confirmed that:

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

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

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

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

Partially-exempt Connected Transaction

The following transaction constitute connected transaction, which was exempt from circular and Shareholders' approval requirements and was only subject to the reporting and announcement requirements under Chapter 14 and 14A of the Listing Rules.

During the Reporting Period, the connected transaction between the Company and its associates (as defined under the Listing Rules) was as follows:

Discloseable Transaction and Connected Transaction in Relation to the Disposal of the Equity Interest in the Target Entities

Date: 31 December 2021

Parties and their connected relationship:

(i) the Seller, an operating entity controlled by (and the financial results of which were consolidated into the financial results of the Company) via the VIE Structure. (the "**Seller**")

(ii) the Purchaser, a company incorporated in the PRC with limited liability, principally engaging in investment and investment holding. (the "**Purchaser**")

Objective:	In compliance with the Double Reduction Policy and the related implementation rules, regulations and measures promulgated by competent authorities, the Company planned to divest its interest in the target entities by this disposal. For this purpose, the Seller had sold the entire equity interest in all of the target entities to the Purchaser or a subsidiary to be designated by the Purchaser.
Pricing:	RMB1.00
Nature of the connected person's interest in the transaction:	As at the date of this disposal, the Purchaser was indirectly owned as to 37.46%, 31.41% and 31.13% of its equity interest by Mr. Junjing Tang, Mr. Junying Tang and Mr. Gui Zhou, respectively, and thus the Purchaser is an associate of Mr. Junjing Tang, Mr. Junying Tang and Mr. Gui Zhou, respectively.

This connected transaction was subject to the reporting and announcement requirements under Chapters 14 and 14A of the Listing Rules, and the Company failed to comply with the relevant rules of Chapters 14 and 14A of the Listing Rules timely in connection with the Disposal. The Company has reported the situation to The Stock Exchange of Hong Kong Limited and has taken remedial measures. The Board wishes to clarify that the aforesaid breach of the Listing Rules was inadvertent and unintentional. The Company regrets such inadvertent and unintentional breach of the Listing Rules and reiterates its belief that continuing compliance with the Listing Rules and other applicable regulatory requirements is of utmost importance.

For more information on this transaction, please refer to the Company's announcement dated 30 March 2022 titled "(I) Discloseable Transaction and Connected Transaction In Relation to the Disposal of Equity Interest in the Target Entities and (II) Breach of the Listing Rules and Remedial Actions" and the supplemental announcements dated 4 April 2022 and 14 April 2022 respectively.

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

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

RELATED PARTY TRANSACTIONS

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

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

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the period from the Listing Date to 31 December 2021. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of our Group during the period from the Listing Date to 31 December 2021.

SUFFICIENCY OF PUBLIC FLOAT

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

INDEMNITY OF DIRECTORS

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

CORPORATE GOVERNANCE

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

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

Under the code provision A.2.1 (which has been re-numbered as C.2.1 since 1 January 2022) of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. Under the current organisation structure of the Company, Mr. Junjing Tang is the chairman and chief executive officer of the Company. With extensive experience in the education industry, Mr. Junjing Tang is responsible for overall development, operation and management of the Company and is instrumental to the growth and business expansion since the establishment of the Group. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprise experienced individuals. The Board currently comprises four executive directors (including Mr. Junjing Tang), one non-executive director and three independent non-executive directors and therefore has a fairly strong independence element in its composition.

On 24 December 2021, Mr. Yingmin Wu resigned as an independent non-executive Director and ceased to be a member of the nomination committee of the Company (the "**Nomination Committee**"). On 23 March 2022, Mr. Caihe Lin was appointed as an independent non-executive Director and a member of the Nomination Committee. Upon the appointment of Mr. Lin as an independent non-executive Director and a member of the Nomination Committee, as at the date of this annual report:

(a) The Board has a total of eight Directors, three of whom are independent non-executive Directors. Accordingly, the Company complies with the requirements of Rule 3.10(1) of the Listing Rules.

(b) The Nomination Committee has three members, two of whom are independent non-executive Directors, being the majority of the Nomination Committee. The Company therefore complies with the requirements of the code provision A.5.1 of the then CG Code (which has been amended as Rule 3.27A of the Listing Rules since 1 January 2022).

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

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report from page 49 to 70 of this annual report.

DONATIONS

During the Reporting Period, the Group made an external donation of RMB0.36 million.

AUDITOR

The consolidated financial statements for the Reporting Period have been audited by Ernst & Young, Certified Public Accountants, there was no change in the Company's auditor for the previous three years.

COMPLIANCE WITH LAWS AND REGULATIONS

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

CHANGES IN THE BOARD AND THE DIRECTORS' INFORMATION

The changes in the Board and Director's Information since the date of the Company's 2021 interim report are set out below:

1. Mr. Yingmin Wu resigned as an independent non-executive Director of the Company since 24 December 2021 due to his age and health reason;

2. Mr. Caihe Lin was appointed as an independent non-executive Director of the Company since 23 March 2022; and

3. Ms. Weiying Guan was appointed as an executive Director of the Company since 31 March 2022.

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

On behalf of the Board

Junjing Tang
Chairman

Hong Kong, 29 April 2022

Corporate Governance Report

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

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has adopted the code provisions set out in the CG Code as its own code to govern its corporate governance practices.

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

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

On 24 December 2021, Mr. Yingmin Wu resigned as an independent non-executive Director and ceased to be a member of the Nomination Committee. On 23 March 2022, Mr. Caihe Lin was appointed as an independent non-executive Director and a member of the Nomination Committee. Upon the appointment of Mr. Lin as an independent non-executive Director and a member of the Nomination Committee, as at the date of this annual report:

(a) The Board has a total of eight Directors, three of whom are independent non-executive Directors. Accordingly, the Company complies with the requirements of Rule 3.10(1) of the Listing Rules.

(b) The Nomination Committee has three members, two of whom are independent non-executive Directors, being the majority of the Nomination Committee. The Company therefore complies with the requirements of the code provision A.5.1 of the then CG Code (which has been amended as Rule 3.27A of the Listing Rules since 1 January 2022).

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

THE BOARD

(1) Responsibilities

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

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

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

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

(3) Board Composition

For the year ended 31 December 2021 and up to the date of this annual report, the Board comprises four executive Directors, one non-executive Director and three independent non-executive Directors.

Executive Directors

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

Non-Executive Director

Mr. Wenhui Xu

Independent Non-Executive Directors

Ms. Yu Long
Mr. Peng Xue
Mr. Caihe Lin *(appointed on 23 March 2022)*
Mr. Yingmin Wu *(resigned on 24 December 2021)*

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

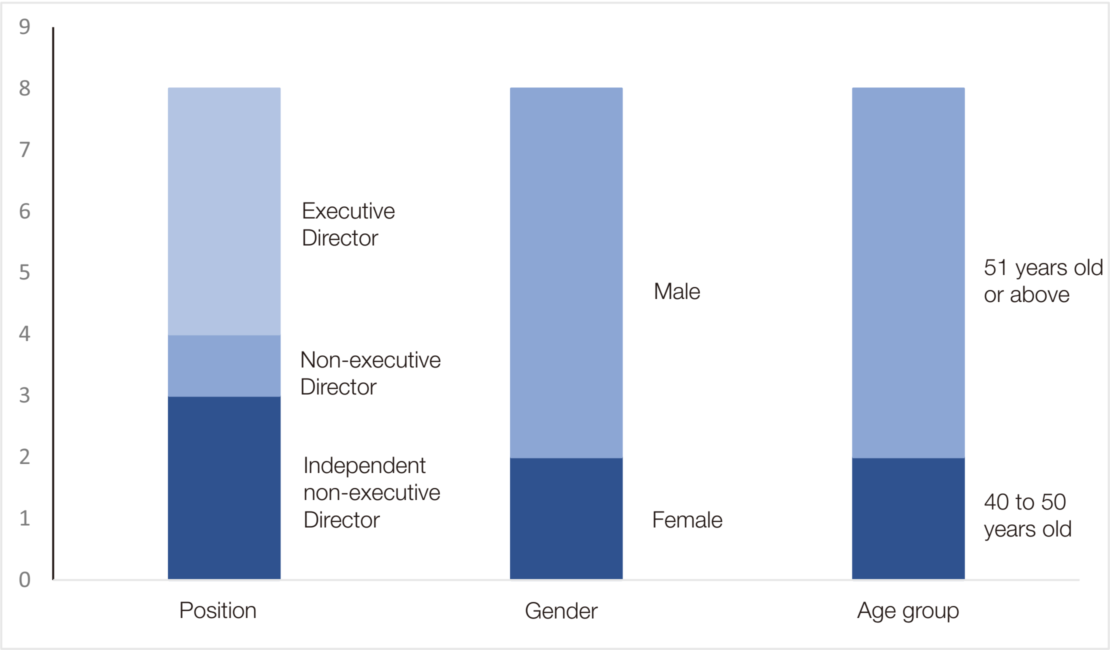
According to Rules 3.10(1) and (2), and 3.10A, the Board must include at least three independent non-executive directors with at least one of the independent non-executive directors possessing appropriate professional qualifications or accounting or related financial management expertise and the appointment of independent non-executive directors representing at least one-third of the board. On 24 December 2021, one of the three independent non-executive directors Mr. Yingmin Wu ("**Mr. Wu**") resigned. Upon the resignation of Mr. Wu, the representation of independent non-executive Directors among the Board fell below the minimum number required under Rule 3.10. In order to ensure compliance with the Listing Rules, the Company has used its best endeavours to identify appropriate candidate(s) to fill the casual vacancy on the Board for the position of independent non-executive Director(s) as soon as practicable and in any event within three months from 24 December 2021 as required under Rule 3.11 of the Listing Rules. On 23 March 2022, Mr. Caihe Lin was appointed as an independent non-executive director of the Company and upon the appointment, the Company complies with the requirements of Rule 3.10(1) of the Listing Rules. Among the three independent non-executive Directors, Mr. Peng Xue has appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

(4) Board Diversity Policy

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

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

As at the date of this annual report, the diversity of the Board is illustrated as below. Further details on the biographies and experience of the Directors are set out from page 17 to 21 of this annual report.



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

(5) Measurable Objectives

	Measurable Objectives	Progress for Achieving Objectives
Objective 1	Consider candidates for appointment as independent wide pool of backgrounds, skills, experience and perspectives that would complement the existing Board	1. On-going search for appropriate candidates to be appointed as independent non-executive directors; 2. In the ordinary course of the Board succession process.
Objective 2	Report annually against the objectives and other initiatives taking place within the Company which promote diversity	1. The Board evaluation process includes an assessment of the Board's diversity helping to objectively consider the Board composition and effectiveness; 2. 2021 and ongoing.
Objective 3	Report annually on the outcome of the composition and structure of the Board as well as any issues and challenges the Board is facing when considering the diverse make-up of the Company	1. Make use of the Board evaluation process as an important means of monitoring the progress; 2. Remain committed to getting the right balance of the composition of the Board and work towards understanding and managing some of the challenges we face in the management of corporate development strategy sector, particularly in online education, offline expansion and merger and acquisition areas; 3. 2021 and ongoing.

The Nomination Committee has reviewed the board diversity policy to ensure its effectiveness and considered that the Group achieved the objectives of its board diversity policy for the year ended 31 December 2021.

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

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

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

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

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

(7) Induction and Continuous Professional Development

Pursuant to the code provision A.6.5 (which has been re-numbered as C.1.4 since 1 January 2022) of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

Pursuant to the code provision A.6.1 (which has been re-numbered as C.1.1 since 1 January 2022) of the CG Code, each newly appointed Director should be provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations. For the year ended 31 December 2021, the Directors were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations.

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

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

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

(8) Chairman and Chief Executive Officer

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

(9) Appointment and Re-Election of Directors

Each of the executive Directors has entered into a service contract with the Company. Except that of Ms. Weiying Guan, the initial term of other executive Directors' service contracts shall commence from the date of their appointment and continue for a period of three years after or until the third annual general meeting of the Company since the date of the Prospectus, whichever is earlier and renewed on 1 April 2021 for a period of three years (subject always to re-election as and when required under the Articles), until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other not less than three months' prior notice in writing. Ms. Weiying Guan was appointed on 31 March 2022, she will hold office from the date of her appointment until the date of the next general meeting, and is eligible for re-election thereon.

The non-executive Director has entered into an appointment letter with the Company. The initial term for his appointment letters shall be three years from the date of the Prospectus or until the third annual general meeting of the Company since the Listing Date, whichever is sooner, and renewed on 1 April 2021 for a period of three years (subject always to re-election as and when required under the Articles) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

Each of the independent non-executive Directors has entered into an appointment letter with the Company. Except that of Mr. Caihe Lin, the initial term for their appointment letters shall be three years from the date of the Prospectus or until the third annual general meeting of the Company since the Listing Date, whichever is sooner, and renewed on 1 April 2021 for a period of three years (subject always to re-election as and when required under the Articles) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing. Mr. Caihe Lin was appointed on 23 March 2022, he will hold office from the date of his appointment until the date of the next general meeting, and is eligible for re-election thereon.

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

In accordance with Article 109 of the Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Accordingly, Mr. Junying Tang and Mr. Wenhui Xu shall retire by rotation at the 2022 AGM and, being eligible, offer themselves for re-election.

In accordance with Article 113 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Accordingly, Mr. Caihe Lin and Ms. Weiying Guan, being appointed as Directors with effect from 23 March 2022 and 31 March 2022 respectively, shall retire from their offices as Directors at the 2022 AGM and, being eligible, offer themselves for re-election.

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

(10) Board Meetings and Committee Meetings

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

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

Apart from the regular Board meetings, the Chairman also held one meeting with all independent non-executive Directors without the presence of other Directors.

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

Directors	Attended in person/ Eligible to attend
Mr. Junjing Tang *(Chairman, Chief Executive Officer and Executive Director)*	3/3
Mr. Junying Tang *(Executive Director)*	3/3
Mr. Gui Zhou *(Executive Director)*	3/3
Mr. Wenhui Xu *(Non-executive Director)*	3/3
Mr. Yingmin Wu *(Independent Non-executive Director)*[1]	3/3
Ms. Yu Long *(Independent Non-executive Director)*	3/3
Mr. Peng Xue *(Independent Non-executive Director)*	3/3

Note:

1. Mr. Yingmin Wu resigned as an independent non-executive Director of the Company since 24 December 2021.

(11) Model Code for Securities Transactions

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

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

(12) Delegation by the Board

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

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

(13) Corporate Governance Function

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

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

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

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

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

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

BOARD COMMITTEES

(1) Nomination Committee

For the year ended 31 December 2021 and up to the date of this report, the Nomination Committee currently comprises three members, namely Mr. Junjing Tang (chairman and chief executive officer), Mr. Yingmin Wu (during the period from 1 January 2021 to 24 December 2021), Ms. Yu Long and Mr. Caihe Lin (since 23 March 2022) (each being an independent non-executive Director). The majority of the committee members are independent non-executive Directors. Mr. Junjing Tang is the chairman of this committee.

The principal duties of the Nomination Committee include the followings:

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

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

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

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

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

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

One meeting of the Nomination Committee were held for the year ended 31 December 2021 and the attendance record of the Nomination Committee members is set out in the table below:

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

Note:

1. Mr. Yingmin Wu resigned as a member of Nomination Committee of the Board of the Company since 24 December 2021

In the meeting held on 25 March 2021, the Nomination Committee reviewed and discussed the policy, procedure and criteria for nomination of the Directors, reviewed and discussed the Board diversity policy and discussed all measurable objectives set for implementing the policy and the progress made towards meeting the measurable objective in the policy, assessed the independence of independent non-executive Directors, considered the re-appointment of the retiring Directors, reviewed the time commitment required from the non-executive Director and fulfilled duties as required aforesaid.

Nomination Policy

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

Selection criteria

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

— character and integrity;

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

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

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

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

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

Nomination Procedures

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

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

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

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

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

— where nominating an independent non-executive Director for election at general meetings, having due consideration of matters under code provision A.5.5 (which has been re-numbered as B.3.4 since 1 January 2022) of the CG Code;

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

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

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

(2) Remuneration Committee

For the year ended 31 December 2021 and up to the date of this report, the Remuneration Committee comprises three members, namely Ms. Yu Long (an independent non-executive Director), Mr. Junjing Tang (chairman and chief executive officer) and Mr. Peng Xue (an independent non-executive Director), the majority of whom are independent non-executive Directors. Ms. Yu Long is the chairlady of this committee.

The Remuneration Committee has adopted the second model described in code provision B.1.2(c) (which has been re-numbered as E.1.2(c) since 1 January 2022) under Appendix 14 to the Listing Rules (i.e. make recommendation to the Board on the remuneration packages of individual executive Director and senior management member).

The principal duties of the Remuneration Committee include the followings:

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

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

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

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

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

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

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

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

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

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

One meeting of the Remuneration Committee was held for the year ended 31 December 2021 and the attendance record of the Remuneration Committee members is set out in the table below:

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

In the meeting held on 25 March 2021, the Remuneration Committee discussed and reviewed the remuneration policy for Directors and senior management of the Company, assessed performance of executive Directors, made recommendations to the Board on the remuneration packages of individual executive Directors and senior management and fulfilled duties as required aforesaid.

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

Remuneration band (RMB)	Number of individual
0 to 1,000,000	7
1,000,001 to 1,500,000	3
Above 1,500,000	0

(3) Audit Committee

For the year ended 31 December 2021 and up to the date of this report, the Audit Committee comprises three members, namely Mr. Peng Xue (an independent non-executive Director), Mr. Wenhui Xu (a non-executive Director) and Ms. Yu Long (an independent non-executive Director), the majority of whom are independent non-executive Directors. Mr. Peng Xue is the chairman of this committee. The main duties of the Audit Committee include the following:

- To be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of its resignation or dismissal;
- To review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee shall discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences;
- To develop and implement policy on engaging of external auditors to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- To monitor integrity of the financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports and to review significant financial reporting judgements contained in them;
- To review the financial controls of the Company, and unless expressly addressed by a separate board risk committee, or by the board itself, to review the Company's risk management and internal control systems;
- To discuss the risk management and internal control systems with management of the Company to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programs and budget of the accounting, internal control and financial reporting function of the Company;
- To consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- To ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- To review the financial and accounting policies and practices of the Company and its subsidiaries;
- To review the external auditors' management letter, any material queries raised by the auditors to management about accounting records, financial accounts or systems of control and management's response;

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

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

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

- To report to the Board on the matters stated herein above and other matters, if any, in the code provisions of Corporate Governance Code contained in Appendix 14 of the Listing Rules (as amended from time to time);

- To perform the Company's corporate governance functions with details set out in the paragraph headed "THE BOARD — (13) Corporate Governance Function" above.

Two meetings of the Audit Committee were held for the year ended 31 December 2021 and the attendance record of the Audit Committee members is set out in the table below:

Directors	**Attended in person/ Eligible to attend**
Mr. Peng Xue *(Chairman)*	2/2
Mr. Wenhui Xu	2/2
Ms. Yu Long	2/2

In the meetings held on 25 March 2021 and 31 August 2021, the Audit Committee reviewed the Group's policies on corporate governance and discussed the same with the Board, reviewed the financial reporting system, compliance procedures, internal control and risk management systems (including the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting, internal audit and financial reporting functions) and associated processes and the reappointment of the external auditor and fulfilled duties as required aforesaid. The Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of external auditor.

The Audit Committee also reviewed the interim results for the six months ended 30 June 2021, the annual results of the Company and its subsidiaries for the year ended 31 December 2020 as well as the audit report prepared by the external auditor relating to accounting issues and major findings in course of audit.

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

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

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

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

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

The Board's Responsibility for Risk Management and Internal Control

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

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

Characteristics of Risk Management and Internal Control Systems

The Board is responsible for maintaining a good and effective risk management and internal control systems to safeguard the Group's assets and the shareholders' interests. The Directors confirmed that, during 2021, the Board supervised the management's design, implementation and monitoring of the risk management and internal control systems, and reviewed the adequacy and effectiveness of the risk management and internal control systems of the Group on an ongoing basis; such review covered all major control aspects of the Group, including strategic, financial, operational and compliance controls and risk management activities.

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

Risk Management Organizational System

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

Risk Management and Internal Control and Management Procedures

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

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

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

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

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

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

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

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

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

Risk Management and Internal Control Systems Review for 2021

As at 31 December 2021, the Audit Committee has conducted a review of the risk management and internal control systems of the Company, including strategic, financial, operational and compliance controls that are primary concerns of the Board. The review also considers and includes the resource adequacy of the accounting and financial reporting functions of the Group, staff qualification and experience, training plans and budget. The primary function of the Audit Committee is to assist the Board in providing an independent view of our financial reporting process, internal control and risk management system, overseeing the audit process and performing other duties and responsibilities as assigned by our Board. On 31 March 2022, the Audit Committee of the Company has in conjunction with management reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the consolidated financial statements of the Group for the year ended 31 December 2021. The Group and the Directors considered the current risk management and internal control systems of the Group to remain effective and sufficient with no material issues to be brought to the Board's attention.

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

AUDITOR'S REMUNERATION

Audit fees of the Group for the year payable to the external auditors were approximately RMB4.0 million.

COMPANY SECRETARY AND PRIMARY CONTACT OF THE COMPANY

During the period from 1 January 2021 to 14 April 2021, the joint company secretaries of the Company were Mr. Changxu Zhu ("**Mr. Zhu**") and Ms. Chau Hing Ling ("**Ms. Chau**"), the director of Corporate Services of Vistra Corporate Services (HK) Limited (a company secretarial service provider). Mr. Changxu Zhu resigned as a joint company secretary of the Company and secretary of the Board since 14 April 2021. Ms. Chau, who possesses the requisite qualification and experience as required under Rule 3.28 of the Rules Governing the Listing of Securities on the Stock Exchange, remains in office as the sole company secretary of the Company. The primary contact of Ms. Chau at the Company is Qianru Zeng since 14 April 2021.

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

GENERAL MEETING

For the year ended 31 December 2021, none extraordinary general meeting and one annual general meeting of the Company were held. The attendance record of the directors is set out in the table below:

Directors	Attended in person/ Eligible to attend
Mr. Junjing Tang	1/1
Mr. Junying Tang	1/1
Mr. Gui Zhou	1/1
Mr. Wenhui Xu	1/1
Mr. Yingmin Wu[1]	1/1
Ms. Yu Long	1/1
Mr. Peng Xue	1/1

Note:

1. Mr. Yingmin Wu resigned as an independent non-executive Director of the Company since 24 December 2021

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

SHAREHOLDERS' RIGHTS

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

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

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

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

(2) Procedures for putting forward proposals at general meeting

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

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

(3) Enquiries to the Board

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

Address: 41/F, Xinde Business Centre, Zhongshan 4th Road, Yuexiu District, Guangzhou, Guangdong, PRC

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

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

CHANGE IN CONSTITUTIONAL DOCUMENTS

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

ESG Report

INTRODUCTION AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES

Corporate Culture

Since the establishment of the Group in 1997, the Group has been deeply involved in the education sector for 24 years. During the period, the Group continued to innovate, uphold the brand strategy of "growing for the future", adhere to the mission of "cultivating excellent quality and contributing to the future of the country", and adhere to the vision of "becoming the most favored learning and growth place for children and most trusted by parents", continuously optimize the business system, seek innovation, and forge ahead. The Group helps students improve their academic performance, guides students to identify their own characteristics, and helps students achieve comprehensive and healthy growth by providing diversified and personalized tutoring courses.

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

About This Report

This Environmental, Social and Governance ("**ESG**") Report (the "**report**") is the fourth annual ESG report published by the Group. Based on the principles of materiality, quantification, balance and consistency, this report outlines the Group's concepts, practices and achievements in sustainable development such as teaching management, employee rights and interests, environmental protection and social welfare.

Reporting Scope

The content of this report covers relevant data of training centers and subsidiaries of the Group, i.e. operating entities of the Group's main business. This report covers the Reporting Period.

Basis for Preparation

This report is prepared in accordance with Appendix 27: Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") to the Listing Rules issued by the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

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

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

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

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

Consistency: Unless otherwise stated, the preparation method of this report is consistent with that of the previous year for comparison. If there is any change in the scope of disclosure and calculation methods, which may affect the comparison with previous reports, the Group will explain accordingly.

Report Statement

The information in the report is derived from official documents, statistical reports and publicly available information of the Group and internal systems of its campuses. This report has been confirmed by the working group of the Group and approved by the board of the Group on 31 March 2022.

ESG Governance Structure

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

The board has overall responsibility for the Group's ESG issues and is required to formulate ESG management approach, strategy, priorities and objectives. In order to better manage the Group's ESG performance, related issues and potential risks, the board regularly evaluates and determines the Group's ESG risks and opportunities, and reviews its performance and progress against ESG-related targets. The board is also responsible for ensuring the effectiveness of the risk management and internal control systems and reviewing and approving the disclosures in this report.

In order to manage ESG issues under the authority of the board, the Group has set up a working group before the publication date of this report. The working group comprises core members from different departments, which assists the board in overseeing ESG matters. The working group is responsible for collecting and analyzing ESG data, monitoring and evaluating the Group's ESG performance, following up and reviewing the progress of the Group's ESG-related targets, ensuring compliance with ESG-related laws and regulations, assisting in conducting materiality assessment, and preparing this report. The working group arranges regular meetings to evaluate the effectiveness of existing policies and procedures and formulates appropriate solutions to enhance overall performance of the ESG policies. The working group reports to the board on a regular basis, assists in evaluating and identifying the Group's ESG risks and opportunities, and ensures the implementation and effectiveness of the risk management and internal control systems.

Chairman's Statement

Dear Extinguished Stakeholders:

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

In view of the impact of both the national "Double Reduction" policy and the outbreak of the pandemic, the industry and the Group's business have been greatly affected. However, the Group has always responded to forthcoming challenges in a proactive manner, striving to turn challenges into opportunities and turning opportunities into driving forces for continuous development. The Group mainly provides program-related products and services including full-time test preparation, talent education, vocational education and self-study. It is committed to the mission of "cultivating excellent quality and contributing to the future of the country" and pursuing the vision of "becoming the most favored learning and growth place for children and the most trusted place for parents". Looking forward, under the guidance of both policies and market, the Group will continue to actively branch out into multiple fields such as full-time test preparation, talent education, vocational education and self-study, and provide students with comprehensive and diversified teaching services, so as to promote overall development and healthy growth of children.

The Group believes that sustainability is essential to the planet and it also contributes to the long-term prosperity and development of the Group's business. Therefore, the Group also strives to establish a sound governance structure to effectively manage ESG issues related to the Group. The board must assess the potential impact of ESG issues on the Group's overall strategy, formulate ESG management approach and strategy, and supervise the Group's ESG issues. Information on the Group's ESG governance structure is set out in the section headed "ESG Governance Structure".

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

As a socially responsible enterprise, the Group recognizes the importance of reducing environmental impact. In order to fulfill the Group's commitment to corporate social responsibility and allow the Group's stakeholders to better understand the Group's continuous improvement in ESG performance, the Group has decided to set environmental targets. The goal covers energy conservation, emission reduction and waste management to respond to the national vision of carbon neutrality and waste reduction and enhance our corporate reputation. To achieve the goal, the Group actively implements the principle of sustainable development and takes relevant measures at the operational level. To ensure effective implementation of these measures, the board has delegated a working group to collect relevant ESG data, track and review the Group's performance, and evaluate the Group's progress in achieving its goals.

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

Junjing Tang
Chairman, Chief Executive Officer and Executive Director

STAKEHOLDER ENGAGEMENT

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

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

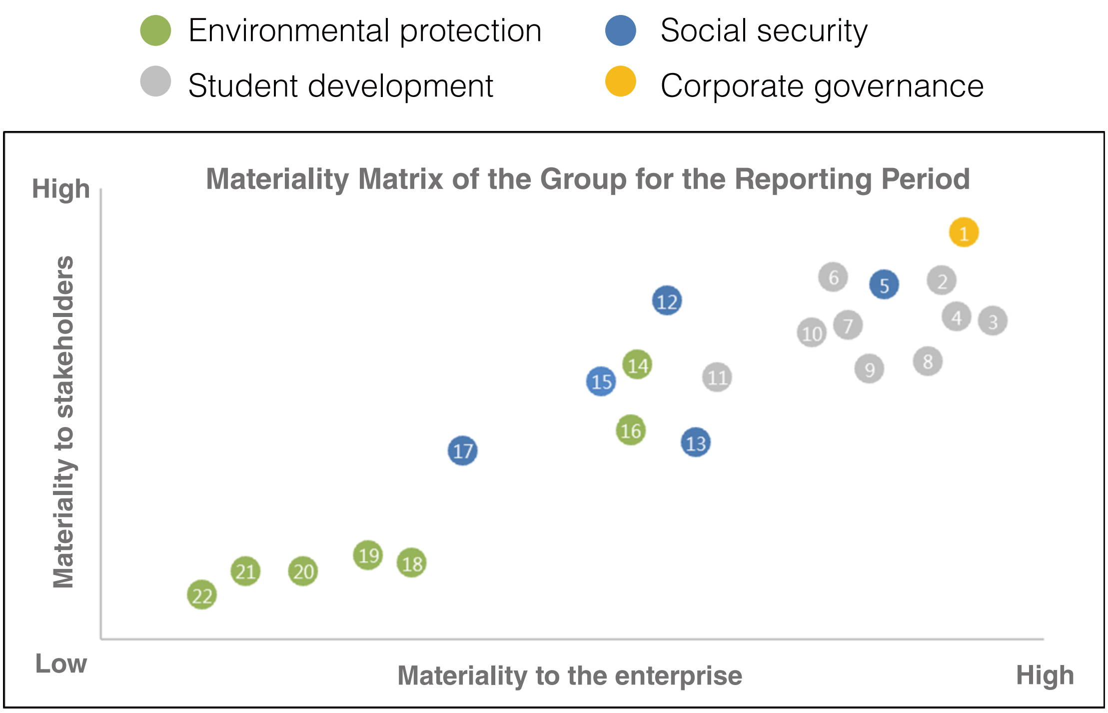
Category of stakeholders	Demands and Expectations	Communication and Response
Teachers/Staff	• Employee remuneration and welfare system • Management and structure of teacher team • Promoting employee development • Employee safety and occupational health • Teacher style and morality construction • Development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

Material ESG issues

The Group regularly conducts comprehensive surveys on a wide range of stakeholders to continuously collect their feedback. During the Reporting Period, the Group reviewed issues related to ESG management in the previous year, and adjusted material ESG issues based on business development of the Group and through benchmarking itself against peer companies during the Reporting Period. In addition, the Group conducted a questionnaire survey on all stakeholders to understand the changes in their views and demands. During the Reporting Period, the Group collected a total of 127 questionnaires, and adjusted the priority of issues based on the actual operation of the firm.

Materiality Assessment

The Group has formed important reference for this materiality assessment based on the stakeholders' evaluation and expectations for the Group's ESG performance. Through analysis of the survey results, the Group identified 8 highly important issues, including "compliance operation and anti-corruption", "teaching quality assessment and improvement", "health protection and safety of teaching environment", "students and parents privacy and data protection", "protection of employee's safety and occupational health", "development and innovation of education services", "protection of intellectual property rights in education products" and "teacher ethics and morality development". The Group will focus on responding to issues identified in this report to effectively improve the pertinence and responsiveness of this report and serve as an important guideline for future sustainable development.



List of material ESG issues in 2021

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

Contact the Group

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

SOCIAL

For Healthy Growth of Children

The Group insists on thinking for the long-term development of children, explores innovative education methods, cultivates children's "excellent quality", explores individuality potential of children, builds a personalized growth system for children with professionalism, and always pays attention to physical and mental health and lifelong development of children, so as to promote students to create the greatest possible. Providing students with diversified educational programs, effective learning scenarios and a good learning atmosphere, the Group continues to improve the quality of teaching and create a safe and healthy teaching environment to grow together with children into the future.

Teaching Philosophy

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

Brand Philosophy

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

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

Education Programs

Our Group mainly offers products and services related to projects such as full-time test preparation, talent education, vocational education and self-study programs. The Group's full-time test preparation program is designed to help students of Zhongkao and Gaokao to enroll in its preferred schools. The Group's talent education aims to nurture all-round development of students, making the learning process more engaging and interesting. In addition, the Group has also defined itself as a provider of high quality and modern vocational education. Apart from nurturing outstanding students, the Group has also incorporated vocational education and self-study programs to accelerate our steps in the development of a modern vocational education system and provide strong human and skill support for the country.

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

The Group expects to build a "individualized growth system" for students' quality and ability, develop the core quality of primary and secondary school students, and equip students with key capabilities and characters that can meet the needs of social development and their own development, so as to achieve comprehensive development of moral, intellectual, physical, aesthetic and labor thereby laying a solid foundation for the improvement of the overall quality of the new generation of Chinese citizens and the cultivation of professional and innovative talents, and providing more possibilities for the future of children. The Group also develops learning products to train students' basic qualities, focusing on four comprehensive abilities, namely language expression, scientific literacy, humanistic literacy and innovation capability, while taking into account improvement in five intellectual abilities, namely attention, observation, memory, imagination and thinking. In the meantime, the Group develops new family ability products, strives to extent beyond the two key segments of learning and psychology education and family education, assist students to adapt to growth and changes and support social development.

Teaching Innovation

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

Integration of Online and Offline Education

Due to the impact of the pandemic, after the small class courses were quickly transferred from offline to online, the Group still exhibited strong operating capabilities. On the basis of high-quality teaching, the follow-up rate of winter and spring courses remained at a high level, indicating that the Group's teaching effect and course experience were recognized by parents and students, and established a good reputation for the Group's online and offline education services and products ("**OMO**") teaching model.

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

Education Quality

Responsible Operation

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

During the Reporting Period, the Group was selected as one of the first batch of "Leading Private Enterprises in Guangzhou" by virtue of its outstanding comprehensive strength. In the future, the Group will rely on the accumulation of policy resources to forge ahead in the direction of diversified businesses such as quality-oriented education, retake program, self-learning space, international Chinese language and academic tutoring to provide more solid education services for students and parents from the South of the People's Republic of China and even the whole country with full efforts to help children grow better for the future.

High-quality Education

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

Adequate Course Preparation

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

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

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

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

Control Teaching Quality

The Group is always concerned about the management of teaching quality. The Group strictly complies with its internal standards, including the Eight Procedures for Customised Customer Services, the Standard Procedures for Teaching Business, the Procedures for Teachers' Routine Teaching Services and the Procedures for Teachers' First and Last Class Teaching Services. It regularly conducts activities such as sampling of teachers' lesson plans, evaluation after attending the lectures, explanation of examination policies and subject knowledge tests to guarantee teaching service quality and teaching business levels. In addition, upholding a responsible attitude towards students, the Group effectively promotes the assessment of course quality. It evaluates students' learning efficiency from various aspects, including students' engagement and participation, and frequency of answering questions, and class interaction, and measures the quality of teaching achievement delivery through multiple dimensions, such as teachers' clarity of teaching objectives, and standardisation of teaching behaviour and content, and maturity of teaching style.

Focus on After-school Feedback

To comprehensively ensure students' learning efficiency, the Group offers after-class teaching services, helps students master difficult points and key points that they have failed to catch on the class through homework tutoring and answering questions via social media group and by after-class tutoring. The Group checks the teaching quality and students' learning efficiency by ways of homework, entrance examinations, quizzes, periodic tests, level tests, mid-term and final exams.

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

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

Realization of Employee Values

High-quality faculty is the core competitiveness of the Group and the driving force behind its continuous development. The Group is always concerned about the protection of employees' interests, provides employees with scientific training and diverse development opportunities, creates a safe and healthy workplace and a happy and harmonious atmosphere, and therefore realizes common growth with employees. During the Reporting Period, the Group achieved a breakthrough in the brand image of employers, and was awarded the "King's Ark Award for Employer Cherishing Talents the Most", "2021 Most Influential Employer", "2021 Best Employer in People's Republic of China — Campus Recruitment Case Award" and the "College Students Education Practice Base of the College of Liberal Arts of Jinan University" by Jinan University.

Diverse Development of Teachers with Dignity

Adhering to the people-oriented management philosophy, the Group is committed to creating an open platform full of passion, challenges and common growth, and building a team with high cohesion and high execution capability. The Group has a team of over 3,000 excellent teaching staff, including senior teaching experts and gold coaches.

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

✔ **Respect for differences:**

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

✔ **Respect for contribution:**

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

✔ **Respect for growth:**

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

Treating Employees Fairly

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

Treasuring Talents

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

Labor Standards

The Group strictly complies with the Law of People's Republic of China on the Protection of Minors and the Provisions on the Prohibition of Using Child Labour and other relevant laws and regulations in relation to labour employment, requiring new staff to cooperate with local human resources centres in reference check procedures in the course of recruitment to prohibit the employment of child labor in accordance with requirements as set out in the labor management section of the Employee Handbook. The Group also enters into labor contracts with all regular employees to effectively protect their legitimate rights and interests. At the same time, the Group strictly complies with relevant national regulations to adopt a 40-hour work week, respects the rights of employees to rest and leave, and regulates the working hours of employees and their rights to various types of rest times and holidays. Details of the application and arrangements for holidays are set out in the Employee Handbook. The Group also conducts regular reviews and inspections to prevent any child or forced labour in its operations. If any violation is found, the child labor or forced labor will be immediately stopped from work and handled as appropriate. During the Reporting Period, the Group's labor contract signing rate with all full-time employees was 100%. The Group was not aware of any material non-compliance with laws and regulations relating to the prevention of child labor or forced labor. As of December 31, 2021, the Group had a total of 3,043 full-time employees. For detailed breakdown, please refer to "Appendix I Key Performance Indicators".

Employee Compensation and Benefits

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

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

✔ **Satisfaction of employees' needs:**

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

✔ **Helping Employees in difficulties:**

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

Employee Promotion and Dismissal

The Group formulates management policies such as the Position and Ranking Management Rules and the Non-teaching Staff Promotion Management Mechanism to clearly define the criteria for staff promotion. Meanwhile, the Group organizes talent promotion assessment meetings to evaluate the ability and potential of candidates and regularly tracks succession plans and construction of talent pipeline of each department to ensure fair, just and open promotions. The Group encourages internal talent mobility and matches employees with positions more suitable for their development through internal recruitment, expatriate assignments, inter-departmental or cross-business divisional transfers, etc.

For teaching staff, the Group selected and evaluated teachers with the "one passion and six abilities" teacher's ability model, being education passion, teaching ability, professional ability, and communication ability, motivating ability, learning ability and innovation ability, identified teachers' ability level based on the one-star to five-star teacher criteria, and built an outstanding star-level educational team.

In addition, the Group complies with the employment regulations and guidelines in the Employee Handbook. In case of dismissal of employees, the Group will handle it in accordance with the Labor Agreement and the Labor Relationship Termination Agreement, and make reasonable compensation for the dismissed employees. The relevant provisions on separation of employment are set out in the employment contract of each employee. For details of the Group's employee turnover rate during the Reporting Period, please refer to "Appendix I Key Performance Indicators".

Boosting Diversified Growth

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

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

Trust Arises from Communication

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

Talent Development and Training

The Group is committed to creating a systematic talent development system and providing employees with a diversified and equal development platform. The Group has developed a scientific and systematic training program for its employees to continuously improve their management and professional skills, providing high quality talents for the Group's development. The Group pays more attention to the growth of employees, constantly improves the internal training mechanism, unblocks career development channels, and establishes the organization enabling mechanism to inspire employees' potential and procure them to realize growth.

Focus on Talent Cultivation

Excellent talents are the driving force behind the Group's continuous development and the guarantee of quality teaching services. The Group has established the "Beststudy University" and formulated relevant policies and development plans to encourage employees to continue to grow and achieve self-fulfillment, and established the "Best Talent Cultivation Base in the People's Republic of China's Education Industry", which includes development plans such as product manager, teacher trainee and star teacher assessment, in an effort to cultivate outstanding education talents.

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

In order to further promote the accessibility and effectiveness of training resources, the Group has integrated training resources through online professional training and offline communication mode to solve the restrictions on time, space and pandemic prevention requirements. In order to ensure the effectiveness of training, while controlling the scale of training, the Group promotes the evaluation and feedback of training effectiveness, especially in the process of training for new teachers, to evaluate their professional ability, behavior and work performance, and link the evaluation results with teacher transfer and star rating to improve the initiative of independent learning.

For detailed data on the percentage of employees trained and average training hours by gender and employee category during the Reporting Period, please refer to "Appendix I Key Performance Indicators".

Safety and Health Education

The Group regards the safety of students and teachers as the fundamental aspect of its work, and fosters teachers and students' safety awareness by developing a comprehensive safety assurance system. It strictly enforces pandemic prevention and control regulations, strengthens the prevention of and the intervention in campus emergencies, and reduces the risk of safety incidents and spread of diseases.

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

Safety First

For the safety and health of teachers, the Group requires all campuses to clarify the division of safety management responsibilities, regularly monitor for and identify campus safety hazards, and actively carry out employee safety education. In the meantime, the Group provides annual medical check-ups for employees and requires medical examination agencies to issue separate test reports on common occupational diseases among teachers, paying attention to the prevention and treatment of occupational diseases among employees. During the Reporting Period, the Group continued to carry out activities such as traditional Chinese medicine physiotherapy and health knowledge lectures, workplace stress relief lectures and psychological counseling to encourage employees to participate in physical exercise and maintain physical and mental health.

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

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

Emergency Response

The Group follows the "prevention orientation" crisis management principle, establishes the emergency team in accordance with requirements as set out in the Safety Emergency Response Plan and the Campus Emergency Response Manual, ensures that investigation, site survey and effective measures have been taken in respect of the emergencies. Each campus must finish self-inspection and conduct monitoring on emergencies every month, ensure that relevant personnel in compliance with requirements are on duties for 24 hours. Once a safety potential is identified, such safety potential must be escalated in time, and measures must be taken to cope with the risk.

Fostering Safety Awareness

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

Strict Pandemic Prevention and Control

The Group adhered to the red line of pandemic prevention and control, revised the Rules and Regulations on Campus Management, standardized campus information reporting, pandemic prevention inspection, material allocation and other relevant regulations, and strictly implemented the responsibility of pandemic prevention and control. The Group has also issued guidelines such as the "Pandemic Management Rules", "Pandemic Emergency Response Procedures" and "Campus Pandemic Prevention and Control Guidelines" to improve the allocation of medical rooms and medical staff, require real-time isolation and retention of suspicious cases, and report to the health authority and the education authority within 2 hours to cooperate in transportation and investigation.

In response to teachers' arrangements, the Group issued a work resumption guideline as soon as possible and implemented the combination of staggered working hours and remote working to reduce the impact of the pandemic on operations and reduce people crowding. The Group continues to promote regular pandemic prevention, implementing measures such as testing body temperature, establishing health running books, deploying pandemic prevention supplies, maintaining indoor ventilation, disinfecting and cleaning regularly and organizing psychological counselling in offices and campuses, to improve employees' pandemic protection awareness and eliminate the risk of pandemic spread, and so as to jointly create a safe and healthy working environment.

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

Supply Chain Management

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

Improving Supply Chain Management

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

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

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

Promoting Green Supply Chain

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

Compliance Controls

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

Strengthen Risk Management

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

Promoting integrity in the workspace

In compliance with the Company Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China, the Interim Provisions on Banning Commercial Bribery and the Basic Norms of Internal Control for Enterprises and other national laws and regulations, the Group has formulated internal policies such as the Anti-fraud Management Rules and the Guidelines for the Use of Compliance Hotline Mailbox to continuously improve the anti-fraud system. Meanwhile, the audit committee of the Group as the responsible unit of anti-fraud work, and the internal audit department as the executive unit, guide and supervise the Group's anti-fraud work, regularly conduct anti-fraud investigation and risk assessment, and prevent and correct any fraud in time, with the support of the human resources development centre to assist in anti-fraud education and promotion and therefore ensure the integrity within the Group. During the Reporting Period, the Group did not violate any laws and regulations relating to bribery, extortion, fraud and money laundering, and there were no concluded legal cases regarding corrupt practices brought against the Group or its employees.

At the same time, the Group continued to promote integrity promotion and education during the Reporting Period, and carried out 5 anti-fraud publicity events for directors and employees through corporate WeChat official account, corporate email and other channels. The events included the promotion of anti-corruption concepts such as duty encroachment and corporate compliance system. The Group also organized integrity education activities for suppliers, and incorporated integrity code into the Employee Handbook, and posted integrity publicity posters on the bulletin boards of office areas and campuses, calling on all employees to remain highly vigilant and abide by regulations. The Group has also joined the non-profit organization Trust and Integrity Enterprise Alliance (TIEA), and actively promoted the business philosophy of integrity, self-discipline and law-abiding by the anti-fraud experience in seminars and the anti-fraud sharing meeting of enterprises in the South of the People's Republic of China, so as to enhance the professional ethics of employees and create a transparent and honest business environment. The Group will continue to cultivate employees' anti-corruption awareness and good professional ethics to comply with the regulations in Hong Kong and Mainland China.

In addition, the Group has set up and disclosed the smooth reporting channels such as email and QQ on its official website to encourage whistleblowers to report illegal, non-compliant or improper activities in the Group's business activities in real name or anonymously. The Group will follow up on all reports received on suspected fraud and report the progress and results of the investigation to the audit committee of the Group, in order to practically implement investigation into the reporting. At the same time, the Group firmly protects the rights and interests of the whistleblowers, including providing only necessary information to the departments and personnel assisting in the investigation, thus keeping the information of the whistleblower strictly confidential and strictly prohibiting information leakage of whistleblowers. The audit committee will regularly review the complaints received by the Group to measure the effectiveness of the whistleblowing mechanism.

Protecting Personal Privacy

The Group's primary responsibility is to protect the privacy of its customers and safeguard information security and strictly complies with relevant regulations about personal information protection including the Law of the People's Republic of China on the Protection of Consumer Rights and Interests and the Tort Law of the People's Republic of China. The Group classified and filed student registration information in a timely manner; signed electronic contracts with customers, strictly prohibited marketing personnel from divulging customer information, and set strict access to students' and parents' information and duties to protect the personal privacy of students and parents. For teaching applications developed by the Group, customers are required to sign the Beststudy Online APP Privacy Policy before using the application to ensure customers' right to know. At the same time, the Group strictly requires all schools to properly keep materials containing important information such as employee information, core content of products and application data to ensure information security. During the Reporting Period, the Group did not receive any substantiated complaints concerning breaches of customer privacy or losses of customer data.

Intellectual Property Protection

The Group formulates the administrative measures on intellectual property and other internal system documents in accordance with the Trademark Law of the People's Republic of China and the Copyright Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China and other relevant laws and regulations and regulated trademark, patent, copyright, intellectual property dispute settlement and document management. In order to effectively protect its own intellectual property rights, the Group encourages and supports the application for intellectual property rights such as patents, copyrights and trademarks. For suspected infringement cases, the frontline business department will report to the Securities and Compliance Department in a timely manner. The Group will judge the severity of infringement and the applicable treatment methods based on evidence submitted. If necessary, litigation will be taken to effectively protect its own intellectual property rights from infringement.

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

Upholding Integrity Promotion

The Group attaches great importance to the compliance of publicity and strictly abides by the Advertising Law of the People's Republic of China, the Trademark Law of the People's Republic of China and other laws and regulations. The Group has set up a special department to strictly review relevant materials and refuse false publicity in the process of student recruitment. The Group has formulated the Management Procedures for Advertising of Beststudy Education and the Advertising Regulations of Beststudy Education in 2021 to ensure the authenticity and accuracy of the Group's advertising and brand publicity content without misleading statements.

Advocating Green Life

The Group upholds its mission of "nurturing excellent individuals for the future of our country", supports the development of social welfare undertakings and procures students to participate in social activities. The Group strictly abides by the Charity Law of the People's Republic of China and other laws and regulations, gives full play to its own educational and resource advantages, conveys goodwill, and has formulated relevant policies to clarify the provisions on charity to ensure that its donations and sponsorships are used properly. During the Reporting Period, the Group invested RMB360,000 in community public welfare undertakings, and won the "Best Social Responsibility Award for Listed Companies of the Year" in the "Global Investment Carnival 2021" in the People's Republic of China, the "Advanced Anti-pandemic Group for Private Education in Yuexiu District" and the "Golden Spike Partner of Education Charity" as well as other awards, reflecting the Group's outstanding performance in social responsibility.

The Group was Awarded the "Best Social Responsibility Award" of the Year for Listed Companies during the Reporting Period

Making Due Contribution to Pandemic Prevention and Control

As the pandemic was raging, the Group actively participated in social welfare undertakings amid the pandemic. The Group actively responded to the call of the party and the government, actively took part in contributed to the pandemic prevention and control work in Guangzhou in terms of charity donation, material supply, resumption of work and production, and volunteer services. The Group also carried out a number of public welfare activities for pandemic prevention and control, such as the parasols for front-line medical staff on the vaccination site of Yunshanlong Primary School.

The Group also adheres to the concept of "all for the healthy growth of children". During the pandemic, the Group carried out cross-border joint charity activities with Wang Lao Ji, a subsidiary of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited, to provide assistance for Zhongkao and Gaokao candidates, and sent warmth and encouragement to candidates at various popular subway stations in Guangzhou and Shenzhen. Through these warm and powerful words, the Group conveyed the education concept of "every step of children's efforts on the road of education is worth being seen and recognized" to the society and parents.

The Group's Poster at Popular Metro Stations

Spreading Love with Excellence

The Group always adheres to the mission of "cultivating excellent quality and contributing to the future of the country" and actively responds to the call of the state to carry out charity activities to help poor schools in rural areas. During the Reporting Period, the Group successively delivered five batches of supplies to rural schools in different regions, including Tongru Middle School in Qigong Town, Yangshan County, Zhongzhou Central Primary School in Huaiji County, Zhaoqing City, Central School in Zaotan Town, Qingxin District, Qingyuan City, Huanglong Middle School in Dayu County, Ganzhou City, Jiangxi Province and Maihe Primary School in Mazhang Town, Mazhang District, Zhanjiang City. The Group will continue to uphold the philosophy of "Spreading love with excellance", so that more children in rural areas can receive better education.

Representatives of the Party Committee of the Group and Children in Rural Primary Schools

Representatives of the Party Committee of the Group and Children in Rural Primary Schools

ENVIRONMENTAL

Emissions

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

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

Greenhouse Gas Emissions

As the Group's business is education-oriented, the main source of greenhouse gas emissions does not include direct greenhouse gas emissions (Scope 1), and only includes energy indirect greenhouse gas emissions (Scope 2) caused by equipment in educational sites and purchased electricity. As the Group strictly controlled greenhouse gas emissions during the Reporting Period, its total greenhouse gas emissions intensity remained flat with 2020 level. For detailed data, please refer to "Appendix I Key Performance Indicators". In response to the national policy of "Carbon Peak by 2030 and Carbon Neutrality by 2060", the Group will strictly implement and actively cooperate with the government to achieve the goal of emission reduction plan, and strive to achieve the goal of carbon peak and emission reduction by the target time limit. The Group will also actively enhance its image by reducing energy consumption, thereby reducing greenhouse gas emissions.

Waste Management

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

Hazardous Waste

Major hazardous wastes generated during the operation of the Group are wastes generated from production of educational materials and wastes generated from site equipment, including printer toner cartridges, ink cartridges, batteries and light tubes. For details, please refer to "Appendix I Key Performance Indicators". Due to the pandemic, the Group significantly reduced the number of face-to-face classes in the first half of 2020 until the resumption of offline classes in 2021. Therefore, hazardous waste emissions in 2021 were significantly different from that in 2020. In order to achieve sustainable development, the Group classifies and recycles its hazardous waste, such as ink cartridges, to minimize the impact of its business on the environment. The Group will organize activities such as seminars and exchange activities every year to raise employees' awareness of energy conservation.

Non-hazardous Waste

Major non-hazardous waste generated during the Group's operation is paper. For details, please refer to "Appendix I Key Performance Indicators". Due to the pandemic, the Group significantly reduced the number of face-to-face classes in the first half of 2020 until the resumption of offline classes in 2021. Therefore, the amount of non-hazardous waste discharge in 2021 was significantly different from that in 2020. In order to reduce the production of non-hazardous wastes, the Group not only requires employees to properly dispose of them and encourages employees to classify and place them before disposal, but also arranges personnel to handle them in a unified manner. For old books and paper waste disposal, the Group has also been providing them to recyclers to foster waste recycling habits. The Group will gradually reduce paper usage and increase paper recycling in the future.

Use of Resources

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

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

Energy Management

In daily operations, major energy consumption of the Group is electricity consumption in offices. During the Reporting Period, the Group strictly controlled energy consumption and raised employees' awareness of energy conservation through various energy conservation measures and activities. As a result, its total energy consumption intensity remained flat with 2020. To uphold the Group's commitment to energy conservation and consumption reduction, the Group will promote energy saving activities through intranet and emails to raise employees' awareness of energy conservation. The Group will review the effectiveness of the above measures from time to time and make adjustments appropriate for its operation to achieve the purpose of improving the efficiency of resource use. Please refer to "Appendix I Key Performance Indicators" for detailed energy consumption data.

Water Management

The Group's water consumption is mainly domestic water in the office area. The Group has been strengthening its water-saving promotion and posting water-saving slogans in prominent places in the office to remind all employees and customers to develop the habit of conserving water consciously. Starting from 2022, the Group will remind its employees of the importance of saving water through the intranet and emails and celebrate the water saving participation to enhance the effectiveness of water conservation. See "Appendix I Key Performance Indicators" for detailed water consumption data. Due to geographical location of the Group's operations, the Group has no issue in sourcing water that is fit for purpose.

Use of Packaging Materials

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

Climate Change

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

Physical risks

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

Transition risks

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

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

APPENDIX I KEY PERFORMANCE INDICATORS

ESG KPI		Unit	2021 Figures	2020 Figures
A.ENVIRONMENTAL				
A1.Emissions				
A1.2	Total greenhouse gas emissions and intensity			
	Total greenhouse gas emissions (Scope 2) (1)	Tonnes of carbon dioxide equivalent ("**tCO_2e**")	11,078.20	9,473.81
	Greenhouse gas emissions intensity (2)	tCO_2e/RMB million revenue	5.83	5.60
A1.3	Total hazardous waste and intensity			
	Total hazardous waste	Kg	393.84	19.32
	Hazardous waste intensity	Kg/RMB million revenue	0.21	0.01
	Waste fluorescent lamps or energy-saving lamps (Note a)	Kg	122.22	19.32
A1.4	Total non-hazardous waste and intensity			
	Total non-hazardous waste	Tonnes	133.72	69.21
	Non-hazardous waste intensity	Tonnes/RMB million revenue	0.07	0.04
	Office paper	Tonnes	133.72	69.21
A2. Use of Resources				
A2.1 Energy consumption in total and intensity				
Indirect Energy	Purchased electricity	MWh	13,773.47	11,322.83 (Note b)
	Purchased electricity intensity	MWh/RMB million revenue	7.25	6.71 (Note b)
A2.2	Water consumption and intensity			
	Office and domestic water consumption	Tonnes	222,140.61	178,506.00
	Water consumption intensity	Tonnes/RMB million revenue	117.00	105.80

ESG KPI		Unit	2021 Figures	2020 Figures
B.SOCIAL				
B1.Employment				
B1.1	Number of employees: by gender, employment type, age group and geographical region			
	Total number of employees	person	3,043	7,097
Gender	Male	person	986	1,969
	Female	person	2,057	5,128
Employment type	Teachers	person	1,640	3,947
	Others	person	1,403	3,150
Age group	Under 30 years old	person	1,580	4,491
	30–50 years old	person	1,409	2,498
	Over 50 years old	person	54	108
Geographical region	Guangdong Province	person	2,832	6,759
	Mainland China (other than Guangdong province)	person	211	338
B1.2	Employee turnover rate by gender, age group and geographical region [(3)] *(Note c)*			
	Employee turnover rate	%	204.2%	N/A
Gender	Male	%	180.5%	N/A
	Female	%	215.5%	N/A
Age group	Under 30 years old	%	307.8%	N/A
	30–50 years old	%	92.1%	N/A
	Over 50 years old	%	96.3%	N/A
Geographical region	Guangdong Province	%	200.5%	N/A
	Mainland China (other than Guangdong province)	%	253.6%	N/A

ESG KPI		Unit	2021 Figures	2020 Figures
B2.Health and Safety				
B2.1	Number and rate of work-related fatalities (Note d)			
	Number of work-related fatalities	person	0	0
		%	0%	0%
B2.2	Lost days due to work-related injury			
	Lost days due to work-related injury	day(s)	117	0
B3. Development and Training (Note e)				
B3.1	Percentage of employees trained by gender and employment type (4)			
	Percentage of employees trained	%	100%	100%
Gender	Male	%	30.0%	28.0%
	Female	%	70.0%	72.0%
Employment type	Teachers	%	57.4%	55.2%
	Others	%	42.6%	44.8%
B3.2	Average training hours completed per employee by gender and employment type (5)			
	Average training hours	hours/person	210.4	177.2
Gender	Male	hours/person	194.8	190.0
	Female	hours/person	217.8	172.2
Employment type	Teachers	hours/person	253.7	317.2
	Others	hours/person	159.7	4.9

ESG KPI		Unit	2021 Figures	2020 Figures
B5. Supplier Management				
B5.1	Number of suppliers by geographical region			
	Number of suppliers in Guangdong Province	supplier	1,641	1,955
	Number of suppliers in Mainland China (other than Guangdong province)	supplier	587	841
B7. Anti-corruption				
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period			
	Number of concluded legal cases regarding corrupt practices brought	case	0	0
B8. Community Investment				
B8.2	Resources contributed to the focus area			
	Donation	RMB0'000	36	50

Notes:

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

(b) KPI A2.1: In order to optimize data consistency, 2020 data and data for the Reporting Period have been presented in MWh.

(c) KPI B1.2: Relevant information is disclosed starting from 2021.

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

(e) KPI B3: This data only focuses on the record of employee career development training.

Data Calculation Standards

(1) Indirect greenhouse gas emissions from purchased electricity are calculated with reference to the "How to Prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange and the "2019 Baseline Emission Factors for Regional Power Grids in China for Emission Reduction Projects" issued by the Ministry of Ecology and Environment of the People's Republic of China.

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

(3) Employee turnover rate = number of resigned employees/total number of employees * 100%; Employee turnover rate of the category = number of resigned employees of the category/total number of employees of the category * 100%.

(4) Percentage of employees trained = number of employees trained/total number of employees * 100%; Percentage of employees trained in the category = number of employees trained in the category/number of employees trained * 100%.

(5) Average training hours of employees = total training hours of employees/total number of employees; Average training hours of the category = total training hours of the category/total number of employees of the category.

THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED

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

Aspects, General Disclosures and KPIs	Description	Section/Statement
Aspect A1: Emissions		
General Disclosure	Information on: (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental — Emissions
KPI A1.1	The types of emissions and respective emissions data.	N/A — Explained
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix I Key Performance Indicators
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix I Key Performance Indicators
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix I Key Performance Indicators
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Emissions — Greenhouse Gas Emissions

Aspects, General Disclosures and KPIs	Description	Section/Statement
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emissions — Waste Management
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental — Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Appendix I Key Performance Indicators
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Appendix I Key Performance Indicators
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources — Energy Management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources — Water Management
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	N/A — Explained
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Due to the Group's business nature of providing quality education, the impact on the environment and natural resources is not significant and the relevant environmental policies are disclosed in "Environmental — Use of Resources"
KPI A3.1	Description of significant impacts of activities on environment and natural resources and activities adopted to manage them.	

Aspects, General Disclosures and KPIs	Description	Section/Statement
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Environmental — Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Environmental — Climate Change
Aspect B1: Employment		
General Disclosure	Information on: (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Social — Realization of Employee Values
KPI B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	Appendix I Key Performance Indicators
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix I Key Performance Indicators
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Social — Safety and Health Education
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Appendix I Key Performance Indicators
KPI B2.2	Lost days due to work-related injury.	Appendix I Key Performance Indicators
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Social — Safety and Health Education

Aspects, General Disclosures and KPIs	Description	Section/Statement
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Social — Talent Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Appendix I Key Performance Indicators
KPI B3.2	The average training hours completed per employee by gender and employee category.	Appendix I Key Performance Indicators
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Social — Realization of Employee Values
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Realization of Employee Values — Treasuring Talents
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Realization of Employee Values — Treasuring Talents
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Social — Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Appendix I Key Performance Indicators
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management — Improving Supply Chain Management

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

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

Independent Auditor's Report

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

OPINION

We have audited the consolidated financial statements of China Beststudy Education Group (the "Company") and its subsidiaries (the "Group") set out on pages 123 to 229, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
The Group provides education services and typically collects tutoring fees from students in advance prior to the beginning of each academic term. Revenue from the provision of education services amounted to approximately RMB1,898,627,000 for the year ended 31 December 2021 which was recognised proportionately as the tutoring services are delivered. The portion of service fees received from students for the education services but not yet earned are recorded as contract liabilities. We focused our audit effort on revenue because of its financial significance to the Group's consolidated financial statements, as well as the risk of overstatement of revenue due to the large volume of transactions involved. The accounting policy for revenue recognition and disclosure of revenue are included in notes 2.4 and 5 to the financial statements.	Our audit procedures in relation to the revenue recognition included: • Obtained understanding of the key internal controls over the collection of the tutoring fees and recognition of revenue based on the operating system, evaluated and tested the effectiveness of the relevant system automated and manual controls; • Obtained and inspected the supporting documents for the tutoring fees received including the cash receipt records, student enrolment forms and attendance records on a sample basis; • Performed reconciliation between the total tutoring fees received and the total cash received according to the bank statements; • Performed site visit to the education centre on a sample basis for testing students' attendance records; • Performed specific cut-off procedures to test if the tutoring fees recognised as revenue around the year-end are recorded in appropriate period; and • Performed analytical review of revenue on disaggregated basis and enquired the revenue trend by corroboration with management explanations, our industry knowledge and external market data.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment or valuation of investments	
As at 31 December 2021, debt investments measured at amortised cost and debt investments measured at fair value through profit or loss amounted to approximately RMB316,047,000 and RMB261,237,000, respectively, representing 44% of the Group's total assets. The Group adopts the expected credit loss model to assess the impairment of debt investments measured at amortised cost. Complex models and assumptions are used in the measurement of expected credit losses. The fair values of debt investments measured at fair value through profit or loss are determined through the application of valuation techniques which often involve the exercise of judgement by management and the use of assumptions and estimates. The accounting policy for these financial assets and disclosure are included in notes 2.4 and 18 to the financial statements.	Our audit procedures in relation to the impairment assessment or valuation of investments included: • We have involved our internal experts and performed the following procedures on the impairment assessment of debt investments measured at amortised cost: — Assessed the reasonableness of the expected credit loss model methodology; — Assessed the reasonableness of related parameters, including the probability of default, loss given default, risk exposure, and the significant increases in credit risk, in response to the macroeconomic changes; — Assessed the forward-looking information management used to determine expected credit losses, including the forecasts of macroeconomic variables and the assumptions and different weights of multiple macroeconomic scenarios; and — Evaluated the models and the related assumptions used in individual impairment assessments and analysing the amount, timing and likelihood of management's estimated future cash flows.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment or valuation of investments (continued)	
	• We have involved our internal experts and performed the following procedures on the valuation of debt investments measured at fair value through profit or loss: — Checked the appropriateness of unobservable inputs, such as estimated future cash flows by comparing the cash flows against relevant contractual terms or performing assessments of cash flows from collaterals or profit forecasts; — Evaluated the valuation techniques, assumptions and estimates adopted by the Group; and — Checked the appropriateness of related disclosures of fair value including the disclosure of the fair value hierarchy.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Write-off and impairment assessment of long-term assets	
As disclosed in note 1 to the financial statements, on 24 July 2021, the General Office of Central Committee of the Communist Party of China and the General Office of State Council jointly issued the "Opinions on Further Alleviating the Burden of Homework and After School Tutoring for Students in Compulsory Education (compulsory education includes primary school education of 6 years and middle school education of 3 years, together as the "Compulsory Stage Education") (the "Double Reduction Policy") (《(關於進一步減輕義務教育階段學生作業負擔和校外培訓負擔的意見》). The Group has evaluated the impact on its businesses arising from the Opinion in relation to after-school tutoring that occurred during the second half of 2021 and has been actively responding to the policies and implementing rapid business transformation. As a result, significant numbers of education centres were shut down during the year. The management disposed of and identified the assets for write-off which were related to the closed education centres. An aggregate loss of RMB140,178,000 was recorded during the year ended 31 December 2021. At the reporting date, management had performed impairment assessment on the non-current assets for the education centres which were opened, which included property, plant and equipment, intangible assets and right-of-use assets. An impairment loss of RMB18,228,000 was made in the current year. Apart from above, management performed impairment assessment on the Group's interests in associates which were affected by the Double Reduction Policy. An impairment loss of RMB56,054,000 was made during the year ended 31 December 2021. Impairment assessment has involved significant judgement because it is based on management assumptions and estimations with a projection of the upcoming business scale and model which is to comply with the new regulation. The accounting policy for these non-current assets and disclosure are included in notes 2.4, 13, 15 and 16 to the financial statements.	Our audit procedures in relation to the write-off or disposal and impairment review of the non-current assets included: • Procedures in relation the wrote-off or disposed property, plant and equipment and intangible assets: — Obtained an understanding of the process and internal controls over the wrote-off or disposal of property, plant and equipment; — Performed stock take procedures to evaluate the existence of the property, plant and equipment on the remaining education centres; and — Checked the bank-in slip relevant to the disposal. • Procedures in relation the impairment review of property, plant and equipment and intangible assets: — Obtained an understanding of the process over the impairment assessment including the Group's identification of cash generating units, assessment of indicators of impairment and the preparation of the value-in-use calculations for identified CGUs and fair value less costs of disposal for individual assets; — Involved internal valuation specialists to assist in evaluating the reasonableness of the methodologies, assumptions and key inputs used by the Group; — Reconciled financial data used in cash flow forecast by examining supporting evidence and evaluating the reasonableness; — Tested the mathematical accuracy of the Group's value-in-use calculation; and — Ascertained the profile of independent valuers engaged by the Group and evaluated their competence, capabilities and objectivity.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Write-off and impairment assessment of long-term assets (continued)	
	• Procedures in relation the impairment review of interest in associates: — Understood the management's process for identifying the existence of impairment indicators of the interests in associates; — Where indicators of impairment have been identified, assessed the reasonableness of the recoverable amount of each of the relevant associates and obtained an understanding from the management of their financial position and future prospects; — Obtained and inspected the valuation report prepared by the external valuer engaged by Group; — Evaluated the qualifications, expertise and objectivity of the independent external valuer; — With the support of our internal valuation specialists, assessed the appropriateness of the valuation methodology and the reasonableness of the key assumptions, including the discount rates and the expected long-term growth rate adopted in the valuation methodology; — Compared the forecast data adopted in the impairment testing with the historical performance to assess the reliability of managements forecasting process, and making enquiries of management as to the reasons for any significant variations identified and whether these had been considered in the current assessment; and — Assessed the disclosures in the consolidated financial statements in respect of the impairment assessment.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

Ernst & Young
Certified Public Accountants
Hong Kong
29 April 2022

Consolidated Statement of Profit or Loss

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	5	**1,898,627**	1,687,798
Cost of sales		**(1,169,280)**	(1,072,612)
Gross profit		**729,347**	615,186
Other income and gains, net	5	**73,554**	66,875
Investment income	18	**16,096**	8,260
Selling expenses		**(180,984)**	(195,051)
Research and development expenses		**(142,310)**	(165,570)
Administrative expenses		**(222,961)**	(214,092)
Finance costs	7	**(57,795)**	(53,039)
Share of losses of associates		**(7,532)**	(2,466)
Share of (losses)/profits of joint ventures		**(698)**	107
Fair value changes on investments at fair value through profit or loss	18	**(144,438)**	92,565
Loss on disposal of property, plant and equipment and intangible assets	6	**(140,178)**	(6,348)
Impairment loss on property, plant and equipment and intangible assets	6	**(18,228)**	—
Impairment loss of investments in associates	6	**(56,054)**	—
Impairment loss on financial assets	6	**(100,288)**	—
Other expenses		**(20,986)**	(3,418)
(LOSS)/PROFIT BEFORE TAX		**(273,455)**	143,009
Income tax expense	10	**(52,138)**	(15,215)
(LOSS)/PROFIT FOR THE YEAR		**(325,593)**	127,794
Attributable to:			
Owners of the parent		**(325,031)**	129,675
Non-controlling interests		**(562)**	(1,881)
		(325,593)	127,794
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic		**RMB (43.2) cents**	RMB16.4 cents
Diluted		**RMB (43.2) cents**	RMB16.0 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
(LOSS)/PROFIT FOR THE YEAR	**(325,593)**	127,794
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	**(4,134)**	(17,460)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(4,134)**	(17,460)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(4,134)**	(17,460)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(329,727)**	110,334
Attributable to:		
Owners of the parent	**(329,165)**	112,215
Non-controlling interests	**(562)**	(1,881)
	(329,727)	110,334

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**51,858**	206,217
Right-of-use assets	14(a)	**192,166**	837,494
Intangible assets	15	**33,642**	33,427
Investments in associates	16	**17,492**	79,719
Investment in joint ventures	17	**7,377**	5,450
Equity investments at fair value through profit or loss	18	**7,227**	6,346
Debt investments measured at amortised cost	18	**186,047**	215,292
Debt investments at fair value through profit or loss	18	**15,248**	15,252
Time deposits		**—**	151,070
Prepayments for purchases of property, plant and equipment		**552**	4,467
Deferred tax assets	23	**35,080**	17,687
Total non-current assets		**546,689**	1,572,421
CURRENT ASSETS			
Short-term equity investment measured at fair value through profit or loss	18	**48,986**	84,825
Short-term debt investments measured at amortised cost	18	**130,000**	30,175
Short-term debt investments measured at fair value through profit or loss	18	**245,989**	682,299
Prepayments, deposits and other receivables	19	**72,765**	117,277
Restricted cash	20	**12,135**	2,631
Cash and cash equivalents	20	**211,180**	693,733
Other current assets		**778**	692
Short-term time deposits		**50,130**	—
Total current assets		**771,963**	1,611,632
CURRENT LIABILITIES			
Other payables and accruals	21	**171,846**	291,535
Interest-bearing bank loans	22	**333,218**	204,000
Lease liabilities	14(b), 22	**87,163**	211,546
Contract liabilities	5	**191,725**	797,078
Tax payable		**33,874**	22,703
Total current liabilities		**817,826**	1,526,862

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NET CURRENT (LIABILITIES)/ASSETS		**(45,863)**	84,770
TOTAL ASSETS LESS CURRENT LIABILITIES		**500,826**	1,657,191
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	22	**–**	145,000
Lease liabilities	14(b), 22	**150,222**	716,321
Total non-current liabilities		**150,222**	861,321
Net assets		**350,604**	795,870
EQUITY			
Equity attributable to owners of the parent			
Share capital	24	**303**	304
Reserves	25	**350,547**	798,039
		350,850	798,343
Non-controlling interests		**(246)**	(2,473)
Total equity		**350,604**	795,870

Junjing Tang
Director

Junying Tang
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2021

		Attributable to owners of the parent										
	Notes	Share capital RMB'000 Note 24	Share premium* RMB'000 Note 25(b)	Shares held for restricted share unit scheme* RMB'000 Note 25(c)	Share-based payment reserve* RMB'000	Statutory surplus reserve* RMB'000	Other reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020		304	301,531	(4,684)	7,572	101,484	226,302	(16,208)	181,033	797,334	(672)	796,662
Profit for the year		–	–	–	–	–	–	–	129,675	129,675	(1,881)	127,794
Other comprehensive loss for the year:												
Exchange differences on translation of financial statements		–	–	–	–	–	–	(17,460)	–	(17,460)	–	(17,460)
Total comprehensive income for the year		–	–	–	–	–	–	(17,460)	129,675	112,215	(1,881)	110,334
Share-based payments	26(a)	–	–	–	15,863	–	–	–	–	15,863	–	15,863
Exercise of share awards under the restricted share unit scheme		–	–	3	(11,299)	–	–	–	15,859	4,563	–	4,563
Repurchase of shares under the restricted share unit scheme	26(a)	–	–	(78,481)	–	–	–	–	–	(78,481)	–	(78,481)
Deregistration of subsidiaries	25(a)	–	–	–	–	(1,715)	–	–	1,715	–	–	–
Transfer from retained profits	25(a)	–	–	–	–	904	–	–	(904)	–	–	–
Contributions from non-controlling shareholders	25(d)	–	–	–	–	–	–	–	–	–	80	80
Final 2019 dividend declared and paid		–	(53,151)	–	–	–	–	–	–	(53,151)	–	(53,151)
At 31 December 2020		304	248,380	(83,162)	12,136	100,673	226,302	(33,668)	327,378	798,343	(2,473)	795,870

Consolidated Statement of Changes in Equity

Year ended 31 December 2021

		Attributable to owners of the parent										
	Notes	Share capital RMB'000 Note 24	Share premium* RMB'000 Note 25(b)	Shares held for restricted share unit scheme* RMB'000 Note 25(c)	Share-based payment reserve* RMB'000	Statutory surplus reserve* RMB'000	Other reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021		304	248,380	(83,162)	12,136	100,673	226,302	(33,668)	327,378	798,343	(2,473)	795,870
Loss for the year		–	–	–	–	–	–	–	(325,031)	(325,031)	(562)	(325,593)
Other comprehensive loss for the year:												
Exchange differences on translation of financial statements		–	–	–	–	–	–	(4,134)	–	(4,134)	–	(4,134)
Total comprehensive loss for the year		–	–	–	–	–	–	(4,134)	(325,031)	(329,165)	(562)	(329,727)
Share-based payments	26(a)	–	–	–	(5,914)	–	–	–	–	(5,914)	–	(5,914)
Exercise of share awards under the restricted share unit scheme		–	–	4	(5,628)	–	–	–	5,624	–	–	–
Repurchase of shares under the restricted share unit scheme	26(a)	–	–	(72,725)	–	–	–	–	–	(72,725)	–	(72,725)
Repurchase and cancellation of shares	24	(1)	(5,602)	–	–	–	–	–	–	(5,603)	–	(5,603)
Deregistration of subsidiaries	25(a)	–	–	–	–	(2,461)	–	–	2,461	–	–	–
Disposal of subsidiaries	25(a)	–	–	–	–	(61,642)	–	–	61,642	–	–	–
Transfer from retained profits	25(a)	–	–	–	–	387	–	–	(405)	(18)	18	–
Contributions from non-controlling shareholders	25(d)	–	–	–	–	–	–	–	–	–	20	20
Disposal of subsidiaries with non-controlling interests	27	–	–	–	–	–	–	–	–	–	2,751	2,751
Final 2020 dividend declared and paid		–	(34,068)	–	–	–	–	–	–	(34,068)	–	(34,068)
At 31 December 2021		303	208,710	(155,883)	594	36,957	226,302	(37,802)	71,669	350,850	(246)	350,604

* These reserve accounts comprise the reserves of RMB350,547,000 (2020: RMB798,039,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(273,455)**	143,009
Adjustments for:			
Interest income	5	**(11,615)**	(7,116)
Investment income	18	**(16,096)**	(8,260)
Dividend income from an equity investment at fair value through profit or loss	5	**(1,863)**	(1,661)
Loss on disposal of items of property, plant and equipment	6	**140,132**	6,348
Gain on lease modifications, net of deposits losses	6	**(10,270)**	(3,648)
Loss on disposal of intangible assets	6	**46**	—
Gain on disposal of an associate	6	**(20,511)**	—
Equity-settled compensation costs	6	**(5,914)**	15,863
Finance costs	7	**57,795**	53,039
Covid-19-related rent concessions from lessors	6	**(6,093)**	(18,563)
Depreciation of property, plant and equipment	6	**75,012**	73,615
Depreciation of right-of-use assets	6	**221,663**	207,366
Amortisation of intangible assets	6	**8,314**	4,631
Share of losses of associates		**7,532**	2,466
Share of losses/(profits) of joint ventures		**698**	(107)
Change in fair value of investments measured at fair value through profit or loss	6	**144,438**	(92,565)
Impairment of property, plant and equipment	6	**11,758**	—
Impairment of intangible assets	6	**6,470**	—
Impairment of debt investments measured at amortised cost	6	**76,097**	—
Impairment of financial assets included in prepayments, deposits and other receivables	6	**24,191**	—
Impairment of investments in associates	6	**56,054**	—
Loss on disposal of subsidiaries	6	**14,453**	45
		498,836	374,462
Increase in prepayments, deposits and other receivables		**(56,631)**	(1,223)
(Increase)/decrease in other current assets		**(86)**	544
(Decrease)/increase in other payables and accruals		**(72,635)**	75,602
(Decrease)/increase in contract liabilities		**(358,466)**	22,007
Cash generated from operations		**11,018**	471,392
Interest received		**6,407**	4,308
Corporate income tax paid		**(57,498)**	(24,878)
Net cash flows (used in)/from operating activities		**(40,073)**	450,822

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(129,474)**	(59,293)
Purchases of items of intangible assets		**(15,832)**	(19,193)
Proceeds from disposal of items of property, plant and equipment and intangible assets		**749**	51
Disposal of subsidiaries	27	**(217,965)**	(40)
Acquisition of associates		**(1,400)**	(12,000)
Disposal of an associate	6	**20,511**	—
Dividend received from an associate		**200**	55
Investment income received		**60,051**	45,791
Dividends received from a listed investment	5	**1,863**	1,661
Purchase of an equity investment at fair value through profit or loss		**(319)**	(2,110)
Disposal of equity investments at fair value through profit or loss		**—**	65,989
Purchases of debt investments measured at amortised cost		**(182,000)**	(180,000)
Receipt from maturity of debt investments measured at amortised cost		**90,000**	—
Purchases of debt investments measured at fair value through profit or loss		**(1,110)**	(22,160)
Purchases of short-term investments measured at amortised cost		**(200,000)**	(81,036)
Receipt from maturity of short-term investments measured at amortised cost		**110,400**	51,036
Purchases of short-term debt investments measured at fair value through profit or loss		**(585,050)**	(1,299,010)
Receipt from maturity of short-term debt investments measured at fair value through profit or loss		**875,165**	1,654,685
Receipt from disposal of short-term equity investments measured at fair value through profit or loss		**—**	801
Increase in time deposits		**(120,000)**	(100,000)
Receipt from time deposits		**220,000**	—
Advances to third parties		**(7,000)**	—
Net cash flows (used in)/from investing activities		**(81,211)**	45,227
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase of shares		**(78,328)**	(78,481)
Capital contribution from minority interest	25(d)	**20**	80
Dividends paid		**(34,068)**	(53,151)
Principal portion of lease payments	14(b),28(b)	**(180,059)**	(163,379)
Interest portion of lease payments	14(b),28(b)	**(45,037)**	(45,652)
New bank loans	28(b)	**260,000**	350,000
Repayment of bank loans	28(b)	**(275,782)**	(1,000)
Interest paid	28(b)	**(12,636)**	(7,040)
Proceeds from exercise of share awards		**4,563**	—
Net cash flows (used in)/from financing activities		**(361,327)**	1,377

	Notes	2021 RMB'000	2020 RMB'000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(482,611)**	497,426
Cash and cash equivalents at beginning of year		**693,733**	196,429
Effect of foreign exchange rate changes, net		**58**	(122)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**211,180**	693,733
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	20	**211,180**	693,733
Cash and cash equivalents as stated in the consolidated statement of cash flows		**211,180**	693,733

1. CORPORATE AND GROUP INFORMATION

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

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

On 24 July 2021, the General Office of Central Committee of the Communist Party of China and the General Office of State Council jointly issued the Double Reduction Policy. The key provisions of the Double Reduction Policy include, but not limited to: (i) institutions providing after-school education (the "ASE") services on academic subjects in relation to the Compulsory Stage Education ("Compulsory Stage ASE subjects tutoring") are required to be registered as non-profit organisation; (ii) foreign investors shall not control or hold interest in Compulsory Stage ASE subjects tutoring by means of direct investment, merger and acquisition, franchise or contractual arrangements; and (iii) certain restrictions on timing and fees of academic ASE services. The impact of the Double Reduction Policy has been gradually exerted on the operations of the Group since after 2021 Summer vacation. Since the effectiveness of the new regulatory environment, the compulsory stage after-school education business was aborted. With this regard, significant numbers of education centres were closed during the year.

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

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Company name	Place of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
ETJ Education Group	Cayman Islands	United States dollar ("US$") 50,000	100	–	Investment holding
China Beststudy Education (HK) Limited ("Beststudy HK")	Hong Kong	US$1,286	–	100	Investment holding
Guangzhou Zhuoxue Information Technology Co., Ltd. 廣州市卓學信息科技有限責任公司 ("Zhuoxue Information") *	PRC/Mainland China	US$2,000,000	–	100	Provision of management consultancy services
Guangzhou Beststudy Enterprise Co., Ltd. 廣州市卓越里程教育科技有限公司 ("Guangzhou Beststudy") *#	PRC/Mainland China	Renminbi ("RMB") 47,442,411	–	100	After-school education services
Guangzhou Nansha District Beststudy Counseling Education Training Center Co., Ltd. 廣州市南沙區卓越輔導教育培訓中心有限公司 ("Guangzhou Nansha") *#	PRC/Mainland China	RMB300,000	–	100	After-school education services
Guangzhou Zengcheng District Beststudy Extracurricular Education and Training Center Co., Ltd. 廣州市增城區卓越課外輔導教育培訓中心有限公司 ("Guangzhou Zengcheng") *#	PRC/Mainland China	RMB100,000	–	100	After-school education services

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

Company name	Place of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Guangzhou Liwan Beststudy Education and Training Center Co., Ltd. 廣州市荔灣區卓越教育培訓中心有限公司 ("Guangzhou Liwan") *#	PRC/Mainland China	RMB150,000	–	100	After-school education services
Huizhou Beststudy Education Technology Co., Ltd. 惠州市卓越里程教育科技有限公司 ("Huizhou Beststudy") *#	PRC/Mainland China	RMB100,000	–	100	Internet information services
Guangzhou Qiaowen Education Technology Co., Ltd 廣州巧問教育科技有限公司 ("Guangzhou Qiaowen") *#	PRC/Mainland China	RMB2,000,000	–	100	Internet information services
Guangzhou Beststudy Culture and Technology Investment Co., Ltd. 廣州卓越文化科技投資有限公司 ("Culture and Technology Investment") *#	PRC/Mainland China	RMB500,000	–	100	Publicity services and advertising
Guangzhou Qizuo Education Consulting Co., Ltd. 廣州奇作教育諮詢有限公司 ("Guangzhou Qizuo") *#	PRC/Mainland China	RMB5,000,000	–	100	Internet information services

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

Company name	Place of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Guangzhou Yuyou Information Consulting Co., Ltd. 廣州謍優信息諮詢有限公司 ("Guangzhou Yuyou") *#	PRC/Mainland China	RMB5,080,000	–	100	After-school education services
Guangzhou Fengbei Network Technology Co., Ltd. 廣州蜂背網絡科技有限公司 ("Guangzhou Fengbei") *#	PRC/Mainland China	RMB1,000,000	–	100	Internet information services
Guangzhou Zhuoye Information Technology Co., Ltd. 廣州市卓業信息技術有限公司 ("Guangzhou Zhuoye") *#	PRC/Mainland China	RMB19,779,000	–	100	Provision of technical support and development services
Guangzhou Haizhu District Beststudy Teaching and Auxiliary Training Center Co., Ltd. 廣州市海珠區卓越里程教輔培訓中心有限公司 ("Guangzhou Haizhu") *#	PRC/Mainland China	RMB150,000	–	100	After-school education services
Guangzhou Aiyuwen Technology Information Consulting Co., Ltd. 廣州市愛語文科技信息諮詢有限責任公司 ("Guangzhou Aiyuwen") *#	PRC/Mainland China	RMB1,071,429	–	100	Internet information service

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

Company name	Place of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Beijing Qiaowen Education Technology Co., Ltd. 北京巧問教育科技有限公司 ("Beijing Qiaowen") *#	PRC/Mainland China	RMB2,000,000	–	100	After-school education services
Guangzhou Beststudy Wendao Travel Service Co., Ltd. 廣州卓越問道旅行社有限公司 ("Guangzhou Wendao") *#	PRC/Mainland China	RMB1,000,000	–	80	Consulting services
Nanning Beststudy Education Technology Co., Ltd. 南寧卓越里程教育科技有限公司 ("Nanning Beststudy") *#	PRC/Mainland China	RMB5,000,000	–	100	Investment
Dongguan Nancheng Beststudy Training Centre Co., Ltd. 東莞市南城卓越培訓中心有限公司 ("Dongguan Nancheng Zhuoyue") *#	PRC/Mainland China	RMB215,765	–	100	After-school education services
Guangzhou Tianhe Beststudy Education and Training Centre Co., Ltd. 廣州市天河區卓越教育培訓中心有限公司 ("Tianhe Beststudy") *#	PRC/Mainland China	RMB100,000	–	100	After-school education services

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

Company name	Place of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Guangzhou Yizhi Siwei Education Technology Co., Ltd. 廣州益智思維教育科技有限公司 ("Yizhi Siwei") *#	PRC/Mainland China	RMB12,000,000	–	92	Internet information services
Guangzhou Huadu Beststudy After-school Education and Training Centre Co., Ltd. 廣州市花都區卓越課外教育培訓中心有限公司 ("Huadu Beststudy") *#	PRC/Mainland China	RMB100,000	–	100	After-school education services
Dongguan Dongcheng Jinghu Beststudy Training Centre Co., Ltd. 東莞市東城景湖卓越培訓中心有限公司 ("Dongcheng Jinghu") *#	PRC/Mainland China	RMB270,000	–	100	After-school education services
Dongguan Dongcheng Xinshijie Beststudy Training Centre Co., Ltd. 東莞市東城新世界卓越培訓中心有限公司 ("Dongcheng Xinshijie") *#	PRC/Mainland China	RMB200,000	–	100	After-school education services
Dongguan Dongcheng Shibo Beststudy Training Centre Co., Ltd. 東莞市東城世博卓越培訓中心有限公司 ("Dongcheng Shibo") *#	PRC/Mainland China	RMB150,000	–	100	After-school education services

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

Company name	Place of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Guangzhou Baiyun District Beststudy Education Training Centre Co., Ltd. 廣州白雲區卓越教輔培訓中心有限公司 ("Baiyun Beststudy") *#	PRC/Mainland China	RMB150,000	–	100	After-school education services
Guangdong Future Youth Palace Education Technology Co., Ltd. 廣東未來青少年宮教育科技有限公司 ("Future Youth Palace") *#	PRC/Mainland China	RMB10,000,000	–	100	Internet information services
Dongguan Guancheng Beststudy Training Centre Co., Ltd. 東莞市莞城卓越培訓中心有限公司 ("Guancheng Beststudy") *#	PRC/Mainland China	RMB150,000	–	100	After-school education services
Nanning Qingxiu Zhuole Training School Co., Ltd. 南寧市青秀區卓樂培訓學校有限公司 ("Qingxiu Zhuole") *#	PRC/Mainland China	RMB500,000	–	100	After-school education services
Dongguan Nancheng Cityscape Beststudy Education and Training Centre Co., Ltd. 東莞市南城城市風景卓越培訓中心有限公司 ("Nancheng Cityscape") *#	PRC/Mainland China	RMB150,000	–	100	After-school education services

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

Company name	Place of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Shanghai Beststudy Education Training School Co., Ltd. 上海卓越里程培訓學校有限公司 ("Shanghai Beststudy") *#	PRC/Mainland China	RMB5,000,000	–	100	After-school education services
Wuhan Zhuoye Online Education Technology Co., Ltd. 武漢卓業在線教育科技有限公司 ("Wuhan Zhuoye") *#	PRC/Mainland China	RMB1,000,000	–	80	Internet information services
Guangzhou Conghua District Beststudy Education Training Centre Co., Ltd. 廣州市從化區卓越里程培訓中心有限公司 ("Conghua Beststudy") *#	PRC/Mainland China	RMB100,000	–	100	After-school education services

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

\# These entities are owned through contractual arrangements.

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

During the year, the Group deregistered six companies and disposed of 46 companies. Further details are included in note 27 to the financial statements.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain equity investments and debt investments which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

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

Going concern basis

The Group recorded net current liabilities of RMB45,863,000 as at 31 December 2021, included therein were contract liabilities of RMB191,725,000.

The Directors believe that the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in foreseeable future. As such, they are of the opinion that it is appropriate to prepare the consolidated financial statements of the Company on a going concern basis.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform — Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The nature and the impact of the revised IFRSs are described below:

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

During the year, the interest rates of certain interest-bearing bank borrowings and an interest rate swap denominated in foreign currencies were changed from the London Interbank Offered Rate ("LIBOR") to RFRs. The Group applied the above-mentioned practical expedient upon modification of these borrowings and replacement of this interest rate swap as the "economically equivalent" criterion was met. No significant modification gain or loss has arisen as a result of applying the amendments to these changes. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the year ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the Covid-19 pandemic. A reduction in the lease payments arising from the rent concessions of RMB6,093,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2021. There was no impact on the opening balance of equity as at 1 January 2021.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

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

Amendments to IFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IFRS 17	*Insurance Contract*[2,4]
Amendments to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 — Comparative Information*[2]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[1]
Annual Improvements to IFRS Standards 2018–2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the amendments to IFRS 17 issued in October 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

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

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (CONTINUED)

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

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

Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (CONTINUED)

Amendments to IAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise a deferred tax asset and a deferred tax liability for deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (CONTINUED)

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

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (continued)

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

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

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

Business combinations and goodwill

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

The Group measures its equity investments and debt investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and non-current assets classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

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

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

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

Office equipment	20.00% to 33.33%
Electronic equipment	20.00% to 33.33%
Motor vehicles	20.00%
Leasehold improvements	20.00% or over the shorter of the lease terms and the estimated useful lives

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill)

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

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

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

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

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

Research and development costs

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

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

Group as a lessee

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

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

(a) Right-of-use assets

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

Property	1 to 12 years

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessor

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Subsequent measurement (continued)

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

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

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

Financial assets at fair value through profit or loss

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

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets (continued)

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

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

Impairment of financial assets

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

General approach

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach (continued)

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include other payables and accruals, interest-bearing bank loans and lease liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Treasury shares

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

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

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

Income tax

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Government grants

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

(a) Revenue from contracts with customers

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

Rendering of services

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

Bundled package of services

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

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

Advances received from customers

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

(a) Revenue from contracts with customers (continued)

Variable consideration

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

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

(b) Interest income

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

(c) Revenue from operating leases

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

Contract liabilities

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

Share-based payments

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments (continued)

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted, further details of which are given in note 26 to these financial statements.

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other employee benefits

Pension scheme

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

Borrowing costs

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

Dividends

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

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

Foreign currencies

These financial statements are presented in RMB. The functional currency of the Company is the United States dollar. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their consolidated statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Contractual arrangements

The Group is mainly engaged in the provision of K-12 after-school education services, which falls in the scope of "Catalogue of Restricted Foreign Investment Industries" and foreign investors are prohibited to invest in such business.

As stated in the Double Reduction Policy issued on 24 July 2021, foreign ownership in academic ASE institutions became prohibited, including through the use of contractual arrangements, and companies with existing foreign ownership are required to rectify the situation. The Company announced to cease its tutoring services business related to academic subjects at voluntary education stage to comply with the requirement of the Double Reduction Policy. The Group expects that businesses other than academic ASE, which are currently operating would not be materially affected after taking necessary measures to comply with the Double Reduction Policy. The Group exercises control over the PRC operating entities and enjoys substantially all economic benefits of the PRC operating entities through a series of structured contracts.

The Group considers that it controls the structured entities notwithstanding the fact that it does not hold direct equity interests in the structured entities, as it has power over the financial and operating policies of the structured entities and receives substantially all of the economic benefits from the business activities of the structured entities through the contractual arrangements. Accordingly, the structured entities have been accounted for as subsidiaries during the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty

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

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2021 was nil (2020: nil). The amount of unrecognised tax losses at 31 December 2021 was RMB194,702,000 (2020: RMB128,644,000). Further details are contained in note 23 to the financial statements.

Leases — Estimating the incremental borrowing rate

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Fair value of share-based compensation to employees

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

During the year ended 31 December 2021, the Group measured fair value of the awards granted to employees with reference to the closing price of the ordinary shares of the Company at the grant date. Thus, no significant judgement is required to be made. The reversal of equity-settled compensation costs related to the awards in 2021 was RMB5,914,000 (2020: provision of RMB15,863,000).

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of K-12 after-school education services in Mainland China.

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the Directors, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the Directors review the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

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

Information about major customers

No revenue from services provided to a single customer accounted for to 10% or more of total revenue of the Group during the years ended 31 December 2021 and 2020.

5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the value of services rendered, net of value-added tax ("VAT") and other sales tax, after allowances for refunds and discounts during the reporting period.

An analysis of revenue is as follows:

	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers		
Premium learning programs		
— Small group tutoring	**915,368**	828,935
— Individualised tutoring	**747,193**	644,242
Full-time test preparation programs	**161,639**	161,764
Talent education	**73,956**	51,555
Others	**471**	1,302
	1,898,627	1,687,798

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2021

Segments	Small group tutoring RMB'000	Individualised tutoring RMB'000	Full-time test preparation programs RMB'000	Talent education RMB'000	Others RMB'000	Total RMB'000
Timing of revenue recognition						
Services transferred at a point in time	–	747,193	–	–	471	747,664
Services transferred over time	915,368	–	161,639	73,956	–	1,150,963
	915,368	747,193	161,639	73,956	471	1,898,627

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

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

For the year ended 31 December 2020

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

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

	2021 RMB'000	2020 RMB'000
At the beginning of the year	**797,078**	775,071
Cash refunded to customers that was included in contract liability at the beginning of the year	**(22,610)**	(73,098)
Revenue recognised that was included in contract liability at the beginning of the year	**(774,468)**	(701,973)
Increases due to cash received, excluding amounts recognised as revenue during the year	**438,612**	797,078
Contract liabilities included in subsidiaries disposed of	**(246,887)**	–
At the end of the year	**191,725**	797,078

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

Revenue from contracts with customers (continued)

(ii) Performance obligations

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

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

Other income and gains, net

	Notes	2021 RMB'000	2020 RMB'000
Interest income		**11,615**	7,116
VAT exemption	(i)	**20,113**	48,464
Subsidy income from the PRC government	(ii)	**8,567**	5,122
Foreign exchange gains, net		**—**	639
Gain on lease modifications, net of deposits losses		**10,270**	3,648
Gain on disposal of an associate		**20,511**	—
Dividend income from an equity investment at fair value through profit or loss		**1,863**	1,661
Others		**615**	225
		73,554	66,875

Notes:

(i) The VAT exemption during the reporting period was tax concessions according to the taxation policy issued concerning the Covid-19 pandemic.

(ii) The subsidy income from the PRC government during the reporting period mainly represents subsidies granted by the local government as encouragement for the contribution to the local economy. There are no unfulfilled conditions or contingencies relating to such subsidies.

6. (LOSS)/PROFIT BEFORE TAX

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

	Notes	2021 RMB'000	2020 RMB'000
Employee benefit expense (excluding directors' remuneration) (note 8):			
Wages and salaries		**835,775**	855,007
Pension scheme contributions		**110,568**	88,981
Equity-settled compensation costs	26(a)	**(5,914)**	15,863
		940,429	959,851
Cost of services provided*		**1,169,280**	1,072,612
Depreciation of property, plant and equipment	13	**75,012**	73,615
Depreciation of right-of-use assets	14(c)	**221,663**	207,366
Amortisation of intangible assets	15	**8,314**	4,631
Lease payments not included in the measurement of lease liabilities	14(c)	**10,869**	6,616
Covid-19-related rent concessions from lessors	14(b)	**(6,093)**	(18,563)
Loss on disposal of items of property, plant and equipment		**140,132**	6,348
Loss on disposal of intangible assets		**46**	—
Impairment of property, plant and equipment**	13	**11,758**	—
Impairment of intangible assets**	15	**6,470**	—
Impairment loss of investments in associates	16, 27	**56,054**	—
Impairment of debt investments measured at amortised cost***	18	**76,097**	—
Impairment of financial assets included in prepayments, deposits and other receivables***	19, 27	**24,191**	—
Gain on lease modifications, net of deposits losses	5	**(10,270)**	(3,648)
Interest income	5	**(11,615)**	(7,116)
Interest on bank loans	7	**12,758**	7,387
Interest on lease liabilities	7	**45,037**	45,652
Subsidy income from the PRC government	5	**(8,567)**	(5,122)
Foreign exchange difference, net		**321**	(639)
Gain on disposal of an associate	5	**(20,511)**	—
Loss on disposal of subsidiaries	27	**14,453**	45
Fair value losses/(gains):			
Equity investments at fair value through profit or loss	18	**33,502**	(28,211)
Debt investments at fair value through profit or loss	18	**110,936**	(64,354)
Auditor's remuneration		**3,980**	2,880

6. (LOSS)/PROFIT BEFORE TAX (CONTINUED)

* The staff costs of RMB747,143,000 (2020: RMB708,393,000) and the depreciation and amortisation of RMB270,636,000 (2020: RMB255,913,000) are included in "Cost of sales" in the consolidated statement of profit or loss.

** Included in "Impairment loss on property, plant and equipment and intangible assets" in the consolidated statement of profit or loss.

*** Included in "Impairment loss on financial assets" in the consolidated statement of profit or loss.

7. FINANCE COSTS

	Notes	**2021** **RMB'000**	2020 RMB'000
Interest on bank loans	6	**12,758**	7,387
Interest on lease liabilities	6, 14(c)	**45,037**	45,652
		57,795	53,039

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2021 **RMB'000**	2020 RMB'000
Fees	**264**	264
Other emoluments:		
Salaries, allowances and benefits in kind	**4,068**	3,186
Performance related bonuses	**—**	344
Pension scheme contributions	**216**	120
	4,284	3,650
	4,548	3,914

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

(a) Independent non-executive directors

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

	2021 RMB'000	2020 RMB'000
Mr. Yingmin Wu*	**–**	–
Ms. Yu Long	**132**	132
Mr. Peng Xue	**132**	132
	264	264

There were no other emoluments payable to the independent non-executive directors during the year (2020: nil).

* Mr. Yingmin Wu resigned on 24 December 2021.

(b) Executive directors and non-executive directors

2021	**Salaries, allowances and benefits in kind RMB'000**	**Performance related bonuses RMB'000**	**Pension scheme contributions RMB'000**	**Total RMB'000**
Executive directors:				
Mr. Junjing Tang	**1,357**	**–**	**72**	**1,429**
Mr. Junying Tang	**1,357**	**–**	**72**	**1,429**
Mr. Gui Zhou	**1,354**	**–**	**72**	**1,426**
	4,068	**–**	**216**	**4,284**
Non-executive director:				
Mr. Wenhui Xu	**–**	**–**	**–**	**–**
	4,068	**–**	**216**	**4,284**

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

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

2020	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors:				
Mr. Junjing Tang	1,063	115	40	1,218
Mr. Junying Tang	1,063	115	40	1,218
Mr. Gui Zhou	1,060	114	40	1,214
	3,186	344	120	3,650
Non-executive director:				
Mr. Wenhui Xu	—	—	—	—
	3,186	344	120	3,650

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2020: one director), details of whose remuneration are set out above. Details of the remuneration for the year of the remaining two (2020: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	1,888	4,055
Performance related bonuses	—	673
Pension scheme contributions	94	214
Equity-settled compensation costs	2,569	2,354
	4,551	7,296

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

	2021	2020
Hong Kong dollars ("HK$")		
HK$1,000,001 to HK$1,500,000	—	1
HK$1,500,001 to HK$2,000,000	1	—
HK$2,000,001 to HK$2,500,000	—	3
HK$3,500,001 to HK$4,000,000	1	—
	2	4

During the year, share awards were granted to two (2020: four) non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 26 to the financial statements. The fair values of such awards, which have been recognised in the consolidated statement of profit or loss over the vesting periods, were determined as at the date of grant and the amounts included in the financial statements for the current year are included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year.

PRC Corporate Income Tax ("CIT")

Guangzhou Beststudy was accredited as a High-tech Enterprise in 2019 and was entitled to a preferential tax rate of 15% from 2019 to 2022.

Beijing Qiaowen, Dongguan Dongcheng Beststudy Training Centre 東莞市東城卓越培訓中心, Foshan Nanhai Beststudy Frontline Education and Training Centre 佛山市南海區卓越前線教育培訓中心, Zhongshan Xiaolan Zhuoye Boda Education and Training Centre 中山市小欖卓業博達教育培訓中心, Zhuhai Beststudy Education Training School 珠海市卓越教育培訓學校, Tianhe Beststudy and Qingxiu Zhuole were certified as small and micro-sized enterprises ("SMEs") in 2021 and 2020. They enjoyed a 75% reduction of the first RMB1,000,000 of taxable income, a 50% reduction of taxable income between RMB1,000,000 and RMB3,000,000 and the preferential CIT rate of 20%.

Pursuant to the CIT Law and the respective regulations, the other PRC subsidiaries were subject to income tax at a statutory rate of 25% for the year (2020: 25%).

CIT of the Group has been provided at the applicable tax rates on the estimated taxable profits arising in Mainland China during the year.

	2021 **RMB'000**	2020 RMB'000
Current — the PRC		
Charge for the year	**28,757**	18,289
Underprovision/(overprovision) in prior years	**40,774**	(4,386)
Deferred (note 23)	**(17,393)**	1,312
Total tax charge for the year	**52,138**	15,215

10. INCOME TAX (CONTINUED)

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory tax rate of the majority of the Group's subsidiaries to the tax expense at the effective tax rate is as follows:

2021

	Hong Kong RMB'000	%	Mainland China RMB'000	%	Total RMB'000	%
Loss before tax	(44,887)		(228,568)		(273,455)	
Tax at the statutory tax rate	(7,406)	16.5	(57,142)	25.0	(64,548)	23.6
Lower tax rates enacted by local authorities	–	–	17,661	(7.7)	17,661	(6.5)
Adjustments in respect of current tax in prior years	–	–	23,210	(10.2)	23,210	(8.5)
Profits and losses attributable to joint ventures and associates	(7)	–	653	(0.3)	646	(0.2)
Additional deduction of research and development expenses	–	–	(2,530)	1.1	(2,530)	0.9
Income not subject to tax	5,190	(11.7)	–	–	5,190	(1.9)
Expenses not deductible for tax	–	–	4,349	(1.9)	4,349	(1.6)
Tax losses utilised from previous periods	–	–	(1,242)	0.5	(1,242)	0.5
Tax losses not recognised	2,223	(5.0)	67,179	(29.4)	69,402	(25.4)
	–	–	52,138	(22.8)	52,138	(19.1)
Tax charge at the Group's effective rate	–	–	52,138	(22.8)	52,138	(19.1)

10. INCOME TAX (CONTINUED)

2020

	Hong Kong RMB'000	%	Mainland China RMB'000	%	Total RMB'000	%
Profit before tax	49,077		93,932		143,009	
Tax at the statutory tax rate	8,098	16.5	23,483	25.0	31,581	22.1
Lower tax rates enacted by local authorities	—	—	(9,487)	(10.1)	(9,487)	(6.6)
Adjustments in respect of current tax in prior years	—	—	(4,386)	(4.7)	(4,386)	(3.1)
Profits and losses attributable to a joint venture and associates	(18)	—	460	0.5	442	0.3
Additional deduction of research and development expenses	—	—	(4,293)	(4.6)	(4,293)	(3.0)
Income not subject to tax	(8,355)	(17.0)	—	—	(8,355)	(5.9)
Expenses not deductible for tax	—	—	855	0.9	855	0.6
Tax losses utilised from previous periods	—	—	(1,158)	(1.2)	(1,158)	(0.8)
Tax losses not recognised	275	0.6	9,741	10.4	10,016	7.0
	—	—	15,215	16.2	15,215	10.6
Tax charge at the Group's effective rate	—	—	15,215	16.2	15,215	10.6

11. DIVIDEND

	2021 RMB'000	2020 RMB'000
Proposed final dividend per ordinary share — nil (2020: HK5.5 cents)	**—**	39,272

12. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent, and the adjusted weighted average number of ordinary shares of 753,199,077 (2020: 790,624,444) in issue during the year.

The calculation of the diluted earnings per share amount for the year ended 31 December 2021 and 2020 is based on the (loss)/profit for the year ended 31 December 2021 and 2020 attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation of diluted earnings per share is the adjusted weighted average number of ordinary shares in issue during the year ended 31 December 2021 and 2020, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2021 in respect of a dilution as the impact of the share award outstanding had no dilutive effect on the basic loss per share amount presented.

The calculations of basic and diluted (loss)/earnings per share are based on:

	2021 **RMB'000**	2020 RMB'000
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic (loss)/earnings per share calculation	**(325,031)**	129,675

	Number of shares **2021**	2020
Shares		
Weighted average number of ordinary shares in issue	**847,348,800**	849,720,000
Weighted average number of shares held for the RSU Scheme	**(94,149,723)**	(59,095,556)
Adjusted weighted average number of ordinary shares in issue used in the basic (loss)/earnings per share calculation	**753,199,077**	790,624,444
Effect of dilution — weighted average number of ordinary shares: RSU Scheme	**—**	21,312,659
Adjusted weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	**—**	811,937,103

13. PROPERTY, PLANT AND EQUIPMENT

	Office equipment RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2021					
At 31 December 2020 and 1 January 2021:					
Cost	25,937	52,856	4,196	305,892	388,881
Accumulated depreciation	(18,464)	(31,487)	(2,614)	(130,099)	(182,664)
Net carrying amount	7,473	21,369	1,582	175,793	206,217
At 1 January 2021, net of accumulated depreciation	7,473	21,369	1,582	175,793	206,217
Additions	3,278	23,192	95	104,443	131,008
Disposals	(1,525)	(7,787)	(592)	(129,805)	(139,709)
Depreciation provided during the year (note 6)	(3,923)	(13,740)	(534)	(56,815)	(75,012)
Impairment (note 6)	(145)	(202)	—	(11,411)	(11,758)
Assets included in subsidiaries disposed of (note 27)	(1,893)	(15,087)	(25)	(41,883)	(58,888)
At 31 December 2021, net of accumulated depreciation and impairment	3,265	7,745	526	40,322	51,858
At 31 December 2021:					
Cost	10,975	24,257	2,588	76,218	114,038
Accumulated depreciation and impairment	(7,710)	(16,512)	(2,062)	(35,896)	(62,180)
Net carrying amount	3,265	7,745	526	40,322	51,858

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Office equipment RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2020					
At 31 December 2019 and 1 January 2020:					
Cost	26,632	42,948	4,074	263,028	336,682
Accumulated depreciation	(14,653)	(24,125)	(2,121)	(93,756)	(134,655)
Net carrying amount	11,979	18,823	1,953	169,272	202,027
At 1 January 2020, net of accumulated depreciation	11,979	18,823	1,953	169,272	202,027
Additions	952	14,224	122	68,620	83,918
Disposals	(228)	(729)	—	(5,156)	(6,113)
Depreciation provided during the year (note 6)	(5,230)	(10,949)	(493)	(56,943)	(73,615)
At 31 December 2020, net of accumulated depreciation	7,473	21,369	1,582	175,793	206,217
At 31 December 2020:					
Cost	25,937	52,856	4,196	305,892	388,881
Accumulated depreciation	(18,464)	(31,487)	(2,614)	(130,099)	(182,664)
Net carrying amount	7,473	21,369	1,582	175,793	206,217

14. LEASES

The Group as a lessee

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

(a) Right-of-use assets

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

	Property RMB'000
As at 1 January 2020	893,785
Additions	217,457
Depreciation charge* (note 6)	(212,337)
Revision of lease terms arising from changes in the non-cancellable period of a lease	(61,411)
As at 31 December 2020 and 1 January 2021	**837,494**
Additions	**385,473**
Depreciation charge* (note 6)	**(224,555)**
Revision of lease terms arising from changes in the non-cancellable period of a lease	**(732,621)**
Assets included in subsidiaries disposed of (note 27)	**(73,625)**
	192,166

* During the year ended 31 December 2021, depreciation of right-of-use assets amounting to RMB2,892,000 (2020: RMB4,971,000) was capitalised as part of the cost of leasehold improvements.

14. LEASES (CONTINUED)

The Group as a lessee (continued)

(b) Lease liabilities

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

	2021 **RMB'000**	2020 RMB'000
Carrying amount at 1 January	**927,867**	959,385
New leases	**385,473**	217,457
Accretion of interest recognised during the year (note 7)	**45,037**	45,652
Payments	**(225,096)**	(209,031)
Covid-19-related rent concessions from lessors	**(6,093)**	(18,563)
Revision of lease terms arising from changes in the non-cancellable period of a lease	**(804,508)**	(67,033)
Liabilities included in subsidiaries disposed of (note 27)	**(85,295)**	—
Carrying amount at 31 December	**237,385**	927,867
Analysed into:		
Current portion	**87,163**	211,546
Non-current portion	**150,222**	716,321

The maturity analysis of lease liabilities is disclosed in note 34 to the financial statements.

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

14. LEASES (CONTINUED)

The Group as a lessee (continued)

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

	2021 RMB'000	2020 RMB'000
Interest on lease liabilities	**45,037**	45,652
Depreciation charge of right-of-use assets	**221,663**	207,366
Expense relating to short-term leases (included in cost of sales, selling expenses, research and development expenses and administrative expenses)	**10,869**	6,616
Covid-19-related rent concessions from lessors	**(6,093)**	(18,563)
Total amount recognised in profit or loss	**271,476**	241,071

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

15. INTANGIBLE ASSETS

	Computer software RMB'000	Domain names RMB'000	Trademarks RMB'000	Deferred development costs RMB'000	Total RMB'000
31 December 2021					
Cost at 1 January 2021, net of accumulated amortisation	24,643	331	600	7,853	33,427
Additions	6,138	–	–	9,694	15,832
Transfer	13,232	–	–	(13,232)	–
Disposals	(795)	–	–	–	(795)
Amortisation provided during the year (note 6)	(7,452)	(262)	(600)	–	(8,314)
Impairment (note 6)	(6,470)	–	–	–	(6,470)
Assets included in subsidiaries disposed of (note 27)	(38)	–	–	–	(38)
At 31 December 2021	29,258	69	–	4,315	33,642
At 31 December 2021:					
Cost	44,295	2,659	8,000	4,315	59,269
Accumulated amortisation and impairment	(15,037)	(2,590)	(8,000)	–	(25,627)
Net carrying amount	29,258	69	–	4,315	33,642

15. INTANGIBLE ASSETS (CONTINUED)

	Computer software RMB'000	Domain names RMB'000	Trademarks RMB'000	Deferred development costs RMB'000	Total RMB'000
31 December 2020					
Cost at 1 January 2020, net of accumulated amortisation	8,927	593	1,400	4,888	15,808
Additions	15,609	—	—	6,641	22,250
Transfer	3,676	—	—	(3,676)	—
Amortisation provided during the year (note 6)	(3,569)	(262)	(800)	—	(4,631)
At 31 December 2020	24,643	331	600	7,853	33,427
At 31 December 2020:					
Cost	25,926	2,657	8,000	7,853	44,436
Accumulated amortisation	(1,283)	(2,326)	(7,400)	—	(11,009)
Net carrying amount	24,643	331	600	7,853	33,427

16. INVESTMENTS IN ASSOCIATES

	2021 RMB'000	2020 RMB'000
Share of net assets	**9,665**	24,958
Goodwill on acquisition	**23,037**	54,761
Impairment	**(15,210)**	—
	17,492	79,719

16. INVESTMENTS IN ASSOCIATES (CONTINUED)

Particulars of the associates are as follows:

Name		Place of incorporation/ registration and business	Particulars of registered capital RMB'000	Percentage of ownership interest attributable to the Group 2021	2020	Principal activities
Guangdong Donghu Qiyuan Co., Ltd. ("Donghu Qiyuan")*		PRC/Mainland China	1,429	**30.00**	30.00	Chess training services
Guangzhou Sairui Sports Co., Ltd. ("Sairui Sports") *		PRC/Mainland China	167	**24.00**	24.00	Physical education services
Guangzhou Haite Sports Development Co., Ltd. ("Haite Sports") *		PRC/Mainland China	1,250	**36.00**	36.00	Physical education services
Guangzhou Xinyue Sports Co., Ltd. ("Xinyue Sports") *		PRC/Mainland China	5,000	**40.00**	40.00	Physical education services
Guangzhou Walmonos Sports Development Co., Ltd. ("Walmonos Sports") *#		PRC/Mainland China	1,087	**18.00**	18.00	Physical education services
Guangzhou Yuyou Pinxue Co., Ltd. ("Yuyou Pinxue") *#		PRC/Mainland China	1,304	**17.48**	17.48	Consulting services
Guangzhou Wandou Information and Technology Co., Ltd. ("Guangzhou Wandou") *	(i)	PRC/Mainland China	3,000	**33.33**	–	Information and technology services
Guangzhou Shengshi Zhiben Education Investment Co., Ltd. ("Guangzhou Shengshi")*	(ii)	PRC/Mainland China	2,000	**20.00**	–	Education investment and consultation services
Guangzhou GROW Education Technology Co., Ltd. ("Guangzhou GROW")*	(iii)	PRC/Mainland China	2,442	**–**	24.57	Internet information and culture services

16. INVESTMENTS IN ASSOCIATES (CONTINUED)

Particulars of the associates are as follows: (Continued)

Name		Place of incorporation/ registration and business	Particulars of registered capital RMB'000	Percentage of ownership interest attributable to the Group 2021	2020	Principal activities
Beijing Xiaohe Times Education Technology Co., Ltd. ("Xiaohe Times") *#	(iv)	PRC/Mainland China	1,163	–	2.61	Consulting services
Beijing Tengyue Zhihui Network Technology Co., Ltd. ("Beijing Tengyue") *#	(iv)	PRC/Mainland China	1,546	–	10.54	Online education services
Xiaohe Education Technology (Wuhan) Co., Ltd. ("Xiaohe Education (Wuhan)") *#	(iv)	PRC/Mainland China	5,333	–	10.00	K-12 after-school education services
Shanghai Juzhi Future Culture Communication Co., Ltd. ("Shanghai Juzhi") *	(iv)	PRC/Mainland China	10,000	–	40.00	Art and culture education services

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

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

(i) The Group contributed the total capital of RMB1,000,000 to Guangzhou Wandou, representing a 33.33% equity interest during the year ended 31 December 2021.

(ii) The Group contributed the total capital of RMB400,000 to Guangzhou Shengshi, representing a 20% equity interest during the year ended 31 December 2021.

(iii) The Group transferred the total equity interest in Guangzhou GROW to a third party for a consideration of RMB20,511,000 during the year ended 31 December 2021.

(iv) The shareholdings of these associates were held by Tibet Zhuoye, a then wholly-owned subsidiaries of the Company. During the year ended 31 December 2021, the Group transferred Tibet Zhuoye to a related party together with these associates.

16. INVESTMENTS IN ASSOCIATES (CONTINUED)

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

Walmonos Sports is considered a material associate of the Group and is accounted for using the equity method.

At 31 December 2021, an impairment loss in respect of interest in an associate, Walmonos Sports, amounted to RMB15,195,000 (2020: nil) have been recognised. During the Reporting Period, Walmonos Sports remained in loss making position and in position of net liabilities of RMB3,492,000. The management of the Group considered there were impairment indicators and hence conducted an impairment assessment on the interest in this associate by comparing its recoverable amount (value in use) with its carrying amount.

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

	2021 RMB'000	2020 RMB'000
Current assets	**49,328**	42,973
Non-current assets	**17,282**	11,972
Current liabilities	**(64,402)**	(47,008)
Non-current liabilities	**(5,700)**	—
Net (liabilities)/assets	**(3,492)**	7,937
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**18.00%**	18.00%
Group's share of net (liabilities)/assets of the associate	**(629)**	1,428
Goodwill on acquisition (less cumulative impairment)	**7,409**	22,604
Carrying amount of the investment	**6,780**	24,032
Revenue	**104,105**	56,064
Loss and total comprehensive loss for the year	**(11,428)**	(5,425)

16. INVESTMENTS IN ASSOCIATES (CONTINUED)

During the Reporting Period, certain associates were significantly impacted by the Double Reduction Policy. The Double Reduction Policy rendered these associates' development progress as well as business and financial performance being less than satisfactory. An impairment loss of RMB40,844,000 (2020: nil) of these associates was made during the Reporting Period due to their unsatisfied financial performance with no obvious upturn in the foreseeable future. In December 2021, these associates were disposed of together with their holding company, Tibet Zhuoye Venture Capital Investment Management Co., Ltd. ("Tibet Zhuoye"). Further details are included in note 27 to the financial statements.

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

	2021 **RMB'000**	2020 RMB'000
Share of the associates' (loss)/profits for the year	**(4,151)**	1,488
Share of the associates' total comprehensive (loss)/income	**(4,151)**	1,488
Aggregate carrying amount of the Group's interests in the associates	**10,712**	55,687

17. INVESTMENT IN JOINT VENTURES

	2021 **RMB'000**	2020 RMB'000
Share of net assets	**2,467**	415
Loan to a joint venture	**4,627**	5,021
Exchange realignment	**283**	14
At the end of the year	**7,377**	5,450

The loan to the joint venture is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the Directors, this loan is considered as part of the Group's net investment in the joint venture. There was no recent history of default and past due amounts for the loan to a joint venture. As at 31 December 2021 and 2020, the loss allowance was assessed to be minimal.

17. INVESTMENT IN JOINT VENTURES (CONTINUED)

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

Name	Particulars of issued shares held	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Gowise Education Holdings Pty Ltd.	Registered capital of Australian dollar 5 each	Australia	50	50	50	Property management and investment
Guangzhou Beststudy Ha Culture Communication Co., Ltd. 廣州市卓越樂樂文化傳播有限公司 ("Lele Culture")	Registered capital of RMB2,750 thousand	PRC/ Mainland China	55	55	55	Offline study room

Gowise Education Holdings Pty Ltd. was established in June 2017 by Beststudy HK and Hyper Property Pty Ltd., an entity incorporated in Australia.

Lele Culture was established in June 2021 by Zhuoxue Information and Lele Qihang (Beijing) Education Technology Co., Ltd.

17. INVESTMENT IN JOINT VENTURES (CONTINUED)

The following table illustrates the summarised financial information in respect of Gowise Education Holdings Pty Ltd. adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2021 **RMB'000**	2020 RMB'000
Cash and cash equivalents	**3,104**	1,096
Loan to a related party	**2,560**	4,877
Other receivables	**4,622**	5,016
	10,286	10,989
Loans from shareholders	**(9,254)**	(10,041)
Income tax payable	**(10)**	(119)
Integrated client account	**(108)**	—
	(9,372)	(10,160)
Net assets	**914**	829
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**50%**	50%
Group's share of net assets of the joint venture	**457**	415
Carrying amount of the investment	**457**	415
Interest income	**289**	348
Administrative expenses	**(5)**	(51)
Income tax expense	**(127)**	(113)
Profit for the year	**157**	184
Exchange differences on translation of financial statements	**(72)**	19
Profit and total comprehensive income for the year	**85**	203

17. INVESTMENT IN JOINT VENTURES (CONTINUED)

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

	2021 RMB'000
Right-of-use assets	2,778
Other current assets	3,000
Property, plant and equipment	985
Prepayments, deposits and other receivables	236
Cash and cash equivalents	72
	7,071
Lease liabilities	(2,892)
Other payables and accruals	(458)
Contract liabilities	(67)
	(3,417)
Net assets	3,654
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	55%
Group's share of net assets of the joint venture	2,010
Carrying amount of the investment	2,010
Revenue	107
Cost of sales	(1,033)
Selling expenses	(78)
Administrative expenses	(303)
Finance costs	(69)
Other income and gains	31
Loss and total comprehensive loss for the year	(1,345)

18. OTHER INVESTMENTS

		31 December 2021 RMB'000	31 December 2020 RMB'000
Non-current assets			
Equity investments at fair value through profit or loss			
— Unlisted equity investments		**7,227**	6,346
Debt investments measured at amortised cost			
— Corporate debts	(i)	**186,047**	215,292
Debt investments at fair value through profit or loss			
— Fund	(ii)	**15,248**	15,252
		208,522	236,890
Current assets			
Short-term equity investment measured at fair value through profit or loss			
— Listed equity investment	(iii)	**48,986**	84,825
Short-term debt investments measured at amortised cost			
— Corporate debts	(i)	**130,000**	30,175
Short-term debt investments measured at fair value through profit or loss			
— Wealth management products issued by banks	(ii)	**41,048**	304,414
— Unlisted trust plans and asset management plans	(ii)	**20,396**	200,228
— Funds	(ii)	**184,545**	177,657
		245,989	682,299
		424,975	797,299

18. OTHER INVESTMENTS (CONTINUED)

(i) Debt investments measured at amortised cost are debt assets with guaranteed returns. They are denominated in RMB. For the year ended 31 December 2021, impairment of RMB76,097,000 (2020: nil) was recognised through profit or loss for certain past due investments.

(ii) Wealth management products issued by banks, unlisted trust plans, asset management plans and funds issued by financial institutions, were denominated in RMB at aggregate amounts of RMB261,237,000 (2020: RMB571,938,000), with an expected rate of return ranging from 4.0% to 14.0% (2020: 3.3% to 10.0%) per annum for the period. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. As at 31 December 2021, certain unlisted trust plans and funds were overdue without being redeemed pursuant to the terms of the subscriptions agreements. The fair values are based on cash flows discounted using the expected return and are within Level 2 and Level 3 of fair value hierarchy.

(iii) The fair value of listed equity investment is determined based on the closing prices quoted in active markets. It is accounted for using its fair values based on the quoted market prices (Level 1: quoted price (unadjusted) in active markets) without deduction for transaction costs.

(iv) Amounts recognised in profit or loss

	2021 **RMB'000**	2020 RMB'000
Investment income from debt investments measured at amortised cost		
— Corporate debts	**16,096**	8,106
— Structured deposit	**—**	153
— National debt	**—**	1
	16,096	8,260
Impairment of debt investments measured at amortised cost	**(76,097)**	—
Fair value changes on equity investments		
— Unlisted equity investments	**801**	834
— Listed equity investments	**(34,303)**	27,377
Fair value changes on debt investments		
— Unlisted trust plans and asset management plans	**(88,792)**	37,573
— Wealth management products issued by banks	**3,205**	6,719
— Funds	**(25,349)**	20,062
	(144,438)	92,565

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 RMB'000	2020 RMB'000
Rental and other deposits	**26,353**	56,815
Prepaid operation expenses	**7,928**	13,216
Receivables from payment channels	**5,874**	18,776
Loans to employees	**4,617**	13,229
Staff advances	**229**	332
Proceeds receivable	**219**	4,693
Amount due from associates	**130**	—
Loan receivables from third parties	**37,000**	—
Others	**8,661**	10,216
	91,011	117,277
Less: Provision for impairment	**18,246**	—
	72,765	117,277

The Group applies the general approach to provide for the ECLs of the financial assets measured at amortised cost including rental and other deposits, receivables from payment channels, loans to employees, amounts due from associates, proceeds receivable, loans receivables from third parties and others except for other prepayments prescribed by IFRS 9.

Included in the balance above, rental and other deposits, receivables from payment channels, loans to employees, amount due from associates, proceeds receivable, loans receivables from third parties and others are financial assets.

20. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	2021 RMB'000	2020 RMB'000
Cash and bank balances	**223,315**	696,364
Less: Restricted cash	**12,135**	2,631
Cash and cash equivalents	**211,180**	693,733

As at the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB202,518,000 (2020: RMB684,107,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default.

As at 31 December 2021, bank balances amounting to RMB12,135,000 (2020: RMB2,631,000) are restricted. Bank balances amounting to RMB8,777,000 (2020: nil) were restricted as guarantee deposit of a bank loan. Bank balances amounting to RMB100,000 (2020: RMB302,000) were restricted for capital verification purposes upon setting up one (2020: four) of the Group's subsidiaries. Bank balances amounting to RMB3,258,000 (2020: RMB2,329,000) were restricted in use for establishing education reserve accounts at the request of the local education bureau, which is a prerequisite for launching the private education business.

21. OTHER PAYABLES AND ACCRUALS

	2021 RMB'000	2020 RMB'000
Accrued staff benefits and payroll	**88,917**	189,476
Payable for operating activities	**31,977**	72,177
Amount due to related parties	**22,161**	203
Other tax payables	**7,839**	4,529
Refundable liabilities	**7,001**	8,625
Deposits	**2,972**	3,607
Payable for listing expenses	**682**	691
Interest payable	**469**	347
Others	**9,828**	11,880
	171,846	291,535

The above balances are unsecured and non-interest-bearing. The carrying amounts of other payables and accruals as at the end of the reporting period approximated to their fair values due to their short-term maturities.

22. INTEREST-BEARING BANK LOANS AND LEASE LIABILITIES

	31 December 2021			31 December 2020		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Lease liabilities (note 14(b))	**4.75–4.9**	**2022**	**87,163**	4.75–4.9	2021	211,546
Bank loans — unsecured	**3.55**	**2022**	**180,000**	3.05	2021	200,000
Bank loans — secured	**HIBOR+1**	**2022**	**8,218**	—	—	—
Current portion of long-term bank loans — unsecured	**3.60**	**2022**	**145,000**	3.60	2021	4,000
			420,381			415,546
Non-current						
Lease liabilities (note 14(b))	**4.75–4.9**	**2023–2031**	**150,222**	4.75–4.9	2022–2030	716,321
Bank loans — unsecured	**—**	**—**	**—**	3.60	2022	145,000
			150,222			861,321
			570,603			1,276,867

	31 December 2021 RMB'000	31 December 2020 RMB'000
Analysed into:		
Bank loans:		
Within one year or on demand	**333,218**	204,000
In the second year	**—**	145,000
	333,218	349,000
Other borrowings repayable:		
Within one year or on demand	**87,163**	211,546
In the second year	**41,497**	189,736
In the third to fifth years, inclusive	**66,066**	408,461
Beyond five years	**42,659**	118,124
	237,385	927,867
	570,603	1,276,867

22. INTEREST-BEARING BANK LOANS AND LEASE LIABILITIES (CONTINUED)

Notes:

(a) Except for the secured bank loan which is denominated in Hong Kong dollars, the other borrowings are in RMB.

(b) The bank loans of RMB145,000,000 are guaranteed by Zhuoxue Information, while the bank loan of HK$10,000,000 is secured by restricted cash of RMB8,777,000.

(c) The Group's other loan is unsecured, bearing interest at 3.55%.

23. DEFERRED TAX

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

Deferred tax liabilities

2021	Fair value adjustments arising from financial assets at fair value through profit or loss RMB'000	Deductible temporary differences RMB'000	Total RMB'000
At 1 January 2021	1,589	1,470	3,059
Deferred tax (credited)/charged to the statement of profit or loss during the period (note 10)	(1,589)	330	(1,259)
Gross deferred tax liabilities at 31 December 2021	—	1,800	1,800

Deferred tax assets

	Impairment losses RMB'000	Deductible amortisation allowance RMB'000	Lease liabilities RMB'000	Share-based payments RMB'000	Total RMB'000
At 1 January 2021	5,387	—	13,759	1,600	20,746
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	(1,342)	27,141	(8,093)	(1,572)	16,134
Gross deferred tax assets at 31 December 2021	4,045	27,141	5,666	28	36,880

23. DEFERRED TAX (CONTINUED)

Deferred tax liabilities

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

Deferred tax assets

	2020					
	Fair value adjustments arising from financial assets at fair value through profit or loss RMB'000	Impairment losses RMB'000	Deductible temporary differences RMB'000	Lease liabilities RMB'000	Share-based payments RMB'000	Total RMB'000
At 1 January 2020	831	7,319	1,329	9,520	–	18,999
Deferred tax (charged)/credited to the statement of profit or loss during the year (note 10)	(831)	(1,932)	(1,329)	4,239	1,600	1,747
Gross deferred tax assets at 31 December 2020	–	5,387	–	13,759	1,600	20,746

23. DEFERRED TAX (CONTINUED)

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

	2021 RMB'000	2020 RMB'000
Deferred tax assets recognised in the consolidated statement of financial position	**36,880**	20,746
Deferred tax liabilities recognised in the consolidated statement of financial position	**(1,800)**	(3,059)
Net deferred tax assets recognised in the consolidated statement of financial position	**35,080**	17,687

The Group also has tax losses arising in Mainland China of RMB194,702,000 (2020: RMB128,644,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised as it is not probable that taxable profits will be available against which the above items can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% (or a lower rate if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors) withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2021, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, the Group's earnings will be retained in Mainland China, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. As at 31 December 2021, the aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised was nil (2020: RMB150,015,000).

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

24. SHARE CAPITAL

Shares

	2021 RMB'000	2020 RMB'000
Authorised: 3,000,000,000 ordinary shares of US$0.00005 each as at 31 December 2021 (2020: 3,000,000,000 ordinary shares)	**1,070**	1,070
Issued and fully paid: 847,221,000 ordinary shares as at 31 December 2021 (2020: 849,720,000 ordinary shares)	**303**	304

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

	Number of shares in issue	Share capital RMB'000
At 1 December 2020, 31 December 2020 and 1 January 2021	849,720,000	304
Shares repurchased and cancelled	(2,499,000)	(1)
At 31 December 2021	847,221,000	303

The Company repurchased 2,499,000 of its ordinary shares on the Hong Kong Stock Exchange at a total consideration of HK$6,807,270 (approximately RMB5,603,000). These shares were cancelled during the year ended 31 December 2021.

25. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity on pages 127 to 128 of the financial statements.

(a) Statutory surplus reserve

Pursuant to the relevant laws in the PRC, the Company's subsidiaries in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the boards of directors of the relevant subsidiaries in the PRC. These reserves include (i) the general reserve of the limited liability companies; and (ii) the development fund of private non-enterprise units. When the subsidiaries are deregistered or disposed, the accumulated statutory surplus reserve would be transferred to retain.

(1) In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve can be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(2) According to the relevant PRC laws and regulations, private non-enterprise units which require reasonable returns are required to appropriate to the development fund no less than 25% of the net income of the relevant institutions as determined in accordance with generally accepted accounting principles in the PRC. The development fund is for the construction or maintenance of the schools or procurement or upgrade of educational equipment.

In December 2021, the Group had entered into an equity transfer agreement with a related party to sell the entire equity interest in 46 subsidiaries held by the Group, of which 18 subsidiaries were private non-enterprise units. Thus, there was no balance of development fund as at 31 December 2021.

(b) Share premium

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

(c) Shares held for the RSU Scheme

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

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

(d) Capital contribution from non-controlling shareholders

Guangzhou Wendao

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

In February 2021, capital contribution of RMB20,000 was made to a subsidiary of the Group, Guangzhou Wendao, from a non-controlling shareholder.

26. SHARE-BASED PAYMENTS

(a) Restricted Share Unit Scheme

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

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

The movements of the Company's shares held for the RSU Scheme account during the years ended 31 December 2021 and 2020 are as follows:

	Notes	Number of shares	Amount RMB'000
As at 1 January 2020		54,983,978	4,684
Repurchase of shares held for RSU Scheme	(i)	26,746,000	78,481
Exercise of share awards	(ii)	(9,507,620)	(3)
As at 31 December 2020 and 1 January 2021		**72,222,358**	**83,162**
Repurchase of shares held for RSU Scheme	(i)	**33,835,000**	**72,725**
Exercise of share awards	(ii)	**(11,010,067)**	**(4)**
As at 31 December 2021		**95,047,291**	**155,883**

26. SHARE-BASED PAYMENTS (CONTINUED)

(a) Restricted Share Unit Scheme (continued)

(i) During the year ended 31 December 2021, 33,835,000 ordinary shares of the Company on the Stock Exchange were purchased for the RSU Scheme (2020: 26,746,000) at a total consideration of HK$87,620,000 (approximately RMB72,725,000) (2020: HK$88,275,000, approximately RMB78,481,000).

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

During the year ended 31 December 2020, the Group granted a certain number of RSUs at a consideration of nil per share to 17 Grantees pursuant to the RSU Scheme, subject to acceptance of the Grantees. The fair value of each restricted share unit granted to employees is measured with reference to the closing prices of the ordinary shares of the Company at the grant date of HK$3.20 (equivalent to RMB2.82) per share, HK$2.80 (equivalent to RMB2.45) per share, HK$2.90 (equivalent to RMB2.48) per share and HK$3.10 (equivalent to RMB2.68) per share, respectively.

During the year ended 31 December 2021, the Group granted a certain number of RSUs at a consideration of nil per share to 351 Grantees pursuant to the RSU Scheme, subject to acceptance of the Grantees. The fair value of each restricted share unit granted to employees is measured with reference to the closing prices of the ordinary shares of the Company at the grant date of HK$2.5 (equivalent to RMB2.05) per share and HK$0.6 (equivalent to RMB0.46) per share, respectively.

The aggregate number of shares granted during these years is set out in the table below.

During the year ended 31 December 2021, the Group amortised the difference between the fair value of the share awards and the consideration that employees have to pay to the Company over the vesting period after considering the possibility of the performance after service conditions are fulfilled and reversed equity-settled compensation costs of RMB5,914,000 (2020: provision of RMB15,863,000) in profit or loss in relation to the RSU Scheme.

26. SHARE-BASED PAYMENTS (CONTINUED)

(a) Restricted Share Unit Scheme (continued)

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

						Number of Awarded Shares		
Date of grant	Number of outstanding granted RSUs as at 1 January 2021 '000	Shares newly granted during the period '000	Fair value RMB'000	Exercise price RMB	Vesting date	Vested during the period '000	Forfeited during the period '000	Outstanding granted RSUs as at 31 December 2021 '000
3 September 2019	16,202	–	–	0.80	31 May 2022	–	16,202	–
3 September 2019	4,412	–	–	–	31 May 2022	–	4,412	–
3 September 2019	167	–	–	–	31 July 2021	–	167	–
3 September 2019	167	–	–	–	31 July 2022	–	167	–
3 September 2019	167	–	–	–	31 December 2021	–	167	–
10 September 2020	167	–	–	–	10 September 2021	167	–	–
10 September 2020	167	–	–	–	10 September 2022	–	–	167
10 September 2020	166	–	–	–	10 September 2023	–	–	166
29 October 2020	256	–	–	–	29 October 2021	–	256	–
29 October 2020	324	–	–	–	29 October 2022	–	324	–
29 October 2020	134	–	–	–	29 October 2023	–	134	–
8 November 2020	105	–	–	–	8 October 2021	–	105	–
8 November 2020	105	–	–	–	8 October 2022	–	105	–
8 November 2020	105	–	–	–	8 October 2023	–	105	–
8 November 2020	105	–	–	–	8 October 2024	–	105	–
30 April 2021	–	372	762	–	30 April 2021	372	–	–
18 September 2021	–	10,471	4,862	–	18 September 2021	10,471	–	–
	22,749	10,843	5,624			11,010	22,249	333

(b) Share Option Scheme

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

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

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

27. DISPOSAL OF SUBSIDIARIES

In December 2021, the Group had entered into an equity transfer agreement with a related party to sell the entire equity interest in 46 subsidiaries held by the Group for the consideration of RMB1. The disposal of subsidiaries was completed within 2021 with a loss of RMB14,453,000.

On 25 December 2019, the Group had entered into an equity transfer intention agreement with an independent third party to sell the entire equity interest in Guangzhou Gaofen held by the Group. The disposal of Guangzhou Gaofen was completed in February 2020 with a loss of RMB45,000.

	Note	**2021 RMB'000**	2020 RMB'000
Net assets disposed of:			
Property, plant and equipment		**58,888**	—
Right-of-use assets		**73,625**	—
Intangible asset		**38**	—
Investments in associates (net of RMB40,844,000 impairment made during the year)		**293**	—
Equity investments at fair value through profit or loss		**87**	65,989
Prepayments, deposits and other receivables (net of RMB5,945,000 impairment made during the year)		**38,029**	51
Cash and cash equivalents		**217,965**	40
Restricted cash		**900**	—
Other payables and accruals		**(45,079)**	(66,035)
Lease liabilities		**(85,295)**	—
Contract liabilities		**(246,887)**	—
Tax payable		**(862)**	—
Non-controlling interests		**2,751**	—
		14,453	45
Loss on disposal of subsidiaries	6	**(14,453)**	(45)
		—	—
Satisfied by:			
Cash		**—***	—*

* The amount was less than RMB1,000.

27. DISPOSAL OF SUBSIDIARIES (CONTINUED)

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

	2021 RMB'000	2020 RMB'000
Cash consideration	**—***	—*
Cash and bank balances disposed of	**(217,965)**	(40)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	**(217,965)**	(40)

* The amount was less than RMB1,000.

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB385,473,000 (2020: RMB217,457,000) and RMB385,473,000 (2020: RMB217,457,000), respectively, in respect of lease arrangements for property.

(b) Changes in liabilities arising from financing activities

2021	**Interest-bearing bank loans RMB'000**	**Interest payable RMB'000**	**Lease liabilities RMB'000**
At 1 January 2021	**349,000**	**347**	**927,867**
Changes from financing cash flows	**(15,782)**	**(12,636)**	**(225,096)**
New leases	**—**	**—**	**385,473**
Interest expense	**—**	**12,758**	**45,037**
Covid-19-related rent concessions from lessors	**—**	**—**	**(6,093)**
Reassessment and revision of lease terms	**—**	**—**	**(889,803)**
As at 31 December 2021	**333,218**	**469**	**237,385**

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

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

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

(c) Total cash outflow for leases

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

	2021 RMB'000	2020 RMB'000
Within operating activities	**10,869**	6,616
Within financing activities	**225,096**	209,031
	235,965	215,647

29. CONTINGENT LIABILITIES

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

30. COMMITMENTS

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

	2021 RMB'000	2020 RMB'000
Contracted, but not provided for:		
Leasehold improvements	**—**	7,785

(b) The Group has no lease contracts that have not yet commenced as at 31 December 2021.

31. RELATED PARTY TRANSACTIONS

(a) Name and relationship of related parties

Name	Relationship
Guangzhou Tongyi Education Consulting Co., Ltd. 廣州童意教育諮詢有限公司 ("Guangzhou Tongyi")	Controlled by three directors
Guangzhou Tengyue Education Technology Co., Ltd. 廣州騰越教育科技有限公司 ("Guangzhou Tengyue")	Controlled by three directors
Huoerguosi Lexue Venture Capital Investment Co., Ltd. 霍爾果斯樂學創業投資有限公司 ("Lexue Venture Capital")	Controlled by three directors
Walmonos Sports	Associate of the Group
Donghu Qiyuan	Associate of the Group
Xinyue Sports	Associate of the Group
Yuyou Pinxue	Associate of the Group
Haite Sports	Associate of the Group
Sairui Sports	Associate of the Group
Guangzhou GROW	Disposed associate of the Group
Shenzhen Wandie Culture Development Co., Ltd. 深圳市萬蝶文化發展有限公司 ("Shenzhen Wandie Culture")	Disposed subsidiary of the Group

(b) Transactions with related parties

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

(1) Sales of consulting services to related parties

	2021 RMB'000	2020 RMB'000
Walmonos Sports	**114**	279
Xinyue Sports	**56**	—
Guangzhou GROW	**—**	1,960
Yuyou Pinxue	**—**	53
Haite Sports	**—**	179
	170	2,471

The prices for the above services were determined in accordance with mutually agreed terms.

(2) Purchases of teaching materials from related parties

	2021 RMB'000	2020 RMB'000
Xinyue Sports	**112**	—
Walmonos Sports	**92**	378
Yuyou Pinxue	**45**	—
Donghu Qiyuan	**29**	—
Sairui Sports	**26**	—
	304	378

The prices for the above transaction were determined in accordance with mutually agreed terms.

31. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties (continued)

(3) Dispose of 46 subsidiaries to a related party

	2021 RMB'000	2020 RMB'000
Lexue Venture Capital	–*	–

* The amount was less than RMB1,000.

During the year, the Group disposed of 46 subsidiaries. Further details are included in note 27 to the financial statements.

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

	2021 RMB'000	2020 RMB'000
Guangzhou GROW	–	82

(5) Rental income from related parties

	2021 RMB'000	2020 RMB'000
Yuyou Pinxue	1,281	1,175
Guangzhou GROW	–	1
Guangzhou Tengyue	–	50
	1,281	1,226

(6) Rental expense to a related party

	2021 RMB'000	2020 RMB'000
Guangzhou Tongyi	–	283

31. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Outstanding balances with related parties

(1) Amounts due from related parties

	2021 RMB'000	2020 RMB'000
Haite Sports	**94**	—
Donghu Qiyuan	**36**	—
	130	—

(2) Amounts due to related parties

	2021 RMB'000	2020 RMB'000
Shenzhen Wandie Culture	**21,898**	—
Walmonos Sports	**136**	203
Xinyue Sports	**56**	—
Yuyou Pinxue	**45**	—
Sairui Sports	**26**	—
	22,161	203

(d) Compensation of key management personnel of the Group

	2021 RMB'000	2020 RMB'000
Short-term employee benefits	**6,853**	6,462
Pension scheme contributions	**356**	222
Equity-settled compensation costs	**(1,512)**	1,134
Total compensation paid to key management personnel	**5,697**	7,818

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

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2021

Financial assets

	Financial assets at fair value through profit or loss			
	Designated as such upon initial recognition RMB'000	Mandatorily designated as such RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments at fair value through profit or loss				
— Unlisted equity investment	7,227	–	–	7,227
Debt investments measured at amortised cost				
— Corporate debts	–	–	186,047	186,047
Debt investments at fair value through profit or loss				
— Fund	–	15,248	–	15,248
Short-term equity investment measured at fair value through profit or loss				
— Listed equity investment	–	48,986	–	48,986
Short-term debt investments measured at amortised cost				
— Corporate debts	–	–	130,000	130,000
Short-term debt investments measured at fair value through profit or loss				
— Wealth management products issued by banks	–	41,048	–	41,048
— Unlisted trust plans and asset management plans	–	20,396	–	20,396
— Funds	–	184,545	–	184,545
Loan to a joint venture	–	–	4,627	4,627
Financial assets included in prepayments, deposits and other receivables	–	–	64,608	64,608
Short-term time deposit	–	–	50,130	50,130
Restricted cash	–	–	12,135	12,135
Cash and cash equivalents	–	–	211,180	211,180
	7,227	310,223	658,727	976,177

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Financial liabilities included in other payables and accruals	68,089	68,089
Lease liabilities	237,385	237,385
Interest-bearing bank loans	333,218	333,218
	638,692	638,692

32. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2020

Financial assets

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

Financial liabilities

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

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Equity investments at fair value through profit or loss				
— Unlisted equity investments	**7,227**	6,346	**7,227**	6,346
Debt investments at fair value through profit or loss				
— Fund	**15,248**	15,252	**15,248**	15,252
Short-term equity investment measured at fair value through profit or loss				
— Listed equity investment	**48,986**	84,825	**48,986**	84,825
Short-term debt investments measured at fair value through profit or loss				
— Wealth management products issued by banks	**41,048**	304,414	**41,048**	304,414
— Unlisted trust plans and asset management plans	**20,396**	200,228	**20,396**	200,228
— Funds	**184,545**	177,657	**184,545**	177,657
	317,450	788,722	**317,450**	788,722

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2021:

Financial assets	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Equity investments at fair value through profit or loss			
– Unlisted equity investments	The net asset value based on the fair value of the underlying investments.	· The fair value of underlying assets.	· The higher the underlying assets valuation, the higher the fair value.
Debt investments at fair value through profit or loss			
– Unlisted trust plans and asset management plans	Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	· Expected Recoverable amounts	· The higher the recoverable amounts, the higher the fair value.
		· Expected recovery Date	· The earlier the recovery date, the higher the fair value.
		· Discount rates that correspond to the expected risk level	· The lower the discount rates, the higher the fair value.
– Funds	Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	· Expected Recoverable amounts	· The higher the recoverable amounts, the higher the fair value.
		· Expected recovery Date	· The earlier the recovery date, the higher the fair value.
		· Discount rates that correspond to the expected risk level	· The lower the discount rates, the higher the fair value.

Management has assessed that the fair values of cash and cash equivalents, restricted cash, financial assets included in prepayments, deposits and other receivables, a short-term time deposit, a loan to a joint venture, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the debt investments measured at amortised cost, interest-bearing bank loans and lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for lease liabilities as at 31 December 2021 were assessed to be insignificant.

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Equity investment at fair value through profit or loss				
— Unlisted equity investment	—	—	7,227	7,227
Debt investment at fair value through profit or loss				
— Fund	—	15,248	—	15,248
Short-term equity investment measured at fair value through profit or loss				
— Listed equity investment	48,986	—	—	48,986
Short-term debt investments measured at fair value through profit or loss				
— Wealth management products issued by banks	—	41,048	—	41,048
— Unlisted trust plans and asset management plans	—	—	20,396	20,396
— Funds	—	11,052	173,493	184,545
	48,986	67,348	201,116	317,450

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

As at 31 December 2020

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

The movements in fair value measurements within Level 3 during the year are as follows:

	2021 RMB'000	2020 RMB'000
Financial assets at fair value through profit or loss:		
At 1 January	**6,346**	3,827
Total (losses)/gains recognised in the statement of profit or loss	**(113,155)**	834
Additions	**417,111**	2,110
Disposals	**(109,034)**	—
Exchange realignment	**(152)**	(425)
At 31 December	**201,116**	6,346

During the years ended 31 December 2021 and 2020, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

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

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and bank balances. The Group has various other financial assets and liabilities such as deposits and other receivables and other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing the risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank loan with floating interest rates. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk.

The sensitivity analysis below has been determined based on the exposure to interest rate for a variable rate bank loan at the end of year 2021 and assumed that the amount of liabilities outstanding at the end of year 2021 was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rate had been 50 basis points higher/lower and all other variables were held constant, the Group's loss before tax for the year ended 31 December 2021 would increase/decrease by RMB41,000. This is mainly attributable to the Group's exposure to variable interest rate on its bank loan.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

The Group has transactional currency exposures. The Group has not used any financial instruments to hedge against currency risk. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HK$ and US$ exchange rates, with all other variables held constant, of the Group's (loss)/profit before tax (due to changes in the fair values of monetary assets and liabilities).

	(Decrease)/increase in HK$/US$ rate %	**(Decrease)/increase in loss before tax RMB'000**
2021		
If RMB weakens against HK$	**(5)**	**(2,477)**
If RMB strengthens against HK$	**5**	**2,477**
If RMB weakens against US$	**(5)**	**(647)**
If RMB strengthens against US$	**5**	**647**

	(Decrease)/increase in HK$/US$ rate %	Increase/(decrease) in profit before tax RMB'000
2020		
If RMB weakens against HK$	(5)	1,018
If RMB strengthens against HK$	5	(1,018)
If RMB weakens against US$	(5)	6,224
If RMB strengthens against US$	5	(6,224)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

Maximum exposure and year-end staging

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligation. The Group has no concentration of credit risk from third party debtors. The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2021. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk.

As at 31 December 2021

	12-month ECLs	Lifetime ECLs		
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Debt investments measured at amortised cost				
— Corporate debts				
— Not yet past due	187,623	—	—	187,623
Short-term debt investments measured at amortised cost				
— Corporate debts				
— Past due	—	—	112,387	112,387
— Not yet past due	92,134	—	—	92,134
Loan to a joint venture	4,627	—	—	4,627
Financial assets included in prepayments, deposits and other receivables				
— Normal*	45,854	—	—	45,854
— Doubtful*	—	37,000	—	37,000
Short-term time deposit	50,130	—	—	50,130
Restricted cash				
— Not yet past due	12,135	—	—	12,135
Cash and cash equivalents				
— Not yet past due	211,180	—	—	211,180
	603,683	37,000	112,387	753,070

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2020

	12-month ECLs	Lifetime ECLs		
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Debt investments measured at amortised cost				
— Corporate debts				
— Not yet past due	215,292	—	—	215,292
Time deposit	151,070	—	—	151,070
Short-term debt investments measured at amortised cost				
— Corporate debt				
— Not yet past due	30,175	—	—	30,175
Loan to a joint venture	5,021	—	—	5,021
Financial assets included in prepayments, deposits and other receivables				
— Normal*	103,729	—	—	103,729
Restricted cash				
— Not yet past due	2,631	—	—	2,631
Cash and cash equivalents				
— Not yet past due	693,733	—	—	693,733
	1,201,651	—	—	1,201,651

* The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

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

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2021					
	On demand RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Financial liabilities included in other payables and accruals	68,089	–	–	–	68,089	68,089
Lease liabilities	–	94,864	123,457	45,875	264,196	237,385
Interest-bearing bank loans	–	337,868	–	–	337,868	333,218
	68,089	432,732	123,457	45,875	670,153	638,692

	As at 31 December 2020					
	On demand RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Financial liabilities included in other payables and accruals	88,905	–	–	–	88,905	88,905
Lease liabilities	–	251,807	675,232	125,722	1,052,761	927,867
Interest-bearing bank loans	–	210,914	147,920	–	358,834	349,000
	88,905	462,721	823,152	125,722	1,500,500	1,365,772

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of business.

The directors review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on the recommendations of the Directors, the Group will balance its overall capital structure through the raising of new debts as well as the redemption of the existing debt. The Group's overall strategy remains unchanged from prior years.

The Group monitors capital using a debt-to-asset ratio, which is total liabilities divided by total assets. The debt-to-asset ratios as at the end of the reporting periods were as follows:

	2021 **RMB'000**	2020 RMB'000
Total liabilities	**968,048**	2,388,183
Total assets	**1,318,652**	3,184,053
Debt-to-asset ratios	**73%**	75%

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company as at the end of the reporting period is as follows:

	2021 **RMB'000**	2020 RMB'000
NON-CURRENT ASSETS		
Investment in a subsidiary	**40,420**	46,334
Total non-current assets	**40,420**	46,334
CURRENT ASSETS		
Amounts due from subsidiaries of the Group	**113,550**	119,305
Short-term debt investments measured at fair value through profit or loss	**—**	125,613
Prepayments, deposits and other receivables	**8,097**	4,796
Cash and bank balances	**17,839**	5,222
Total current assets	**139,486**	254,936
CURRENT LIABILITIES		
Other payables and accruals	**4,690**	489
Interest-bearing bank and other borrowings	**8,218**	—
Amount due to a subsidiary of the Group	**260**	294
Total current liabilities	**13,168**	783
NET CURRENT ASSETS	**126,318**	254,153
TOTAL ASSETS LESS CURRENT LIABILITIES	**166,738**	300,487
Net assets	**166,738**	300,487
EQUITY		
Share capital (note 24)	**303**	304
Reserves (note)	**166,435**	300,183
Total equity	**166,738**	300,487

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Shares held for the RSU scheme RMB'000	Share-based payment reserve RMB'000	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Total reserves RMB'000
At 1 January 2020	301,531	(4,684)	7,572	123,202	(17,060)	410,561
Profit for the year	–	–	–	18,187	–	18,187
Other comprehensive loss for the year:	–	–	–	–	–	–
Exchange differences on translation of financial statements	–	–	–	–	(17,359)	(17,359)
Total comprehensive income for the year	–	–	–	18,187	(17,359)	828
Issue of shares	–	–	–	–	–	–
Share issue expenses	–	–	–	–	–	–
Share-based payments	–	–	15,863	–	–	15,863
Exercise of share awards under the restricted share unit scheme	–	3	(11,299)	15,859	–	4,563
Repurchase of shares under the restricted share unit scheme	–	(78,481)	–	–	–	(78,481)
Final 2019 dividend declared	(53,151)	–	–	–	–	(53,151)
At 31 December 2020 and at 1 January 2021	248,380	(83,162)	12,136	157,248	(34,419)	300,183
Loss for the year	**–**	**–**	**–**	**(13,402)**	**–**	**(13,402)**
Other comprehensive loss for the year:	**–**	**–**	**–**	**–**	**–**	**–**
Exchange differences on translation of financial statements	**–**	**–**	**–**	**–**	**(2,037)**	**(2,037)**
Total comprehensive income for the year	**–**	**–**	**–**	**(13,402)**	**(2,037)**	**(15,439)**
Issue of shares	**–**	**–**	**–**	**–**	**–**	**–**
Share issue expenses	**–**	**–**	**–**	**–**	**–**	**–**
Share-based payments	**–**	**–**	**(5,914)**	**–**	**–**	**(5,914)**
Exercise of share awards under the restricted share unit scheme	**–**	**4**	**(5,628)**	**5,624**	**–**	**–**
Repurchase of shares under the restricted share unit scheme	**–**	**(72,725)**	**–**	**–**	**–**	**(72,725)**
Repurchase and cancellation of shares	**(5,602)**	**–**	**–**	**–**	**–**	**(5,602)**
Final 2020 dividend declared	**(34,068)**	**–**	**–**	**–**	**–**	**(34,068)**
At 31 December 2021	**208,710**	**(155,883)**	**594**	**149,470**	**(36,456)**	**166,435**

36. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 29 April 2022.

Five-Year Financial Summary

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

	Reporting Period ended 31 December				
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	**2021** **RMB'000**
RESULTS					
Revenue	1,141,701	1,473,748	1,831,667	1,687,798	**1,898,627**
Gross profit	482,750	598,031	767,623	615,186	**729,347**
(Loss)/profit	65,809	73,971	134,881	127,794	**(325,593)**

	As at 31 December				
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	**2021** **RMB'000**
ASSETS AND LIABILITIES					
Total non-current assets	171,316	302,158	1,476,297	1,572,421	**546,689**
Total current assets	867,677	1,137,464	1,288,705	1,611,632	**771,963**
Total current liabilities	686,200	776,330	1,234,870	1,526,862	**817,826**
Total non-current liabilities	15,026	41,210	733,470	861,321	**150,222**
Total equity	337,767	622,082	796,662	795,870	**350,604**