思考乐教育

思考樂教育集團

Scholar Education Group

2019 Annual Report

Stock Code: 01769

(Incorporated in the Cayman Islands with limited liability)

Contents

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Chen Qiyuan *(Chairman)*
Mr. Chen Hongyu
Mr. Qi Mingzhi *(Chief Executive Officer)*
Mr. Xu Chaoqiang

Non-executive Director

Mr. Shen Jing Wu *(Vice Chairman)*

Independent Non-executive Directors

Mr. Huang Victor
Dr. Liu Jianhua
Mr. Yang Xuezhi

Audit Committee

Mr. Huang Victor *(Chairman)*
Dr. Liu Jianhua
Mr. Yang Xuezhi

Remuneration Committee

Dr. Liu Jianhua *(Chairman)*
Mr. Chen Qiyuan
Mr. Huang Victor

Nomination Committee

Mr. Chen Qiyuan *(Chairman)*
Dr. Liu Jianhua
Mr. Huang Victor

Strategic Development Committee

Mr. Chen Qiyuan *(Chairman)*
Mr. Shen Jing Wu
Mr. Qi Mingzhi
Mr. Yang Xuezhi

Authorised Representatives

Mr. Qi Mingzhi
Mr. So Wai Hang

Company Secretary

Mr. So Wai Hang

Legal Advisers

As to Hong Kong law:
Allen & Overy
9/F, Three Exchange Square
8 Connaught Place, Central
Hong Kong

As to Cayman Islands law:
Conyers Dill & Pearman
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Auditor

PricewaterhouseCoopers
22/F, Prince's Building
Central
Hong Kong

Compliance Adviser

Guotai Junan Capital Limited
27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Headquarters and Principal Place of Business in the PRC

Rm 2601, Building A, Excellence City II
Zhongkang Road, Shangmeilin
Futian District, Shenzhen
PRC

Principal Place of Business in Hong Kong

Unit 02, 3/F, Austin Plaza
No. 83 Austin Road
Kowloon
Hong Kong

Principal Share Registrar and Transfer Office

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Hong Kong Share Registrar

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

Principal Banks

China Merchants Bank Co., Ltd.
Shenzhen Cuizhu Branch
1st Floor, Jade Starry Sky
No. 1056 Cuizhu Road
Luohu District, Shenzhen
PRC

Industrial Bank Co., Ltd.
Shenzhen Jingtian Branch
No. 101, Juyou Pavilion
Juhaoyuan
Jingtian South Road
Futian District, Shenzhen
PRC

Agricultural Bank of China Limited
Shenzhen Jinfu Branch
1st Floor, Jinfu Building
No. 1010 Cuizhu Road
Luohu District, Shenzhen
PRC

Company's Website

http://www.skledu.com

Stock Code

1769

Date of Listing

21 June 2019

CORPORATE PROFILE

Scholar Education Group is a leading K-12 afterschool education service provider in South China. The number of our students exceeded 100,000 and the Group employed over 2,500 teachers and teaching assistants for the year ended 31 December 2019. On 21 June 2019, the Group became listed on the Main Board of The Stock Exchange of Hong Kong Limited, starting its new journey of capitalisation and internationalisation by seizing new development opportunities.

As measured by revenue, we are the fastest-growing among the top five K-12 after-school education service providers in Guangdong Province, and also the second largest one in Shenzhen. We are based in Shenzhen with operations extending to the Greater Bay Area and Fujian Province. As at 31 December 2019, we operated 100 learning centres across seven cities in Guangdong and Fujian Provinces.

Our educational philosophy is to "focus on academic excellence to enable our students to achieve their aspirations" (博學精教，成就學生). Among the top five K-12 after-school education service providers in Guangdong Province, we are committed to providing high-quality tutoring education to students through student-centred teaching approach. All of our classes are delivered in small class settings typically consisting of no more than 20 students per class. We offer a comprehensive suite of after-school education services through our academic preparation programme and early primary education programme. Our academic preparation programme is delivered under our "Sheng Xue" (升學) brand and offers classes to students in Grade One through Grade 12 in school academic subjects with a focus on helping students improve their school academic performance and preparing them for entrance exams for middle schools, high schools and universities. Our early primary education programme is delivered under our "Le Xue" (樂學) brand and offers childhood education courses and hobby courses such as languages and performing arts to students from Grade One to Grade Three. Meanwhile, our "Scholar Wangxiao (思考樂網校)" online business and "Dual-teacher classroom" were put into service in the autumn of 2019. The "Scholar Wangxiao" online business and "Dual-teacher classroom" will complement the offline business of the Group, provide students with seamless offline and online learning, and improve their learning quality and experience.

Leveraging on years of operation and experience in the K-12 after-school education sector, we have built a good brand image and reputation, and were awarded with the title of the "Most Influential Education Group in 2019" by xinhuanet.com and the "Best Trusted Education Brand By Parents" by Chongqing Nandu Media Co., Ltd. in 2019. Furthermore, we also donated this year the third and fourth "Scholar Hope Primary School" as well as being selected as the "Most Influential Education Public Welfare Project of the Year" to recognise our contribution to social welfare. We will further strengthen our market position in the K-12 after-school education and training industry in the PRC to live up to the recognition of students, parents, and people from all walks of life.

	For the year ended 31 December 2019 RMB'000	2018 RMB'000	Change RMB'000	Percentage change
Revenue	**711,422**	493,115	217,977	44.3%
Gross profit	**303,938**	186,738	117,200	62.8%
Profit for the year from continuing operations	**94,786**	69,474	25,312	36.4%
Adjusted profit for the year from continuing operations (Note)	**136,155**	83,855	52,300	62.4%

Earnings per Share for continuing operations

	RMB cents	RMB cents	RMB cents	
Basic	**19.06**	16.46	2.60	15.8%
Diluted	**19.01**	16.46	2.55	15.5%
Adjusted earnings per Share for continuing operations (Note)				
Basic	**27.39**	19.87	7.52	37.8%
Diluted	**27.31**	19.87	7.44	37.4%

Note: The Company defined its adjusted net profit as its profit for the year after adjusting for those items which were not indicative of the Company's operating performances, mainly including the listing expense of RMB25.8 million (2018: RMB14.4 million), effect on the adoption of IFRS 16 — Leases with effect from 1 January 2019 of RMB8.8 million (2018: nil) and share option benefit expenses of RMB8.8 million (2018: nil) for the year ended 31 December 2019.

To: Shareholders

On behalf of the Board of Scholar Education Group, I am pleased to present this annual report of the Group for the year ended 31 December 2019. This is the first financial year report of the Group since its listing on the Main Board of the Stock Exchange on 21 June 2019.

Results

Among the top five K-12 after-school education service providers in Guangdong Province, our business continues to grow at a fast pace. Our financial performance for the year ended 31 December 2019 was encouraging. During the year ended 31 December 2019, our revenue exceeded RMB711.4 million, recording a year-on-year increase of 44.3%; our gross profit increased by 62.8% to RMB303.9 million and the adjusted operating profit from continuing operations increased by 62.4% to RMB136.2 million, each as compared to last year.

Business Overview

The total number of the Group's learning centres substantially increased from 54 as at 31 December 2018 to 100 as at 31 December 2019. In 2019, we established centres in two new cities, Zhongshan and Jiangmen, increasing the number of cities we covered from five last year (including Shenzhen, Dongguan, Foshan, Huizhou and Xiamen) to seven (including Shenzhen, Dongguan, Foshan, Huizhou, Xiamen, Zhongshan and Jiangmen), and gradually expanded our market share and influence in Guangdong Province.

For the year ended 31 December 2019, the number of our students exceeded 100,000 for the first time, signifying historic leap in the Group. Meanwhile, our tutoring hours increased to 8,642,092, representing an increase of 36.2% as compared with 6,346,537 for last year. In addition, our average tuition fee per tutoring hour also increased by 5.9% from RMB77.7 in 2018 to RMB82.3 in 2019, which substantially improved the profitability of the Group.

Future Prospects and Development Strategies

1. Deepening the penetration into the Shenzhen market and expanding our geographical coverage in the Greater Bay Area

The after-school education service market in Guangdong Province is highly fragmented. As government policies have imposed strict regulations on after-school education service providers since 2018 in terms of their qualifications and facilities, plus the impact of the COVID-19 pandemic, some small players have been forced out of the market. All these challenges present opportunities to us, helping us attract and retain more students and meanwhile increase and maintain our existing market share. The Group is highly recognised by students and parents in the Shenzhen, Dongguan, Foshan and Huizhou markets. We will take advantage of the growth opportunities offered by the Greater Bay Area and replicate the success we have achieved in Shenzhen to more areas such as the Greater Bay Area and Fujian Province.

Meanwhile, our "Dual-teacher classroom" combining online live broadcast of lectures given by our renowned teachers and simultaneous offline support by our tutors to ensure students have the best-in-class interactive learning experience, was put into service in the autumn of 2019. We plan to expand this business to cities with huge market potentials and relatively mild competition, and it is expected that the operation mode of the Group shall give us a competitive edge in second- and third-tier cities.

2. Accelerating the growth of the online business

The "Scholar Wangxiao" online business is a strategic level product that complements our competitive advantages, such as talent, teaching, research and branding. The "Scholar Wangxiao" online business complements our offline business by providing students with seamless offline and online learning, and improving their learning quality and experience. Based in Southern China, the Board believes that the "Scholar Wangxiao" online business will gradually develop into a high-quality online education platform with wide influence in the PRC to increase its number of students enrolled and improve its profitability.

3. Increasing investment in research and development

We will continue to invest further in, and recruit more people for, research and development. We will also focus on developing internal course materials as well as improving and updating our existing materials and will further customise and digitalise our teaching processes to provide students with a better learning experience and enhance students' understanding of the course materials. Meanwhile, we will try to identify opportunities to work with local and overseas experts in the education sector and enhance the teaching skills of the Group's teachers through sharing sessions and training.

4. All-round employee incentive plans

To stimulate with our strategic development, we will launch all-round core incentive plans with Scholar characteristics, including a teacher partnership system, principal management fission mechanism and share option partnership system. These plans will provide powerful incentive mechanisms to our teachers, school principals and core management, promoting and encouraging their contributions to the Group. Meanwhile, this will also lay a solid foundation for the Group's development in the next ten years, and make the best preparation for a group of outstanding talents to join us in the future.

Acknowledgement

Finally, on behalf of the Board, I would like to express my sincere gratitude to the management and all staff members of the Group for their loyalty and dedication. I would also like to express my thanks to all Shareholders, local governments and business partners for their support to, and trust in, the Board and the management of the Group. We will seize such opportunities to further enhance our brand influence, recruit, train and retain high quality teaching and research professionals, and expand our online business of the "Scholar Wangxiao" online business and our offline layout in the Greater Bay Area. I believe that, with the joint efforts of our staff, the Group's online and offline businesses will continue to thrive and improve returns to the Shareholders.

Chen Qiyuan
Chairman

Hong Kong, 18 March 2020

FINANCIAL SUMMARY

A summary of the audited results and of the assets and liabilities of the Group for the last four financial years is set out below:

	Year ended 31 December			
	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**711,422**	493,115	375,798	170,757
Cost of sales	**407,484**	306,377	252,310	114,474
Gross profit	**303,938**	186,738	123,488	56,283
Operating profit	**131,891**	85,745	44,223	13,791
Profit before income tax	**108,075**	82,559	41,409	13,136
Profit for the year from continuing operations	**94,786**	69,474	35,679	10,376
Adjusted profit for the year from continuing operations	**136,155**	83,855	35,679	10,376

	As at 31 December			
	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**729,837**	206,273	177,743	114,401
Current Assets	**741,232**	274,555	217,811	101,560
Total assets	**1,471,069**	480,828	395,554	215,601
Total Equity	**555,364**	115,219	21,215	24,974
Non-current liabilities	**382,798**	39,355	38,488	35,458
Current liabilities	**534,907**	326,254	335,851	155,169
Total liabilities	**917,705**	365,609	374,339	190,627
Total equity and liabilities	**1,471,069**	480,828	395,554	215,601

Financial Review

1. Revenue

	Year ended 31 December		
	2019	2018	Change
	RMB'000	RMB'000	
Academic preparation programme	**696,229**	475,677	46.4%
Early primary education programme (Note)	**15,193**	17,438	(12.9)%
Total	**711,422**	493,115	44.3%

The following table sets forth the student enrollments and tutoring hours delivered under our academic preparation and early primary education programmes for the years indicated based on our internal records:

	Year ended 31 December					
	2019		2018		Change	
	Student enrollments	**Tutoring hours**	Student enrollments	Tutoring hours		
Academic preparation programme	**289,676**	**8,453,092**	231,292	6,128,609	25.2%	37.9%
Early Primary Education Programme (Note)	**6,415**	**189,000**	9,911	217,928	(35.3)%	(13.3)%
Total	**296,091**	**8,642,092**	241,203	6,346,537	22.8%	36.2%

Note: The decrease in revenue, student enrollments and tutoring hours in Early Primary Education Programme was mainly due to three learning centres of "Le Xue" (樂學) had been closed during the year and reopened in late 2019 after relocation.

Our revenue increased by 44.3% from RMB439.1 million for the year ended 31 December 2018 to RMB711.4 million for the year ended 31 December 2019. This increase was primarily due to increases in our total student enrollments and tutoring hours, which were primarily because (i) the total number of our learning centres increased from 54 as at 31 December 2018 to 100 as at 31 December 2019; and (ii) an increase in our average tuition fee per tutoring hour for our regular courses from RMB77.7 for the year ended 31 December 2018 to RMB82.3 for the year ended 31 December 2019.

2. Cost of sales

Our cost of sales increased by 33% from RMB306.4 million for the year ended 31 December 2018 to RMB407.5 million for the year ended 31 December 2019. This increase was primarily due to (i) an increase in staff costs, primarily due to the increase in the number of total tutoring hours as the result of the opening of our new learning centres in 2019; and (ii) the adoption of IFRS 16 — *Leases* with effect from 1 January 2019, which resulted in the amortisation of right-of-use assets that is higher than the rental expenses that would be recognised under the superseded IFRS 17 — *Leases.*

3. Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 62.8% from RMB186.7 million for the year ended 31 December 2018 to RMB303.9 million for the year ended 31 December 2019. Our gross profit margin increased from 37.9% for the year ended 31 December 2018 to 42.7% for the year ended 31 December 2019 primarily because the learning centres we opened in 2017 and 2018 had completed their ramping-up and entered into a growth stage.

4. Selling expenses

Our selling expenses increased by 78.9% from RMB12.1 million for the year ended 31 December 2018 to RMB21.6 million for the year ended 31 December 2019. The increase was primarily due to (i) an increase in advertising and exhibition expenses relating to the promotion of our brand upon listing; and (ii) an increase in entertainment expenses relating to business activities.

5. Administrative expenses

Our administrative expenses increased by 87.7% from RMB70.5 million for the year ended 31 December 2018 to RMB132.2 million for the year ended 31 December 2019. This increase was mainly due to (i) the listing expenses of RMB25.8 million (2018: RMB14.4 million) we incurred for the year ended 31 December 2019 in connection with the listing; and (ii) the increase of RMB38.0 million in salaries and benefits for our administrative personnel as a result of the expansion of our learning centre network and growth of our business.

6. Research and development expenses

Our research and development expenses increased by 46.0% from RMB31.0 million for the year ended 31 December 2018 to RMB45.2 million for the year ended 31 December 2019. The increase was primarily due to the increase in the number of our research and development personnel.

7. Other income — net

Our other income increased by 134.1% from RMB3.5 million for the year ended 31 December 2018 to RMB8.3 million for the year ended 31 December 2019. This increase was primarily due to (i) an increase of RMB4.4 million in finance income; and (ii) an increase of RMB1.2 million in government grants. The increase was offset in part by the decrease in net sub-lease income by RMB0.8 million.

8. Other gains — net

Our other net gains increased by 108.3% from RMB9.0 million for the year ended 31 December 2018 to RMB18.7 million for the year ended 31 December 2019. This increase was attributable to (i) an increase of RMB4.9 million in realised and unrealised gains on financial assets at fair value through profit or loss, as a result of the increase in return of our wealth management products; and (ii) the increase in exchange gain of RMB4.1 million as a result of appreciation of cash and bank deposits denominated in Hong Kong dollar and US dollar.

9. Finance costs

Our finance costs increased by 647.5% from RMB3.2 million for the year ended 31 December 2018 to RMB23.8 million for the year ended 31 December 2019, primarily due to an increase in interest expenses on lease liabilities of RMB20.8 million as a result of the adoption of IFRS 16 — *Leases* with effect from 1 January 2019.

10. Profit before income tax

As a result of the foregoing, our profit before income tax increased by 30.9% from RMB82.6 million for the year ended 31 December 2018 to RMB108.1 million for the year ended 31 December 2019.

11. Income tax expenses

Our income tax expenses attributable to continuing operations were approximately RMB13.1 million for the year ended 31 December 2018 as compared to RMB13.3 million for year ended 31 December 2019. The change was primarily due to an increase in the taxable profit attributable to our continuing operations. Our effective tax rate was 15.8% for the year ended 31 December 2018 as compared to 12.3% for the year ended 31 December 2019. The decrease in the effective tax rate was primarily due to the increase in research and development expenses, which entitles to additional deduction in tax assessment.

12. Profit for the year from continuing operations

As a result of the foregoing, our profit for the year from continuing operations increased by 36.4% from RMB69.5 million for the year ended 31 December 2018 to RMB94.8 million for the year ended 31 December 2019.

Financial summary

A summary of the published results and assets and liabilities of the Group for the last four financial years is set out on page 8 of this annual report. This summary does not form part of the audited consolidated financial statements.

Adjusted profit from continuing operations

To supplement the Group's consolidated financial statements that are presented in accordance with IFRS, the Company also uses adjusted net profit as an additional financial measure. The Company presents this financial measure because it is used by the Company's management to evaluate the Group's financial performance by eliminating the impact of items that the management does not consider to be indicative of the Group's underlying performance. The management of the Company also believes that such non-IFRS measure provides additional information to Shareholders and investors of the Company in understanding and evaluating the Group's consolidated results of operations in the same manner as the management of the Company does and in comparing financial results across accounting periods and to those of the Company's peer companies. The use of such non-IFRS measure has limitations as an analytical tool, and Shareholders and investors of the Company should not consider it in isolation from, or as substitute for analysis of, the Company's results of operations or financial condition as reported under IFRS.

The following table reconciles the Group's adjusted profit from continuing operations for the periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit from continuing operations:

	Year ended 31 December		
	2019 RMB'000	2018 RMB'000	Change
Profit for the year from continuing operations	**94,786**	69,474	36.4%
Add:			
Listing expenses	**25,837**	14,381	79.7%
Effect on the adoption of IFRS 16 — Leases with effect from 1 January 2019	**8,793**	—	Not applicable
Share option benefit expenses	**6,739**	—	Not applicable
Adjusted profit for the year from continuing operations	**136,155**	83,855	62.4%

Liquidity, Financial Resources and Capital Structure

The total equity of the Group as at 31 December 2019 was RMB553,364,000 (2018: RMB115,219,000). The Group generally finances its operation with internally generated cash flows. As at 31 December 2019, the Group's cash and cash equivalents increased by 549% from RMB37,200,000 as at 31 December 2018 to RMB241,479,000. The significant increase of cash and cash equivalents for the year ended 31 December 2019 primarily resulted from the net proceeds raised from the initial public offering of the Shares in June 2019.

As at 31 December 2019, the current assets of the Group amounted to RMB741,232,000, including RMB447,621,000 (2018: RMB205,084,000) in financial assets at fair value through profit or loss, RMB276,783,000 (2018: RMB47,700,000) in bank balances and cash and other current assets of RMB16,828,000 (2018: RMB21,771,000). The current liabilities of the Group amounted to RMB534,907,000 (2018: RMB326,254,000), of which RMB283,356,000 (2018: RMB214,701,000) are contract liabilities, RMB100,005,000 (2018: Nil) in lease liabilities, RMB38,340,000 (2018: RMB16,373,000) are short-term interest bearing bank borrowings and RMB113,206,000 (2018: RMB95,180,000) are other payables and accruals.

The Group had total bank borrowings of RMB61,375,000 (2018: RMB42,759,000), all of which were denominated in RMB (2018: all). Of the bank borrowings of the Group as at 31 December 2019, (i) approximately 62.5% are repayable within one year (2018: approximately 38.3%); (ii) approximately 5.7% are repayable between one and two years (2018: approximately 7.8%); (iii) approximately 18.9% are repayable between two and five years (2018: approximately 25.8%); and (iv) approximately 12.9% are repayable over five years (2018: approximately 28.1%). The Group's gearing ratio as at 31 December 2019 was 11.1% (2018: 37.1%), based on the short-term and long-term interest bearing bank borrowings and the equity attributable to the Shareholders. As at 31 December 2019, all of our bank borrowing are variable rate borrowings (31 December 2018: all). As at 31 December 2019, the Group had net current assets of RMB206,325,000 (2018: net current liabilities of RMB51,699,000).

Treasury Management Policy

The treasury management policy of the Group is to utilise surplus cash reserves to invest in low-risk wealth management products and generate income without interfering with the Group's business operations or capital expenditures. With the aim of controlling risks to the Group, the Group generally invests in low-risk and short-term (with maturity periods not more than one year) wealth management products, including but not limited to (i) money market instruments such as certified deposits and currency funds; and (ii) debt instruments such as sovereign debt, central bank-issued debts and various debt funds. The chairman of the Board is mandated by the Board to make investment decisions within the pre-determined limit. Subject to the approval of the chairman of the Board, who must sign all investment contracts, the treasury department of the Group is responsible for the overall execution of the Group's investment decisions. The treasury department is also responsible for tracking the underlying investments of the wealth management products held by the Group and analysing the performance of the investments of the Group. If the treasury department identifies any risk for the wealth management products, the Group will take immediate action to manage its risk exposure. The investments of the Group are monitored from time to time, and professional agencies will be appointed to perform review and audit of such investments if deemed necessary. The treasury department also reviews the Group's cash position, operating cash requirements and potential investment opportunities on a monthly basis, and is also responsible for preparing monthly investment plans and cash budgets. The monthly investment plans and cash budgets are approved by the vice president of treasury department of the Group, the chairman of the Board, and, if necessary, the Board, taking into account whether the proposed investment plans would have any negative impact on the Group's cash position and operating cash requirements. The personnel of the treasury department of the Group are required to strictly follow the approved monthly investment plans to execute the Group's treasury management policy.

Foreign Exchange Exposure

The majority of the Group's revenue and expenditures are denominated in RMB. Since the net proceeds from the global offering are denominated in HKD, most of the cash and bank deposits of the Group as at 31 December 2019 were denominated in USD and HKD, while as at 31 December 2018, most of the cash and bank deposits of the Group were denominated in RMB. The Group currently does not have any foreign currency hedging policies. The management will continue to monitor the Group's foreign exchange risk exposure and consider adopting prudent measures as appropriate.

Material Acquisitions and Disposals and Significant Investment

There were no material acquisitions or disposals or significant investment of the Group during the year ended 31 December 2019.

Save as disclosed above in the Prospectus and this annual report, the Group did not have any plans for significant investments as at 31 December 2019.

Contingent Liabilities

As at 31 December 2019, the Group did not have material contingent liabilities, guarantees or litigations or claims of material importance, pending or threatened against any member of the Group (2018: nil).

Pledge of Assets

As at 31 December 2019 and 2018, bank borrowings of RMB61,375,000 and RMB29,559,000, respectively were secured by the property, plant and equipment and right-of-use assets for lands of the Group, net book value of which amounted to RMB80,233,000 (for property, plant and equipment: RMB42,690,000; for right-of-use assets for lands: RMB37,543,000) and RMB70,140,000 (for property, plant and equipment: RMB41,832,000; for land use rights: RMB28,308,000), respectively.

Employees and Remuneration Policies

The Group adheres to a strong belief that one of the most valuable assets of a corporation is its employees. The Group values its human resources and recognises the importance of attracting and retaining qualified staff for its continuing success.

The Group employed a total work force of 3,510 employees as at 31 December 2019 (2018: 2,243 employees). The Group's remuneration policies are in line with the prevailing market practices and are determined on the basis of performance and experience of the individual. The Group has been constantly reviewing staff remuneration package to ensure it is competitive in the market.

Recent Development in the Applicable Laws and Regulations in the PRC

1. The Revised Draft of Implementation Rules for the Law for Promoting Private Education of the PRC

The Ministry of Education of the PRC ("**MOE**") issued the Revised Draft of Implementation Rules for the Law for Promoting Private Education of the PRC (the Draft for Comments) (《中華人民共和國民辦教育促進法實施條例（修訂草案）（徵求意見稿）》) on 20 April 2018 to solicit public comments. The Ministry of Justice of the PRC subsequently issued the Revised Draft of Implementation Rules for the Law for Promoting Private Education of the PRC (the Draft for Examination and Approval) (《中華人民共和國民辦教育促進法實施條例（修訂草案）（送審稿）》) (the "**Revised Draft**") based on the aforesaid Draft for Comments published by the MOE for consultation on 10 August 2018. As at the date of this annual report, the Revised Draft has not yet been promulgated or implemented in the PRC, and the Company will continue to monitor the development of the Revised Draft and relevant laws and regulations.

2. The Implementation Opinions of Six Departments including the MOE on Regulating After-school Online Tutoring

The Implementation Opinions of Six Departments including the MOE on Regulating After-school Online Tutoring (《教育部等六部門關於規範校外線上培訓的實施意見》（《校外線上培訓意見》）) (the "**Opinions on After-school Online Tutoring**") jointly issued by the MOE and several other PRC governmental authorities was effective on 12 July 2019. The Opinions on After-school Online Tutoring is dedicated to regulating subject-related after-school tutoring activities for primary and secondary school students that apply Internet technology, according to the provisions of which, after-school online tutoring institutions and the tutoring contents shall be applied to the provincial education administrative department for filing and such provincial education administrative department will review the filing applications and qualification of the after-school online tutoring institutions that have submitted the relevant materials together with the competent authorities.

The Notice on Issuing Fujian Provincial Working Plans for Regulating After-school Online Tutoring (Filing Rules) jointly issued by the Department of Education of Fujian Province and several other competent provincial authorities on 25 October 2019 stipulates that by the end of December 2019, the filing of and investigation for after-school online tutoring institutions should be completed; by the end of December 2020, the establishment of a unified, collaborative and linking regulatory system and a layout of scientific supervision from governments, orderly conduction of tutoring, and self-selection of students should be basically completed.

The Notice on Issuing the Working Plans for Special Rectification Work on After-school Online Tutoring in Guangdong Province jointly issued by the Department of Education of Guangdong Province and several other competent provincial authorities on 18 November 2019 stipulates that special rectification work on after-school online tutoring would be carried out in various ways such as filing management and special investigation to review the contents of after-school online tutoring activities. After-school online tutoring platforms (including websites and mobile apps) included in the scope of filings requirements involve the following types: (1) self-operated service platforms established or acquired by after-school online tutoring institutions; and (2) comprehensive online education third-party service platforms.

The online tutoring business of the Company is carried out on third-party online education service platforms and, to the best knowledge of the Directors, as at the date of this annual report, the filings for such platforms have been completed in accordance with the above regulations.

3. Foreign Investment Law

On 15 March 2019, the Foreign Investment Law of the PRC (中華人民共和國外商投資法) (the "**Foreign Investment Law**") was formally passed by the 13th National People's Congress of the PRC and took effect on 1 January 2020. The Foreign Investment Law replaced the Law on Sino-Foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》), the Law on Sino-Foreign Contractual Joint Ventures (《中華人民共和國中外合作經營企業法》) and the Law on Foreign Capital Enterprises (《中華人民共和國外資企業法》) to become the legal foundation for foreign investment in the PRC.

The Foreign Investment Law does not explicitly stipulate the contractual arrangements as a form of foreign investment. Since contractual arrangements are not specified as foreign investment under the Foreign Investment Law, and if the future laws, administrative regulations and provisions of the State Council of the PRC do not incorporate contractual arrangements as a form of foreign investment, then the Foreign Investment Law would not apply to, or have any impact on, the Structured Contracts, and it would not substantially change the identification of foreign investors in the context of foreign investment and the principle of recognition and treatment of contractual arrangements compared with the current PRC laws and regulations, therefore the Structured Contracts as a whole and each of the agreements comprising the Structured Contracts will not be affected and will continue to be legal, valid and binding on the parties.

Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes "foreign investors invest in the PRC through any other methods under laws, administrative regulations or provisions prescribed by the State Council". Therefore, there are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, and then whether the Structured Contracts will be recognised as foreign investment, whether the Structured Contracts will be deemed to be in violation of the foreign investment access requirements and, as at the date of this annual report, the treatment of the Structured Contracts, are uncertain. Therefore, there is no guarantee that the Structured Contracts and the business of the PRC Operating Entities will not be materially and adversely affected in the future. The Company will disclose changes to or updates of the Foreign Investment Law that will materially and adversely affect the Group as and when they occur.

As at the date of this annual report, the Company is not aware of any non-compliance with the Foreign Investment Law.

As at the date of this annual report, the regulatory developments above do not have any material impact on the operation of the Company. According to current situation and based on the preliminary assessment of the Company, the Board considers that the above regulatory policies will not have material adverse impact on the business and financial condition of the Company in the near future.

For details on the laws and regulations applicable to the business and the industry of the Group and the associated risks, please see "Regulatory overview" and "Risk factors — Risks relating to our business and our industry" in the Prospectus.

Dividends

The Board has resolved to recommend the payment of a final dividend of HK$0.06 per Share for the year ended 31 December 2019 and a final special dividend of HK$0.06 per Share to the Shareholders. The final dividend and the final special dividend are subject to the approval of the Shareholders at the AGM and the final dividend and the final special dividend are expected to be payable on 3 June 2020 to the Shareholders whose names appear on the register of members of the Company on 25 May 2020.

The Board declared an interim dividend of HK$0.02 per Share for the six months ended 30 June 2019 and an interim special dividend of HK$0.04 per Share to the Shareholders. The interim dividend and the interim special dividend had been paid on 15 October 2019 to those Shareholders whose names appeared on the register of members on 11 September 2019.

Closure of the Register of Members

The register of members of the Company will be closed from 13 May 2020 to 18 May 2020, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 12 May 2020.

The register of members of the Company will also be closed on 25 May in order to determine the entitlement of the Shareholders to receive the final dividend and the final special dividend, and no share transfers will be registered on such date. To qualify for the final dividend and the final special dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 22 May 2020.

Subsequent Events

As a result of the COVID-19 situation in early 2020, a series of precautionary and control measures have been and continue to be implemented across the country/region. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. In line with government policies, all the courses of the Group have been temporarily switched from offline to online. At the same time, in response to the COVID-19 situation, the PRC government has also issued some supporting policies, including reducing or exempting companies from paying social insurance and housing provident funds, and providing loan interest subsidies, to alleviate the impact of the COVID-19 situation on businesses. As at the date of this annual report, the Group is not aware of any material adverse effects on the financial statements as a result of the COVID-19 situation.

Directors

Executive Directors

Mr. Chen Qiyuan (陳啟遠), aged 37, founder of the Group, was appointed as a Director on 7 February 2018 and the chairman of the Board on 16 April 2018, respectively. He was re-designated as an executive Director on 20 December 2018. He is responsible for the overall formulation, guidance of business strategy and development of the Group. Mr. Chen Qiyuan is a brother-in-law of Mr. Chen Hongyu and a cousin of Mr. Xu Chaoqiang.

Mr. Chen has over nine years of experience in tutoring business. From 2008 to 2012, Mr. Chen had been in preparation for the establishment of the Group. He has been the general manager of Shenzhen Scholar since 2012. Prior to founding the Group, he worked at Shenzhen Bond Cultural Development Co., Ltd* (深圳市邦德文化發展有限公司) from December 2005 to July 2008.

Mr. Chen graduated from Shaoyang University (邵陽學院) in Shaoyang, Hunan Province, the PRC in June 2006 with a bachelor's degree of science. He has been studying for a master of business administration at Peking University Shenzhen Graduate School since September 2017. Mr. Chen obtained the qualification of a middle school senior teacher granted by Shaoyang Department of Education in July 2006. He was awarded the "Outstanding Person in Private Education in 2015" (2015民辦教育風雲人物) by Southern Metropolis Daily (南方都市報). He also completed the Hong Kong Youth Leadership National Studies Workshop organised by the Chinese Academy of Governance in December 2018. Further, he completed the Oxford-Visiting Study Programme organised by the Mansfield College, University of Oxford as a visiting scholar from Peking University HSBC Business School in March 2018. He currently serves as the deputy chairman of the Guangdong Elementary Mathematical Society.

Mr. Chen Hongyu (陳弘宇), aged 34, joined the Group in January 2012, was appointed as a Director on 16 April 2018 and re-designated as an executive Director on 20 December 2018. He has also been a vice general manager of the Group since 8 December 2018. Mr. Chen is responsible for the overall administration and management of the Group. Mr. Chen Hongyu is a brother-in-law of Mr. Chen Qiyuan.

Mr. Chen has over 14 years of experience in tutoring business. Prior to joining the Group, he was the market director of Zhangjiang Zhiyuan Cultural Training Centre* (湛江市志遠文化培訓中心) from October 2005 to January 2012. He joined Shenzhen Scholar as the vice general manager in January 2012. In March 2014, he became the chief of Shenzhen Nanshan Houhai learning centre of Shenzhen Scholar. He was also the head of high school division since September 2014. He was promoted to be the vice general manager of the Shenzhen Scholar group in December 2017.

Mr. Chen graduated from Hunan Agricultural University (湖南農業大學) in Changsha, Hunan Province, the PRC in June 2015 with a bachelor's degree of administration.

Mr. Qi Mingzhi (齊明智), aged 35, joined the Group in June 2012, was appointed as a Director and chief executive officer on 16 April 2018 and 8 December 2018 respectively. He was re-designated as an executive Director on 20 December 2018. Since January 2020, the primary responsibility of Mr. Qi has changed from the overall operation and management of the Group to overseeing the teaching work of the Group, including overseeing the overall development of courses, design of teaching materials, upgrading of technologies relating to teaching, the education systems and construction of new products of the Group.

Mr. Qi has over seven years of experience in tutoring business. He was the subject co-ordinator of science of Shenzhen Scholar since September 2012 and was promoted to the head of teaching and education in April 2013. In September 2014, he became the deputy chief of Scholar Centre and also the chief of Shenzhen Cuizhu learning centre. He was further promoted to serve as the deputy chief operating officer of the Shenzhen Scholar and the principal of the middle school division of Shenzhen Scholar in July 2015. He has been serving as the chief operating officer and the executive general manager of Shenzhen Scholar since September 2016.

Prior to joining the Group, he worked in Shenzhen Bond Cultural Development Co. Ltd* (深圳市邦德文化發展有限公司) from June 2008 to November 2008. He then worked in Shenzhen Shenxin Clubhouse Management Co., Ltd* (深圳市深信會所管理有限公司) from June 2009 to May 2012.

He graduated in chemistry from Anhui Normal University (安徽師範大學) in Wuhu, Anhui Province, the PRC in July 2008. He obtained the middle school senior teacher's qualification certificate in June 2008 from Wuhu Department of Education.

Mr. Xu Chaoqiang (許超強), aged 41, joined the Group in January 2012, was appointed as a Director on 16 April 2018 and re-designated as an executive Director on 20 December 2018. He is also the principal of learning centres in Yanlong district, Shenzhen and a vice general manager of the Group. Mr. Xu is responsible for the overall and daily management of learning centres in Yanlong district, Shenzhen of the Group. Mr. Xu Chaoqiang is a cousin of Mr. Chen Qiyuan.

Mr. Xu has over seven years of experience in tutoring business. He joined Shenzhen Scholar as the vice general manager in January 2012. He then became the principal of learning centres in Fulong district, Shenzhen in January 2016. He was redesignated and promoted to be the principal of learning centres in Futian district, Shenzhen in January 2017 and become a vice general manager of the Shenzhen Scholar group in December 2017.

Mr. Xu graduated from the high school division of Putian Xitianwei Secondary School* (莆田西天尾中學), currently known as Putian No. 15 Secondary School in Putian, Fujian Province, the PRC in July 1998. He then studied machine automation management in Sanming Vocational Training College* (三明職業大學), currently known as Sanming University (三明學院) in Sanming, Fujian Province, the PRC from September 1998 to July 2001.

Non-executive Director

Mr. Shen Jing Wu (沈敬武), aged 50, joined the Group in April 2018, was appointed as a Director and the vice chairman of the Board on 16 April 2018 and re-designated as a non-executive Director on 20 December 2018. Mr. Shen is responsible for providing advice on business strategy and development to the Group.

Mr. Shen has a wealth of experience in management and investment. He is the chief executive officer of CRE Alliance (Hong Kong) Company Limited since July 2017. Mr. Shen joined HPEF Capital Partners Limited (formerly known as HSBC Private Equity (Asia) Limited and Headland Capital Partners Limited) in January 2005. He was then promoted to the Head of the Greater China investment team in 2006 and left the company in June 2016 with his last position as Senior Partner, Head of Greater China. Prior to that, he worked at a company focusing on venture capital investments. From 1998 to 2002, he worked at Shanghai Industrial Holdings Limited, managing the company's venture capital investments. He also worked at Bain & Company in Hong Kong from January 1993 to June 1995, Boston, the United States from July 1995 to August 1995 and San Francisco, the United States from August 1997 to August 1998 with his last position as consultant.

Mr. Shen received a bachelor's degree of science in economics from the Wharton School, University of Pennsylvania, graduating summa cum laude in May 1992 and a master of business administration from Stanford University in June 1997.

Independent non-executive Directors

Mr. Huang Victor (黃偉德), aged 48, was appointed as an independent non-executive Director with effect from 11 June 2019.

Mr. Huang has over 26 years of experience in professional accounting, capital market and merger and acquisition. Mr. Huang joined PricewaterhouseCoopers Hong Kong in January 1993 and admitted to partnership in July 2005. He left PricewaterhouseCoopers Hong Kong in July 2014. From July 2014 to August 2017, he was a partner of KPMG in Hong Kong.

Mr. Huang is currently an independent non-executive director of (i) Laobaixing Pharmacy Chain Joint Stock Company (老百姓大藥房連鎖股份有限公司) (stock code: 603883.SH), a company listed on the Shanghai Stock Exchange; (ii) Qingdao Haier Biomedical Co., Ltd. (青島海爾生物醫療股份有限公司) (stock code: 688139.SH), a company listed on the Sci-Tech Innovation Board of the Shanghai Stock Exchange; (iii) Trinity Limited (利邦控股有限公司) (stock code: 891), a company listed on the Stock Exchange; (iv) ManpowerGroup Greater China Limited (萬寶盛華大中華有限公司) (stock code: 2180), a company listed on the Stock Exchange; (v) Topsports International Holdings Limited (滔搏國際控股有限公司) (stock code: 6110), a company listed on the Stock Exchange; and (vi) China Bright Culture Group (煜盛文化集團) (stock code: 1859), a company listed on the Stock Exchange.

Mr. Huang is a member of the Hong Kong Institute of Certified Public Accountants. He is also a Certified Independent Non-executive Director by the Shanghai Stock Exchange.

Mr. Huang received a bachelor's degree of arts from the University of California, Los Angeles in September 1992.

Dr. Liu Jianhua (柳建華), aged 39, was appointed as an independent non-executive Director with effect from 11 June 2019. He is responsible for providing independent opinion and judgment to the Board.

Dr. Liu has over 11 years of experience in the education industry. Dr. Liu has been a postgraduate mentor of the department of finance of Sun Yat-sen University since June 2013. He has also become an associate professor and the deputy chief of the department of finance of Lingnan College of Sun Yat-sen University since June and October 2016 respectively. He was selected by the ministry of finance of the PRC as one of the national accounting leading (back-up) talents (academics)* (全國會計領軍(後備)人才(學術類)) in 2013.

Dr. Liu also has three years of experience in professional accounting in relation to listed companies. Dr. Liu is currently the independent non-executive director of (i) Guangzhou Great Power Energy & Technology Company Limited (廣州鵬輝能源科技股份有限公司) (stock code: 300438), a company listed on the ChiNext board of the Shenzhen Stock Exchange; (ii) FingerTango Inc. (指尖悅動控股有限公司) (stock code: 6860), a company listed on the Stock Exchange; and (iii) China National Electric Apparatus Research Institute Co., Ltd.* (中國電器科學研究院股份有限公司) (stock code: 688128), a company listed on the Sci-Tech Innovation Board of the Shanghai Stock Exchange. He is also an independent non-executive director of Guangzhou Ruoyuchen Technology Company Limited (廣州若羽臣科技股份有限公司), which was delisted from the National Equities Exchange and Quotation in October 2017 and has filed its listing application to the Shenzhen Stock Exchange.

Dr. Liu graduated from Sun Yat-sen University, Guangzhou Province, the PRC in June 2008 with a doctorate degree of management. He was awarded the title of postdoctoral fellow of excellence from Sun Yat-sen University in January 2010.

Mr. Yang Xuezhi (楊學枝), aged 72, was appointed as an independent non-executive Director with effect from 11 June 2019. He is responsible for providing independent opinion and judgment to the Board.

Mr. Yang has over 49 years of experience in the education industry. From August 1970 to November 2007, he worked in Fuzhou No. 24 Middle School with this last position as the vice principal. He was a director of mathematics teaching committee of Fujian Province* (福建省教育學會數學教學委員會) in 2004. Mr. Yang is also the chairman of Fujian Elementary Mathematics Association* (福建省初等數學學會).

Mr. Yang was also the editor and author of different publications in relations to mathematics, including but not limited to "Chinese research on elementary mathematics* (《中國初等數學研究》)" the first series of which was published in 2009, "Inequality research 1 and 2* (《不等式研究》第一輯和第二輯)" which were published in June 2000 and January 2012 respectively, "Mathematics Olympiad Inequality research* (《數學奧林匹克不等式研究》)" which was published in August 2009 and "China Elementary Mathematics Studies Volume No. 8* (《中國初等數學研究》第八期)" magazine, which was published in August 2012.

Mr. Yang was also the guest speakers, adjudicators and trainers in different occasions, including being the speaker of the pre-exam training course of National High School Mathematics League* (全國高中數學聯賽考前培訓班), the chairman of the Jury of Graduate Thesis Defence of Fujian Normal University* (福建師範大學研究生畢業論文答辯評委會) for multiple years and one of the first batch of trainers at the Fujian Institute of Mathematical Olympiad* (福建省數學奧林匹克學校).

Mr. Yang graduated from Wuhan University, Hubei Province, the PRC with a bachelor's degree of mathematics in July 1970. He obtained the qualification of a middle school senior teacher in August 1996 from the Fuzhou municipal education bureau and the qualification of a special grade teacher in September 2002 from the people's government of Fujian Province, the PRC.

Senior Management

Mr. He Fan (何凡), aged 34, joined the Group in April 2012, and was appointed as the general manager of learning centres in Foshan of the Group on 8 December 2018. He is responsible for the management of all learning centres in Foshan.

Mr. He has over seven years of experience in tutoring business. He worked in Shenzhen Bond Cultural Development Co., Ltd* (深圳市邦德文化發展有限公司) from June 2008 to December 2008. He worked in Shenzhen Shenxin Clubhouse Management Co., Ltd* (深圳市深信會所管理有限公司) from June 2009 to March 2012.

Mr. He then joined Shenzhen Scholar in its start-up period with Mr. Chen Qiyuan in April 2012. He was the principal of learning centres in Shenzhen Yanlong District and became the principal of Foshan city of Shenzhen Scholar in October 2017.

Mr. He graduated in computer science and technology from the Anhui Science and Technology University in Chuzhou, Anhui Province, the PRC in July 2007.

Ms. Li Ailing (李愛玲), aged 37, joined the Group in July 2013, and was appointed as a vice general manager of the Group on 8 December 2018. In January 2020, Ms. Li ceased to be the director of education of the Group and was appointed as the director of operations of the Group. She is responsible for the overall operations and management of the Group.

She has over 12 years of experience in tutoring business. Prior to joining the Company, Ms. Li worked in Shenzhen Bond Cultural Development Co., Ltd* (深圳市邦德文化發展有限公司) from January 2007 to June 2013.

She graduated from the Harbin University of Science and Technology (哈爾濱理工大學), Harbin, Heilongjiang Province, the PRC in July 2006 with a bachelor's degree of engineering.

Mr. So Wai Hang (蘇偉恒), aged 40, has been the chief financial officer and company secretary of the Group since January 2019. He is responsible for the financial management, investor relations and company secretarial matters of the Group.

Mr. So has over 18 years of experience in professional accounting and auditing. Prior to joining the Group, Mr. So worked for PricewaterhouseCoopers and was mainly responsible for leading and managing various teams of professionals to provide audit and assurance assignments, capital market transactions and advisory projects to clients including listed companies and multinational companies.

Mr. So was a member of the Hong Kong Institute of Certified Public Accountants from January 2005 to February 2015 and was admitted as a fellow member of the Hong Kong Institute of Certified Public Accountants in March 2015. He is also a member of the Association of Chartered Certified Accountants.

Mr. So graduated from the Hong Kong Polytechnic University with a bachelor's degree of business administration.

Mr. Hua Ribao (花日寶), aged 42, joined the Group in November 2016, and was appointed as a financial controller of the Group on 4 January 2017. He is responsible for the financial management of the Group.

He has over 18 years of experience in accounting and financial management. Prior to joining the Group, Mr. Hua served as a finance manager of Shenzhen Taiwei Footwear Limited* (深圳台威鞋業有限公司) from January 2001 to February 2007. He then served as the accountant of ChinaPaint (Shenzhen) Limited (中華制漆(深圳)有限公司) from March 2007 to October 2008. From March 2009 to September 2010, Mr. Hua was the finance manager of Little Sheep Catering China Company Limited (Shenzhen branch) (內蒙古小肥羊餐飲連鎖有限公司深圳分公司) and was responsible for financial review. From September 2010 to May 2012, he was the director of the finance department of Shenzhen Susaite Information Counseling Co., Ltd* (深圳蘇賽特商業數據有限公司), reviewing and auditing the financials of the company. From May 2012 to November 2013, he was the audit manager of Shenzhen Meten Education Science and Technology Co., Ltd* (深圳市美聯國際教育有限公司) formerly known as Shenzhen Yelian Business and Consultancy Co., Ltd* (深圳億聯企業管理諮詢有限公司).

From November 2013 to June 2016, he was the chief financial officer of Shenzhen Zhongjiu Education Consulting Limited* (深圳市中九教育諮詢有限公司). From June 2016 to November 2016, he worked as the chief financial officer of Shenzhen Skycrane Technology Limited* (深圳市雲中鶴科技股份有限公司).

Mr. Hua graduated from Xi'an Jiaotung University (西安交通大學), Xi'an, Shaanxi Province, the PRC in July 2011 through online course with a bachelor's degree of management obtained in March 2012. He is also a member of the Chinese Institute of Certified Public Accountants. He was also awarded the certificate of Certified Internal Auditor by the China Institute of Internal Audit with the authorisation from the Institute of Internal Auditors in November 2012.

The Directors present their report together with the audited consolidated financial statements for the year ended 31 December 2019.

Global Offering

The Company was incorporated in the Cayman Islands on 7 February 2018 as an exempted company with limited liability under the Companies Law. The Shares became listed on the Main Board of the Stock Exchange on 21 June 2019.

Details of the Shares issued during the year ended 31 December 2019 are set out in Note 22 to the consolidated financial statements.

Principal Activities

The Company is an investment holding company. The Group's principal activities include mainly the provision of after-school education services through academic preparation programmes and early primary education programmes. Details of activities of the Group are set out in Note 11 to the consolidated financial statements.

Financial Results

The revenue and adjusted profit attributable to the owners of the Company for the year ended 31 December 2019 were approximately RMB711,422,000 and RMB136,155,000, respectively. Of such revenue, approximately 97.9% was derived from academic preparation programmes and approximately 2.1% was derived from early primary education programmes. For details, please see the audited consolidated statement of comprehensive income set out on pages 94 to 95 of this annual report.

Business Review

A fair review of the Group's business during the year ended 31 December 2020, which includes an analysis of the Group's performance during the year using financial key performance indicators, an indication of likely future developments in the Group's business, a discussion of the principal risks and uncertainties faced by the Group, a discussion on the Group's environmental policies and performance, details regarding the Group's compliance with the relevant laws and regulations that have a significant impact on the Group, and the Group's key relationships with stakeholders as required under Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) are set out in "Chairman's Statement", "Management Discussion and Analysis", "Corporate Governance Report" and "Environmental, Social and Governance Report" in this annual report.

Outlook

Please see "Future prospects and development strategies" on pages 6 to 7 of "Chairman's Statement" in this annual report for details.

Major Customers and Suppliers

The customers of the Group are primarily its students. For the year ended 31 December 2019, the percentage of revenue attributable to the Group's five largest customers combined was less than 30% of the Group's revenue.

The suppliers of the Group primarily comprise book suppliers, teaching equipment vendors, human resources services providers, equipment and materials vendors. For the year ended 31 December 2019, the percentage of purchases attributable to the Group's five largest suppliers combined were less than 30% of the Group's cost of revenue.

None of the Directors, their associates or any Shareholder which to the knowledge of the Directors owns more than 5% of the Company's share capital had an interest in the Group's major suppliers or customers.

Tax Relief

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Shares.

Environmental Policies and Performance

The Group is highly aware of the importance of environmental protection and has not noted any material non-compliance with any relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group has implemented environmental protection measures and has also encouraged staff to be environmental friendly at work by consuming the electricity and paper according to actual needs, so as to reduce energy consumption and minimise unnecessary waste. The Company is not aware of any environmental-related violations during the Relevant Period.

For details of the Company's environmental policies and performance, and the relations with employees, suppliers and customers, please see the Environmental, Social and Governance Report of the Company for the year ended 31 December 2019 on pages 63 to 88 of this annual report.

Compliance with Relevant Laws and Regulations

During the year ended 31 December 2019, the Group was not aware of material non-compliance with the relevant laws and regulations that have a significant impact on the business and operations of the Group.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2019 are set out in Note 15 to the consolidated financial statements.

Share Capital

Details of the movements in the share capital of the Company during the year ended 31 December 2019 are set out in Note 22 to the consolidated financial statements.

Distributable Reserves of the Company

Details of the movements in reserves of the Company during the year ended 31 December 2019 are set out in Note 24 to the consolidated financial statements.

As at 31 December 2019, the Company's reserves available for distribution to the Shareholders consisted of share premium of approximately RMB386,081,000 (2018: RMB52,897,000) and retained profits of approximately RMB124,105,000 (2018: RMB29,319,000). Under the Companies Law and subject to the Articles of Association, the share premium account may be applied by the Company for paying distributions or dividend if, after such distributions or dividend is paid, the Company will be able to pay off its debts as they fall due in the ordinary course of business.

Taxation

Details of the tax position of the Company during the year ended 31 December 2019 are set forth in Note 12 to the consolidated financial statements.

Bank Borrowings

As at 31 December 2019, the Group had bank borrowings of approximately RMB61,375,000 (31 December 2018: approximately RMB42,759,000). Details of which were disclosed in Note 28 to the consolidated financial statements.

Post Balance Sheet Events

The material post balance sheet events are disclosed in Note 35 to the consolidated financial statements.

Directors

The Directors during the Relevant Period and up to the date of this annual report were as follows:

Executive Directors

Mr. Chen Qiyuan *(Chairman)*
Mr. Chen Hongyu
Mr. Qi Mingzhi *(Chief Executive Officer)*
Mr. Xu Chaoqiang

Non-executive Director

Mr. Shen Jing Wu *(Vice Chairman)*

Independent non-executive Directors

Mr. Huang Victor
Dr. Liu Jianhua
Mr. Yang Xuezhi

In accordance with Article 84(1) of the Articles of Association, Mr. Chen Qiyuan, Mr. Qi Mingzhi and Mr. Xu Chaoqiang will retire by rotation and, being eligible, have offered themselves for re-election at the AGM.

Details of the Directors to be re-elected at the AGM are set out in the circular to the Shareholders dated 15 April 2020.

Biographical Details of Directors and 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 16 to 20 in "Directors and senior management" in this annual report.

Independence of the Independent Non-Executive Directors

The Company has received, from each of the independent non-executive Directors, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Based on such confirmations, the Company considers that all the independent non-executive Directors are independent.

Directors' Service Contracts

Each of the executive Directors has entered into a service contract with the Company for an initial fixed term of three years commencing from 21 June 2019 and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

The non-executive Director has entered into a letter of appointment with the Company for an initial fixed term of one year commencing from 21 June 2019 and will continue thereafter until terminated by not less than three months' notice in writing served by the non-executive Director on the Company or with immediate effect following the notice in writing served by the Company on the non-executive Director.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for an initial fixed term of one year commencing from 21 June 2019 and will continue thereafter until terminated by not less than three months' notice in writing served by the independent non-executive Director to the Company or with immediate effect following the notice in writing served by the Company to the independent non-executive Director.

None of the Directors who are proposed for re-election at the AGM has or is proposed to have a service contract with the Company or any of its subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

Emolument Policy

A remuneration committee was set up for reviewing the Company's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Company's operating results, individual performance of the Directors and senior management and comparable market practices.

Details of the emoluments of the Directors and those of the five highest paid individuals of the Group for the year ended 31 December 2019 are set out in Note 9(b) to the consolidated financial statements.

For the year ended 31 December 2019, 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 year ended 31 December 2019.

The Company has also adopted the Share Option Scheme as incentive for Directors and eligible employees. Details of the Share Option Scheme are set out in "Share option scheme" in this annual report.

Directors' Interests in Transactions, Arrangements or Contracts of Significance

Save as disclosed in this annual report, no Directors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Company to which the Company or any of its subsidiaries, PRC Operating Entities or fellow subsidiaries was a party during the Relevant Period.

Rights and Interests of Directors and Controlling Shareholders on Competing Business

A deed of non-competition dated 3 June 2019 (the "**Deed of Non-competition**") was entered into among the Company and the controlling shareholders of the Company, namely Mr. Chen Qiyuan, Sky Noon and Magnificent Industrial, pursuant to which the controlling shareholders have jointly and severally and irrevocably undertaken that they would not participate or be interested or engaged in or hold any business which is or may be in competition with the business of the member of the Group from time to time.

The controlling shareholders of the Company, namely Mr. Chen Qiyuan, Sky Noon and Magnificent Industrial, have confirmed their compliance with the Deed of Non-competition during the year ended 31 December 2019.

The independent non-executive Directors have reviewed the Deed of Non-competition and assessed whether the controlling shareholders of the Company had abided by the non-competition undertaking. The independent non-executive Directors confirmed that the controlling shareholders had not been in breach of the Deed of Non-competition during the year ended 31 December 2019.

As at 31 December 2019, none of the Directors or their associates had any competing interests in the businesses which compete or are likely to compete with the Company or its subsidiaries or PRC Operating Entities, either directly or indirectly.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2019.

Contracts of Significance

Save as disclosed in this annual report, none of the Company or any of its subsidiaries or PRC Operating Entities entered into any contracts of significance with the controlling shareholders or any of their subsidiaries other than the Company, nor was there any contracts of significance between the Company or any of its subsidiaries and the controlling shareholders or any of their subsidiaries other than the Company in relation to provision of services during the year ended 31 December 2019.

Change in Information in Respect of Directors

Save as disclosed in this annual report, there was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules for the year ended 31 December 2019.

Directors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures

As at 31 December 2019, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(a) Long positions in the Company

Name of Directors	Capacity/Nature of Interest	Number of Shares held	Approximate percentage of interest in the Company[(1)]
Mr. Chen Qiyan[(1)]	Interest in a controlled corporation	214,080,000	38.52%

Note:

(1) Mr. Chen Qiyuan is the sole shareholder of Yu Xi International, and he is therefore deemed to be interested in the Shares held by Sky Noon, through Yu Xi International.

(b) Long positions in Shenzhen Scholar

Name of Directors	Capacity/Nature of Interest	Amount of registered capital (RMB)	Approximate percentage of equity interest[(1)]
Mr. Chen Qiyan[(1)]	Mr. Chen Qiyan	7,800,000	39%

Save as disclosed above, as at 31 December 2019, none of the Directors or the chief executives of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors Rights to Acquire Shares or Debentures

Save as disclosed in this annual report, at no time during the year ended 31 December 2019 was the Company or any of its subsidiaries, PRC Operating Entities or fellow subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2019, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholders	Capacity/Nature of Interest	Number of Shares held	Approximate percentage of interest in the Company
Sky Noon[(1)]	Beneficial owner	214,080,000	38.52%
Yu Xi International[(1)]	Interest in a controlled corporation	214,080,000	38.52%
Magnificent Industrial[(2)]	Beneficial owner	138,024,000	24.84%
CREG[(3)]	Beneficial owner	64,616,000	11.63%
CRE Alliance Fund I L.P.[(3)(4)]	Interest in a controlled corporation	64,616,000	11.63%
CRE Alliance (Cayman) Limited[(3)]	Interest in a controlled corporation	64,616,000	11.63%
CRE Alliance (BVI) Limited[(3)]	Interest in a controlled corporation	64,616,000	11.63%
CRE Trading (Hong Kong) Limited[(3)]	Interest in a controlled corporation	64,616,000	11.63%
China Resources Enterprise, Limited[(3)]	Interest in a controlled corporation	64,616,000	11.63%
CRE Alliance Fund I LP Limited[(4)]	Interest in a controlled corporation	64,616,000	11.63%
China Great Wall AMC (International) Holdings Company Limited[(4)]	Interest in a controlled corporation	64,616,000	11.63%

Notes:

(1) Sky Noon is owned as to 100 voting shares by Yu Xi International and 100 non-voting shares by Xuan Yuang Jiu Zhou Holdings Ltd. Yu Xi International is wholly-owned by Mr. Chen Qiyuan, an executive Director and a controlling shareholder of the Company. Yu Xi International is deemed to be interested in all the Shares in which Sky Noon is interested by virtue of the SFO.

(2) Magnificent Industrial is owned as to 25.1140% by Mr. Chen Hongyu, 1.3319% by Mr. Hua Ribao, 2.2376% by Mr. Li Yong, 9.1881% by Mr. He Fan, 8.9505% by Mr. Zou Bangxin, 9.0693% by Mr. Qi Mingzhi, 4.4752% by Mr. Zhu Lixun, 9.0693% by Ms. Li Ailing, 9.4752% by Ms. Zhu Mingxia, 2.2376% by Ms. Leng Xinlan, 2.2376% by Mr. Cheng Zai, 9.9009% by Mr. Xu Chaoqiang, 2.2376% by Ms. Liang Renhong and 4.4752% by Ms. Pan Danting. Mr. Chen Hongyu, Mr. Qi Mingzhi and Mr. Xu Chaoqiang are executive Directors. Mr. Hua Ribao, Mr. He Fan and Ms. Li Ailing are senior management of the Group members while the remaining individuals are employees of the Group.

(3) CREG is wholly owned by CRE Alliance Fund I L.P. The general partner of CRE Alliance Fund I L.P. is CRE Alliance (Cayman) Limited, which is in turn wholly owned by CRE Alliance (BVI) Limited. CRE Alliance (BVI) Limited is wholly owned by CRE Trading (Hong Kong) Limited, which is in turn wholly owned by China Resources Enterprise, Limited. China Resources Enterprise, Limited is wholly held by CRH (CRE) Limited, which is in turn wholly owned by China Resources (Holdings) Company Limited. Accordingly, each of CRE Alliance Fund I L.P., CRE Alliance (Cayman) Limited, CRE Alliance (BVI) Limited, CRE Trading (Hong Kong) Limited, China Resources Enterprise, Limited, CRH (CRE) Limited and China Resources (Holdings) Company Limited is deemed to be interested in all Shares held by CREG pursuant to the SFO.

(4) CRE Alliance Fund I L.P. is interested as to 49.5% and 49.5% by CRE Alliance Fund I LP Limited and China Great Wall AMC (International) Holdings Company Limited as limited partners. As such, they are deemed to be interested in all the Shares held by CRE Alliance Fund I L.P. and its wholly-owned subsidiary, CREG pursuant to the SFO.

Save as disclosed above, as at 31 December 2019, the Directors were not aware of any persons (who were not Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Share Option Scheme

The Share Option Scheme was approved and adopted by the Shareholders on 3 June 2019 and became effective upon listing of the Shares on the Main Board of the Stock Exchange on 21 June 2019.

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years from the adoption date of the Share Option Scheme to offer the grant of an option to any eligible person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof).

The purpose of the Share Option Scheme is to provide selected participants, including employees, directors, suppliers, customers, consultants, business or joint venture partners, franchisees, contractors, agents, representatives and service providers of the members of the Group, an opportunity to have a personal stake in the Company and help motivate them to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such selected participants. For further details on the Share Option Scheme, please see "Statutory and General Information — F. Share Option Scheme" in Appendix V to the Prospectus.

The Share Option Scheme will provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to selected participants.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 55,570,000 Shares, representing 10% of the Shares in issue as at the date of this annual report. The total number of Shares issued and to be issued upon exercise of the options granted (including both exercised and outstanding options) to a participant in any 12-month period must not exceed 1% of the Shares in issue as at such date unless approved by the Shareholders in a general meeting.

An offer of the grant of an option shall remain open for acceptance by a participant for a period of 28 days from the offer date provided that no such grant of an option may be accepted after the expiration of the effective period of the Share Option Scheme. An amount of HK$1.00 is payable upon acceptance of the grant of an option.

The exercise price of the options granted under the Share Option Scheme shall be such price as determined by the Board and notified to the participant and which shall not be less than the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant of the option; (ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant of the option; and (iii) the nominal value of the Shares.

The Share Option Scheme is valid and effective for a period of 10 years commencing on the Listing Date, and it has a remaining life of approximately nine years and two months as at the date of this annual report.

Details of the options to subscribe for Shares pursuant to the Share Option Scheme and the movement during the Relevant Period are set out below:

			Number of share options				
Name/class of grantees	Date granted	Exercise price per Share	Outstanding as at the Listing Date	Granted during the Relevant Period	Exercised during the Relevant Period	Lapsed/ cancelled during the Relevant Period	Outstanding as at 31 December 2019
Employees of the Group	25 September 2019	HK$7.50	—	27,785,000 (Note1)	—	—	27,785,000
Total			—	27,785,000 (Note1)	—	—	27,785,000

Note:

(1) On 25 September 2019, the Company granted share options (the "**Share Options**") to the grantees under the Share Option Scheme, which will entitle them to subscribe for an aggregate of 27,785,000 new Shares. Subject to the fulfilment of the relevant vesting conditions (including performance criteria and duration of employment with the Group) as determined by the Board, the Share Options will vest on 31 December 2021. Options that have vested may be exercised at any time from 1 April 2022 to 31 March 2024 (both days inclusive). All outstanding or unexercised Options shall lapse after 31 March 2024.

The value of the Share Options granted during the Relevant Period is HK$2.6887, based on the binomial valuation model. The significant inputs into the model were share price of HK$7.50 as at the grant date, exercise price shown above, standard deviation of expected share price returns of 43.43%, expected life of options of two years, expected zero dividend payout rate and annual risk-free interest rate of 1.26%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices of comparable companies. The binomial model is developed to estimate the fair value of European share options. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

Equity-linked Agreements

During the Relevant Period, save as disclosed in this annual report, no equity-linked agreement was entered into by or subsisted in the Company, and there was no provision to enter into any agreement which will or may result in the Company issuing shares.

Connected Transactions and Continuing Connected Transactions

In addition to the related party transactions disclosed in Notes 32 to the consolidated financial statements, details of connected transactions or continuing connected transactions ("**CCTs**") of the Group as defined under the Listing Rules, details of which are required to be disclosed in accordance with the requirements of Chapter 14A of the Listing Rules, are summarised below:

Connected transactions

During the year ended 31 December 2019, the Group entered into the following tenancy agreements that constitute partially-exempt connected transactions:

1. Xili Tenancy Agreement

   On 10 October 2019, China Resources Vanguard Co., Ltd.* (華潤萬家有限公司) ("**CR Vanguard**") and Shenzhen Scholar Education Training and Centre* (深圳市思考樂教育培訓中心) ("**Shenzhen Scholar Centre**"), a PRC Operating Entity, entered into a tenancy agreement for a term commencing on 24 September 2019 and expiring on 28 March 2023, which is renewable for a further term of four years upon expiry, principal terms of which are set out below:

Parties	:	(1) CR Vanguard, as lessor; and
		(2) Shenzhen Scholar Centre, as tenant
Premises	:	No. 239, Zhuguang Road, Nanshan District, Shenzhen, Guangdong Province, the PRC* (中國廣東省深圳市南山區珠光路239號)
Saleable area	:	Approximately 877 sq.m.
Monthly rent	:	RMB149,090 (exclusive of electricity and gas charges and insurance, which are borne by Shenzhen Scholar Centre)
Monthly rent adjustment	:	The monthly rent will be adjusted upward by 5% each year upon 1 September 2022

   Please see the announcement of the Company dated 10 October 2019 for further details.

2. Xinzhicheng Tenancy Agreement

On 10 October 2019, New Jiangcheng Department Store (Jiangmen) Co., Ltd.* (江門華潤萬家生活超市有限公司) ("**New Jiangcheng Department Store**"), a wholly-owned subsidiary of CR Vanguard, and Jiangmen Scholar Education Consultancy Co., Ltd.* (江門市思考樂教育諮詢有限公司) ("**Jiangmen Scholar**"), a subsidiary of the Company, entered into a tenancy agreement for a term commencing on 24 September 2019 and expiring on 23 September 2027, principal terms of which are set out below.

Parties	:	(1) New Jiangcheng Department Store, as lessor; and (2) Jiangmen Scholar, as tenant
Premises	:	No. 196, Jianshe Road, Jiangmen, Guangdong Province, the PRC* (中國廣東省江門市建設路196號)
Saleable area	:	Approximately 1,055 sq.m.
Monthly rent	:	RMB52,750 (exclusive of electricity and gas charges and insurance, which are borne by Jiangmen Scholar)
Monthly rent adjustment	:	The monthly rent will be adjusted upward by 5% each year upon 24 September 2022

Please see the announcement of the Company dated 10 October 2019 for further details.

3. Luohu Tenancy Agreement

On 12 December 2019, CR Vanguard and Shenzhen Scholar Centre entered into a tenancy agreement for a term commencing on 26 November 2019 and expiring on 30 November 2027, principal terms of which are set out below:

Parties	:	(1) CR Vanguard, as lessor; and (2) Shenzhen Scholar Centre, as tenant
Premises	:	Floor 1–4, Changfengyuan Commercial Complex, No. 2035 Chunfeng Road, Luohu District, Shenzhen, Guangdong Province, the PRC (中國廣東省深圳市羅湖區春風路2035號長豐苑商業群樓1–4層)
Saleable area	:	Approximately 466.98 sq.m.
Monthly rent	:	RMB65,377.20 (exclusive of air-conditioning fees, water and electricity charges and insurance, which are borne by Shenzhen Scholar Centre)
Monthly rent adjustment	:	The monthly rent will be adjusted upward by 3% upon 26 November 2020 and then by 5% each year upon 26 November 2021

Please see the announcement of the Company dated 12 December 2019 for further details.

4. Longgang Tenancy Agreement

On 12 December 2019, CR Vanguard and Shenzhen Scholar Centre entered into a tenancy agreement for a term commencing on 1 November 2019 and expiring on 23 September 2026, principal terms of which are set out below:

Parties	:	(1) CR Vanguard, as lessor; and
		(2) Shenzhen Scholar Centre, as tenant
Premises	:	Floor 1–3, No. 860 Pengda Moercheng, Longgang Avenue, Longgang District, Shenzhen, Guangdong Province, the PRC (中國廣東省深圳市龍崗區龍崗大道鵬達摩爾城860號1–3層)
Saleable area	:	Approximately 715 sq.m.
Monthly rent	:	RMB107,250 (exclusive of air-conditioning fees, water and electricity charges and insurance, which are borne by Shenzhen Scholar Centre)
Monthly rent adjustment	:	The monthly rent will be adjusted upward by 3% upon 1 November 2020 and then by 5% each year upon 1 November 2021

Please see the announcement of the Company dated 12 December 2019 for further details.

In accordance with IFRS 16 applicable to the Company, the rental transactions contemplated under the tenancy agreements above will be recognised as acquisitions of right-of-use assets that will constitute one-off connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, the rental transactions contemplated under the tenancy agreements above are aggregated for the purpose of the applicable size tests. The aggregate value of the right-of-use assets to be recognised under the tenancy agreements is approximately RMB21,523,000.

CREG is a substantial shareholder of the Company holding approximately 11.63% of the issued share capital of the Company. CREG is wholly owned by CRE Alliance Fund I L.P., which is in turn managed by a subsidiary of China Resources (Holdings) Company Limited as its general partner. As CR Vanguard and New Jiangcheng Department Store (which are the lessors under the tenancy agreements above) are subsidiaries of China Resources (Holdings) Company Limited, CR Vanguard and New Jiangcheng Department Store are connected persons of the Company under Rule 14A.13(1) of the Listing Rules.

Continuing connected transactions

We have entered into a number of continuing agreements and arrangements with our connected persons in our ordinary and usual course of business, which constitute continuing connected transactions under the Listing Rules. We set out below details of the continuing connected transactions for the Group:

1. Printing Service Agreement

   Pursuant to the master printing service agreement (the "**Printing Service Agreement**") dated 1 June 2019 entered into by Shenzhen Scholar with Shenzhen Zhengxin Tuwen Advertising Company Limited* (深圳市正信圖文廣告有限公司) and Shenzhen Hengchuangxin Industry and Technology Company Limited* (深圳市恒創鑫實業科技有限公司) (the "**Relevant Entities**"), both of which are beneficially controlled by the brother-in-law of Mr. Chen Qiyuan, an executive Director, chairman of the Board and a controlling shareholder of the Company, each of the Relevant Entities has agreed to provide printing services in respect of the teaching, advertising and marketing materials and other printing services of the Group. The term of the Printing Service Agreements is from 1 June 2019 to 31 December 2021, and renewable unless terminated by either party by serving written notice to the other party within 30 days prior to the expiration of the Printing Service Agreement (subject to compliance with the provisions under the Listing Rules regarding continuing connected transactions).

   The annual cap for the Printing Service Agreement for each of the years ending 31 December 2019, 2020 and 2021 is expected to be RMB9,400,000, RMB12,220,000 and RMB15,880,000, respectively.

   Details of the Printing Service Agreement are set out in the Prospectus.

2. Structured Contracts

   On 13 January 2019, Shenzhen Fengye entered into various agreements with, among others, the PRC Operating Entities that constitute the Structured Contracts. Pursuant to the Structured Contracts, all economic benefits arising from the business of the PRC Operating Entities are transferred to Shenzhen Fengye to the extent permitted under the PRC laws and regulations by means of service fees payable by the PRC Operating Entities.

   The Structured Contracts consist of a series of agreements, including an exclusive corporate operation and business process consultancy service agreement, an exclusive technical service agreement, an exclusive call option agreement, a shareholders' voting rights entrustment agreement, an equity pledge agreement and a spouse undertaking, each of which is an integral part of the Structured Contracts. Please see "Structured contracts" in this annual report and "Structured contracts" in the Prospectus for further details.

The table below sets forth the connected persons of the Company involved in the Structured Contracts and the nature of his/its 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. Chen Qiyuan	Mr. Chen Qiyuan is a Director and a controlling shareholder of the Company, and therefore a connected person of the Company under Rule 14A.07(1) of the Listing Rules.
Mr. Chen Hongyu	Mr. Cheng Hongyu is a Director and a substantial shareholder of the Company, and therefore a connected person of the Company under Rule 14A.07(1) of the Listing Rules.
Xuanyang Investment	Xuanyang Investment is owned as to 19.99% by Mr. Chen Qiyuan and 80.01% by Ms. Chen Yunlei, the spouse of Mr. Chen Qiyuan and therefore a connected person of the Company under Rule 14A.07(4) of the Listing Rules.

The independent non-executive Directors have reviewed the transactions under the Printing Service Agreement and have confirmed that the transactions under the Printing Service Agreement were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the Printing Service Agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The independent non-executive Directors have also reviewed the transactions under the Structured Contracts and have confirmed that (i) the transactions under the Structured Contracts carried out during the year ended 31 December 2019 had been entered into in accordance with the relevant provisions of the Structured Contracts, had been operated so that the profit generated by the PRC Operating Entities had been substantially retained by the Group; (ii) no dividends or other distributions have been made by the PRC Operating Entities to the holders of its interest which are not otherwise subsequently assigned or transferred to the Group; and (iii) the Structured Contracts are fair and reasonable, or advantageous, so far as the Group is concerned and in the interests of the Shareholders as a whole.

PricewaterhouseCoopers, the Company's auditor, was engaged to report on the transactions under the Printing Service Agreement and the Structured Contracts 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. PricewaterhouseCoopers have issued a letter to the Board, confirming that nothing has come to their attention that would cause them to believe that:

(1) such continuing connected transactions had not been approved by the Board;

(2) such continuing connected transactions were not carried out, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Company;

(3) such continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions;

(4) in respect of such continuing connected transactions, the transaction amounts exceeded the annual caps; and

(5) in respect of the transactions under the Structured Contracts, there were any dividends or other distributions that had been made by the PRC Operating Entities to the Registered Shareholders which were not otherwise subsequently assigned or transferred to the Group.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the above continuing connected transactions.

Structured Contracts

Background of the Structured Contracts

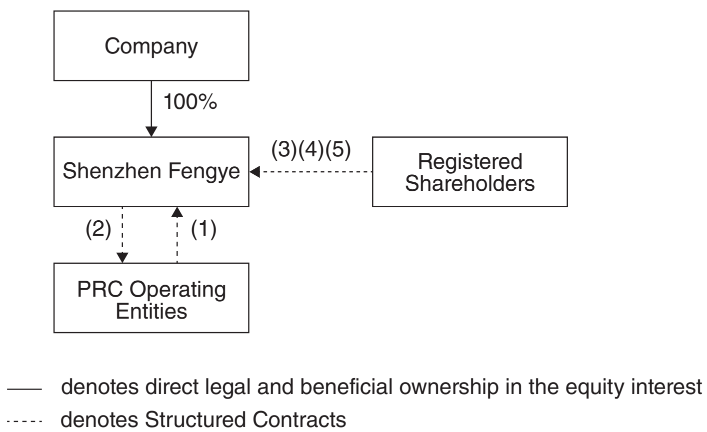
The following summarised generally the status of the Structured Contracts adopted by the Group given the PRC legal restriction imposed on the shareholding structure over the business the Group is engaging. For further details of the Structured Contracts, please refer to "Structured Contracts" in the Prospectus. Capitalised terms used in this paragraph follow the meaning of those defined in the Prospectus, unless otherwise stated.

Pursuant to the List of Special Management Measures for the Market Entry of Foreign Investment (《外商投資准入特別管理措施(負面清單) (2019年版)》, the "**Negative List**"), the provision does not explicitly prohibit or restrict the participation of foreign-invested entities in K-12 after-school tutoring services. As such, there is uncertainty in practice as to (i) whether foreign investors are permitted to invest in tutoring business in the PRC; (ii) if foreign investment is permitted, whether tutoring business invested by foreign investors must comply with the Regulation on Operating Sino-foreign Schools of the PRC (《中華人民共和國中外合作辦學條例》) (the "**Sino-foreign Regulations**") and its implementation measures and whether such companies offering tutoring business must operate through Sino-foreign joint venture entities; and (iii) if Sino-Foreign Regulations are applicable, what specific criteria must be met by a foreign investor (such as length of experience and form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant education authorities that it meets the Qualification Requirement (as defined below).

Pursuant to the Sino-Foreign Regulations, for any educational institution operated as a Sino-foreign joint venture entity, the foreign investor in the Sino-foreign joint venture entity must be a foreign educational institution with relevant qualification and high quality of education (the "**Qualification Requirement**"). Furthermore, pursuant to the Implementation Opinions on Encouraging and Guiding Private Fund's Entry into the Education Sector and Promoting Healthy Development of Private Education (《關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》) promulgated by the Ministry of Education of the PRC on 18 June 2012, the foreign portion of the total investment in a Sino-foreign joint venture entity should be below 50% (the "**Foreign Ownership Restriction**"). In addition, the Negative List sets forth the restrictive measures for the market entry of foreign investors, such as equity requirements and senior manager requirements. The Negative List requires that foreign investors may only operate educational institutions offering such education services through Sino-foreign education institutions that are in compliance with the Sino-foreign Regulations. Moreover, the Negative List also provides that the domestic party shall play a dominant role in the Sino-foreign cooperation, meaning that (a) the principal or chief executive officer of the educational institutions shall be a PRC national, and (b) the representatives of the domestic party shall account for no less than half of the total numbers of the board of directors, the executive council or the joint administration committee of the Sino-foreign education institution (the "**Foreign Control Restriction**"). However, the provision of K-12 after-school education services, which the Group is engaged in, is not expressively included in the Negative List.

The Group currently conducts its K-12 after-school tutoring business through the PRC Operating Entities in the PRC. Based on the interviews of the Group with competent authorities in Guangdong and Xiamen, Fujian Province, the Group cannot convert any of the PRC Operating Entities into Sino-foreign joint venture entities as a matter of practice or due to the lack of implementation rules. As such, the Company adopted the Structured Contracts to control and enjoy the economic benefits generated by the PRC Operating Entities. The Group does not hold any equity interest in the PRC Operating Entities. The Structured Contracts, through which the Group obtains control over and derives the economic benefits from the PRC Operating Entities, have been narrowly tailored to achieve the business purpose of the Group and minimise the potential conflict with relevant PRC laws and regulations. The Group had entered into the Structured Contracts for the existing PRC Operating Entities and expects to enter into structured contracts for entities to be newly established or invested in, the terms and conditions of which shall be the same as the existing Structured Contracts in all material aspects.

The following simplified diagram illustrates the flow of economic benefits from the PRC Operating Entities to Shenzhen Fengye stipulated under the Structured Contracts:



Notes:

1. Payment of service fees. See "Structured Contracts — Summary of the material terms of the Structured Contracts — (1) Exclusive Corporate Operation and Business Process Consultancy Service Agreement" in this annual report for details.

2. Provision of exclusive technical services. See "Structured Contracts — Summary of the material terms of the Structured Contracts — (2) Exclusive Technical Service Agreement" in this annual report for details.

3. Exclusive call option to acquire all or part of the interest in Shenzhen Scholar. See "Structured Contracts — Summary of the material terms of the Structured Contracts — (3) Exclusive Call Option Agreement" in this annual report for details.

4. Entrustment of shareholders' right including shareholders' power of attorney. See "Structured Contracts — Summary of the material terms of the Structured Contracts — (4) Shareholders' Voting Rights Entrustment Agreement" and "Structured Contracts — Summary of the material terms of the Structured Contracts — (6) Shareholders' Powers of Attorney" in this annual report for details.

5. Pledge of equity interest by the Registered Shareholders of their equity interest in Shenzhen Scholar. See "Structured Contracts — Summary of the material terms of the Structured Contracts — (5) Equity Pledge Agreement" in this annual report for details.

Summary of the material terms of the Structured Contracts

A description of each of the specific agreements that comprise the Structured Contracts is set out below:

(1) Exclusive Corporate Operation and Business Process Consultancy Service Agreement

Pursuant to the Exclusive Corporate Operation and Business Process Consultancy Service Agreement, Shenzhen Fengye shall provide exclusive corporate operation and business process consultancy services necessary for the tutoring business of the PRC Operations Entities, and the PRC Operating Entities shall make payments accordingly.

Such exclusive services as prescribed under the Exclusive Corporate Operation and Business Process Consultancy Service Agreement include but not limited to:

(a) to provide business process outsourcing and operational management consulting services, such as curriculum design, recruitment support and training of staff members;

(b) to prepare development plans and annual working plans as well as business consulting and advising related services;

(c) to provide brand planning activities, marketing research and marketing consulting services; and

(d) to provide other reasonable technical support to facilitate the daily operation of Shenzhen Scholar.

(2) Exclusive Technical Service Agreement

Pursuant to the Exclusive Technical Service Agreement, Shenzhen Fengye agreed to provide exclusive technical services to the PRC Operating Entities, including but not limited to, (a) design, development, update and maintenance of education software for computer and mobile devices; (b) design, development, update and maintenance of webpages and websites necessary for the education activities of the PRC Operating Entities; (c) design, development, update and maintenance of management information systems and other internal management systems necessary for the education activities of the PRC Operating Entities; (d) provision of other technical support necessary for the education activities of the PRC Operating Entities; (e) provision of technical consulting services; (f) provision of technical training; (g) engaging technical staff to provide on-site technical support; and (h) providing other technical services reasonably requested by the PRC Operating Entities.

In consideration of the exclusive technical services provided by Shenzhen Fengye, the PRC Operating Entities agreed to pay Shenzhen Fengye a service fee equal to all of their respective amount of net profits before tax at a quarterly basis.

Pursuant to the Exclusive Technical Service Agreement, unless otherwise prescribed under the PRC laws and regulations, Shenzhen Fengye shall have exclusive proprietary rights to any technology and intellectual property developed and materials prepared in the course of the provision of research and development, technical support and services by Shenzhen Fengye to the PRC Operating Entities, and any intellectual property in the products developed, including any other rights derived thereunder, in the course of performance of obligations under the Exclusive Technical Service Agreement. If the applicable PRC laws and regulations clearly stipulate that such intellectual property rights may not be owned by Shenzhen Fengye, the PRC Operating Entities shall grant an exclusive license to Shenzhen Fengye for the use of such intellectual property rights until the transfer of such rights to Shenzhen Fengye become permitted under law.

(3) Exclusive Call Option Agreement

Under the Exclusive Call Option Agreement, the Registered Shareholders have irrevocably granted Shenzhen Fengye or its designated purchaser the right to purchase all or part of the equity interest of the Registered Shareholders in Shenzhen Scholar ("**Equity Call Option**") and the assets of Shenzhen Scholar ("**Asset Call Option**", together with the Equity Call Option, the "**Call Options**").

Upon exercise of the Equity Call Option, the purchase price payable by Shenzhen Fengye or its designated purchaser in respect of the transfer of the equity interest in Shenzhen Scholar shall be the lowest price permitted under the PRC laws and regulations. Upon exercise of the Asset Call Option, the purchase price payable by Shenzhen Fengye or its designated purchaser in respect of the transfer of the assets in Shenzhen Scholar shall be RMB1, or if the then lowest price permitted under the PRC laws is higher, then the consideration shall be at the lowest price permitted by PRC laws. Shenzhen Fengye or its designated purchaser shall have the right to purchase such proportion of equity interests or assets of Shenzhen Scholar as it decides at any time.

In the event that PRC laws and regulations allow Shenzhen Fengye or the Group to directly hold all or part of the equity interest in Shenzhen Scholar, Shenzhen Fengye shall issue the notice of exercise of the Call Options as soon as practicable, and the percentage of equity interest purchased upon exercise of the Call Options shall not be lower than the maximum percentage then allowed to be held by Shenzhen Fengye or the Group under PRC laws and regulations.

(4) Shareholders' Voting Rights Entrustment Agreement

Pursuant to the Shareholders' Voting Rights Entrustment Agreement, each of the Registered Shareholders has irrevocably authorised and entrusted Shenzhen Fengye or its designated person (excluding any person who is not independent from the Company or may give rise to any conflict of interest) to exercise all of his/her/its respective rights as shareholders of Shenzhen Scholar to the extent permitted by the PRC laws.

(5) Equity Pledge Agreement

Pursuant to the Equity Pledge Agreement, each of the Registered Shareholders pledged and granted first priority security interests over all of his/her/its equity interests in Shenzhen Scholar together with all related rights thereto to Shenzhen Fengye as security for performance of the Structured Contracts and all direct, indirect or consequential damages and foreseeable loss of interest incurred by Shenzhen Fengye as a result of any event of default on the part of the Registered Shareholders or Shenzhen Scholar and all expenses incurred by Shenzhen Fengye as a result of enforcement of the obligations of the Registered Shareholders and/or Shenzhen Scholar under the Structured Contracts.

Upon the occurrence of an event of default, Shenzhen Fengye shall have the right to enforce the Equity Pledge Agreement by written notice to the Registered Shareholders in one or more of the following ways:

(a) sell the pledged equity interest by way of auction or at a discount and have priority in the entitlement to the sales proceeds;

(b) dispose of the pledged equity interest in other manner subject to applicable laws and regulations.

(6) Shareholders' Powers of Attorney

Pursuant to the Shareholders' Powers of Attorney executed by each of the Registered Shareholder in favour of Shenzhen Fengye, each of the Registered Shareholder authorised and appointed Shenzhen Fengye, as his/her/its agent to act on his/her/its behalf to exercise or delegate the exercise of all his/her/its rights as shareholders of Shenzhen Scholar, and any related actions must be decided by its officers or directors who are not Registered Shareholders. For details of the rights granted, see "Structured Contracts — Summary of the material terms of the Structured Contracts — (4) Shareholders' Voting Rights Entrustment Agreement" in this annual report.

Shenzhen Fengye shall have the right to further delegate the rights so delegated to its directors or other designated person, and any related actions must be decided by its officers or directors who are not Registered Shareholders. The Shareholders' Power of Attorney shall constitute a part and incorporate terms of the Shareholders' Voting Rights Entrustment Agreement.

(7) Spouse Undertaking

Pursuant to the Spouse Undertaking, Ms. Chen Yunlei, the spouse of Mr. Chen Qiyuan, has irrevocably undertaken that:

(a) she has full knowledge of and has consented to the entering into of the Structured Contracts by Mr. Chen Qiyuan, whether as a contractual party or not, and in particular, the arrangement as set out in the Structured Contracts in relation to the equity interest in Shenzhen Scholar, including any restrictions imposed, pledge or transfer or the disposal in any other forms;

(b) she has not, is not and shall not in the future participate in the operation, management, liquidation, dissolution or other matters in relation to the PRC Operating Entities;

(c) she authorises Mr. Chen Qiyuan and/or his authorised person to execute all necessary documents and perform all necessary procedures from time to time for and on her behalf in order to safeguard the interest of Shenzhen Fengye under the Structured Contracts and give effect to the fundamental purposes thereunder, and confirms and agrees to all such documents and procedures;

(d) she shall not (whether directly or indirectly, actively or passively) act, or omit to act, against the purpose or intention of the Structured Contracts;

(e) any undertaking, confirmation, consent and authorisation under the Spouse Undertaking shall not be revoked, prejudiced, invalidated or otherwise adversely affected by any increase, decrease, consolidation or other similar events relating to the direct or indirect interest in shares of Shenzhen Scholar of Mr. Chen Qiyuan; and

(f) any undertaking, confirmation, consent and authorisation under the Spouse Undertaking shall not be revoked, prejudiced, invalidated or otherwise adversely affected by reason of her loss of or restriction on capacity, death, divorce or other similar events.

The term of the Spouse Undertaking shall be the same as that of the Exclusive Technical Service Agreement.

Business activities of the PRC Operating Entities and their significance and financial contributions to the Group

The main business activities of the PRC Operating Entities are the provision of after school education services through academic preparation programme and early primary education programme in the PRC.

Pursuant to the Structured Contracts, the Group obtains control over and derives the economic benefits from the PRC Operating Entities. The table below sets out the financial contribution of the PRC Operating Entities to the Group:

	Revenue for the year ended 31 December 2019	Net profit for the year ended 31 December 2019	Total assets as at 31 December 2019
PRC Operating Entities	100.00%	112.30%	78.38%

Revenue and assets involved in the Structured Contracts

The table below sets out (i) revenue for the year ended 31 December 2019; and (ii) total assets involved in the PRC Operating Entities as at 31 December 2019, which would be consolidated into the Group's financial statements pursuant to the Structured Contracts:

	Revenue RMB'000	Total assets RMB'000
PRC Operating Entities	711,422	1,153,039

Unwinding of the Structured Contracts

Shenzhen Fengye has undertaken that, if 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 is no other change in the relevant PRC laws and regulations), it will exercise the Equity Call Option in full to hold all of the interest in the PRC Operating Entities and unwind the Structured Contracts accordingly. For further details, please see "Structured Contracts — Summary of the material terms of the Structured Contracts — (3) Exclusive Call Option Agreement" in this annual report and "Structured Contracts — Termination of the Structured Contracts" in the Prospectus.

As at the date of this annual report, there has not been any unwinding of any Structured Contracts, nor has there been any failure to unwind any Structured Contracts when the restrictions that led to the adoption of the Structured Contracts are removed.

Plan to comply with the Qualification Requirement

According to the consultation with the Relevant Education Authorities (as defined in the Prospectus), they will not accept an application to convert the PRC Operating Entities or the entities to be newly established or invested by the Group into Sino-foreign joint venture entities at this stage and in the foreseeable future. Although it is not possible for the Relevant Education Authorities to accept the Group's application to convert any of the PRC Operating Entities into Sino-foreign joint venture entities due to a lack of implementation measures or guidance at the current stage, the Group has taken specific steps with a view to demonstrating compliance with the Qualification Requirement. With the assistance of a consultant, the Group is in the process of preparing the launch of a tutorial centre in Hong Kong, which has already obtained a certificate of provisional registration from the Education Bureau in Hong Kong and is currently identifying and recruiting suitable teachers and other relevant staff. As disclosed in the Prospectus, the Group expects to spend approximately HK$14 million primarily by utilising internally-generated resources in the first five years since the preparation for the establishment of the tutorial centre in Hong Kong. As at 31 December 2019, approximately HK$1.0 million had been spent in connection with the foregoing.

The Company is of the view that the foregoing steps are meaningful endeavours that are reasonable and appropriate to comply with the Qualification Requirement.

Overall performance and compliance with the Structured Contracts

The Group has adopted the following measures to ensure the effective operation of the Group with the implementation of the Structured Contracts and its 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 the Board, if necessary, for review and discussion on an occurrence basis;

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

(c) the 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) the Company and the Directors undertake to provide periodic updates in the Company's annual and interim reports regarding the Qualification Requirement and the Group's status of compliance with the Foreign Investment Law and its accompanying explanatory notes and the latest development of the Foreign Investment Law and its accompanying explanatory notes;

(e) the 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 Shenzhen Fengye and the PRC Operating Entities to deal with specific issues or matters arising from the Structured Contracts; and

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

In addition, notwithstanding that the executive Director, Mr. Chen Qiyuan, is also a Registered Shareholder, the Company believes that the Directors are able to perform their roles in the Group independently and the Group is capable of managing its business independently under the following measures:

(a) the decision-making mechanism of the Board as set out in the Articles of Association includes provisions to avoid conflict of interest by providing, among other things, that in the event of conflict of interest in such contract or arrangement which is material, a Director shall declare the nature of his interest at the earliest meeting of the Board at which it is practicable for him to do so, and if he is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum;

(b) each of the Directors is aware of his fiduciary duties as a Director which requires, among other things, that he acts for the benefits and in the best interests of the Group;

(c) the Company has appointed three independent non-executive Directors, comprising over one-third of the Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of the Company and the Shareholders as a whole; and

(d) the Company will disclose in its announcements, circulars, annual and interim reports in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by the Board (including independent non-executive Directors) relating to any business or interest of each Director and his associates that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

The Group will continue to implement such measures before the Structured Contracts are unwound, with an aim to further enhancing its control over the PRC Operating Entities. The Company is not aware of any non-performance of the Structured Contracts or non-compliance with such aforementioned measures as at the date of this annual report.

Material Changes

Save as disclosed above, as at the date of this annual report, there are no material changes in the Structured Contracts and/or the circumstances under which the Structured Contracts were adopted.

Purchase, Sale or Redemption of Listed Securities

During the Relevant Period, the Company had not redeemed any of its Shares. Neither the Company nor any of its subsidiaries had purchased or sold any of the Shares during the Relevant Period.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands that would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

Related Party Transactions

Details of the significant related party transactions entered into by the Group during the year ended 31 December 2019 are set out in Note 32 to the consolidated financial statements. To the best knowledge of the Directors, save for the transactions set out in the section headed "Connected transactions and continuing connected transactions" in this annual report, none of these related party transactions constitute connected transactions that need to be disclosed under the Listing Rules.

Donations

During the year ended 31 December 2019, the charitable and other donations made by the Group amounted to RMB747,000 (2018: RMB554,000).

Debentures Issued

During the year ended 31 December 2019, no issuance of debentures was made by the Company.

Significant Legal Proceedings

During the year ended 31 December 2019, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatening against the Company.

Permitted Indemnity Provision

Under the Articles of Association, every Director or other officers of the Company acting in relation to any of the affairs of the Company shall be entitled to be indemnified against all actions, costs, charges, losses, damages and expenses which he may incur or sustain in or about the execution of his duties in his office; be indemnified and secured harmless out of the assets of the Company; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty.

The Company has arranged appropriate insurance cover in respect of legal action against its Directors and officers.

Retirement and Employee Benefits Scheme

Details of the retirement and employee benefits scheme of the Company are set out in Note 2.21 to the consolidated financial statements.

Corporate Governance

The Company is committed to maintaining high standards of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 48 to 62 of this annual report.

Use of Net Proceeds from Listing

The Shares were listed on the Main Board of the Stock Exchange on the Listing Date by way of global offering at the offering price of HK$3.68 per Share, raising the IPO Proceeds of approximately HK$450.1 million after deducting professional fees, underwriting commissions and other related listing expenses.

As stated in the Prospectus, the Company intended to use the IPO Proceeds in the following manner:

- approximately 50.0%, or HK$225.1 million to be used primarily to expand its learning centre network in the Greater Bay Area;
- approximately 30.0%, or HK$135.0 million, is expected to be used primarily to improve its teaching quality;
- approximately 20.0%, or HK$90.0 million to be used primarily to renovate the facilities of its learning centres and purchase teaching equipment to improve its students' learning experience so as to further optimise the pricing of its classes and enhance profitability;

There was no change in the intended use of IPO Proceeds as previously disclosed in the Prospectus.

As at 31 December 2019, the Group had utilised the IPO Proceeds in the manner as set out in the table below:

		Net proceeds from Global Offering	Utilisation as at 31 December 2019	Unutilised amount
	%		HK$'million	
Expanding its learning centre network in the Greater Bay Area	50%	225.1	29.3	195.8
Improving its teaching quality	30%	135.0	33.9	101.1
Renovating the facilities of its learning centres and purchasing teaching equipment	20%	90.0	6.3	83.7
Total	100%	450.1	69.5	380.6

The following table sets forth a breakdown of the unutilised IPO Proceeds to be applied for the periods indicated:

	Amount of proceeds to be used			
	2020	2021	2022	Total
		HK$'million		
Expanding its learning centre network in the Greater Bay Area	**80.0**	**95.1**	**20.7**	**195.8**
Improving its teaching quality				
Optimising and diversifying service offerings				
— Informationalisation of course content and course materials	6.7	6.7	1.0	14.4
— Offering new courses of artificial intelligence	3.5	6.2	0.3	10.0
— Developing supplementary courses	2.8	2.8	0.3	5.9
— Offering new courses of history and politics	3.3	—	—	3.3
— Hiring additional courses development staff	2.3	—	—	2.3
Developing digital materials				
— Procurement and improvement of digital platform	3.9	11.4	0.3	15.6
— Purchase of equipment and improvement of recording studios	5.1	5.7	0.3	11.1
— Hiring qualified talent	1.2	—	0.4	1.6
Investing in new technologies				
— Developing applications and service platforms	7.2	7.3	2.7	17.2
— Informationalisation of human resources, finance and business operation systems	8.5	7.9	3.3	19.7
Subtotal	**44.5**	**48.0**	**8.6**	**101.1**
Renovating the facilities of its learning centres and purchasing teaching equipment				
Renovating facilities	32.0	15.0	18.2	65.2
Purchasing teaching equipment	9.2	3.8	5.5	18.5
Subtotal	**41.2**	**18.8**	**23.7**	**83.7**

Sufficiency of Public Float

Based on information publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's total issued shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, was held by the public at all times during the year ended 31 December 2019 and as at 3 April 2020, being the latest practicable date prior to the printing of this annual report.

Audit Committee

The Audit Committee had, together with the management of the Company and Auditor, reviewed the accounting principles and policies adopted by the Company and the consolidated financial statements during the year ended 31 December 2019.

Auditor

PricewaterhouseCoopers was appointed as the Auditor during the year ended 31 December 2019. The accompanying financial statements prepared in accordance with IFRSs have been audited by PricewaterhouseCoopers.

PricewaterhouseCoopers shall retire at the AGM and, being eligible, will offer itself for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as Auditor will be proposed at the AGM.

By Order of the Board
Scholar Education Group

Chen Qiyuan
Chairman of the Board and Executive Director

Qi Mingzhi
Executive Director and Chief Executive Officer

Hong Kong, 18 March 2020

Corporate Governance Practices

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as its own code of corporate governance. The Company had complied with all applicable code provisions under the CG Code for the Relevant Period. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

The Board

Responsibilities

The Board is responsible for the overall leadership of the Company, oversees the Company'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 Company to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established four Board committees including the Audit Committee, the remuneration committee (the "**Remuneration Committee**"), the nomination committee (the "**Nomination Committee**") and the strategic development committee (the "**Strategic Development Committee**") (together, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors have carried out duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times.

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. At present, the role of the chairman of the Board is performed by Mr. Chen Qiyuan and the role of chief executive officer of the Company is performed by Mr. Qi Mingzhi.

During the daily operations of the Company, all material decisions are approved by the Board and the relevant Board Committees, as well as the senior management team. In addition, the Directors proactively participate in all board meetings and all relevant meetings of Board Committees, and the chairman of the Board ensures all the Directors are duly informed of all the matters to be approved at the meetings. In addition, the senior management team provides the Board with sufficient, clear, complete and reliable company information on a regular basis and from time to time. The Board also regularly meets and reviews the operations of the Company under the leadership of Mr. Chen Qiyuan and Mr. Qi Mingzhi on a quarterly basis.

The Board is therefore of the view that there is an adequate balance of power and that appropriate safeguards are in place. The Board will continue to regularly monitor and review the Company's current corporate governance structure and to make necessary changes when appropriate.

Board Composition

As at the date of this annual report, the Board comprises four executive Directors, one non-executive Director and three independent non-executive Directors as follows:

Executive Directors

Mr. Chen Qiyuan *(Chairman)*
Mr. Chen Hongyu
Mr. Qi Mingzhi *(Chief Executive Officer)*
Mr. Xu Chaoqiang

Non-executive Director

Mr. Shen Jing Wu *(Vice Chairman)*

Independent non-executive Directors

Mr. Huang Victor
Dr. Liu Jianhua
Mr. Yang Xuezhi

The biographies of the Directors are set out in "Directors and senior management" in this annual report.

For the Relevant Period, the Board had met at all times the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

For the Relevant Period, the Company had also complied with Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

Save as disclosed in the Directors' biographies set out in "Directors and senior management" in this annual report, none of the Directors have any personal relationship (including financial, business, family or other material or relevant relationship) with any other Director and chief executive.

Board Diversity Policy

The Company has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board and to maintain the highest standards of corporate governance and recognises and embraces the benefits of diversity in the Board. The Company should endeavour to ensure that the members of the Board have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of our business strategy. Pursuant to the Board Diversity Policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, gender, age, cultural, education background and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to the Board. The Board believes that such merit-based appointments will best enable the Company to serve the Shareholders and other stakeholders going forward.

The Board comprises eight members, including four executive Directors, one non-executive Director and three independent non-executive Directors. The Directors have a balanced mix of experiences, including management and strategic development, finance and investment and accounting experiences in addition to education business. Furthermore, the Board has a wide range of age, ranging from 34 years old to 72 years old. The Board also has a good mix of new and experienced Directors that all the four executive Directors joined the Group since 2012, who have valuable knowledge and insights of the Group's business over the years, while the other four newly joined Directors are expected to bring in fresh ideas and new perspectives to the Group. After due consideration, the Board believes that based on the existing business model of the Group and meritocracy of the Directors, despite the fact that there is currently no female representation on the Board, its composition satisfies the principles under the Board Diversity Policy. Nevertheless, in recognition of the particular importance of gender diversity, the Company confirms that the Nomination Committee will use its best efforts, within three years from the Listing Date, to identify and recommend suitable female candidates to the Board for its consideration and the Company will use its best efforts to achieve at least 20% of female Directors in the Board by the end of 2022, subject to the Directors (i) being satisfied with the competence and experience of the relevant candidates after a reasonable review process based on reasonable criteria; and (ii) fulfilling their fiduciary duties to act in the best interests of the Company and the Shareholders as a whole when making the relevant appointments. The Company has also taken, and will continue to take steps to promote gender diversity at all levels of the Company, including but without limitation at the Board and senior management levels. In particular, one of the existing senior management of the Company is female and there are female managers in both the Group's existing teaching team and research positions. The Company will engage more resources in training these female managers with the aim of promoting them to the senior management or directorship of the Company. For example, the Company will provide more leadership training to them and provide support to pregnant female staff with a view to ensuring they have similar career prospects with their male counterparts.

The Nomination Committee is responsible for ensuring the diversity of the Board. The Nomination Committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness and we will disclose the implementation of the Board Diversity Policy in our corporate governance report on an annual basis.

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 each of the independent non-executive Directors has confirmed his independence pursuant to Rule 3.13 of the Listing Rules, the Company considers all of them to be independent parties.

Induction and Continuous Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant Statutes, laws, rules and regulations. The Company also arranges regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company has from time to time updated and provided written training materials relating to the roles, functions and duties of a Director.

According to the information provided by the Directors, all of the Directors had (i) attended training relevant to the Directors' duties and responsibilities; (ii) read materials relevant to the legal and regulatory updates; (iii) attended training relevant to the Company's business; and (iv) read materials relevant to corporate governance, the Listing Rules and other relevant ordinances, for the Relevant Period.

Appointment and Re-election of Directors

In accordance with the Article 84(1) 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 a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Any Director appointed by the Board pursuant to Article 83(3) of the Articles of Association shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the composition of the Board and making recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors.

Board Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than 14 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 Board Committee meetings, reasonable notice is generally given. The agenda and accompanying board papers are dispatched to the Directors or Board Committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When Directors or Board 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 prior to the meeting. Minutes of meetings are kept by the company secretary with copies circulated to all Directors for information and records.

Minutes of the Board meetings and Board Committee meetings are recorded in sufficient detail about the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by Directors.

Pursuant to code provision A.1.1 of the CG Code, the Board is expected to meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals.

During the year ended 31 December 2019, five Board meetings were held. The Company did not convene any general meeting for the Relevant Period. The attendance of each Director at the Board meetings is set out in the table below:

Directors	Attended/Eligible to attend the Board meeting(s)
Executive Directors	
Mr. Chen Qiyuan	5/5
Mr. Chen Hongyu	5/5
Mr. Qi Mingzhi	5/5
Mr. Xu Chaoqiang	5/5
Non-executive Director	
Mr. Shen Jing Wu	5/5
Independent non-executive Directors	
Mr. Huang Victor	5/5
Dr. Liu Jianhua	5/5
Mr. Yang Xuezhi	5/5

Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all the Directors, each of the Directors has confirmed that he/she had complied with the Model Code during the Relevant Period.

For the Relevant Period, the Company had also adopted its own code of conduct regarding employees' securities transactions on terms no less exacting than the standard set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

Delegation by the Board

The Board reserves for its decision 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 Company are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

Corporate Governance Function

The Board recognises that corporate governance should be the collective responsibility of the Directors which includes:

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

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

(c) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors;

(d) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board and report to the Board on such matters;

(e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report; and

(f) to review and monitor the Company's compliance with the Company's whistleblowing policy.

Board Committees

Audit Committee

The Audit Committee comprises three members, namely Mr. Huang Victor (chairman), Dr. Liu Jianhua and Mr. Yang Xuezhi, all of them are independent non-executive Directors.

The principal duties of the Audit Committee include the following:

(a) to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of the Group, and as to the adequacy of the external and internal audits;

(b) to assure that appropriate accounting principles and reporting practices are followed;

(c) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the authorised independent auditors (the "**External Auditors**"), and to approve the remuneration and terms of engagement of the External Auditors, and any questions of its resignation or dismissal;

(d) to serve as a focal point for communication between other directors, the External Auditors and the internal auditors or any person responsible for the internal audit department of the Group (the "**Internal Audit Department**") as regards their duties relating to financial and other reporting, internal controls, external and the Internal Audit Department and such other matters as the Board determines from time to time;

(e) 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 should discuss with the External Auditors the nature and scope of the audit and reporting obligations before the audit commences, and ensure co-ordination where more than one audit firm is involved. Procedures to review and monitor the independence of the External Auditors may include:

 (i) to consider all relationships between the Group and the External Auditors (including non-audit services);

 (ii) to obtain from the External Auditors annually, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including current regulations of rotation of audit partners and staff; and

 (iii) meet with the External Auditors, at least annually, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the External Auditors may wish to raise;

(f) to develop and implement policy on engaging the External Auditors to supply non-audit services;

(g) to monitor integrity of the Company's financial statements, annual report and accounts, half-year report and, if prepared for publication, quarterly reports (including directors' report, chairman's statement and management discussion and analysis), and to review significant financial reporting judgments contained in them;

(h) regarding (g) above:

 (i) members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the External Auditors; and

 (ii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for accounting and financial reporting function, the compliance officer of the Company or External Auditors;

(i) to review audit and control related corporate representations made to External Auditors, Internal Audit Department and to the Shareholders;

(j) to review with External Auditors and Internal Audit Department, the Group's management, the adequacy of the Group's policies and procedures regarding internal controls (including financial, operational and compliance controls) and any statement by the Directors to be included in the annual accounts prior to endorsement by the Board;

(k) to review the Company's financial controls, 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;

(l) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financing reporting function;

(m) 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;

(n) to ensure co-ordination between the Internal Audit Department 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; and

(o) to review the Group's financial and accounting policies and practices.

Code provision C3.3(e)(i) of the CG Code provides that the terms of reference of the Audit Committee shall have the terms that the members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet at least twice a year with the Auditor. The Company has included such terms in relevant terms of reference, and thus complied with the code provision C3.3(e)(i) of the CG Code during the year ended 31 December 2019.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

During the Relevant Period which is less than one year, one meeting of the Audit Committee was held to discuss and consider, among other things, the following matters:

- reviewed the consolidated unaudited financial statements, interim results announcement and the 2019 interim report for the six months ended 30 June 2019, and submitted it to the Board for approval;
- reviewed the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function), risk management systems and processes and the re-appointment of the Auditor; the Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of the Auditor; and
- discussed the audit plan for the year ended 31 December 2019 with the Auditor.

Attendance of each Audit Committee member during the Relevant Period is set out in the table below:

Directors	Attended/Eligible to attend
Mr. Huang Victor *(Chairman)*	1/1
Dr. Liu Jianhua	1/1
Mr. Yang Xuezhi	1/1

Nomination Committee

The Nomination Committee currently comprises three members, including one executive Director namely Mr. Chen Qiyuan (chairman), and two independent non-executive Directors namely Dr. Liu Jianhua and Mr. Huang Victor.

The principal duties of the Nomination Committee include the following:

(a) to review the structure, size and composition (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) 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. In identifying suitable candidates, the Nomination Committee shall consider candidates on merit and against the objective criteria, with due regard for the benefits of diversity on the Board;

(c) to assess the independence of independent non-executive Directors;

(d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for the Directors, in particular the chairman and the chief executive; and

(e) to review the Board Diversity Policy, to develop and review measurable objectives for the implementing the Board Diversity Policy and to monitor the progress on achieving these objectives.

The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

The Nomination Committee assesses 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.

No meeting of the Nomination Committee was held during the Relevant Period which is less than one year.

Policy on Directors' nomination

The Nomination Committee reviews the information and documents provided by the nominated candidate as required by the Company's nomination policy for directorship and conduct the following process (in accordance with the following criteria) with a view to assessing and evaluating whether such candidate is suitably qualified to be appointed as a Director before making recommendations to the Board:

1. The Nomination Committee shall consider the following factors, which are not exhaustive and the Board has discretion if it considers appropriate, in assessing the suitability of the proposed candidate regarding the appointment of Directors or re-appointment of any existing Board member(s):

   (i) reputation for integrity;

   (ii) accomplishment, experience and reputation in the business and industry;

   (iii) commitment in respect of sufficient time, interest and attention to the businesses of the Company and its subsidiaries;

   (iv) diversity in all aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry experience;

   (v) compliance with the criteria of independence, in case for the appointment of an independent non-executive Director, as prescribed under Rule 3.13 of the Listing Rules; and

   (vi) any other relevant factors as may be determined by the Nomination Committee or the Board from time to time as appropriate.

2. The appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board shall be made in accordance with the Articles of Association and other applicable rules and regulations.

3. The proposed candidates will be asked to submit the necessary personal information in a prescribed form by the Nomination Committee.

4. The secretary of the Nomination Committee shall convene a meeting, and invite nominations of candidates from Board members (if any), for consideration by the Nomination Committee.

5. For the appointment of any proposed candidate to the Board, the Nomination Committee shall undertake adequate due diligence in respect of such individual and make recommendations for the Board's consideration and approval.

6. For the re-appointment of any existing member(s) of the Board, the Nomination Committee shall make recommendations to the Board for its consideration and recommendation, for the proposed candidates to stand for re-election at a general meeting.

7. If a Shareholder wants to propose a candidate to the Board for consideration, he/she shall refer to the "Procedures for Shareholders to Propose a Person for Election as a Director", which is available on the Company's website.

8. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at a general meeting.

Remuneration Committee

The Remuneration Committee comprises three members, including two independent non-executive Directors namely Dr. Liu Jianhua (chairman) and Mr. Huang Victor, and one executive Director namely Mr. Chen Qiyuan.

The principal duties of the Remuneration Committee include the following:

(a) to consult the chairman of the Board and/or chief executive about their remuneration proposals for other executive Directors;

(b) to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(c) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(d) to determine, with delegated responsibility, or to make recommendations to the Board, the remuneration packages of individual executive Directors and senior management. The remuneration packages should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

(e) to make recommendations to the Board on the remuneration of non-executive Directors;

(f) to consider salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Group;

(g) to review and approve compensation payable to executive Directors and senior management 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;

(h) 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; and

(i) to ensure that no Director or any of his associates (as defined in the Listing Rules) is involved in deciding his own remuneration.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

No meeting of the Remuneration Committee was held during the Relevant Period which is less than one year.

Remuneration of Directors and senior management

Details of the remuneration by band of the members of the Board and senior management of the Company, whose biographies are set out in “Directors and senior management” in this annual report, during the Relevant Period, are set out below:

Remuneration band (HK$)	Number of individual
Nil–HK$1,000,000	12

Strategic Development Committee

The Strategic Development Committee currently comprises four members, including two executive Directors namely Mr. Chen Qiyuan (chairman) and Mr. Qi Mingzhi, the non-executive Director namely Mr. Shen Jing Wu, and one independent non-executive Director namely Mr. Yang Xuezhi.

The principal duties of the Strategic Development Committee are to review and plan on the medium-to-long-term development strategies, plans and proposals of the Company, make recommendations to the Board and to assess and control the implementation of strategic plans.

During the Relevant Period, one meeting of the Strategic Development Committee was held to discuss and consider the implementation of the development strategies, plans and proposals of the Company.

Attendance of each member of the Strategic Development Committee during the Relevant Period is set out in the table below:

Directors	Attended/Eligible to attend
Mr. Chen Qiyuan	1/1
Mr. Qi Mingzhi	1/1
Mr. Shen Jing Wu	1/1
Mr. Yang Xuezhi	1/1

Directors’ Responsibilities for Financial Reporting in Respect of Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2019 which give a true and fair view of the affairs of the Company and of the Company’s results and cash flows.

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

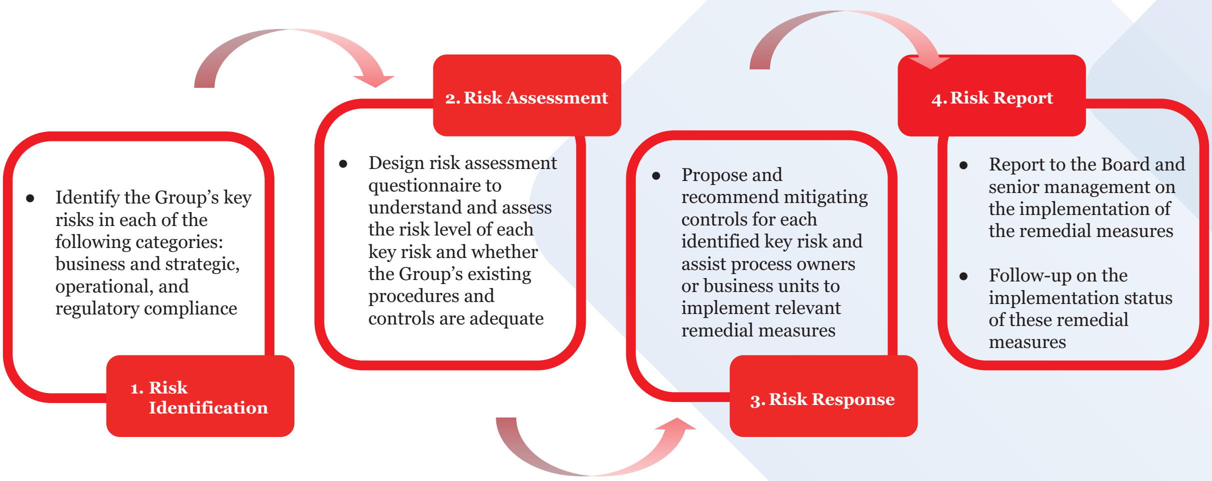
The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

The statement by the Auditor regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 89 to 93 of this annual report.

Risk Management and Internal Control

Sound and effective systems of risk management and internal control are designed to achieve the Group's strategic objectives and safeguard Shareholders' investments and the Group's assets. Such systems are designed to manage rather than eliminate the risk of failure to achieve strategic objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board acknowledges its responsibility to establish, maintain and review the effectiveness of the Group's risk management and internal control systems, where management is responsible for the design and implementation of the risk management and internal control systems to manage risk. With the support from the Audit Committee, the Board monitors the Group's risk exposures, oversees the actions of management and monitors the overall effectiveness of the risk management and internal control systems on an ongoing basis. Management is responsible for setting the appropriate tone from the top, performing risk assessments, and overseeing the design, implementation and maintenance of internal control. Policies and procedures form the basis and set forth the control standards required for functioning of the Group's business entities. These policies and procedures covered various aspects, including operations, finance and accounting, human resources, regulatory and compliance, delegation of authority, etc..



An annual enterprise-wide risk assessment has been performed to evaluate the nature and extent of the risks to which the Group is willing to take in achieving its strategic objectives. During the risk assessment process, the Group has identified a number of key risks that may impact the Group's strategic objectives in responding to the changes in the business and external environment. These risks are prioritised according to the likelihood of their occurrence and the significance of their impact on the business of the Group.

Internal Audit

The Group has established the Internal Audit Department, which reports directly to the Audit Committee. The Internal Audit Department is independent from operation management and has full access to data required in performing internal audit reviews. Internal audits are conducted according to the internal audit plan approved by the Audit Committee to review our major operational, financial, compliance and risk management controls. During the process of the internal audits, the Internal Audit Department will identify internal control deficiencies and weaknesses and proposed recommendations for improvements. Internal audit findings and control deficiencies are communicated to internal audit team and the management, who is responsible for ensuring the deficiencies are rectified within a reasonable period. A follow-up review is also performed to ensure the remedial actions are implemented.

Review of Risk Management and Internal Control Systems

The Board is responsible for maintaining an adequate risk management and internal control systems to safeguard Shareholders' investments and Group's assets. For the year ended 31 December 2019, the Board, along with the Audit Committee, had conducted a comprehensive review of the Company's risk management and internal control systems. The review covered the fiscal year of 2019 and all material controls, including operational, financial and compliance controls, and considered the changes in the nature and extent of significant risks as well as the Company's ability to respond to changes in its business and the external environment. The Board considers that the Company has complied with the risk management and internal control provisions of the CG Code, and considers such systems are effective and sufficient. The Board has also reviewed the resources of accounting, internal audit and financial reporting functions, staff qualifications and experience, training programmes and related budgets, as well as procedures related to financial reporting and compliance with the Listing Rules, and considered them effective and sufficient.

Inside Information

The Group is aware of its obligation under relevant sections of the SFO and Listing Rules. During the year ended 31 December 2019, the Company had implemented procedures had internal controls for the handling and dissemination of inside information, including:

- having its own procedures in place to preserve the confidentiality of price-sensitive and/or inside information relating to the Group;

- communicating such procedures to all Directors, senior management and relevant employees who are likely to have access to price-sensitive and/or inside information, and reminding them from time to time that they are required to comply with such procedures; and

- conducting its affairs with close regard to the disclosure requirement under the Listing Rules and the related guidance.

Dividend Policy

The Board has adopted a general dividend policy of declaring and paying dividends on an annual basis of no less than 30% of its distributable net profit attributable to the Shareholders in the future but subject to, among others, our results of operations, cash flow, capital requirements, general financial condition, contractual restrictions, future prospects and other factors that the Board deems relevant. As the Company is a holding company, its ability to declare and pay dividends will depend on receipt of sufficient funds from its subsidiaries and PRC Operating Entities, which are established in the PRC. The subsidiaries in the PRC and the PRC Operating Entities must comply with their respective constitutional documents and the laws and regulations of the PRC in declaring and distributing returns to their shareholders. The Company's future declarations of dividends may or may not reflect its historical declarations of dividends and will be at the absolute discretion of the Board.

Auditor's Remuneration

The remuneration for the audit and non-audit services provided by the Auditor to the Company for the year ended 31 December 2019 was approximately as follows:

Type of Services	Amount (RMB'000)
Audit services	1,496
Non-audit services related to interim review	683
Total	2,179

Company Secretary

Mr. So Wai Hang is the company secretary of the Group. His biographical details are set out in "Directors and senior management" in this annual report.

For the year ended 31 December 2019, Mr. So had undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

Communication with Shareholders and Investor Relations

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

The annual general meetings of the Company provide opportunity for the Shareholders to communicate directly with the Directors. The chairman of the Board and the chairmen of the Board Committees will attend the annual general meetings to answer Shareholders' questions. The Auditor will also attend the annual general meetings to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

To promote effective communication, the Company has adopted a shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and the Shareholders and maintains a website of the Company at http://www.skledu.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.

Shareholders' Rights

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted 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 general meeting.

Convening of extraordinary general meeting and putting forward proposals

Shareholders may put forward proposals for consideration at a general meeting of the Company according to the Articles of Association. Any one or more members holding as 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 company secretary of the Company, to require an extraordinary general meeting of the Company 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 21 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.

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

Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the address of the Company's principal place of business in Hong Kong at Unit 02, 3/F, Austin Plaza, No. 83 Austin Road, Kowloon, Hong Kong (email address: ir@skledu.com).

Change in Constitutional Documents

The Company adopted the amended and restated memorandum and articles of association on 3 June 2019, which have been effective from the Listing Date. During the Relevant Period, the said amended and restated memorandum and articles of association did not have any change.

1. About this Report

Scope

This report covers the Group's performance in taking on environmental and social responsibilities from 1 January to 31 December 2019. It covers the headquarter and subsidiaries of the Group.

Reporting standards

This report is prepared in strict accordance with the Environmental, Social and Governance Reporting Guidelines as set out in Appendix 27 to the Listing Rules. To ensure the authenticity and accuracy of the report and meet stakeholders' needs of getting due information, the Group followed the reporting principles, assessed the materiality of ESG issues, identified applicable ESG key performance indicators, and established an ESG data collection mechanism.

Data source

All information included in this report is from the Group's official documents, statistic reports and relevant public materials.

2. ESG Management

The Group is committed to becoming a respected leading education brand in the PRC. We adhere to the mission of "focus on academic excellence to enable our students to achieve their aspirations" (博學精教，成就學生), actively exert every employee's professional advantages, and integrate "love, focus, passion, happiness and enterprise" into the daily operations and teaching management of this company. Meanwhile, we abide by social commitments, integrate social responsibilities into the corporate development plans, and actively promote the development of the education and training industry to contribute to the sustainable development of society.

The Group's board of directors, as the highest decision-making body of ESG, is responsible for developing the Group's ESG governance strategies and goals, supervising the risk evaluation and management of ESG, and reviewing and issuing ESG reports. As the leading body of ESG, the senior management of the Group co-ordinate the ESG management and review the material issues and annual reports of ESG. The internal audit department of the Group have the responsibility for the communication and coordination in the daily management of ESG and for the preparation of the annual report. Relevant functional departments take the implementation of the Group's work plan seriously, effectively take on their ESG responsibilities, actively carry out the capacity construction for sustainable development, and assist in information collection and compilation of ESG reports.

3. Stakeholder Engagement and Materiality Assessment

The Group always attaches great importance to communication with stakeholders. Timely understanding of their demands and expectations helps us objectively examine the environmental and social impact of our business development, and reasonably plan and evaluate the Group's sustainable development work. According to the characteristics of different stakeholder groups, we use forms such as questionnaires, interviews and group discussions to ensure smooth and efficient communication and timely response.

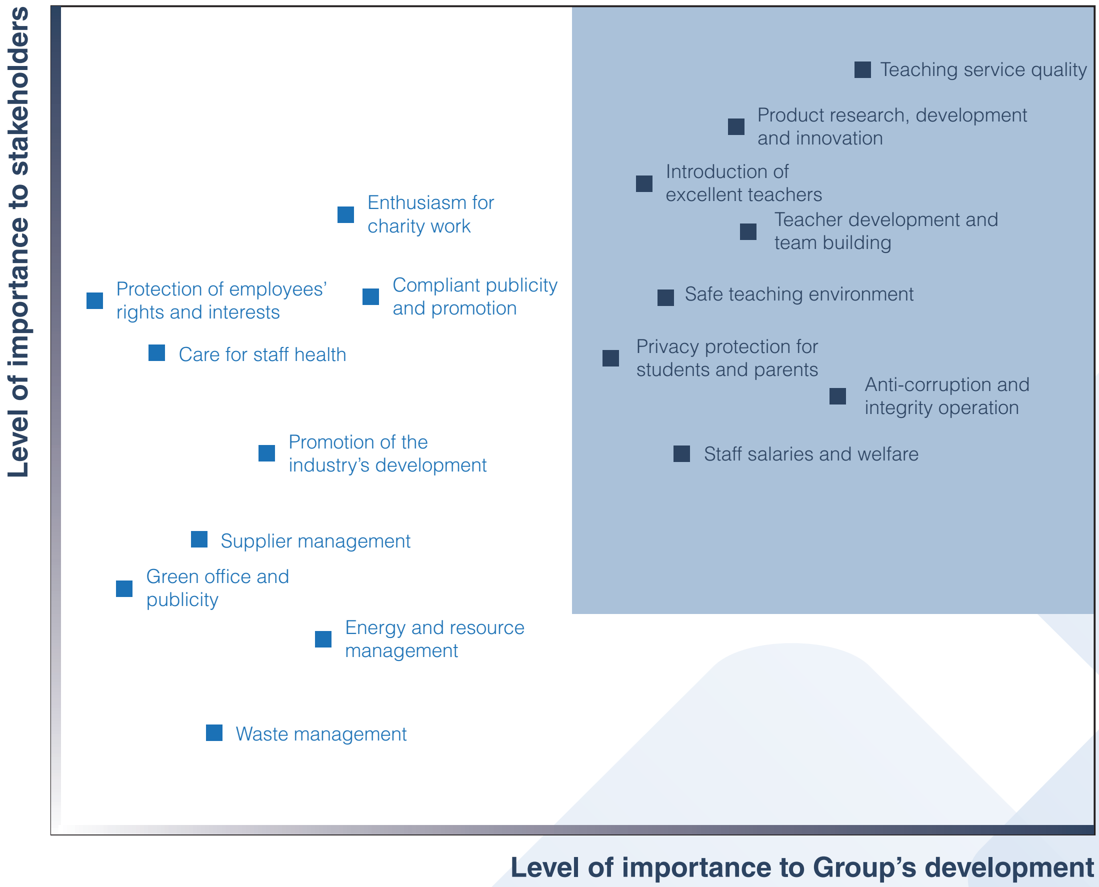
3.1 Communication mechanism of stakeholders

Stakeholders	Expectations and Appeals	Communications
Investors/ Shareholders	Compliant operation and management Good performance Information transparency	Shareholders' meeting Company announcements and press releases Hong Kong Stock Exchange/ Company Website
Teachers/Staff	Protection of employees' rights Safe and healthy working environment Promising career development platform Competitive salary	Departmental meetings/teaching and research activities Teacher/Staff training and communication Teaching quality evaluation Teacher/Staff assessment
Students	Excellent teaching quality Abundant teaching resources Comfortable learning environment Opportunities for diverse activities Advanced teaching mode	Thematic class meetings/lectures Principal mailbox Satisfaction survey
Parents	Excellent teaching quality Excellent teaching ethics construction Guarding students' physical and mental health Ensuring students' safety Guarding students' campus life	Parents' meeting Parents' Open Day Principal Reception Day Principal mailbox
Suppliers/Partners	Win-win Long-term partnerships Fair competition	Supplier evaluation Supplier on-site inspection Supplier exchange meeting Strategic cooperation
Government and regulators	Compliance with laws and regulations Paying taxes according to law Safe teaching environment Generating positive social impact	Compliance report Regular visits Site visits Participation in meetings/seminars
Community/Public	Charity projects Student social activities Educational trends	Charitable activities Charity activities Voluntary activities

3.2 Materiality assessment of ESG issues

In preparing this annual report, we have engaged a third-party consultant to assist in reviewing and verifying the Group's ESG list of issues, and arranged them in sequence according to importance via communication with stakeholders and industry analysis.

The materiality matrix of the Group's ESG issues for 2019 is as follows:



The results of the materiality assessment show that teaching quality, product innovation, research and development, and building of the teaching team are the most important dimensions of ESG management. Considering the characteristics of the Group's business, the impact of business operations on the environment is relatively small, so its ranking is lower. The Group will refer to this evaluation's results to further optimise the focus of the ESG work plan. Meanwhile, the report will address more on the important issues to respond to stakeholders' concerns.

4. Focus on Academic Excellence to Enable our Students to Achieve their Aspirations

Education is the foundation of national development in the long term.

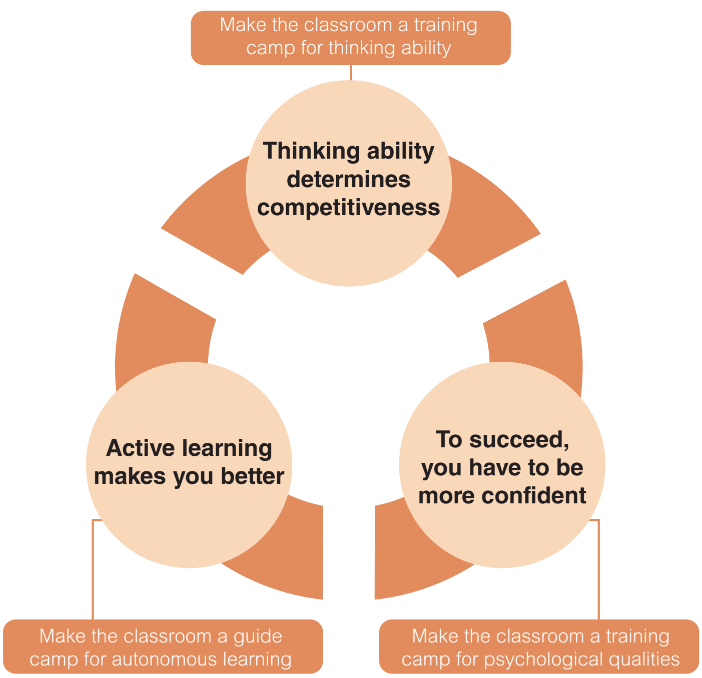
The Group puts quality first and strives to forge ahead. As students vary in cognitive levels, learning abilities and own characteristics, we teach them according to their aptitudes. We broaden their mind, raise their interests in learning and equip them with a sound knowledge system. We also guide them with patience, encourage each of them to pursue his/her own dreams, and conscientiously facilitate their personal all-round development.

4.1 Innovative education system

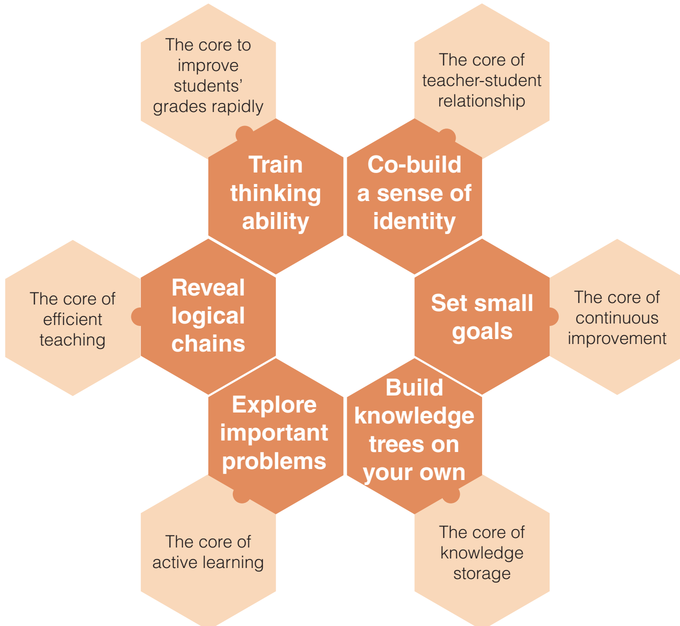
In 2019, the CPC Central Committee and the State Council issued two guidelines, namely "Opinions on Deepening Education and Teaching Reform and Thoroughly Improving the Quality of Compulsory Education" and "Guides on Boosting the Reform of Educational Methods in Senior High Schools in the New Era". Their promulgation marked the PRC's entry into a quality-centred educational era from a knowledge-centred one.

In order to comply with the new era's education development trend, the Group has kept up with the times and innovatively upgraded the original "PTS teaching system" to the "366 model teaching system". Focusing on cultivating thinking ability, the "366 model teaching system" guides children to explore the essence of knowledge, understand its developmental process and internal relationship, so that they can understand and apply it to problem-solving and become logical thinkers.

Guided by this system, our classes focus on the teaching core of "specifying the goal, trying and exploring, uncovering the logic, discovering the essence, constructing the system, boosting the capability and improving the results", so that students can learn better and improve their grades.



【Three core values】



【Six teaching cores】

Set goals together	Problem navigation	Reveal logic	Guide learning methods	Frame the knowledge	On-site classroom training
Teachers can find out the starting point for classroom teaching through pre-tests, communication and questioning, and work with the students to clarify the learning missions and goals.	The class starts with solving the teacher's pre-set questions. Students are guided by the big questions raised by the teacher to independently explore, cooperate, exchange, and gain valuable experience.	On the basis of guiding students to try, practice and generalise, the thinking visualisation technology is adopted to reveal the logic of thinking and the essence of knowledge in solving problems, and to consolidate cognition.	The purpose of teaching is not teaching itself. While revealing the logic of thinking and the essence of knowledge, teachers organise the recollection of students and refine their learning methods.	Knowledge in the mind of outstanding students is organised and systematic. The knowledge points are arranged in layers, and there is an internal connection and a structural hierarchy.	Teachers pay attention to the level, comprehensiveness and interests of the training contents, and the training process is both "interesting" and "meaningful".
01	02	03	04	05	06

【Six classroom teaching standards】

Based on the 366 system, the Group transformed and innovated the curriculum and teaching management, teacher selection and training, class preparation and teaching methods, to ensure its full penetration into the processes of teaching research, teaching material research and development, teacher training, classroom teaching and operation management.

4.2 Quality teaching management

The Group strictly abides by laws and regulations, such as *the Education Law of the People's Republic of China* and *the Law of the People's Republic of China on Promoting Private Education*, and gradually improves the internal system in accordance with the standardised management system. Scientific and standardised quality management and supervision mechanism are used to guarantee high-quality teaching results. The Group's subject management centre is responsible for the overall teaching planning. It integrates teaching standards and classroom practice and closely combines the teaching management process with the teaching process. We are striving to create an efficient and standardised teaching system to better present the effect of each class.

This year, the Group further integrated quality teachers and gave full play to the leading role of backbone teachers to promote the construction and professional development of various subjects. At the same time, the Group strengthened teaching demonstration and organised centralised class preparation, and carried out a series of work such as teaching supervision, survey, inspection and evaluation, to ensure the effective implementation of teaching standards and curriculum design.

Teaching Gathering Day

Teaching Gathering Day is an important part of the Group's teaching activities. Each class preparation group is composed of teachers of a particular subject on the same grade. We prepare and practice lessons together, constantly polishing classroom teaching methods and optimising the course design. In repeated drills and discussions, we absorb a wide range of opinions and jointly explore and accumulate teaching methods which are in line with the educational philosophy of the Group.

Such gatherings also provide teachers with a platform for communication and interaction, which helps them to understand teaching materials as a whole, break through difficulties bit by bit, and improve their ability to effectively use the teaching materials. In this process, experienced teachers guide new teachers who in return spark changes in the experienced, to jointly achieve mutual development. This lays a solid foundation for the Group to continuously improve the teaching quality and set teaching benchmarks.

4.3 Finely-ground research on teaching

Teaching research and material development are the driving force for the Group to shape quality education. In 2019, the Group further strengthened the construction of its teaching research and material development, and formally established the Teaching Research Institute from the previous teaching and research centre. It aims at promoting the normalisation, standardisation and professionalisation of teaching research and teaching management.

At present, the Group has established a product system covering all sections and subjects from grades one to twelve. Each subject has a scientific and reasonable curriculum system, following curriculum standards and considering the local schooling and testing realities. According to students' various levels, each subject offers different class types, from basic to innovative ones, with particular teaching objectives tailored for the learners.

This year, the Group has increased investment in teaching research and material development and optimised its system in multiple dimensions like developing process, product content, product quality and layout standards.

Developing process

- We have gradually formed the textbook research and discussion model integrating an expert guide, first-line teachers' feedback, external survey and internal planning, as well as the textbook development model combining design, compilation and multiple revision. This year, a total of 12 documents on standardising product research and development process have been created. Their requirements have been strictly implemented so that all kinds of research and development work could be carried out in an orderly manner.

Product content

- According to the "366 model teaching system", the textbook contents have been revised. For example, learning goals and knowledge structure diagrams have been added to help students better understand the knowledge structure and develop logical thinking.

- At the same time, due attention has been paid to research in relation to new education reform, curriculum reform, advanced propositions of each subject, hierarchical teaching and classroom effectiveness, so that the teaching content can keeps pace with the times.

- With the Group's continuous expansion, we have strengthened the research and development of localised products. Based on the Shenzhen version of our textbooks, localised materials have been developed for other cities where our teaching centres have been growing. It is to ensure that they fully meet the local teaching standards and characteristics and meets the students' needs for growth.

Quality audit

- An editorial committee has been set up by core teaching and research members and experts to quantify the quality requirements of our products, strengthen the teaching material quality evaluation, and strictly enforce the reward and punishment system. At the same time, the Group is advocating "zero tolerance for errors". To lift the product quality, all front-line teachers are encouraged to give feedback on errors in the textbooks, and anyone successfully doing so will earn rewards.

Product design

- In the main textbooks, QR codes have been inserted, through which students can access videos explaining key questions, relevant knowledge and experiment classes to deepen their understanding. We have further refined the product layout standards and upgraded the layout technology to help users clearly understand class goals and develop logical thinking. The new edition of our books will be used and promoted in 2020 in all grades, one after another.

Product team building

- The Group has been actively recruiting teachers with rich experience in teaching and research from prestigious universities, further constructing the talent echelon, and setting up teaching and research teams in new cities.

- A total of four innovation incentive documents were released this year to improve the incentive mechanism for teaching research and material development.

4.4 Technological innovation and upgrading

Empowering education with science and technology is the trend of the times. In 2019, the Group continued the research and development of scientific and technological teaching models, and gradually expanded the construction of teaching and research platforms and classroom interaction systems. In the process of building and perfecting the systems, the Group has been seeking to open up an interactive education ecosystem.

Le Customisation System: In 2019, the Le Customisation System, developed to support the compilation of localised textbooks for city branches, was officially launched. The Group head office can launch tasks of textbook revision and upload the main edition of book chapters, and the teaching and research teams in city branches can complete the revision online and submit it to the headquarters for review. It has greatly improved the work efficiency of textbook revision and facilitated the overall promotion of product localisation on the basis of ensuring product standardisation.

Online Homework System: This was launched in June 2019, fully realising online sharing and answering of homework and test questions. After the question answering is accomplished, the system will automatically issue a score analysis report, which improves the teaching efficiency. Students and parents can review previous exams' information and score analysis reports on the APP "Lianlian" to fully grasp the learning progress and promote the visualisation of educational effects.

SIR Interactive Teaching System: Aiming at solving problems like inaccurate geometry drawing and difficulty in displaying moving point problems in traditional mathematics class, this system was developed to change the original teaching scene through interactive procedures and achieve educational goals such as visualising teaching thinking, teacher-student interaction and independent inquiry. The system will be officially launched in 2020.

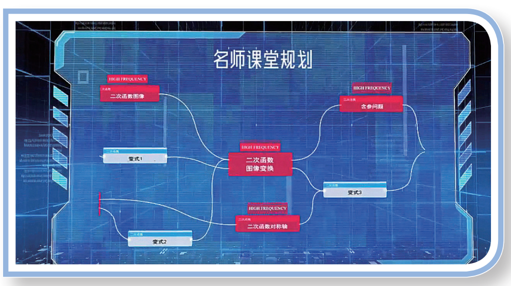
SIR usage scenarios

1. To draw geometries precisely

2. To dynamically display geometric laws

3. To dynamically display the changes of a function

4. To flexibly adjust the order of class sections



4.5 Personalised professional service

In the process of promoting the teaching system's standardisation, it is the Group's continuous goal to respond to each student's characteristics and learning needs with personalised service. We choose appropriate tutoring methods according to each student's learning style, personality characteristics and learning progress. At the same time, focusing on children's weak links, we help them find and fix their knowledge holes, and conquer the important and difficult points. Such customised tutoring and learning plan helps children improve quickly.

Education requires parents' participation as well. The Group has actively constructed the home-school interconnection mechanism. Teachers are requested to give feedback on the students' class performance on the day of teaching to ensure timely and efficient communication between parents and teachers. We regularly hold small symposiums to communicate with parents on the students' learning situation, summarise and analyse their learning status, and propose feasible suggestions. Parents can also evaluate the teaching effectiveness and teachers' service through online anonymous satisfaction surveys, which can help us better identify directions for further improvement, constantly optimise teaching services, and increase students and parents' satisfaction.

The Group regards every complaint from parents as a valuable opportunity for growth. As for handling complaints, the Group implements the first inquiry accountability system where corresponding functional departments will cooperate to analyse the situation and figure out solutions to ensure timely and effective response to parents' demands. In 2019, the Group received a total of 132 complaints and suggestions, 363 less than last year's records, with an average processing time of one to three working days.[1]

The Group collects and analyses important and difficult issues in the complaints, implements corresponding rectification measures, constantly optimises the internal management, effectively improves the service quality, and lives up to parents and students' trust. In response to common complaints in 2019, our rectification measures are as follows.

Teaching service attitude	• The Teaching and Research Institute issued *Scholar Education's Regulations on Teaching and Teachers' Red Lines* and *Scholar Education's Ten Requirements on Teaching Service.*
Refunding progress	• Follow up regularly to ensure that parents can receive the refund within seven working days. • An accountability system has been implemented. Any delay in processing refunds, sending bills, reviewing bills, or paying the refund, etc. will be subject to administrative penalties.

1 Data quoted here are the number of complaints received by the Group's complaint hotline and the handling time for each such complaint.

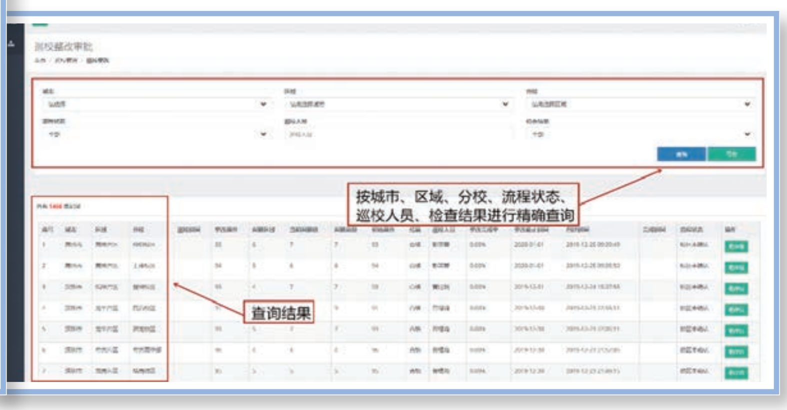
4.6 Maintain a safe and healthy environment in teaching centres

A safe and healthy environment in teaching centres is a prerequisite for normal teaching activities. The Group closely abides by the laws and regulations like *The Fire Service Law of the People's Republic of China*, and also strictly implements the Fire Safety Responsibility System and the Standardised Operation Manual for Teaching Centres. Safety management responsibilities from the headquarters to teaching centres have been specified, with the reward and punishment mechanism implemented. This year, no safety accidents occurred in the Group.

As for the safety and health risks in daily operations, the Group's head office regularly carries out safety inspections in teaching centres. Once a problem is found, rectification within a time limit is required. There will be follow-up supervisions to ensure the effective implementation of the rectification. The Group tries to achieve closed-loop management of problems and eliminate hidden safety dangers in teaching centres.

In 2019, a total of 12 monthly safety inspections were carried out in 100 teaching centres in 7 cities. We also had 6 special safety inspections and 820 fire inspections, handled 245 fire maintenance cases with 227 managed by ourselves, found and rectified 502 safety issues.

The Group's self-developed APP "Safety Inspection Worksheet" has greatly improved the safety management efficiency. Safety inspection results are fully recorded to form a security issue database, which will greatly facilitate more targeted security planning and supervision in the future. This APP has effectively promoted standardised safety management among all teaching centres.



To improve the safety and emergency response mechanism in teaching centres, the Group has formulated emergency plans and set up a reporting system of security incidents. These guarantee smooth and rapid communication between the headquarters and teaching centres, so that every incident can be controlled timely and handled properly to ensure teachers and students' safety.

The Group is committed to providing a healthy learning environment for teachers and students, with details like classroom lighting, blackboard illumination and the height of desks and chairs. Besides, any new teaching centre can't be put into use until all inspections are qualified, with a third-party professional company entrusted to clear formaldehyde and test air quality. The Group attaches great importance to the safety and health education in teaching centres. Regularly emergency drills and first aid training activities with full participation have been organised to improve staff's safety awareness, enhance professional skills of handling safety and first aid incidents, and form a culture of valuing safety and health.

5. Building Elite Teams to Explore Teaching in Depth

An efficient and stable talent team is the foundation of the Group's sustainable development. We insist on attracting people with rapid development, uniting people with promising careers, and cultivating people with meaningful work. By providing employees with fair career development opportunities, competitive salaries and welfare, a sound training system, a democratic and equal working environment, we strive to achieve the organic combination and mutual promotion of the development of employees and the enterprise.

5.1 Build a team of talents

The Group has been actively facilitating employees' sustainable development and continuously optimising the recruitment system. Through multiple channels, such as campus recruitment, social recruitment and internal staff recommendation, the Group has been systematically recruiting quality people to meet the human resource needs for its rapid growth. The Group's Wechat public account for recruitment was officially launched in 2019, which comprehensively introduces the philosophy and culture of the Group's development and timely releases recruitment information. Meanwhile, the new online application channel has greatly improved recruitment efficiency.

The Group strictly abides by *The Labour Law of the People's Republic of China*, *The Teacher Law of the People's Republic of China* and other relevant laws and regulations, adheres to the fairness principle, and follows standardised procedure to ensure that the people recruited can meet our standards and job requirements. All employees' labour contracts have been signed legally. Besides, the way we collect needful information of the employees and manage the contracts avoids the occurrence of child labour and forced labour.

As at 31 December 2019, the Group had a total of 3,510 employees, including 2,501 teachers and teaching assistants.

Following the principle of objectiveness and fairness and performance evaluation programmes, the Group regularly evaluates its employees' work performance. Meanwhile, positive work attitude and spirit, such as sense of responsibility, team spirit, service awareness and subjective initiatives, are highly appreciated in our company. The performance evaluation results are an important basis for internal promotion and bonus distribution which encourage employees to improve personal capacity and work performance.

The Group has established a scientific, standardised and transparent salary and welfare system in accordance with corresponding laws and regulations. We comply with the following reward principles: position-based salary, higher salary for better performance, rewarding outstanding staff and considering fairness. Mechanisms like performance bonus and innovative awards are used to acknowledge employees' contribution and value and further arouse their passion. We also conduct regular surveys of the salary condition in the industry so as to offer a fair and competitive salary to employees.

The Group pays "social insurance and house fund" for its employees on time, pays overtime allowances and guarantees paid holidays. We also provide a wide range of welfare programmes, such as birthday gifts and group birthday parties, spring outings, and discounts on tuition fees for employees' children. In addition, the Group formally established the Scholar Charity Fund in 2014 to help needy employees and their immediate family members to meet urgent financial needs and relieve worries.

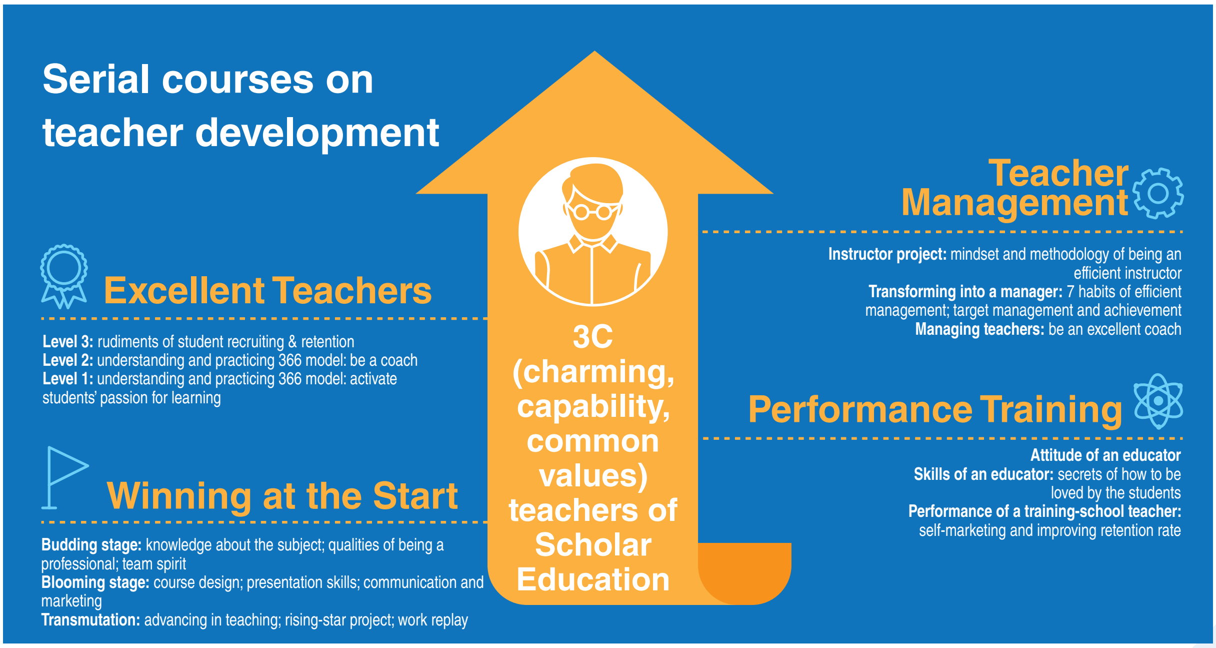
5.2 Constant improvement of the career development mechanism

The Group is committed to improving the career development mechanism for staff and enhancing their professional and comprehensive abilities, so that every employee can give full play to their potential and realise their career dreams. According to the business development situation and position skill requirements for each position, the Group has made annual training plans and carried out training activities through multiple channels and in different levels.

At present, the Group has established a training course system, with supervisors, for different positions and ranks. Apart from the induction training, new employees are also offered help based on *The Assistance Plan for Newcomers' Fitting in*, such as clarifying work goals and requirements, building up confidence in job suitability, smoothly adapting to the job, and cultivating a sense of belonging.

Teachers' development is the foundation for the Group to ensure quality teaching and sustainable business development. In order to further improve the teaching capacity of front-line teachers, reserve excellent fresh blood for the team, and ensure the improvement of teaching quality and efficiency, the Group's Teacher Development Academy iteratively upgraded the teacher development mechanism in 2019. It has revised the current curriculum structure, enhanced the training team's qualities, and furthered the construction of standardised training system for all branches.

The Group's teacher development system aims at cultivating excellent teachers. We have been trying to depict the portraits of teachers that students like and can help students solve problems, disassemble the ability structure and form the ability chart. All teachers follow the basic teaching steps of "lecturing — practicing — testing", which consolidate learning with practice and use exams to promote learning. As a result, they can greatly improve their performance.



At present, according to the sequence of teacher development, the Group has established three empowering systems: "Winning at the starting point · 366 New teachers' teaching ability training", "Teacher effectiveness training", and "Excellent teachers' development programme".

Winning at the starting point • 366 New teachers' teaching ability training: This focuses on cultivating teachers' basic skills, such as presentation skills, teaching methods, efficient class design, understanding students' psychological and learning habits, personal image building, and teachers' professional qualities and thinking habits for high efficiency. Through three stages of training, a rookie turns into a qualified teacher with good teaching skills and accomplishments. After months of pre- and post-training practice, the successful graduates will grow into qualified teachers in Scholar Education.

In 2019, a total of 1,400 people were trained, providing more than 600 new teachers for the front-line team to support the business development in Shenzhen and other cities. At the same time, it also has promoted the establishment of a talent echelon to provide a strong manpower guarantee for activating the team's execution.

TET • Teachers' effectiveness training: In order to further empower front-line teachers, solve common problems in daily teaching, improve teachers' work performance as well as work efficiency and effectiveness, the Teacher Development Academy created teachers' teaching effectiveness training (TET). TET aims to provide teachers with trainings on teaching and research abilities, teaching service skills, personal image and brand building skills, and focuses on solving some teachers' problems in gaining students. This year, three centralised training sessions were organised, with approximately 500 participants.

Excellent Teachers' Development Programme: To further "grasp the top" and cultivate talents sufficient to support the future development of the enterprise, the Teacher Development Academy launched the Excellent Teachers' Development Programme in 2019. This programme selected about 50 excellent teachers from all regions, teaching centres and subjects and offered them diverse themed trainings, like advanced teaching skills, teachers' core motivation and thinking qualities, and personal brand building and promotion.

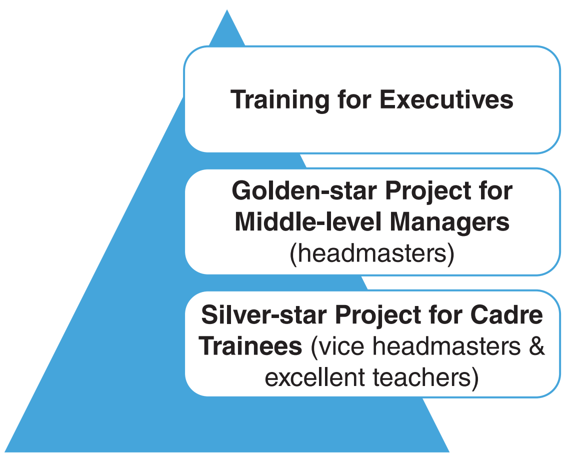
Silhouettes of a training activity

Winning at the starting point. Class 55 — "How to communicate with students"

Understanding students' psychology and building a harmonious teacher-student relationship are important components to ensure the learning effects. The course "How to communicate with students" focuses on interpreting students' psychology, developing teacher-student communication skills, and explaining common problems in teacher-student communication and the coping methods, to help new teachers grasp the personality characteristics of modern children and become effective teachers. A total of 143 trainees participated in this activity.

With the continuous expansion of our business, the challenge of training management personnel for teaching centres and improving their management ability becomes increasingly significant. The Group's Business School has built an empowering platform improve team management capabilities through diverse, multidimensional and multi-model training programmes.

The current study sections of the Business School are as follows.



For regional and city headmasters, middle-level leaders and cadre trainees, the Business School has integrated internal and external learning resources. Through forms like special training camps and further education programmes for headmasters, and external exchanges, the School aims at enhancing the theatrical foundation of management personnel in all levels, and improving their leadership, management level and comprehensive qualities.

Silhouettes of another training activity

"Emotional Quotation Decides Leadership" from the 2nd training camp for cadre trainees in the 2019 Excellent Teachers' Development Programme

High emotional quotient (EQ) is one of the eight core qualities of a leader in Scholar Education.

Mr. Chen Qiyuan, the chairman of the Board, gave this lecture. Taking EQ as the pointcut, he systematically analysed the difference between EQ and individuals' qualities, and emphasised that EQ is a key of outstanding leadership. He guided the audience to think about how their management patterns, leadership styles and characteristics affected the team. Leaders in all levels, including cadre trainees in all teaching centres, all learners of the "The Tuesday Learning Camp for Headmasters", all regional headmasters and vice headmasters, managers of functional departments in the head office and personnel in higher positions, attended this training.

Strictness in cultivating teacher ethics

Building teachers' noble moralities is a key element in teacher development. With highlights on cultivating teachers' ethics, the Group has been reiterating and strictly following "Ten forbidden behaviours" and "Redlines in teaching" for the Scholar Education faculty. These remind teachers of rigorous self-discipline, faithfulness to duties and constant development in ideologies and moralities to set a good example to students.

2019 election of morality models in Scholar Education

In 2019, the Group conducted the activity "Morality Models in My Eyes". After three months' voting, 46 teachers stood out and were awarded with "Morality Models of the Year 2019" in Scholar Education.

Talent is the basis of virtue which in return guides it.

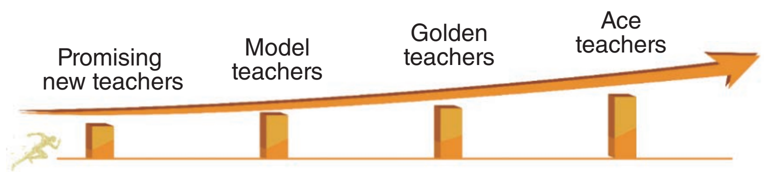
Stay true to the original aspiration of being a teacher and be devoted in cultivating youngsters.

5.3 Accomplish the teaching career

5.3.1 Clear career development path

Considering the development needs of teachers and functional staff, the Group has prepared development paths for technical and managing talents. As for teachers, we have designed a 25-level teacher promotion path, starting from interns and topping out as four-star teachers. It is set to fully arouse teachers' passion for work and their awareness of competition and to realise their self-value.

Besides, there is an annual teaching contest which will end up with awards of model, golden and Ace teachers. Any teacher who meets the requirements of the contest can take part in it to earn such honour by his/her own efforts.



For administrative staff in teaching centres and functional staff in the head office, the Group follows the promotion regulations and establishes a clear promoting path. Complying with the promotion principles of democracy, openness and excellence, we take the employees' personal strengths and willingness into consideration and assist them in planning a development path. The ultimate goal is to make every employee equal to his/her position and able to achieve his/her career goals.

5.3.2 Sound and warm working atmosphere

Providing staff with sound working conditions and a harmonious atmosphere is not only the guarantee of employees' rights, but also the precondition to ignite their passion. It is the impetus and indispensable condition for the Group's harmonious, stable and quality development.

Concerned about the employees' mental and physical health and to understand their health condition, the Group organised all the staff to have a health checkup in 2019, and applied for the medical insurance of Shenzhen for severe illnesses in June 2019.

In daily management, every teaching centre makes weekly and monthly reports about employees' health condition. The health management manual has also been improved constantly. Additionally, we also positively organise varieties of sports activities to keep employees fit.

"Ignite! Show your ambition and reach the peak of your dream" — The 8th Scholar Education's Winter Sports Day

On 2 December 2019, the annual sports meeting of Scholar Education was held in Shenzhen. More than 3,000 staff attended it. We were engaged in various racing games and entertainment activities, feeling the team spirit and spreading the company's culture of concentration, striving, happiness and ambitious enterprising spirit.

To improve teacher's satisfaction and happiness, the Group innovatively offered warm breakfasts and cool drinks to teachers who have tasks in summer and winter holidays.

Meanwhile, the Group's directors were organised to step into teaching centres, communicate with teachers and understand their needs and feelings. They also brought pennants as awards to outstanding teaching centres to encourage their further contribution to teaching.

5.3.3 Smooth communication and equal participation

In 2019, the Group further implemented activities like "Appointments with Headmasters" and "Talk with Executives".

Charged by human resource centre of the head office and carried out by regional and city headmasters and department directors, these activities were held quarterly where teachers can have face-to-face communication with leaders. This year, more than 120 communication activities took place to share the needs and solve practical problems, which shortened the distance between cadres and ordinary staff.

Once an employee confronts any unfair treatment or having any appeal, he/she can contact with the human resources centre, whose staff will handle it in time and give feedback about the progress.

The Group treats every member of staff fairly, regardless of gender, age, nationality and religious belief. Every employee shares equal job opportunity and welfare, and discrimination is not allowed, so that there is a fair and open working environment.

6. Maintain Legal Operation and Sustainable Development

6.1 Standard procurement

A strict and highly efficient supply chain is key for a company's healthy development. The Group holds the attitude of honest cooperation, sticks to the regulations for the supplier chain and maintains a smooth and equal communication mechanism. We are committed to building a cooperative relationship with mutual help and trust and fostering sustainable growth of the supply chain.

The Group has made procurement management policies to standardise the entry, evaluation and classification of suppliers. We follow strict entry standards and evaluate their all-around performance when implementing the contract. Poor performers will be excluded in time to ensure the quality of our products and service.

The Group will collect suppliers' basic information in multiple ways and inspect those who are qualified. It a supplier passes the test, it will be admitted to our supplier base as a potential supplier. During the entry period, we will decide whether it is a qualified supplier, considering its business reputation, certificates, product quality and field evaluation scores.

The procurement and the administrative sector are in charge of evaluating suppliers for material contracts and project contracts, respectively. According to the product and service quality and business merits, suppliers will be classified in five levels, ranging from A+ to D. The Group gives rewards to excellent suppliers, encouraging them to positively follow the contract.

To foster the anti-corruption construction of procurement, relative employees are required to sign up a contract of self-restriction to strictly follow the company's purchasing regulations and procedure. Whoever violates the contract will be punished once confirmed. Anyone who breaks the law will be held criminally responsible.

6.2 Protection of students' private information

The Group strictly obeys information security rules, preventing parents and students' information from the risk of leak. The Group sets strict limits of authority about student information online. If needed, employees should apply for the rights from leaders. The limits of authority shall be timely renewed if his/her position has changed. The Group also regularly monitors the security of our information platform, protecting it against attack from viruses and hackers and information leakage, to safeguard the rights of student and parents.

At the same time, items about student information security have been added into customer service and teaching management. It is necessary to constantly remind staff of the importance of information security. Whoever breaks the rules will be punished.

6.3 Advertise properly

The Group has been strictly administering the advocating behaviours like advertisements and enrollment instructions. According to *the Advertising Law of the People's Republic of China*, the Group commits that it will not use fake or exaggerated information in its promotions. We file our enrollment pamphlets and advertisements with the relevant authorities and we are in compliance with the relevant laws and regulations.

In 2019, the Group took multiple measures to protect the validity of advocating materials and the rights of students and parents. For instance, it went further on the compliant management of advertising behaviours, comprehensively examining the materials online and in teaching centres, making regulations of managing them comprehensively and regulating the advocating language. It also strictly follows the checking procedures of the operation department, legal department and sales centre.

6.4 Operate with integrity and honesty

The Group strictly follows the anti-corruption laws and rules, implements regulations and standardise management behaviours. To supervise anti-corruption behaviours, the Group sets up an anti-corruption reporting mechanism, where people inside or outside can report such behaviours by letter, email or phone with or without stating their names. The audit department will conduct the investigation as soon as it receives the report. If confirmed, such employee will receive administrative disciplinary punishment, or worse, be turned over to the judiciary.

Teachers are banned from accepting expensive gifts or money from students or parents. The Group urges that headmasters lead in following the rules and monitor other teachers to create an atmosphere of teaching without corruption. In 2019, no legal proceedings in relation to corruption occurred.

6.5 Intellectual property protection

According to *the Intellectual Property Law the People's Republic of China*, *Trademark Law*, *Copyright Law*, the Group enacted its intellectual property management regulation, building up an intellectual property management system gradually. The declaration of intellectual property and information management are under the charge of appointed employees to inspire innovation, protecting the Group's intellectual property from damage.

In 2019, the Group placed emphasis on training about intellectual property. The attention of every sector has dramatically improved on intellectual property. Through training, employees learnt intellectual property management regulations and conducted research and innovation activities under such management procedure, which has significantly impacted on improving the Group's competitiveness.

7. Energy Saving and Environmental Protection

Owing to the nature of educational training industry, the Group does not have a huge impact on environment or natural resources. Yet we still maintain a high priority on environmental protection, including conducting the company's core value of "being thrifty", encouraging low-carbon operation and establishing an energy-saving and environmentally-friendly company. The Group complies with the *Environmental Protection Law of the People's Republic of China* and other relevant laws and regulations and continuously improves its environmental management. During this year, the company did not have any significant environmental violations.

7.1 Resources usage and eligible emissions

The Group's consumption of resources mainly originates from electricity, water, printing and fuel for official vehicles in each teaching centre and office area within this year. Electricity comes from the regional grid and water is completely taken from the municipal water supply system. Besides, production and use of product packaging materials are excluded from the operation.

Greenhouse gases and air pollutants from fuel and electricity, domestic waste and ink tanks from teaching centres and office areas as well as sewage dominate the firm's emissions. Domestic waste is centrally collected, which will be cleaned and transported by sanitation workers. Useless ink tanks are all returned to a qualified third-party company for recycling and disposal. Sewage enters the municipal sewage treatment plant without directly discharging into soil or natural water.

In 2019, the Group started collecting environmental statistics. Based on data for electricity, water and office resources on the existing campuses, the Group further improved the statistical subjects, revised the data form and compiled and distributed data guidelines according to the data requirements of the *ESG Report Guidelines* of the Hong Kong Stock Exchange, which helped our teaching centres better understand statistical calibres and standards. Meanwhile, the Group took it as an opportunity to comprehensively promote the quantitative, normalised and standardised management of environmental performance. This lays the data foundation for the establishment of the next year's energy saving and emission reduction plans and targets.

Summary of the Environmental KPI Data of the Group for 2019[2]

Energy consumption

Gasoline consumption	6,765.94	Litre
Electricity consumption	3,726.21	MWh
Direct energy consumption	211.27	GJ
Indirect energy consumption	13,414.34	GJ
Total energy consumption	13,625.61	GJ
Energy consumption intensity	0.02	GJ/thousand RMB revenue

Water consumption

Water consumption	30,135.81	Cubic metre
Water consumption intensity	0.05	Cubic metre/thousand RMB revenue

Greenhouse gas emissions

(Scope 1)	18.32	Tonnes of carbon dioxide equivalent
(Scope 2)	3,117.72	Tonnes of carbon dioxide equivalent
(Scope 1 + Scope 2)	3,136.04	Tonnes of carbon dioxide equivalent
Greenhouse gas emission intensity	0.01	Tonnes of carbon dioxide equivalent/thousand RMB revenue

Emissions

Sulphur dioxide emissions	0.10	Kg
Nitrogen oxide emissions	6.18	Kg
Particulate matter emissions	0.46	Kg

Waste

Waste ink and toner cartridges	0.48	Tonnes
Domestic wastes	19.40	Tonnes

7.2 Green operation and environmentally-friendly publicity

The Group has set down and carried out Regulations for Managing Energy Conservation and Emission Reduction, and established a three-level management and control structure of "the Group's head office — regional/city branches — teacher centres". For the head office, the administrative centre is responsible for the overall planning of energy conservation and emission reduction. The headmaster offices act as supervisory departments and cooperate with the administrative centre to formulate assessment goals for energy conservation and emission reduction. During the monthly campus tour inspection, the teaching centres' work on energy conservation and emission reduction is examined. For the teaching centre, the headmaster, as the responsible person for energy conservation and emission reduction, should implement the Group's requirements and include the work of energy conservation and emission reduction in the annual performance evaluation standards for each employee.

2 The scope of environmental data collection in 2019 covers the Group's headquarter office areas and all campuses located in Shenzhen. Time range is from 1 January to 31 December 2019. Emission Factors refer to the ESG Environmental Data Reporting Guide published by the Stock Exchange. The greenhouse gas emission coefficient of purchased electricity refers to the 2017 China Regional Grid Baseline Emission Factor issued by the Ministry of Ecology and Environment of the PRC. The energy consumption coefficient refers to the GB2589-2008T General Energy Consumption Calculation General Principles issued by the PRC.

In daily operation, the Group's main energy saving measures are as follows:

Electricity

- Strengthen the management and maintenance of electrical equipment to avoid wastage of electricity;
- Strictly stipulate the requirements and conditions for the use of air conditioners, and inspect the use of air conditioners daily by the customer service staff at the reception desk;
- It is required to purchase energy-saving equipment when constructing a new teaching centre; and
- For campuses shared by multiple units, all units should concentrate site resources, adopt centralised office mode, avoid separate work of various subjects and deal with subject preparation and other affairs, and use more natural light to reduce energy consumption.

Water

- Use water-saving and energy-saving sanitary equipment to reduce water consumption in the bathrooms;
- Regularly check the water consumption of the teaching centres, and repair the pipelines in time to stop them from leaking and dripping and other problems.

Office paper

- Promote a paperless office, use online OA approval, prioritise to the use of electronic documents for document viewing, and reduce the photocopying of paper documents;
- Set printers for automatic double-sided printing; reuse single-sided printing paper to reduce the consumption of office paper.

Office equipment and supplies

- Regular maintenance of office facilities and equipment to prolong service life and improve the efficiency of the use of resources;
- Implement a system of obtaining office supplies to improve the rate of repeated use.

Business trips

- Implement the "Administrative Vehicle Management System", and strengthen the management of the whole process of vehicle use, such as vehicle application, dispatching, car returning registration, refuelling, maintenance, etc.
- Reduce unnecessary business trips with the help of the online platforms.

The Group understands the importance of environmental education and is committed to sharing environmental knowledge, who also joins hands with stakeholders to fulfil its environmental obligations. Signs such as "Save Electricity" and "Save Water Resources" are posted in office areas and teaching centres. Moreover, the Group strengthens energy conservation and emission reduction publicity activities to appeal to the spirit of conservation, raise employees' awareness of environmental protection and encourage physical activities to build a sustainable future.

8. Travel for Love. School for Dreams

Education is a booster that can help every child to explore the wonderful world and realise their dreams. The Group cares about children in poverty-stricken areas and therefore set up a charity project called "Travel for Love. School for Dreams". A total of four donated Hope Primary Schools have improved teaching resources for more than 10,000 children in remote areas.

In 2019, the third Hope Primary School, "Qishu Primary School" in Leizhou City, Zhanjiang and the fourth one, "Laoling Primary School" in Jianling town, Jingzhou City, Hubei Province have reinvented through this project in all aspects. The sandy playground has turned into a standardised one. In the library, shelves were stacked with various book resources. Meanwhile, teachers can move into the new standardised office from the old rough one. Moreover, the school's software and hardware facilities have also been comprehensively improved, creating a better educational environment for children.

The Group united all sectors of society to launch a campaign named "Books Convey Hope", donating books for schools in rural areas. A total of 20,000 books were collected and delivered to Hope Primary Schools to enrich children's spiritual life world in these areas.

The above project has received active participation from students and parents. Many students actively donated their extracurricular reading materials, hoping to share the joy of gaining knowledge and reading with their peers in those areas. Through the participation of this activity, students felt the power of public welfare and shared their love as well.

“Future Great Teachers” education-aid project

The Group donates RMB500,000 to Hunan Shaoyang College every year to improve its teaching facilities. At the same time, an education-aid project named “Future Great Teachers” was launched to encourage students to fully develop themselves and improve their professional capacities so that they can be qualified educators with talent and virtues in society.

Educational public lectures

In the summer vacation of 2019, the Group launched its “100 tour public lectures in 5 cities”. We invited educational experts and big names in the education industry to share how to facilitate children’s study and growth, and how to cultivate their capacity to cope with setbacks and improve their adversity quotient, and positively impacted tens of thousands of families.

During the period from 4 to 13 August 2019, Mr. Chen Qiyuan, the chairman of the Board, delivered a public speech named “Thumb up to dreams; Salute to the thorns of life — Empower our children to face up to, bail out and go beyond difficulties”. To help cultivate children’s thinking abilities, Chen explained the importance of eight leadership qualities in depth, including passion for self-motivation, communication ability, the ability to listen to the others, team spirit, strong sense of responsibility, public speaking ability, critical thinking and time management.

On 7 August 2019, Ke Liangcheng, a well-known natural science education expert, was invited by our Group to visit Shenzhen to share the cultivation of children's qualities with primary school students in grades 1–3. At the beginning of the lecture, he first advised parents to focus on the children and enrich their learning. Ke helped parents analyse the hidden clues behind their children's behaviours through several questions, and gave them helpful directions and suggestions for raising children.

Care for special children

Every year, when Children's Day approaches, events of caring for children with special needs would be organised. In 2019, the Group and Shenzhen Autism Society jointly held a public interest activity, Caring "Kids of Stars", themed as "Growth with Company. Love without Loneliness". Quality courses and warmth went out to more than 100 children, which was our whole-hearted care of their growth.

These special children, "Kids of Stars", are just like stars in a distant galaxy owing to their autism. They have a special pattern of thinking which is not understood by the public, which leaves them shining lonely in their little world. To adjust to the particularity of their study, this course emphasised more on interests and inspiration. Before class, our teachers from the primary school section had fully prepared teaching props. Through interactive games, these children gradually got rid of the sense of distance and started painting with the new teachers.

Scholar Education has regularly carried out charity teaching and sales activities. Calligraphy works, paintings, and cartoon series by "Kids of Stars" have been collected for long-term charity sales within this company, and all proceeds will go to Shenzhen Autistic Children's Research Association, which passes on our love to these children and will facilitate their growth.

Patriotic parent-child hiking activity

In October 2019, the Group organised a patriotic hiking activity honouring the 70th anniversary of the establishment of the PRC. Families from Shenzhen, Hong Kong and Taiwan took a 22-kilometre hike to celebrate the anniversary.

The Group has been actively engaged in social public welfare development and has taken the initiative to take social corporate responsibility with practical actions, which has been widely recognised and highly praised by various sectors of society. It has won many honours such as "Loving Enterprise", "Educational Public Welfare Project with Greatest Social Impact 2019" by *Southern Metropolis Daily*, "Influential Education Brand 2019" of XinHua.net and "Most Influential Education Brand".

Adhering to the educators' spirit of commonweal, we will continue devoting ourselves to the field of public welfare in the future, make full use of our resources and advantages, assist the cause of elementary education in the PRC, and help more children realise their dreams with knowledge and care.

pwc 羅兵咸永道

To the Shareholders of Scholar Education Group
(Incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Scholar Education Group (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 94 to 163, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") 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 International Standards on Auditing ("**ISAs**"). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("**IESBA Code**"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Key Audit Matters

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

Key audit matter identified in our audit are summarised as follows:

- Revenue recognition
- Adoption of IFRS16-Lease

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition Refer to Note 2.24 and Note 5 to the consolidated financial statements. The Group provides education services and typically collects service fees from students in advance prior to the beginning of each academic term. Revenue from the provision of education services amounted to approximately RMB711,422,000 for the year ended 31 December 2019 which was recognised proportionately over the relevant course schedule in which services were rendered. 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.	We performed the following procedures to assess the revenue recognition for the education services: • We obtained understanding of the key internal controls over the collection of the education service fees and recognition of revenue based on the data of the operating system, evaluated and tested the effectiveness of the relevant system automated and manual controls; • We obtained and inspected the supporting documents for the education service fees received including the cash receipt records, student enrolment forms and attendance records on sample basis; • We performed a reconciliation between the total education service fees received and the total cash received according to the bank statements on sample basis; • We performed site visit to the education centre on sample basis for testing students' attendance records; • We selected education courses scheduled across the year end date on a sample basis and checked to the student enrolment records and the course schedules; recalculated the proportion of service fees recognised as revenue in accordance with relevant course schedule; and traced the related journal entries posting to the general ledger; and • We 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. Based upon the procedures we performed above, we found that the revenue from education services are supported by available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Adoption of IFRS 16 — Leases Refer to Note 2.2 and Note 16 to the consolidated financial statements. The Group adopted the IFRS 16 – Leases ("**IFRS 16**") from its mandatory effective date of 1 January 2019. The Group applied the simplified transition approach to account for its leases primarily for the learning centres and office premises and did not restate comparative amounts for the year prior to the first adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption. As at 31 December 2019, the right-of-use assets and lease liabilities were amounted to RMB525,953,000 and RMB459,768,000, respectively. For the year ended 31 December 2019, the depreciation of right-of-use of assets and finance cost for the lease liabilities were amounted to RMB80,853,000 and RMB20,752,000 respectively. The lease liabilities were initially measured by discounting forecast lease payments relating to the right to use the assets during the lease terms, which involved significant judgements and estimates in determining the discount rates and the lease terms with renewal options or with options to terminate the leases. Significant effort was spent auditing the lease liabilities recognised due to the large volume of leases and the significant judgements and estimates involved in determining the appropriate discount rates and lease terms.	We performed the following procedures to assess the accounting treatment for the adoption of IFRS 16: • We obtained an understanding of and evaluated the internal controls, including new processes and controls in respect of the application of IFRS 16, and validated key controls in place on the identification and recognition of leases; • We assessed the appropriateness of management's assessments on the identification of leases based on the contractual agreements and our knowledge of the business; • We obtained a summary of leases from management, and tested, on a sample basis, the key terms of each lease including lease terms and lease payments by tracing such information to the underlying lease contracts; • We assessed the judgements and estimates involved in determining the discount rates and the lease terms based on the contractual terms, nature and condition of the assets and our knowledge of the business; and • We tested, on a sample basis, the calculation of the lease liabilities based on lease payments, the discount rates and the expected lease terms. Based upon the procedures we performed above, we found that the accounting treatment for the adoption of IFRS 16 are supported by available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of 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 Directors and the Audit Committee 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 and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion 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 ISAs 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 ISAs, we exercise professional judgment 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.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ms. Cecilia, Lai Ting Yau.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 March 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000
Continuing operations			
Revenue	5	711,422	493,115
Cost of sales	8	(407,484)	(306,377)
Gross profit		303,938	186,738
Selling expenses	8	(21,593)	(12,072)
Administrative expenses	8	(132,243)	(70,464)
Research and development expenses	8	(45,223)	(30,985)
Other income — net	6	8,289	3,541
Other gains — net	7	18,723	8,987
Operating profit		131,891	85,745
Finance costs	10	(23,816)	(3,186)
Profit before income tax		108,075	82,559
Income tax expense	12	(13,289)	(13,085)
Profit for the year from continuing operations		94,786	69,474
Discontinued operations			
Profit before income tax		—	762
Income tax expense	12	—	(518)
Gains on disposal of subsidiaries after income tax	14	—	2,363
Profit for the period from discontinued operations		—	2,607
Profit and total comprehensive income for the year		94,786	72,081
Profit/(loss) and total comprehensive income attributable to:			
— Equity holders of the Company		94,786	72,214
— Non-controlling interests		—	(133)
		94,786	72,081

		Year ended 31 December	
	Notes	**2019 RMB'000**	2018 RMB'000
Profit for the year attributable to owners of the Company arises from:			
— Continuing operations		**94,786**	69,474
— Discontinued operations		**—**	2,740
		94,786	72,214
Earnings per share (expressed in RMB per share)			
— Continuing operations: Basic earnings per share	13	**19.06**	16.46
— Discontinued operations: Basic earnings per share	13	**—**	0.65
		19.06	17.11
— Continuing operations: Diluted earnings per share	13	**19.01**	16.46
— Discontinued operations: Diluted earnings per share	13	**—**	0.65
		19.01	17.11

CONSOLIDATED BALANCE SHEET

	Notes	As at 31 December 2019 RMB'000	2018 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	15	144,882	106,134
Land use rights	16	—	39,352
Right-of-use assets	16	525,953	—
Intangible assets	17	996	1,076
Prepayments and other receivables	19	38,429	46,233
Deferred tax assets		19,577	13,478
Total non-current assets		729,837	206,273
Current assets			
Prepayments and other receivables	19	16,828	21,771
Financial assets at fair value through profit or loss	20	447,621	205,084
Term deposits with original maturity over 3 months	21	35,304	10,500
Cash and cash equivalents	21	241,479	37,200
Total current assets		741,232	274,555
Total assets		1,471,069	480,828
Equity			
Share capital	22	3,775	339
Share premium	24	386,081	52,897
Other reserves	24	39,403	32,664
Retained earnings		124,105	29,319
Total equity		553,364	115,219
Liabilities			
Non-current liabilities			
Deferred operating lease liabilities	27	—	12,969
Borrowings	28	23,035	26,386
Lease liabilities	16	359,763	—
Total non-current liabilities		382,798	39,355

	Notes	As at 31 December 2019 RMB'000	2018 RMB'000
Current liabilities			
Contract liabilities	26	**283,356**	214,701
Lease liabilities	16	**100,005**	—
Trade and other payables	27	**101,352**	85,958
Current income tax liabilities		**11,854**	9,222
Borrowings	28	**38,340**	16,373
Total current liabilities		**534,907**	326,254
Total liabilities		**917,705**	365,609
Total equity and liabilities		**1,471,069**	480,828

	Notes	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	(Accumulated losses)/retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to owners of Company						
Balance at 1 January 2018		—	—	26,027	(1,100)	24,927	(3,712)	21,215
Profit for the year		—	—	—	72,214	72,214	(133)	72,081
Total comprehensive income for the year		—	—	26,027	71,114	97,141	(3,845)	93,296
Transactions with owners:								
Capital injection from shareholders								
Incorporation of the Company		315	—	—	—	315	—	315
Issuance of new shares		24	106,728	—	—	106,752	—	106,752
Dividends paid		—	(53,831)	—	(35,158)	(88,989)	—	(88,989)
Transfer to statutory reserves		—	—	6,637	(6,637)	—	—	—
Disposals of subsidiaries		—	—	—	—	—	3,845	3,845
Balance at 31 December 2018		339	52,897	32,664	29,319	115,219	—	115,219

	Notes	**Share capital RMB'000**	**Share premium RMB'000**	**Other reserves RMB'000**	**Retained earnings RMB'000**	**Total RMB'000**	**Non-controlling interests RMB'000**	**Total equity RMB'000**
		Attributable to owners of Company						
Balance at 1 January 2019		**339**	**52,897**	**32,664**	**29,319**	**115,219**	**—**	**115,219**
Profit for the year		**—**	**—**	**—**	**94,786**	**94,786**	**—**	**94,786**
Total comprehensive income for the year		**339**	**52,897**	**32,664**	**124,105**	**210,005**	**—**	**210,005**
Transactions with owners:								
Capital injection from shareholders								
Share issued pursuant to the Listing	22, 24	**855**	**402,196**	**—**	**—**	**403,051**	**—**	**403,051**
Issue of shares pursuant to the Capitalisation	22, 24	**2,581**	**(2,581)**	**—**	**—**	**—**	**—**	**—**
Listing expense charged to share premium	24	**—**	**(36,380)**	**—**	**—**	**(36,380)**	**—**	**(36,380)**
Dividends paid	24, 25	**—**	**(30,051)**	**—**	**—**	**(30,051)**	**—**	**(30,051)**
Share based payments	23, 24	**—**	**—**	**6,739**	**—**	**6,739**	**—**	**6,739**
Balance at 31 December 2019		**3,775**	**386,081**	**39,403**	**124,105**	**553,364**	**—**	**553,364**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash generated from operations	30(a)	**315,774**	132,142
Interest received		**4,467**	112
Interest paid		**(3,064)**	(3,228)
Income taxes paid		**(16,756)**	(15,030)
Net cash inflow generated from operating activities		**300,421**	113,996
Cash flows from investing activities			
Payments for property, plant and equipment, land use rights and intangible assets		**(123,208)**	(53,548)
Proceeds from disposal of property, plant and equipment and intangible assets	30(b)	**313**	3,249
Payments for term deposits with initial maturities over 3 months	30(c)	**(35,304)**	(10,500)
Proceeds from term deposits with initial maturities over 3 months	21	**10,500**	—
Payments for purchase of financial assets at fair value through profit or loss	20	**(1,540,538)**	(1,166,540)
Proceeds from redemption of financial assets at fair value through profit or loss at maturity	20	**1,313,442**	1,142,662
Repayment of amounts due from shareholders		**—**	861
Cash outflow from disposals of subsidiaries		**—**	(1,544)
Net cash used in investing activities		**(374,795)**	(85,360)
Cash flows from financing activities			
Proceeds from capital contribution	22, 24	**—**	106,752
Issuance of new shares pursuant to the Listing	22, 24	**403,051**	—
Payments for listing related expenses		**(30,562)**	(3,469)
Proceeds from borrowings	28	**53,400**	20,000
Repayment of borrowings	28	**(34,784)**	(47,021)
Dividends paid to shareholders	25	**(30,051)**	(88,989)
Amounts due from shareholders	32(d)(i)	**315**	—
Repayment of amounts due to related parties		**—**	(3,370)
Principal elements of lease payments		**(82,716)**	—
Net cash generated from/(used in) financing activities		**278,653**	(16,097)
Net increase in cash and cash equivalents		**204,279**	12,539
Cash and cash equivalents at the beginning of the year		**37,200**	24,661
Cash and cash equivalents at end of the year		**241,479**	37,200

1. General information

Scholar Education Group, formerly known as China Yuanfang (Holding) Group Corporation (the "**Company**") was incorporated on 7 February 2018 in the Cayman Islands as an exempted company with limited liability under the laws of the Cayman Islands. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries and PRC Consolidated Affiliated Entities (as defined below) (collectively referred to as the "**Group**") are principally engaged in the provision of after school education services through academic preparation programme and early primary education programme (collectively the "**Listing Business**") in the People's Republic of China (the "**PRC**" or "**China**").

Mr. Chen Qiyuan is the ultimate controlling shareholder of the Company.

The Company's shares have been listed on The Stock Exchange of Hong Kong Limited since 21 June 2019 (the "**Listing**").

The consolidated financial statements are presented in Renminbi ("**RMB**") unless otherwise stated. The consolidated financial statements were approved for issue by the board of directors of the Company on 18 March 2020.

2. Summary of significant accounting policies

2.1 Basis of Preparation and Reorganisation

Prior to the Reorganisation (as defined below), the Listing Business was mainly carried out by Shenzhen Scholar Culture and Education Technology Development Co., Ltd. (深圳市思考樂文化教育科技發展有限公司) ("**Shenzhen Scholar**") a limited liability company established in Shenzhen, the PRC, and its subsidiaries (the "**PRC Consolidated Affiliated Entities**").

On 9 April 2018, FengYe (Shenzhen) Science and Technology Co., Ltd. (楓燁(深圳)科技有限公司) ("**Shenzhen Fengye**"), which is wholly owned by the Company, entered into various agreements (the "**Structured Contracts**") with Shenzhen Scholar and its equity holders, under which all economic benefits arising from the business and operations of the PRC Consolidated Affiliated Entities are transferred to Shenzhen Fengye. Accordingly, the PRC Consolidated Affiliated Entities are treated as controlled structured entities of Shenzhen Fengye and ultimately controlled by the Company (the "**Reorganisation**").

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss ("**FVPL**"), which are carried at fair value.

2. Summary of significant accounting policies (Continued)

2.1 Basis of Preparation and Reorganisation (Continued)

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1.1 Changes in accounting policy and disclosures

(a) *New and amended standards adopted by the Group*

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

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

The Group had to change its accounting policies as a result of the adoption of IFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in note 2.2. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future year.

(b) *New standards and interpretations not yet adopted*

	Effective for annual periods beginning on or after
Amendments to IAS1 and IAS8 'Definition of Material'	1 January 2020
Amendments to IFRS3 'Definition of Business'	1 January 2020
IFRS17 'Insurance contracts'	1 January 2021
Amendments to IFRS10 and IAS28 'Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture'	To be determined

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2. Summary of significant accounting policies (Continued)

2.2 Change in accounting policy

This note explains the impact of the adoption of IFRS 16 on the Group's financial statements.

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

2.2.1 Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.15%.

(i) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review — there were no onerous contracts as at 1 January 2019
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

2. Summary of significant accounting policies (Continued)

2.2 Change in accounting policy (Continued)

2.2.1 Adjustments recognised on adoption of IFRS 16 (Continued)

(ii) Measurement of lease liabilities

	2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	384,093
Discounted using the lessee's incremental borrowing rate of at the date of initial application/Lease liability recognised as at 1 January 2019	302,678
Of which are:	
Current lease liabilities	71,944
Non-current lease liabilities	230,734
	302,678
Lease liability recognised as at 31 December 2019	459,768
Of which are:	
Current lease liabilities	100,005
Non-current lease liabilities	359,763
	459,768

(iii) Measurement of right-of-use assets

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. All the recognised right-of-use assets relate to leased properties.

The recognised right-of-use assets relate to the following types of assets:

	As at 31 December 2019 RMB'000	As at 1 January 2019 RMB'000
Properties	435,392	296,276
Land use rights	90,561	39,352
	525,953	335,628

2. Summary of significant accounting policies (Continued)

2.2 Change in accounting policy (Continued)

2.2.1 Adjustments recognised on adoption of IFRS 16 (Continued)

*(iv) Impact on earnings before interest, tax, depreciation and amortisation ("**EBITDA**")*

After the adoption of this policy, the adjusted EBITDA increased by approximately RMB91,192,000 for the year ended 31 December 2019, as the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure. As at 31 December 2019, the total assets and liabilities also increased by approximately RMB430,712,000 and RMB436,746,000, respectively.

2.3 Principles of Consolidation

2.3.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interests in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in comprehensive income.

2. Summary of significant accounting policies (Continued)

2.3 Principles of Consolidation (Continued)

2.3.1 Subsidiaries (Continued)

(a) *Business combination (Continued)*

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 in comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non- controlling interests recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in comprehensive income.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

(b) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the consolidated statements of comprehensive income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, a joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means that amounts previously recognised in other comprehensive income are reclassified to the consolidated statements of comprehensive income or transferred to another category of equity as specified/permitted by applicable IFRSs.

2. Summary of significant accounting policies (Continued)

2.3 Principles of Consolidation (Continued)

2.3.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Segment reporting

Operating segments are defined as components of an enterprise engaging in business activities for which separate financial information is available that is regularly evaluated by the Group's chief operating decision makers ("**CODM**") of the Company in deciding how to allocate resources and assess performance. The Group's CODM has been identified as the Board of Directors, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The functional currency of the Company is RMB. The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. As the major operations of the Group are within the PRC, the Group determined to present its consolidated financial statements in RMB (unless otherwise stated).

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in comprehensive income. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within other gains/(losses).

2. Summary of significant accounting policies (Continued)

2.5 Foreign currency translation (Continued)

(b) Transactions and balances (Continued)

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in comprehensive income as part of the fair value gain or loss and translation differences on non-monetary assets such as equity instrument measured at fair value through other comprehensive income (FVOCI) are recognised in other comprehensive income.

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to comprehensive income, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group’s entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to comprehensive income.

2. Summary of significant accounting policies (Continued)

2.5 Foreign currency translation (Continued)

(d) Disposal of foreign operation and partial disposal (Continued)

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in comprehensive income. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to comprehensive income.

2.6 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to comprehensive income during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

Buildings	25–57 years
Office equipment	3 years
Leasehold improvements	5 years or remaining lease term, whichever is shorter
Motor vehicles	3–5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in comprehensive income. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

2. Summary of significant accounting policies (Continued)

2.7 Intangible assets

Computer software

Acquired computer software stated at historical cost less amortisation. Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software, and are amortised on a straight-line basis over their useful lives of 10 years.

2.8 Land use rights

Prepaid land lease payments are up-front payments to acquire long-term interest in the usage of land, which are stated at cost less accumulated amortisation and accumulated impairment losses. Cost represents consideration paid for the rights to use the land and other direct related costs from the date when the respective rights were granted. Amortisation of prepaid land lease payments is calculated on a straight-line basis over the lease terms as stated in the relevant land use rights certificates granted for usage by the Group in the PRC and is recognised in comprehensive income. The Group has land lease arrangements with mainland China government. The pre-paid land lease right was recorded in land use rights and reclassified as right-of-use assets on adoption of IFRS 16.

2.9 Research and development costs

Costs associated with research activities are recognised as an expense as incurred. Development cost (related to design and test of new and improved products) are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the intangible asset so that it will be available for use;
- Management intends to complete the intangible asset and use or sell it;
- There is an ability to use or sell the intangible assets;
- The Group has the ability to use or sell the intangible asset;
- The Group has adequate technical, financial and other resources to complete and use or sell the intangible asset; and
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as expenses are not recognised as an asset in a subsequent period.

2. Summary of significant accounting policies (Continued)

2.10 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or Groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.11 Financial assets

2.11.1 Classification

The Group classifies its financial assets in the following categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and

- Those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in comprehensive income or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.11.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2. Summary of significant accounting policies (Continued)

2.11 Financial assets (Continued)

2.11.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in comprehensive income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in comprehensive income and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to comprehensive income and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of comprehensive income.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in comprehensive income and presented net within other gains/(losses) in the period in which it arises.

2. Summary of significant accounting policies (Continued)

2.11 Financial assets (Continued)

2.11.3 Measurement (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to comprehensive income following the derecognition of the investment. Dividends from such investments continue to be recognised in comprehensive income as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.13 Other receivables

Majority of other receivables are lease deposits and loans to employees. If collection of other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2. Summary of significant accounting policies (Continued)

2.14 Contract assets and liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining conditional rights to consideration exceeds the satisfied performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

2.15 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.17 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 3 months of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least 12 months after the reporting year.

2. Summary of significant accounting policies (Continued)

2.19 Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in comprehensive income in the period in which they are incurred.

2.20 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable comprehensive income. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

2. Summary of significant accounting policies (Continued)

2.20 Current and deferred income tax (Continued)

Offsetting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.21 Employee benefits

(a) Pension obligations

The Group only operates defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post- retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(b) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. Termination benefits are recognised by the Group (i) when the Group can no longer withdraw the offer of those benefits; and (ii) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

2. Summary of significant accounting policies (Continued)

2.22 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.23 Share-based payment

The Group operates share option schemes under which the Group receives services from its employees in exchange of equity instruments (options) of the Group to acquire the shares of the Company at specified exercise prices. The fair value of the services received in exchange for the grant of the options to acquire the shares of the Company is recognised as an expense in comprehensive income with a corresponding increase in share-based compensation reserve under equity. The total amount to be expensed is determined by reference to the fair value of the options.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in comprehensive income, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

2.24 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods and rendering of services in the ordinary course of the Group's activities.

Revenue is recognised when or as the control of the goods or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time.

2. Summary of significant accounting policies (Continued)

2.24 Revenue recognition (Continued)

Control of the good or service is transferred over time if the Group's performance:

- Provides all of the benefits received and consumed simultaneously by the customer;
- Creates or enhances an asset that the customer controls as the Group performs; or
- Does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or service transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service. Specific criteria where revenue is recognised are described below.

When either party to a contract has performed, the Group presents the contract in the consolidated balance sheet as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract as a contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

The Group's revenue is primarily derived from provision of i) after-school education services, ii) English-focused tutoring services and iii) one-on-one and small-class tutoring services.

Education services fees contain the provision of the tutoring services and course materials. These components are highly relevant and regarded as one performance obligation.

Education services fees are generally received in advance prior to the beginning of each academic term. Education services fees are recognised proportionately over the relevant course schedule in which the services are rendered. The portion of education services fees received from students but not earned is recorded as contract liabilities. Amounts which will be earned within one year is reflected as a current liability, and which will be earned beyond one year is reflected as a non-current liability.

2. Summary of significant accounting policies (Continued)

2.25 Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2.26 Leases

As explained in note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in note 2.2.

The Group is a lessee of certain teaching centres. Rental contracts are typically made for fixed periods of 1 to 12 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, all leases were classified as operating leases. Payments made under operating leases were charged to comprehensive income on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

2. Summary of significant accounting policies (Continued)

2.26 Leases (Continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use assets in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in comprehensive income. Short-term leases are leases with a lease term of 12 months or less.

2.27 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.28 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are recognised in the comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

3. Financial risk management

3.1 Financial risk factors

(a) Market risk

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise.

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The functional currency of the Company is RMB whereas functional currency of the subsidiaries operate in the PRC is RMB. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and tries to minimise these exposures through natural hedges, wherever possible and may enter into forward foreign exchange contracts, when necessary.

The Group operates mainly in the PRC with most of the transactions settled in RMB, and is exposed to foreign currency risks arising from various currency exposures, mainly with respect to HKD and US dollar ("**USD**"). The Group currently has not entered into any foreign currency hedging and will only consider for hedging of significant foreign exchange risk.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective balance sheet dates are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Assets		
USD	**86,228**	13
HKD	**428**	7
	86,656	20

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

If RMB had strengthened/weakened by 5% against the relevant foreign currencies, with all other variable held constant, the profit before income tax would increase/decrease as follows:

	2019		2018	
	Increase/(decrease) in profit before income tax if exchanges rates change by		Increase/(decrease) in profit before income tax if exchanges rates change by	
	+5% HKD'000	–5% HKD'000	+5% HKD'000	–5% HKD'000
USD	(4,314)	4,314	—	—
HKD	(21)	21	—	—

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. The Group currently has not entered into any interest rate swap contract and will only consider for hedging of significant interest rate risk.

As at 31 December 2019 and 2018, all of the borrowings are at variable rates.

The tables below analyse the Group's borrowing into relevant maturity groupings based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Floating rate		
Expiring within 1 year	38,340	16,373
Between 1 and 2 years	3,511	3,332
Between 2 and 5 years	11,588	11,034
Over 5 years	7,936	12,020
	61,375	42,759

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk (Continued)

Sensitivity

	Impact on post tax profit	
	2019	2018
	RMB'000	RMB'000
Interest rates — increase by 100 basis points	**(521)**	(512)
Interest rates — decrease by 100 basis points	**521**	512

(iii) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations.

The credit risk of the Group's financial assets, which mainly comprise cash and cash equivalents, term deposits with original maturity over 3 months, trade and other receivables, arises from potential default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

All of the Group's amounts due from related parties have no collateral. The Group assessed the credit quality of the counterparties by taking into account their financial position, credit history, forward looking information and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any.

Cash and cash equivalents and term deposits with original maturity over 3 months.

As at 31 December 2019 and 2018, substantially all of the Group's bank deposits were deposited with major financial institutions incorporated in the PRC, which management believes are of high-credit-quality without significant credit risk.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Credit risk (Continued)

Other receivables

Other receivables at the end of each reporting period were mainly due from key management personnel and lease deposits. The directors of the Group consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the year. To assess whether there is a significant increase in credit risk the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- Actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the company's ability to meet its obligations;

- Actual or expected significant changes in the operating results of the company;

- Significant changes in the expected performance and behaviour of the company, including changes in the payment status of the third party.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment/repayable demanded.

A default on a financial asset is when the counterparty fails to make contractual payments/repayable demanded within 90 days of when they fail due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categories a loan or receivable for write off when a debtor fails to make contractual payments/repayable demanded greater than 365 days past due. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in comprehensive income.

The Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. Over the term of the financial assets, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of debtors, and adjusts for forward looking macroeconomic data.

As at 31 December 2019 and 2018, management considers other receivables and amounts due from related parties as low credit risk as counterparties have a strong capacity to meet its contractual cash flow obligations in the near term. The Group has assessed that the expected credit losses for these receivables are immaterial under the 12 months expected losses method. Thus, the loss allowance provision recognised during the years ended 31 December 2019 and 2018 for these balances is close to zero and no provision was made as at 31 December 2019 and 2018.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Liquidity risk

The Group manages the liquidity risk through holding of sufficient cash and bank balances. The Group further mitigates the liquidity risk by maintaining cash reserve and utilising bank financing. The directors consider the Group is not exposed to significant liquidity risk.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting year to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest payment computed using contractual rates or, if floating, based on current rates at the year-end).

	Within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2019					
Trade payables	**3,244**	**—**	**—**	**—**	**3,244**
Other payables	**12,559**	**—**	**—**	**—**	**12,559**
Borrowings	**40,479**	**4,530**	**13,588**	**8,302**	**66,899**
Lease liabilities	**111,684**	**110,190**	**269,115**	**60,853**	**551,842**
	167,966	**114,720**	**282,703**	**69,155**	**634,544**
As at 31 December 2018					
Trade payables	2,653	—	—	—	2,653
Other payables	15,019	—	—	—	15,019
Borrowings	18,243	4,553	13,660	12,899	49,355
	35,915	4,553	13,660	12,899	67,027

3.2 Capital management

The Group's objectives when managing capital are to

- Safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital by regularly reviewing the capital structure. In the opinion of the directors of the company, the Group's capital risk is low.

3. Financial risk management (Continued)

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

See Note 20 for disclosure of the financial assets at FVPL.

Financial instruments at fair value as at 31 December 2019 and 2018 were as follows:

2019	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Asset				
Financial assets at FVPL	**—**	**—**	**447,621**	**447,621**

2018	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Asset				
Financial assets at FVPL	—	—	205,084	205,084

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments; and
- Other techniques, such as discounted cash flow analysis, are used to determine the fair value for the remaining financial instruments.

There were no changes in valuation techniques during the years ended 31 December 2019 and 2018.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the years ended 31 December 2019 and 2018.

3. Financial risk management (Continued)

3.3 Fair value estimation (Continued)

The Group manages the valuation of level 3 instruments for financial reporting purposes. The Group manages the valuation exercise of the investments on a case by case basis. At least once every year, the Group would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

The valuation of the level 3 instruments mainly included financial assets at FVPL. As these instruments are not traded in an active market, their fair values are estimated by discounting the cash flows approach with reference to the price quoted by the relevant financial institution. Major assumptions used in the valuation of financial assets at FVPL is presented in Note 20.

If the fair values of financial assets at FVPL held by the Group had been 1% higher/lower, the profit before income tax for the years ended 31 December 2019 and 2018 would have been approximately RMB4,507,000 higher/lower and RMB1,720,000 higher/lower, respectively.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within next financial year are addressed below.

(a) Structured Contracts

The Group conducts its business through PRC Consolidated Affiliated Entities. Due to the regulatory restrictions on the foreign ownership of the Listing Business in the PRC, the Group does not have any equity interest in certain PRC Consolidated Affiliated Entities. The directors assessed whether or not the Group has control over those PRC Consolidated Affiliated Entities by assessing whether it has the rights to variable returns from its involvement with those PRC Consolidated Affiliated Entities and has the ability to affect those returns through its power over those PRC Consolidated Affiliated Entities. After assessment, the directors concluded that the Group has control over those PRC Consolidated Affiliated Entities as a result of the Structured Contracts and accordingly the financial position and the operating results of those PRC Consolidated Affiliated Entities are included in the Group's consolidated financial statements throughout the Period or since the respective dates of incorporation/establishment, whichever is the shorter period. Nevertheless, the Structured Contracts may not be as effective as direct legal ownership in providing the Group with direct control over those PRC Consolidated Affiliated Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of those PRC Consolidated Affiliated Entities. The directors, based on the advice of its legal counsel, consider that the Structured Contracts with those PRC Consolidated Affiliated Entities and their equity holders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

4. Critical accounting estimates and judgements (Continued)

(b) Income taxes

The Company's subsidiaries are subject to income taxes in Hong Kong and China. Significant judgement is required in determining the amount of the provision for income taxes (such as the determination of the profits derived from offshore businesses) and the timing of payment of related taxes (Note 12).

The recognition of deferred income tax assets is recognised for tax losses and temporary differences to the extent that the realisation of the related tax benefit through the future taxable profit is probable. The calculation of the future taxable profit involves judgements and estimates together with the considerations of the Group's tax planning strategy and the impact of the macro economic conditions. Different judgements and estimates may affect the recognition and measurement of the deferred income tax assets.

(c) Fair value of share-based payments

As set out in Note 23 to the financial statements below, the Group awarded equity interests to the key employees during the year ended 31 December 2019.

The Group uses Binomial valuation method to determine the fair value of these awards, Significant judgements on key assumptions, such as dividend yield and volatility of the share prices are required to be made by the Group.

(d) The discount rate determination for IFRS 16

In determining the discount rate, the Group is required to exercise considerable judgement in relation to determining the discount rate taking into account the nature of the underlying assets and the terms and conditions of the leases, at both the commencement date and the effective date of the modification.

5. Revenue and segment information

The Group's principal market is in Guangdong Province, the PRC, where most of the Group's revenue and operating profit are derived from, and where most of the Group's operations and non-current assets are located in. Accordingly, no geographical segment information is presented.

As a result of evaluation by the CODM, the CODM considers that the Group is operated and managed as a single operating segment of after-school education services for the year ended 31 December 2019.

The Group offered overseas test preparation services through Shenzhen America Education and Training Co., Ltd. (深圳市阿美睿卡教育培訓有限公司) ("**Shenzhen America**") and personalised tutoring services through Shenzhen Unique Education and Technology Development Co., Ltd. (深圳市優教優學教育科技發展有限公司) ("**Shenzhen Unique**"), and these two segments were disposed of in 2018 and are classified as discontinued operations.

The Group has a large number of customers, with no single customer accounted for more than 10% of the Group's total revenue during the year.

6. Other income — net

	2019 RMB'000	2018 RMB'000
Sub-lease (a)		
— Sub-lease income	12,790	14,482
— Sub-lease expense	(11,497)	(12,368)
Finance income	4,468	111
Government grants	2,528	1,316
	8,289	3,541

(a) The Group sub-leases a portion of its teaching centres to Shenzhen Unique, pricing of sub-lease income was determined with reference to the actual rental expense with a mark-up agreed by both parties.

7. Other gains — net

	2019 RMB'000	2018 RMB'000
Fair value gains on financial assets at FVPL	15,441	10,516
Net losses on disposal of property, plant and equipment and intangible assets	(911)	(1,059)
Net foreign exchange gains	4,137	—
Others	56	(470)
	18,723	8,987

8. Expenses by nature

	2019 RMB'000	2018 RMB'000
Employee benefit expenses (Note 9)	380,295	257,916
Depreciation and amortisation (Notes 15, 16 and 17)	110,069	21,555
Listing expenses (i)	25,837	14,381
Teaching materials	19,709	13,552
Property management expenses	9,474	6,843
Advertising and exhibition expenses	10,387	6,282
Utilities	7,525	5,131
Office expenses	6,678	6,219
Maintenance cost	4,832	3,308
Entertainment and activities expenses	6,113	2,396
Other taxes	4,179	2,007
Professional service fees	2,128	973
Travel and transportation	2,129	1,245
Auditor's remuneration		
— Audit Services	1,496	9
— Non Audit Services	683	—
Recruitment expenses	1,689	810
Rental expenses (ii)	—	71,239
Others	13,320	6,032
	606,543	419,898

(i) Listing expenses mainly include lawyers' fees, reporting accountant's fee, sponsor's fee and other related costs associated with the Listing. The total expenditure related to the Listing was RMB76,598,000, out of which RMB40,218,000 was recorded as administrative expenses (for the year ended 31 December 2019: RMB25,837,000; for the year ended 31 December 2018: RMB14,381,000) and RMB36,380,000 was recorded as a deduction against the share premium pursuant to the Listing (Note 24).

(ii) On adoption of IFRS 16, the Group recognised right-of-use assets in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

9. Employee benefit expenses

(a) Employee benefit expenses are as follows:

	2019 RMB'000	2018 RMB'000
Wages, salaries and bonus	354,651	246,254
Defined contribution plan	10,772	6,575
Share options granted to employees	6,739	—
Other social security costs and housing fund	8,133	5,087
	380,295	257,916

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2019 and 2018 include nil and one director respectively, whose emoluments are reflected in the analysis shown in Note 33. The emoluments payable to the remaining five and four individuals during the years ended 31 December 2019 and 2018 respectively are as follows:

	2019 RMB'000	2018 RMB'000
Wages, salaries and bonus	4,424	2,647
Defined contribution plan	20	14
Other social security costs and housing fund	32	12
	4,476	2,673

(c) The emoluments fell within the following bands:

	Number of individuals for the year ended 31 December	
	2019	2018
Emolument band		
Nil – HK$1,000,000	4	4
HK$1,000,000 – HK$2,000,000	1	—

During the year, none of the five highest paid individuals waived or has agreed to waive any emoluments, and none of the five highest paid individuals received emoluments from the Group as inducement to join or upon joining the Group, or as compensation for loss of office.

10. Finance costs

	2019 RMB'000	2018 RMB'000
Interest expenses on bank borrowings	3,064	3,186
Interest expenses on leasing liabilities (Note 16(b))	20,752	—
	23,816	3,186

11. Subsidiaries

The Group's principal subsidiaries at 31 December 2019 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Company name	Place and date of incorporation/ establishment	Principal activities and place of operation	Issued and paid-in capital/ registered capital	Interest held
Directly interest				
Guang Long Pentium International Co., Ltd. (廣隆奔騰國際有限公司)	Hong Kong/ 2 February 2018	Investment holding/ Hong Kong	HK$10,000/ HK$10,000	100%
Indirectly interest				
Youshine International Co., Ltd. (煜耀國際有限公司)	Hong Kong/ 15 January 2018	Investment holding/ Hong Kong	HK$10,000/ HK$10,000	100%
Shenzhen Fengye	The PRC/ 2 April 2018	Internet and software technology development and service/The PRC	RMB50,000,000/ RMB50,000,000	*100%
Shenzhen Scholar	The PRC/ 4 January 2012	Education service/The PRC	RMB20,000,000/ RMB20,000,000	100%
Shenzhen Scholar Education and Training Centre (深圳市思考樂教育培訓中心)	The PRC/ 30 July 2014	Education service/The PRC	RMB1,000,000/ RMB1,000,000	100%
Xiamen Scholar Education Service Co., Ltd. (廈門市思考樂教育服務有限公司)	The PRC/ 13 April 2016	Education service/The PRC	RMB1,000,000/ RMB1,000,000	100%
Dongguan Scholar Education and Culture Development Co., Ltd. (東莞市思考樂教育文化發展有限公司)	The PRC/ 23 January 2017	Education service/The PRC	RMB1,000,000/ RMB1,000,000	100%

11. Subsidiaries (Continued)

Company name	Place and date of incorporation/ establishment	Principal activities and place of operation	Issued and paid-in capital/ registered capital	Interest held
Huizhou Scholar Education and Consultation Co., Ltd. (惠州市思考樂教育諮詢有限公司)	The PRC/ 23 November 2017	Education service/The PRC	RMB600,000/ RMB1,000,000	100%
Huizhou Scholar Education Technology Co., Ltd. (惠州市思考樂教育科技有限公司)	The PRC/ 22 October 2018	Education service/The PRC	RMB600,000/ RMB1,000,000	100%
Foshan Scholar Culture Co., Ltd. (佛山市思考樂文化有限公司)	The PRC/ 25 December 2017	Education service/The PRC	RMB800,000/ RMB1,000,000	100%
Xiamen Siming District Scholar Education and Training School (廈門市思明區思考樂教育培訓學校)	The PRC/ 12 March 2018	Education service/The PRC	RMB1,000,000/ RMB1,000,000	100%
Foshan Nanhai District Scholar Education and Training Centre Co., Ltd. (佛山市南海區思考樂教育培訓中心有限公司)	The PRC/ 20 August 2018	Education service/The PRC	RMB600,000/ RMB600,000	100%
Dongguan Houjie Scholar Training Centre Co., Ltd. (東莞市厚街思考樂培訓中心有限公司)	The PRC/ 16 March 2018	Education service/The PRC	RMB150,000/ RMB150,000	100%
Dongguan Dalang Scholar Training Centre Co., Ltd. (東莞市大朗思考樂培訓中心有限公司)	The PRC/ 5 March 2018	Education service/The PRC	RMB150,000/ RMB150,000	100%
Dongguan Guancheng Scholar Training Centre Co., Ltd. (東莞市莞城思考樂培訓中心有限公司)	The PRC/ 9 April 2018	Education service/The PRC	RMB150,000/ RMB150,000	100%
Dongguan Wanjiang Scholar Training Centre Co., Ltd. (東莞市萬江思考樂培訓中心有限公司)	The PRC/ 1 March 2018	Education service/The PRC	RMB150,000/ RMB150,000	100%
Dongguan Humen Scholar Training Centre Co., Ltd. (東莞市虎門思考樂培訓中心有限公司)	The PRC/ 9 April 2018	Education service/The PRC	RMB100,000/ RMB100,000	100%
Dongguan Dongcheng Scholar Training Centre Co., Ltd. (東莞市東城思考樂培訓中心有限公司)	The PRC/ 5 February 2018	Education service/The PRC	RMB100,000/ RMB100,000	100%
Dongguan Guancheng Diwang Scholar Training Centre Co., Ltd. (東莞市莞城地王思考樂培訓中心有限公司)	The PRC/ 10 April 2018	Education service/The PRC	RMB100,000/ RMB100,000	100%
Dongguan Dongcheng Dongtai Scholar Training Centre Co., Ltd. (東莞市東城東泰思考樂培訓中心有限公司)	The PRC/ 2 March 2018	Education service/The PRC	RMB100,000/ RMB100,000	100%

11. Subsidiaries (Continued)

Company name	Place and date of incorporation/ establishment	Principal activities and place of operation	Issued and paid-in capital/ registered capital	Interest held
Dongguan Chang'an Scholar Training Centre Co., Ltd. (東莞市長安思考樂培訓中心有限公司)	The PRC/ 21 September 2018	Education service/The PRC	RMB100,000/ RMB100,000	100%
Foshan Chancheng Scholar Education and Training Centre Co., Ltd. (佛山市禪城區思考樂教育培訓中心)	The PRC/ 15 January 2019	Education service/The PRC	RMB1,000,000/ RMB1,000,000	100%
Foshan Chancheng District Qifan Education and Training Centre Co., Ltd. (佛山市禪城區啟凡教育培訓中心)	The PRC/ 10 April 2019	Education service/The PRC	RMB300,000/ RMB300,000	100%
Dongguan Changping Scholar Training Centre Co., Ltd. (東莞市常平思考樂培訓中心有限公司)	The PRC/ 22 February 2019	Education service/The PRC	RMB100,000/ RMB100,000	100%
Dongguan Nancheng Scholar Training Centre Co., Ltd. (東莞市南城思考樂培訓中心有限公司)	The PRC/ 11 July 2019	Education service/The PRC	RMB100,000/ RMB100,000	100%
Huizhou Huicheng District Scholar Education and Training Centre Co., Ltd. (惠州市惠城區思考樂教育培訓中心有限公司)	The PRC/ 19 April 2019	Education service/The PRC	RMB300,000/ RMB300,000	100%
Huizhou Huicheng District Qifan Education and Training Centre Co., Ltd. (惠州市惠城區啟凡教育培訓中心有限公司)	The PRC/ 19 April 2019	Education service/The PRC	RMB300,000/ RMB300,000	100%
Zhongshan Scholar Education and Consultation Co., Ltd. (中山市思考樂教育諮詢有限公司)	The PRC/ 14 August 2019	Education service/The PRC	RMB1,000,000/ RMB1,000,000	100%
Jiangmen Scholar Education and Consultation Co., Ltd. (江門市思考樂教育諮詢有限公司)	The PRC/ 14 August 2019	Education service/The PRC	RMB1,000,000/ RMB1,000,000	100%

* *The English names of companies established in the PRC are translation of their Chinese names at the best effort of the directors of the Company as they do not have official English names.*

12. Income tax expense

	2019 RMB'000	2018 RMB'000
Current tax		
— Current tax on profits for the year	19,388	18,484
Deferred income tax		
— Increase in deferred income tax (Note 29)	(6,099)	(4,881)
Income tax expense	13,289	13,603
Income tax expense is attributable to:		
— Continuing operations	13,289	13,085
— Discontinued operations	—	518
	13,289	13,603

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profit of the consolidated entities were as follows:

	2019 RMB'000	2018 RMB'000
Profit before income tax:		
— Continuing operations	108,075	82,559
— Discontinued operations	—	762
	108,075	83,321
Tax calculated at tax rates applicable to profit in the respective companies	29,411	23,004
Tax effects of:		
— Preferential tax policies (c)	(11,910)	(8,337)
— Expenses not deductible for tax purposes	48	28
— Research and development super deduction (d)	(4,260)	(1,420)
— Unrecognised tax losses	—	328
	13,289	13,603

12. Income tax expense (Continued)

(a) Cayman Islands corporate income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) Hong Kong profits tax

Subsidiaries in Hong Kong are subject to 16.5% income tax rate before 2018. Under the current Hong Kong Inland Revenue Ordinance, from the year of assessment 2018/2019 onwards, the subsidiaries in Hong Kong are subject to profits tax at the rate of 8.25% on assessable profits up to HK$2,000,000, and 16.5% on any part of assessable profits over HK$2,000,000. The payments of dividends by these companies to their shareholders are not subject to any Hong Kong withholding tax.

(c) PRC Enterprise Income Tax ("EIT")

The income tax provision of the Group in respect of its operations in the PRC was calculated at the tax rate of 25% on the assessable profits for the Period, based on the existing legislation, interpretations and practices in respect thereof.

Shenzhen Scholar has obtained its qualification as a "High and New Technology Enterprise" ("**HNTE**") in December 2017, and it is subject to a reduced preferential EIT rate of 15% for 3-year period from 2017 to 2019 according to the relevant PRC laws and regulations applicable to the HNTE.

(d) Research and development super deduction

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 175% of their research and development expenses since 2018 so incurred as tax deductible expenses when determining their assessable profits for that year.

13. Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares in issue for the year.

	2019	2018
Earnings attributable to equity Shareholders of the Company (in RMB thousands)		
— Continuing operations	94,786	69,474
— Discontinued operations	—	2,740
	94,786	72,214
Weighted average number of ordinary shares in issue (thousand shares) (i)	497,186	421,980
Basic earnings per share (expressed in RMB cents per share)		
— Continuing operations	19.06	16.46
— Discontinued operations	—	0.65
	19.06	17.11

(i) Basic earnings per share is calculated by dividing the profit for the year attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2019 and 2018. The weighted average number of ordinary shares has been retrospectively adjusted for the effects of the share split and capitalisation issue as disclosed in Note 22 (c) and 22 (e) on the assumption that the share split and capitalisation issue had been in effect on each beginning date of the earliest period reported.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	2019	2018
Diluted earnings per share (expressed in RMB cents per share)		
— Continuing operations	19.01	16.46
— Discontinued operations	—	0.65
	19.01	17.11

13. Earnings per share (Continued)

Weighted average number of shares used as the denominator

	2019	2018
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	497,185,000	421,980,000
Adjustments for calculation of diluted earnings per share:		
Share options	1,320,000	—
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	498,505,000	421,980,000

14. Discontinued Operations

In March 2018, Shenzhen Scholar entered into an equity transfer and debt arrangement agreement to dispose of Shenzhen America, pursuant to which Shenzhen Scholar transferred its 70% equity interest in Shenzhen America at a consideration of RMB1 and waived the amount due from Shenzhen America amounting to RMB3,913,000.

In April 2018, Shenzhen Scholar entered into an equity transfer to dispose of Shenzhen Unique, pursuant to which Shenzhen Scholar transferred 1%, 29% and 30% equity interest in Shenzhen Unique at a consideration of RMB1 each respectively.

(a) Details of the gains from disposal of Shenzhen America and Shenzhen Unique at the date of completion of the disposals are as follow:

	Shenzhen America RMB'000	Shenzhen Unique RMB'000	Total RMB'000
Net current liabilities	(1,782)	(25,438)	(27,220)
Non-current net assets	2,098	15,588	17,686
Net assets/(liabilities)	316	(9,850)	(9,534)
Accumulated non-controlling interests	(95)	3,940	3,845
	221	(5,910)	(5,689)
Consideration	—	—	—
Waiver of debts	(3,913)	—	(3,913)
Income tax effect of waiver of debts	587	—	587
(Loss)/gain on disposals	(3,547)	5,910	2,363

15. Property, plant and equipment

	Buildings RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Total RMB'000
As at 1 January 2018					
Cost	44,447	13,332	82,052	1,738	141,569
Accumulated depreciation	(1,408)	(3,322)	(19,827)	(346)	(24,903)
Net book amount	43,039	10,010	62,225	1,392	116,666
Year ended 31 December 2018					
Opening net book amount	43,039	10,010	62,225	1,392	116,666
Additions	5,648	3,655	23,958	106	33,367
Disposals of subsidiaries	—	(1,707)	(15,979)	—	(17,686)
Disposals	—	(143)	(4,260)	—	(4,403)
Depreciation charge	(1,207)	(4,154)	(16,135)	(314)	(21,810)
Closing net book amount	47,480	7,661	49,809	1,184	106,134
As at 31 December 2018					
Cost	50,095	14,379	79,571	1,844	145,889
Accumulated depreciation	(2,615)	(6,718)	(29,762)	(660)	(39,755)
Net book amount	47,480	7,661	49,809	1,184	106,134
Year ended 31 December 2019					
Opening net book amount	47,480	7,661	49,809	1,184	106,134
Additions	17,658	4,927	45,685	576	68,846
Disposals	—	(126)	(868)	—	(994)
Depreciation charge	(1,196)	(5,181)	(22,373)	(354)	(29,104)
Closing net book amount	63,942	7,281	72,253	1,406	144,882
As at 31 December 2019					
Cost	69,520	17,820	117,781	2,299	207,420
Accumulated depreciation	(5,578)	(10,539)	(45,528)	(893)	(62,538)
Net book amount	63,942	7,281	72,253	1,406	144,882

15. Property, plant and equipment (Continued)

Depreciation expenses have been charged to comprehensive income as follows:

	2019 RMB'000	2018 RMB'000
Cost of sales	23,708	18,020
Administrative expenses	5,396	3,790
	29,104	21,810

As at 31 December 2019 and 2018, the Group's buildings with net book amounts of RMB42,690,000 and RMB41,832,000 respectively were pledged to a bank to secure certain banking borrowings of the Group (Note 28).

16. Right-of-use assets and Lease

(a) Amount recognised in the consolidated balance sheet

	31 December 2019 RMB'000	1 January 2019* RMB'000
Right-of-use assets		
Land use rights**	90,561	39,352
Properties	435,392	296,276
	525,953	335,628
Lease liabilities		
Current	100,005	71,944
Non-current	359,763	230,734
	459,768	302,678

* In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as "finance leases" under IAS 17. The assets were presented in property, plant and equipment and the liabilities as part of the Group's borrowings. For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to note 2.2.

** The Group has land lease arrangement with mainland China government. The pre-paid land lease rights was recorded in land use rights and reclassified as right-of-use assets on adoption of IFRS 16.

As at 31 December 2019, the Group's land use rights with net book amounts of RMB37,543,000 (31 December 2018: RMB28,308,000) were pledged to a bank to secure certain banking borrowings of the Group (Note 28).

16. Right-of-use assets and Lease (Continued)

(b) Amount recognised in the consolidated statements of comprehensive income

	2019 RMB'000
Depreciation charge of right-of-use assets	
— Properties	79,233
— Land use rights	1,620
	80,853
Finance costs on leases	20,752

For the year ended 31 December 2019, the cash outflows from financing activities for leases was RMB82,716,000.

17. Intangible assets

	Computer software RMB'000
Year ended 31 December 2018	
Opening net book amount	18
Additions	1,135
Amortisation charge	(77)
Closing net book amount	1,076
As at 31 December 2018	
Cost	1,168
Accumulated amortisation	(92)
Net book amount	1,076
Year ended 31 December 2019	
Opening net book amount	1,076
Additions	262
Disposals	(230)
Amortisation charge	(112)
Closing net book amount	996
As at 31 December 2019	
Cost	1,170
Accumulated amortisation	(174)
Net book amount	996

18. Financial instruments by category

	Financial assets at amortised cost RMB'000	Financial assets at FVPL RMB'000
As at 1 January 2018		
Other receivables	21,593	—
Financial assets at FVPL	—	179,616
Cash and cash equivalents	24,661	—
	46,254	179,616
As at 31 December 2018		
Other receivables	24,629	—
Financial assets at FVPL	—	205,084
Term deposits with original maturity over 3 months	10,500	—
Cash and cash equivalents	37,200	—
	72,329	205,084
As at 31 December 2019		
Other receivables	30,245	—
Financial assets at FVPL	—	447,621
Term deposits with original maturity over 3 months	35,304	—
Cash and cash equivalents	241,479	—
	307,028	447,621

	2019 RMB'000	2018 RMB'000
Financial liabilities at amortised cost		
Trade payables	3,244	2,653
Other payables	11,233	15,074
Borrowings	61,375	42,759
	75,852	60,486

19. Prepayments and other receivables

	2019 RMB'000	2018 RMB'000
Included in non-current assets		
Lease deposits	23,411	17,486
Prepayments for leasehold improvements	15,018	5,747
Prepayments (a)	—	15,000
Prepayments for property, plant, equipment and land use rights	—	8,000
	38,429	46,233
Included in current assets		
Amounts due from related parties (Note 32(d)(i))	772	—
Amounts due from shareholders (Note 32(d)(i))	—	315
Cash advances to employees (b)	778	882
Loans to employees (c)	2,821	840
Lease deposits	677	1,301
Prepayments for listing related expenses	—	4,780
Prepayments (d)	9,223	9,848
Other receivables	2,557	3,805
	16,828	21,771

As at 31 December 2019 and 2018 there were no significant balances that are past due.

(a) Prepayments represent prepayments for long-term rental expenses which will not fully utilised within 1 year.

(b) Cash advances to employees mainly represent cash advances to certain employees for ordinary course of business.

(c) Loans to employees mainly represent loans to certain employees for personal house purchase. The loans were unsecured and interest free.

(d) Prepayments mainly represent prepayment for rental expense and teaching materials purchase.

20. Financial assets at fair value through profit or loss

	2019 RMB'000	2018 RMB'000
At beginning of the year	**205,084**	179,616
Additions	**1,540,538**	1,166,540
Fair value gains	**15,441**	10,581
Disposals of subsidiaries	**—**	(8,991)
Redemption on maturity	**(1,313,442)**	(1,142,662)
At the end of the year	**447,621**	205,084

The short-term investments measured at fair value through profit or loss are wealth management products, denominated in RMB, with expected rates of returns ranging from 2.00% to 8.30% and 3.00% to 8.30% per annum for the years ended 31 December 2019 and 2018, respectively. The returns on all these wealth management products are not guaranteed, and as a result their contractual cash flows do not qualify solely as payments of principal and interest. Therefore, they are measured at fair value through profit or loss.

The fair value are based on cash flow discounted using the expected return based on management judgement and are within level 3 of the fair value hierarchy. The higher the expected rates of return, the higher of the fair value.

21. Cash and cash equivalents

	2019 RMB'000	2018 RMB'000
Cash and bank deposits	**276,783**	47,700
Less: Term deposits with original maturity over three months	**(35,304)**	(10,500)
	241,479	37,200

The carrying amounts of the Group's cash and bank deposits are denominated in the following currencies:

	2019 RMB'000	2018 RMB'000
RMB	**190,127**	47,680
US dollar	**86,228**	13
Hong Kong dollar	**428**	7
	276,783	47,700

22. Share capital

	Authorised			Issued		
	Number of ordinary shares	Nominal value		Number of ordinary shares	Nominal value	
		USD	RMB		USD	RMB
Balance at 1 January 2018	—	—	—	—	—	—
Ordinary shares issued upon incorporation (a)	50,000	50,000	314,410	50,000	50,000	314,410
Issue of new ordinary shares (b)	3,831	3,831	24,091	3,831	3,831	24,091
As at 31 December 2018	53,831	53,831	338,501	53,831	53,831	338,501
Balance at 1 January 2019	**53,831**	**53,831**	**338,501**	**53,831**	**53,831**	**338,501**
Effect of share subdivision (c)	**53,777,219**	—	—	**53,777,219**	—	—
Increase in authorised share capital (d)	**946,168,950**	**946,169**	**6,522,132**	—	—	—
Issue of shares pursuant to the Capitalisation Issue (e)	—	—	—	**376,968,950**	**376,969**	**2,581,181**
Issue of shares pursuant to the Listing (f)	—	—	—	**124,900,000**	**124,900**	**855,215**
As at 31 December 2019	**1,000,000,000**	**1,000,000**	**6,860,633**	**555,700,000**	**555,700**	**3,774,897**

(a) The Company was incorporated in the Cayman Islands on 7 February 2018 with authorised and issued share capital of US$50,000 divided into 50,000 ordinary shares of US$1 each.

(b) On 16 April 2018, a written resolution was passed by the Company's shareholder for issuing a total of 3,831 new shares at a par value of US$1 each to CRE Glory Company Limited (華創煜耀有限公司) ("**CREG**"). Upon completion, the total issued share capital of the Company was US$53,831 divided into 53,831 shares of US$1 each. Capital contribution by CREG amounting to RMB106,751,825 was received and RMB24,091 and RMB106,727,734 were recorded as share capital and share premium of the Company respectively.

(c) On 3 June 2019, the Company subdivided each of its issued ordinary share of a par value of US$1.00 into 1,000 shares of US$0.001 each. Upon the subdivision, the authorised share capital of the Company was US$53,831.05 divided into 53,831,050 shares of US$0.001 each. Earnings per share amounts presented in the financial statements have been revised on a retrospective basis to reflect the effect of the share split. The par value per share and the share numbers in the other notes to the financial statements have not been retrospectively revised.

22. Share capital (Continued)

(d) On 12 June 2019, the authorised share capital of the Company was increased from 53,831,050 shares of US$0.001 each to 1,000,000,000 shares of US$0.001 each, by the creation of an additional 946,168,950 shares, ranking pari passu in all respects with the existing shares.

(e) Pursuant to the written resolution passed by the shareholders on 10 June 2019 and conditional upon the share premium account of the Company being credited as a result of the Listing, the Directors were authorised to allot and issue a total of 376,968,950 shares, credited as fully-paid, at par by way of capitalisation for the sum of RMB376,968,950 standing to the credit of the share premium account of the Company (the "**Capitalisation Issue**").

(f) On 21 June 2019, the Company issued 124,900,000 shares of US$0.001 each at a price of HK$3.68 per share pursuant to the initial public offering and Listing of the Company's shares on the Main Board of the Stock Exchange.

(g) Immediately following completion of the Capitalisation Issue and the Listing, the authorised share capital of the Company US$1,000,000 was divided into 1,000,000,000 shares, of which 555,700,000 shares were issued fully paid or credited as fully paid, and 444,300,000 shares remained unissued.

23. Share based payments

On 3 June 2019, the shareholders of the Company approved the adoption of a share option scheme (the "**Share Option Scheme**"). The Share Option Scheme is designed to provide long-term incentives for staff to deliver long-term shareholder returns. Share-based compensation expenses are recognised over the options' respective vesting period starting from the grant date.

Movements of the share options are set out below:

	Average exercise price per share option	Number of options
As at 1 January 2019	—	—
Granted during the year	HK$7.50	27,785,000
Exercised during the year	—	—
Forfeited during the year	—	—
As at 31 December 2019	HK$7.50	27,785,000
Vested and exercisable at 31 December 2019	—	—

No options expired during the years covered by the above tables.

23. Share based payments (Continued)

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant Date	Expiry date	Exercise price	Share options 31 December 2019
25 September 2019	31 March 2024	HK$7.5	27,785,000

Based on the fair value of the underlying ordinary share, the directors have used Binomial valuation model to determine the fair value of the share option as at the grant date. Key assumptions are set as below:

Risk-free interest rate	1.26%
Volatility	43.43%
Dividend yield	0.00%

The fair value for each of the share option as at the grant date was HK$2.6887.

For the year ended 31 December 2019, the total expenses recognised in the consolidated statement of comprehensive income for share options was approximately RMB6,739,000 (2018: Nil) and were included in staff costs.

24. Share premium and other reserves

	Share premium RMB'000	Other reserves: Merger reserve RMB'000	Other reserves: Capital reserves RMB'000	Other reserves: Share based compensation reserves RMB'000	Other reserves: Total RMB'000
Balance at 1 January 2018	—	—	26,027	—	26,027
Reorganisation (a)	—	(46,347)	46,347	—	—
Issuance of shares (Note 22)	106,728	—	—	—	—
Transfer to statutory reserves (b)	—	—	6,637	—	6,637
Dividends paid to the Company's shareholders (Note 25)	(53,831)	—	—	—	—
Balance at 31 December 2018	52,897	(46,347)	79,011	—	32,664
Balance at 1 January 2019	52,897	(46,347)	79,011	—	32,664
Share issued pursuant to the Listing	402,196	—	—	—	—
Issue of shares pursuant to the capitalisation (Note 22)	(2,581)	—	—	—	—
Listing expense charged to share premium	(36,380)	—	—	—	—
Dividends paid to the Company's shareholders (Note 25)	(30,051)	—	—	—	—
Transfer to statutory reserves (b)	—	—	—	—	—
Share based payments (Note 23)	—	—	—	6,739	6,739
Balance at 31 December 2019	386,081	(46,347)	79,011	6,739	39,403

(a) Merger reserve represents the excess of the net asset value over the paid-up capital of Shenzhen Scholar which was acquired by the Company pursuant to the Reorganisation.

24. Share premium and other reserves (Continued)

(b) In accordance with the Companies Laws of the PRC and the stipulated provisions of the articles of association of subsidiaries with limited liabilities in the PRC, appropriation of net profits (after offsetting accumulated losses from prior years) should be made by these companies to their respective Statutory Surplus Reserve Funds and the Discretionary Reserve Funds before distributions are made to the owners. The percentage of appropriation to Statutory Surplus Reserve Fund is 10%. The amount to be transferred to the Discretionary Reserve Fund is determined by the equity owners of these companies. When the balance of the Statutory Surplus Reserve Fund reaches 50% of the registered capital, such transfer needs not to be made. Both the Statutory Surplus Reserve Fund and Discretionary Reserves Fund can be capitalised as capital of an enterprise, provided that the remaining Statutory Surplus Reserve Fund shall not be less than 25% of the registered paid in capital.

Pursuant to the laws applicable to China's Foreign Investment Enterprises, the Company's subsidiary that is a foreign investment enterprise in China has to make appropriations from its after-tax profit (as determined under PRC GAAP) to reserve funds including (1) general reserve fund, (2) enterprise expansion fund and (3) staff bonus and welfare fund. The appropriation to the general reserve fund must be at least 10% of the after tax profits calculated in accordance with PRC GAAP.

Appropriation is not required if the reserve fund has reached 50% of the registered capital of the respective company. Appropriations to the other two reserve funds are at the company's discretion.

25. Dividends

	2019 **HKD'000**	2018 HKD'000
Dividends declared and paid before the Listing	**—**	53,831
Interim dividend paid per share: HK$0.02	**11,114**	—
Interim special dividend per share: HK$0.04	**22,228**	—
	33,342	53,831
Proposed final dividend per share: HK$0.06 (2018: Nil)	**33,342**	—
Proposed final special dividend per share: HK$0.06 (2018: Nil)	**33,342**	—
	66,684	—

For the year ended 31 December 2019, the Company declared and paid the interim dividends and interim special dividends amounting to HK$11,114,000 (equivalent to RMB10,017,000) and HK$22,228,000 (equivalent to RMB20,034,000) respectively. (For the year ended 31 December 2018: HK$53,831,000)

A final dividend in respect of the year ended 31 December 2019 of HK$0.06 per share, amounting to HK$33,342,000, and a final special dividend of HK$0.06 per share amounting to HK$33,342,000, are to be proposed at the annual general meeting of the Company held on 18 May 2020.

26. Contract liabilities

	2019 RMB'000	2018 RMB'000
Deferred revenue — Education services	**283,356**	214,701

Contract liability represents the advance considerations received from the students for contracts for education services, which revenue will be recognised when the performance obligation was satisfied through services rendered. Changes in contract liabilities during the year are as follows:

	2019 RMB'000	2018 RMB'000
At the beginning of the year	**214,701**	235,900
Revenue recognised		
— Continuing operations	**(711,420)**	(493,115)
— Discontinued operations	**—**	(21,064)
Disposal of subsidiaries	**—**	(37,051)
Cash received from customers during the year	**835,837**	575,144
Cash refunded to customers during the year	**(55,762)**	(45,113)
At the end of the year	**283,356**	214,701

Due to the short-term nature of the related service, the entire contract liabilities balance at the year ended would be recognised into revenue in the next year. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts which have an original expected duration of 1 year or less is not disclosed.

27. Trade and other payables

	2019 RMB'000	2018 RMB'000
Non-current		
Deferred operating lease liabilities	—	12,969
Current		
Trade payables (a)	3,244	618
Amounts due to related parties — trade (Note 32(d)(ii))	—	2,035
Employee benefits payables	72,823	60,929
Other taxes payables	12,670	4,922
Interest payables	56	55
Deferred operating lease liabilities	—	2,380
Listing related expenses payables	3,421	5,256
Other payables	9,138	9,763
	101,352	85,958

(a) Trade payables are primarily related to the purchase of books and other teaching materials for education. The credit terms of trade payables granted to the Group are usually 3 months.

As at 31 December 2019 and 2018, the ageing analysis of trade payables based on the invoice date was as follows:

	2019 RMB'000	2018 RMB'000
3 months or less	2,186	1,409
3 to 6 months	676	967
6 months to 1 year	382	277
	3,244	2,653

28. Borrowings

	2019 RMB'000	2018 RMB'000
Non-current		
— Secured		
Bank borrowings	23,035	26,386
Current		
— Secured		
Current portion of non-current bank borrowings	3,348	3,173
Bank borrowings	34,992	—
— Unsecured with guarantee		
Bank borrowings	—	13,200
	38,340	16,373
	61,375	42,759

For the years ended 31 December 2019 and 2018, bank borrowings bear effective interest rate of 5.0 % and 5.2% respectively. All the bank borrowings of the Group are denominated in RMB.

The scheduled repayment dates of the Group's bank borrowing, as set out in loan arrangements are as follows:

	2019 RMB'000	2018 RMB'000
Within 1 year	38,340	16,373
Between 1 and 2 years	3,511	3,332
Between 2 and 5 years	11,588	11,034
Over 5 years	7,936	12,020
	61,375	42,759

As at 31 December 2019 and 2018, bank borrowings of RMB61,375,000 and RMB29,559,000 were secured by the property, plant and equipment and right-of-use assets for lands of the Group, net book value of which amounted to RMB80,233,000(for property, plant and equipment: RMB42,690,000; for right-of-use assets for lands: RMB37,543,000) and 70,140,000 (for property, plant and equipment: RMB41,832,000; for land use rights: RMB28,308,000) (Note 15 and Note 16).

As at 31 December 2019, no bank borrowings were guaranteed by Mr. Chen Qiyuan.(As at 31 December 2018: RMB42,759,000)

29. Deferred income tax

	2019 RMB'000	2018 RMB'000
Tax losses	11,101	8,824
Financial assets at FVPL	(745)	(303)
Deferred operating lease liabilities	5,295	3,160
Accruals on wages, salaries and bonus	2,284	1,208
Share based payments	1,010	—
Others	632	589
	19,577	13,478

The movement on the deferred tax assets for the years is as follows:

	Tax losses RMB'000	Financial assets at FVPL RMB'000	Deferred operating lease liabilities RMB'000	Accruals on wages, salaries and bonus RMB'000	Share based payment RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2018	6,275	(331)	2,064	—	—	589	8,597
Credited/(charged) to the statement of comprehensive income	2,549	28	1,096	1,208	—	—	4,881
As at 31 December 2018	8,824	(303)	3,160	1,208	—	589	13,478
Credited/(charged) to the statement of comprehensive income	2,277	(442)	2,135	1,076	1,010	43	6,099
As at 31 December 2019	11,101	(745)	5,295	2,284	1,010	632	19,577

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profit is probable. As at 31 December 2019 and 2018, the Group has recognised all deferred tax assets, which can be carried forward against future taxable income.

29. Deferred income tax (Continued)

During the Period, the tax losses have not recognised deferred tax assets were all attributed to discontinued operations.

According to PRC corporate income tax law, distribution of profits earned by PRC companies is subject to withholding tax of 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas incorporated immediate holding companies.

As at 31 December 2019 and 2018, the retained earnings of the Group's PRC subsidiaries not yet remitted to holding companies incorporated outside of the PRC, for which no deferred income tax liability had been provided, were approximately RMB130,385,000 and RMB59,262,000, respectively. For this unrecognised amount, the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

30. Notes to the consolidated statements of cash flows

(a) Cash generated from operations

	2019 RMB'000	2018 RMB'000
Profit before income tax		
— Continuing operations	108,075	82,559
— Discontinued operations	—	762
Adjustments for:		
Depreciation and amortisation	110,069	22,703
Net losses on disposal of property, plant and equipment and intangible assets	911	1,154
Fair value gains on financial assets at FVPL	(15,441)	(10,581)
Finance costs	23,816	3,186
Share based payments	6,739	—
Changes in working capital:		
Increase in prepayments and other receivables	(12,150)	(30,809)
Increase in trade and other payables	25,100	47,316
Increase in contract liabilities	68,655	15,852
Cash generated from operations	315,774	132,142

30. Notes to the consolidated statements of cash flows (Continued)

(b) Proceeds from disposal of property, plant and equipment and intangible assets

	2019 RMB'000	2018 RMB'000
Net book value (Note 15 and 17)	1,224	4,403
Net losses on disposal of property, plant and equipment and intangible assets (Note 7)	(911)	(1,154)
Proceeds from disposal	313	3,249

(c) Net cash reconciliation

	2019 RMB'000	2018 RMB'000
Cash and cash equivalents	241,479	37,200
Term deposits with initial maturities over 3 months	35,304	10,500
Financial assets at FVPL	447,621	205,084
Borrowings — repayable within one year	(38,340)	(16,373)
Borrowings — repayable after one year	(23,035)	(26,386)
Net cash	663,029	210,025
Cash, term deposit and financial assets at FVPL	724,404	252,784
Gross debt — variable interest rates	(61,375)	(42,759)
Net cash	663,029	210,025

30. Notes to the consolidated statements of cash flows (Continued)

(c) Net cash reconciliation (Continued)

	Other assets			Liabilities from financing activities			
	Cash and cash equivalents RMB'000	Term deposits with original maturity over 3 months RMB'000	Financial assets at FVPL RMB'000	Borrowings due within 1 year RMB'000	Borrowings due after 1 year RMB'000	Amounts due to related parties RMB'000	Total RMB'000
As at 1 January 2018	24,661	—	179,616	(40,251)	(29,529)	(3,370)	131,127
Cash flows	12,539	10,500	23,878	27,021	—	3,370	77,308
Other non-cash movements	—	—	1,590	(3,143)	3,143	—	1,590
As at 31 December 2018	37,200	10,500	205,084	(16,373)	(26,386)	—	210,025
Cash flows	204,279	24,804	227,096	(18,619)	3	—	437,563
Other non-cash movements	—	—	15,441	(3,348)	3,348	—	15,441
As at 31 December 2019	241,479	35,304	447,621	(38,340)	(23,035)	—	663,029

31. Commitments

(a) Non-cancellable operating leases

The Group leases various teaching centres under non-cancellable operating leases expiring within 2 to 20 years, the majority of lease agreements are renewable at the end of the lease period at market rate.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2019 RMB'000	2018 RMB'000
Within 1 year	**111,684**	69,413
Later than 1 year but not later than 5 years	**379,305**	208,075
Later than 5 years	**60,853**	42,258
	551,842	319,746

32. Significant related party transactions

(a) Related party

The Group is controlled by the following entities:

Name	Type	Place of incorporation	Ownership interest 2019	Ownership interest 2018
Sky Noon International Company Limited ("**Sky Noon**")	Ultimate and immediate parent entity	BVI	**38.52%**	49.69%
Magnificent Industrial Company Limited ("**Magnificent Industrial**")	Ultimate and immediate parent entity	BVI	**24.84%**	32.04%

Sky Noon and Magnificent Industrial are parties acting in concert in accordance with the decisions and directions of Mr. Chen Qiyuan since the concert parties became interested in and possessed voting rights in the Company according to the concert party agreement.

Parties are considered to be related if one party has the ability, directly and indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decision. Name and relationship with related parties are set out below:

Related parties	Relationship
Brilliant Faith Investment Company Limited (炫信投資有限公司) ("**Brilliant Faith**")	Shareholder
China Resources Vanguard Co., Ltd.* (華潤萬家有限公司)	Related party
New Jiangcheng Department Store (Jiangmen) Co., Ltd.* (江門華潤萬家生活超市有限公司)	Related party
Shenzhen Zhengxin Tuwen Advertisement Co., Ltd.* (深圳市正信圖文廣告圖文廣告有限公司)	Related party
Shenzhen Hengchuangxin Industrial Technology Co., Ltd.* (深圳市恆創鑫實業科技有限公司)	Related party
Mr. Chen Qiyuan	Chairman and Controlling shareholder

* *The English names of companies established in the PRC are translation of their Chinese names at the best effort of the directors of the Company as they do not have official English names.*

32. Significant related party transactions (Continued)

(b) Key management personnel compensation

	2019 RMB'000	2018 RMB'000
Wages, salaries and bonus	3,802	3,160
Defined contribution plan	80	27
Other social security costs and housing fund	61	33
	3,943	3,220

(c) Significant transactions with related parties

In addition to those disclosed elsewhere in this consolidated financial statements, the following transactions were carried out with related parties.

In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective parties.

Purchase of teaching material:

	2019 RMB'000	2018 RMB'000
Shenzhen Zhengxin Tuwen Advertisement Co., Ltd.	1,504	3,816
Shenzhen Hengchuangxin Industrial Technology Co., Ltd.	484	4,789
	1,988	8,605

The purchase of teaching material was conducted on normal commercial terms and the purchase price was determined with reference to the prevailing market price.

32. Significant related party transactions (Continued)

(c) Significant transactions with related parties (Continued)

Borrowings guaranteed by the controlling shareholder:

	2019 RMB'000	2018 RMB'000
Mr. Chen Qiyuan	—	42,759

Amortisation of right-of-use assets related to the lease from related parties:

	2019 RMB'000	2018 RMB'000
China Resources Vanguard Co., Ltd.	606	—
New Jiangcheng Department Store (Jiangmen) Co., Ltd.	125	—
	731	—

Interest expenses for lease liabilities related to the lease from related parties:

	2019 RMB'000	2018 RMB'000
China Resources Vanguard Co, Ltd	186	—
New Jiangcheng Department Store (Jiangmen) Co., Ltd.	63	—
	249	—

32. Significant related party transactions (Continued)

(d) Balances with related parties

(i) Prepayment and other receivables

	2019 RMB'000	2018 RMB'000
Sky Noon	—	184
Magnificent Industrial	—	118
Brilliant Faith	—	13
China Resources Vanguard Co., Ltd.	651	—
New Jiangcheng Department Store (Jiangmen) Co., Ltd.	121	—
	772	315

(ii) Trade payables

	2019 RMB'000	2018 RMB'000
Shenzhen Zhengxin Tuwen Advertisement Co., Ltd.	—	896
Shenzhen Hengchuangxin Industrial Technology Co., Ltd.	—	1,139
	—	2,035

(iii) Right-of-use assets

	2019 RMB'000	2018 RMB'000
China Resources Vanguard Co., Ltd.	17,637	—
New Jiangcheng Department Store (Jiangmen) Co., Ltd.	3,886	—
	21,523	—

(iv) Lease liabilities

	2019 RMB'000	2018 RMB'000
China Resources Vanguard Co., Ltd.	18,429	—
New Jiangcheng Department Store (Jiangmen) Co., Ltd.	4,075	—
	22,504	—

33. Benefits and Interests of Directors

The remuneration of each director of the Company paid/payable by the Group for the years ended 31 December 2019 and 2018 are set out as follows:

Year ended 31 December 2019:

Name	Director's fee RMB'000	Salaries RMB'000	Discretionary bonus RMB'000	Social security and housing fund RMB'000	Total RMB'000
Chairman:					
Mr. Chen Qiyuan	—	347	—	23	370
Executive directors:					
Mr. Chen Hongyu	—	345	—	18	363
Mr. Qi Mingzhi *(chief executive officer)*	—	397	7	17	421
Mr. Xu Chaoqiang	—	395	35	2	432
	—	1,484	42	60	1,586
Non-Executive director:					
Mr. Shen Jing Wu *(vice chairman)*	—	—	—	—	—
Independent non-executive directors					
Mr. Huang Victor	—	98	—	—	98
Dr. Liu Jianhua	—	60	—	—	60
Mr. Yang Xuezhi	—	67	—	—	67
	—	225	—	—	225
	—	1,709	42	60	1,811

33. Benefits and Interests of Directors (Continued)

Year ended 31 December 2018:

Name	Director's fee RMB'000	Salaries RMB'000	Discretionary bonus RMB'000	Social security and housing fund RMB'000	Total RMB'000
Chairman:					
Mr. Chen Qiyuan	—	360	140	9	509
Executive directors:					
Mr. Chen Hongyu	—	188	144	9	341
Mr. Qi Mingzhi *(chief executive officer)*	—	453	200	9	662
Mr. Xu Chaoqiang	—	364	144	9	517
Non-Executive director:					
Mr. Shen Jing Wu *(vice chairman)*	—	—	—	—	—
	—	1,365	628	36	2,029

The remuneration of the executive directors of the Company shown above are for their services in relation to the management of the affairs of the Company and the Group.

Mr. Shen Jing Wu, the non-executive director of the Company, is not entitled to any remuneration.

The remuneration of the independent non-executive directors shown above are for their services as directors of the Company.

There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 December 2019 and 2018.

No retirement or termination benefits have been paid to the Company's directors for the years ended 31 December 2019 and 2018.

Saved as disclosed in Note 28 there were no loans, quasi-loans or other dealings entered into by the Company in favour of directors, controlled body corporates by and connected entities with such directors for the years ended 31 December 2019 and 2018 respectively.

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during the years ended 31 December 2019 and 2018.

No consideration was provided to third parties for making available directors' services during the years ended 31 December 2019 and 2018.

34. Contingencies

As at 31 December 2019, the Group did not have material contingent liabilities, guarantees or litigations or claims of material importance, pending or threatened against any member of the Group (2018: Nil).

35. Subsequent events

As a result of the COVID-19 situation in early 2020, a series of precautionary and control measures have been and continue to be implemented across the country/region. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. In line with government policies, all the courses of the Group have been temporarily switched from offline to online. At the same time, in response to the COVID-19 situation, the PRC government has also issued some supporting policies, including reducing or exempting companies from paying social insurance and housing provident funds, and providing loan interest subsidies, to alleviate the impact of the COVID-19 situation on businesses. As at the date of this annual report, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 situation.

36. Balance Sheet and reserve movement of the Company

		As at 31 December	
		2019	2018
	Notes	**RMB'000**	RMB'000
Assets			
Non-current assets			
Investment in a subsidiary		**73,086**	66,347
Prepayments and other receivables		**—**	35,549
Total non-current assets		**73,086**	101,896
Current assets			
Prepayments and other receivables		**109,915**	5,095
Cash and cash equivalents		**230,940**	8,986
Term deposits with original maturity over 3 months		**35,304**	—
Financial assets at fair value through profit or loss		**595**	—
Total current assets		**376,754**	14,081
Total assets		**449,840**	115,977
Liabilities			
Current liabilities			
Trade and other payables		**3,894**	4,780
Equity			
Share capital		**3,775**	339
Share premium	36(a)	**386,081**	52,897
Other reserves	36(a)	**73,086**	66,347
Accumulated losses		**(16,996)**	(8,386)
Total equity		**445,946**	111,197
Total equity and liabilities		**449,840**	115,977

36. Balance Sheet and reserve movement of the Company (Continued)

Note (a) Reserve movement of the Company

	Share premium RMB'000	Other reserves RMB'000
As at 7 February 2018 (date of incorporation)	—	—
Issuance of shares during the reorganisation	—	66,347
Issuance of shares (Note 22)	106,728	—
Dividends paid to the Company's shareholders	(53,831)	—
At 31 December 2018	52,897	66,347
At 1 January 2019	52,897	66,347
Share issued pursuant to the Listing	402,196	—
Issue of shares pursuant to the Capitalisation	(2,581)	—
Listing expense charged to share premium	(36,380)	—
Dividends paid	(30,051)	—
Share based payments	—	6,739
At 31 December 2019	386,081	73,086

In this annual report, the following expressions have the meanings set out below unless the context otherwise requires:

"AGM"	the forthcoming annual general meeting of the Company to be held on 18 May 2020
"Articles of Association"	the amended and restated articles of association of the Company
"Audit Committee"	the audit committee of the Company
"Auditor"	PricewaterhouseCoopers, the external auditor of the Company
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"CG Code"	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961), as consolidated and revised of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Company", "we" or "us"	Scholar Education Group, a company incorporated in the Cayman Islands on 7 February 2018
"COVID-19"	the infectious respiratory disease caused by the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) that was first identified in 2019
"CREG"	CRE Glory Company Limited (華創煜耀有限公司), a company incorporated in the Cayman Islands on 3 November 2017
"Director(s)"	the director(s) of the Company
"Greater Bay Area"	the Guangdong-Hong Kong-Macau Greater Bay Area
"Group"	the Company with its subsidiaries and PRC Operating Entities
"Hongde Education"	Shenzhen Hongde Education Technology Investment Consulting LP* (深圳市弘德教育科技投資諮詢合夥企業(有限合夥)), a limited partnership established in the PRC on 12 April 2017, the general partner of which is Mr. Chen Hongyu, an executive Director, and the limited partners of which are, among others, Mr. Chen Hongyu (18.1140%), Mr. Qi Mingzhi, an executive Director and the chief executive officer of the Company (10.0693%) and Mr. Xu Chaoqiang, an executive Director (17.9009%)
"HKD" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards
"Listing Date"	21 June 2019, being the date on which the Shares were listed on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Magnificent Industrial"	Magnificent Industrial Company Limited (鴻圖嘉業有限公司), a company incorporated in the BVI on 29 December 2017
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"PRC" or "China"	the People's Republic of China, excluding, for the purposes of this annual report only, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"PRC Operating Entities"	Shenzhen Scholar and its subsidiaries from time to time, each of which is an affiliated entity of the Company
"Prospectus"	the prospectus of the Company dated 12 June 2019 in connection with the global offering of the Shares
"Registered Shareholders"	the shareholders of Shenzhen Scholar, namely Mr. Chen Qiyuan the chairman of the Board, an executive Director and a controlling shareholder of the Company, Hongde Education, Xuanyang Investment, Ms. Chen Meiqin, an independent third party of the Company
"Relevant Period"	the period from the Listing Date to 31 December 2019
"RMB"	Renminbi yuan, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of US$0.001 each in the share capital of the Company
"Shareholders"	holders of Shares
"Share Option Scheme"	the post-IPO share option scheme approved and adopted by the Company on 3 June 2019
"Shenzhen Fengye"	Fengye (Shenzhen) Technology Co., Ltd.* (楓燁(深圳)科技有限公司), a company established in the PRC on 2 April 2018 and a subsidiary of the Company

"Shenzhen Scholar"	Shenzhen Scholar Culture and Education Technology and Development Co., Ltd.* (深圳市思考樂文化教育科技發展有限公司), a company established in the PRC on 4 January 2012 and one of the PRC Operating Entities
"Sky Noon"	Sky Noon International Company Limited (天晟國際有限公司), a company incorporated in the BVI on 29 December 2017
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Structured Contracts"	a series of agreements entered into between or among Shenzhen Fengye, the PRC Operating Entities and/or the Registered Shareholders in connection with the control of the PRC Operating Entities by the Group, details of which are set out in "Structured contracts" in this annual report and "Structured Contracts" in the Prospectus
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"United States"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"USD" or "US$"	United States dollars, the lawful currency of the United States
"Xuanyang Investment"	Shenzhen Xuanyang Jiuzhou Investment Consulting LP* (深圳市軒揚九州投資諮詢合夥企業(有限合夥)), a limited partnership established in the PRC which is owned as to 19.99% by Mr. Chen Qiyuan, the chairman of the Board, an executive Director and a controlling shareholder of the Company, and 80.01% by Ms. Chen Yunlei, the spouse of Mr. Chen Qiyuan
"Yu Xi International"	Yu Xi International Company Limited (語汐國際有限公司), a company incorporated in the BVI on 29 April 2019

* The English transliteration of the PRC addresses and the names of the PRC entities in this annual report, where indicated, is included for information only, and should not be regarded as the official English addresses and names.