思考乐教育
SCHOLAR EDUCATION

2020

Annual Report

Focus on Progression · Efficiently Improve Performance

思考樂教育集團

SCHOLAR EDUCATION GROUP

Stock Code: 1769

(Incorporated in the Cayman Islands with limited liability)

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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

Rooms 401-410, 4th Floor, Yunfeng Garden
29 Youyi Road, Jianan Community
Nanhu Street, Luohu 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 after-school education service provider in South China. The number of our tutoring hours exceeded 10,000,000 and the Group employed over 4,500 teachers and employees for the year ended 31 December 2020. 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.

We are based in Shenzhen with operations extending to the Greater Bay Area and Jiangsu and Zhejiang Provinces. As at 31 December 2020, we operated 152 learning centres across 12 cities in Guangdong, Jiangsu and Zhejiang Provinces. As measured by revenue, we were the second largest in Shenzhen for the year ended 31 December 2020.

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-oriented 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 from Grade 1 to 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 interest courses such as languages and performing arts courses to students from Grade 1 to Grade 3.

In May 2020, we officially established high-end classes under "Hongmeng" (鴻盟), a high-end brand of Scholar Education, with an aim to create a high-end teaching system tailored for outstanding students. Meanwhile, our "Scholar Wangxiao" (思考樂網校) online business and "Dual-teacher classroom" were put into service in the autumn of 2019. They are expected to 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 "2019 Top 10 Chained Lifestyle Services Company" (「2019年度深圳連鎖生活服务10強」) by the Shenzhen Retail Business Association (深圳市連鎖經營協會) in 2020. As a responsible corporate citizen, we also funded the construction of four new "Scholar Hope Primary Schools" this year. We will further strengthen our market position in the K-12 after-school education and training sector in China to live up to the recognition of students, parents, and people from all walks of life.

FINANCIAL HIGHLIGHTS

	For the year ended 31 December			Percentage
	2020	2019	Change	change
	RMB'000	RMB'000	RMB'000	
Revenue	749,089	711,422	37,667	5.3%
Gross profit	260,537	303,938	(43,401)	(14.3)%
Profit for the year	48,938	94,786	(45,848)	(48.4)%
Adjusted profit for the year (Note)	96,806	136,155	(39,349)	(28.9)%

Earnings per Share

	RMB cents	RMB cents	RMB cents	
Basic	8.81	19.06	(10.25)	(53.8)%
Diluted	8.59	19.01	(10.42)	(54.8)%
Adjusted earnings per Share (Note)				
Basic	17.42	27.39	(9.97)	(36.4)%
Diluted	16.98	27.31	(10.33)	(37.8)%

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 share option benefit expenses of approximately RMB27.0 million (2019: approximately RMB6.7 million), effect on the adoption of IFRS 16 — Leases of approximately RMB20.9 million (2019: approximately RMB8.8 million) and the listing expense of nil (2019: approximately RMB25.9 million) for the year ended 31 December 2020.

CHAIRMAN'S STATEMENT

To: Shareholders

On behalf of the Board, I am pleased to present this annual results report of the Group for the year ended 31 December 2020.

Results and Business Overview and Dividend

The Company has been listed on the Main Board of the Hong Kong Stock Exchange since 21 June 2019. In the past year or so since the entry into capital markets, it has not only opened up a new journey and development opportunities for the Group, but also further enhanced the brand influence of the Group. Meanwhile, it also played an active role in recruiting and attracting talents for the Group and injected abundant strengths for the rapid development of the Group in the future. As one of the top five K12 after-school education service providers in Guangdong Province, the Group continued to expand its strategic network layout in the Greater Bay Area, Jiangsu Province and Zhejiang Province, so as to expand its market share and bring better returns to our shareholders.

Despite being affected by the COVID-19 pandemic this year, the Group made substantial efforts to respond rapidly and adopted the teaching method of "original teachers, original students, original courses and original contents (原老師，原學生，原課程，原內容)", successfully transforming all offline courses into online teaching in a short period of time. Meanwhile, the Group continued to strengthen its strategic development and expansion in the Greater Bay Area, Jiangsu Province and Zhejiang Province during the COVID-19 pandemic to improve its long-term profitability. The number of the Group's learning centres increased from 100 in 2019 to 152 in 2020, while its tutoring hours increased by 18.0% to 10,198,494 hours from 8,642,092 hours in 2020.

In order to mitigate the impact of the COVID-19 pandemic and expand its student base, the Group offered special discounts and other concessionary arrangements to students during the year, resulting in a decrease of approximately 10.7% in the average tuition fee per tutoring hour from RMB82.3 in 2019 to RMB73.5 in 2020. In addition, as the learning centres that commenced operations in 2019 and 2020 were still at the growth stage in 2020, the revenue generated from these learning centres was limited, while the direct operating costs (including staff costs and benefits, amortisation, depreciation, utilities and property management expenses) remained at a relatively high level as compared to the revenue generated, resulting in a decrease in the Group's gross profit for the year.

For the year ended 31 December 2020, the Group's revenue increased to RMB749.1 million, representing a 5.3% increase as compared to last year. The Group's gross profit decreased to RMB260.5 million and its adjusted profit decreased to RMB96.8 million, representing a decrease of 14.3% and 28.9% as compared to last year, respectively.

The Board has resolved to declare a final dividend of HK$0.12 per share for the year ended 31 December 2020 to the shareholders of the Company. The final dividend is expected to be paid on or about 4 June 2021 to the shareholders whose names appear on the register of members on 26 May 2021.

Future Prospects and Development Strategies

1. To continue to expand geographical coverage and market share of the Group in the Greater Bay Area, Zhejiang Province and Jiangsu Province

The Group will continue to strengthen its strategic development in the Greater Bay Area, Jiangsu Province and Zhejiang Province. Based on its successful experience in Shenzhen, Dongguan, Foshan and Huizhou, the Group replicated its management and operation model, cross-city talent pool structure, and customer satisfaction level and loyalty on various pilot projects in new cities such as Guangzhou, Jiangmen, Zhongshan, Jiangsu, Ningbo, Zhuhai and Maoming, and have achieved initial success. Next, the Group will strengthen its development and penetration in the Greater Bay Area, Guangdong Province, Jiangsu Province and Zhejiang Province. Meanwhile, taking Guangdong as the starting point and base for future growth, the Group will replicate and apply its experience of more than ten years and its experienced team to more regions in the PRC.

The Group officially entered the Guangzhou market in the summer of 2020, marking an important milestone in its development history. In order to create targeted teaching materials on a regional level, the Group set up a "Guangzhou Specialised Teaching and Research Team" composed of renowned teachers and subject experts from Tsinghua University and Peking University, and conducted local research in Guangzhou one year earlier, focusing on region-specific teaching and self-developed teaching materials. With its excellent teaching team and high-quality teaching services, the Group has successfully built up a good reputation in a short period of time and gained recognition from parents and students. In particular, the conversion rate of summer experience courses was the highest in the entire Group. These results were encouraging. The Guangzhou market has great potential for development and will be one of the Group's future development priorities, which the Group believes will provide strong support for its future growth, product output and talent-nurturing.

As the impact of the pandemic waned, all of the Group's offline learning centres have resumed operations since June 2020. The Group took advantage of the opportunity to consolidate its operations arising from the pandemic and achieved satisfactory results with thanks to the significant efforts of its management, principals and teachers. The number of students enrolled for the winter terms that began in January 2021 increased by over 40% over the same period in 2020, which provided the Group with a strong student base that benefits the increase in its market share.

In addition, in May 2020, the Group formally established its "Hongmeng" course (鴻盟), which is one of its high-end brands with an aim of creating an exclusive high-end teaching system for outstanding students. The Hongmeng course is taught by renowned teachers from Tsinghua University, Peking University and Chinese Academy of Sciences, with curricula covering elementary schools, middle schools and high schools, and is subdivided into courses for intensive training and excellent students. The Hongmeng course strives to nurture students towards excellence by precisely assessing their performance. After systematic training with the Hongmeng course, students have achieved excellent results during the year, including hundreds of students successfully entering the top four secondary schools in Shenzhen and achieving excellent results in the Chinese High School Mathematics League. The Group will extend the "Hongmeng" course system to Dongguan and other cities to further enhance its reputation and brand influence.

At the same time, the Group will continue to expand its "Dual Teacher Class" business to cities with huge market potential and relatively weak competition, and take advantage of the online interactive live streaming technologies to combine the online live teaching by the Group's renowned teachers with the synchronous assistance by offline tutors, so that more students in second- and third-tier cities can also receive classroom experience from renowned teachers.

The Group anticipates that Scholar Culture's operation mode and management team will reinforce its competitive advantages.

2. To optimise network operation and management of the learning centres to improve operational efficiency

With its brand influence and reputation, the Group has gained a high degree of recognition from students and parents in the Greater Bay Area. To meet the growing demand for after-school education services, the Group will continue to develop its presence in markets that the Group is currently operating in, further strengthen ties and cooperation with local schools, organise more lectures related to further studies, expand its student base and improve the utilisation and performance of facilities in its existing learning centres.

At the same time, the Group will further optimise targeted teaching products on a regional level, improve teaching quality, build a high-quality teaching team, and strengthen the Scholar Cloud Platform to reduce the teaching burden of teachers and improve operational efficiency, enabling them to work in a more efficient manner.

3. To integrate online and offline education products and services (OMO)

The Group believes that offline education is still the primary and most effective learning mode for students. As such, the "Scholar Wangxiao" (思考樂網校) launched targeted and specialised online courses for integration with offline education, providing students with a learning environment with both online and offline education. The Group will gradually promote OMO education to create a diversified learning experience where students are no longer hindered by traffic and time.

4. To increase investment in teaching and research

The core of education is always its contents, while teaching and research are vital pillars. The Scholar Teaching Research Institute comprises of more than 200 teaching and research professionals who are committed to standardising the curriculum system, teaching materials and teaching methods.

In May 2020, the Group entered into a strategic cooperation agreement with Oracle (China) Software Systems Co., Ltd. ("**Oracle**"), the world's largest provider of information management software and services, to combine the Group's high quality educational resources with Oracle's advanced IT technology and data analysis platform. Oracle's agile data analysis platform provides the Group with not only more timely and accurate operational data but also a more scientific management basis, which would enhance the Group's insight and analytical ability from the client side through constant innovation, strengthen its management scope and capability, and ultimately enhance its competitiveness in the education industry and achieve improved cost efficiency. In the future, both parties will focus on the intelligent education industry to carry out in-depth cooperation and arrangements in online education, education and training using blockchain network, education and training cloud computing services and other related fields, with an aim of creating a better education mode for the PRC's education industry.

On 8 August 2020, Scholar SIR Intelligent Teaching System, which is an important part of the Group's development towards informationisation, was officially launched. SIR is taken from the initials of Systematic, Interactive and Reform respectively. This system makes the classroom more efficient, interactive and visual. The system can accurately draw geometric figures, dynamically display geometric laws and function changes, and flexibly adjust the classroom schedule, changing the previous teaching mode of being mainly teacher-led to a form of discussion between teachers and students.

The Group will continue to increase investment in research and development, and to improve the customisation and digitalisation of its teaching programs, so as to provide a better learning experience for students and make it easier for students to grasp and understand the class content and the key points of knowledge. Meanwhile, the Group will actively exchange and cooperate with local and overseas education experts to continuously improve the teachers' teaching skills.

5. To set up comprehensive teacher training bases

In addition to Shenzhen, the Group plans to set up comprehensive teacher training bases in Guangzhou, Wuhan, Jiangsu, etc.. Such bases will integrate a sound training system, an ability training model on multiple levels and the delivery of talent and quality, which will not only enhance the Group's specialised work in corporate executive training, professional teacher induction, continuing education for the employed and quality course development training, but will also provide the Group with senior management and professional teachers to meet the needs of the Group's rapid development in the future.

In addition, the Group has established talent cooperation and exchange arrangements with many colleges and universities this year, and engaged in strategic cooperation in respect of setting up employment training camps for college and university students, practical teaching bases, innovation/entrepreneurship bases for college and university students, teaching/internship employment bases, graduate recruitment, etc.. In terms of talent selection and cultivation, the Group has moved beyond "graduate recruitment" to "pre-graduation cultivation", offering guidance and assistance to college and university students in career planning and social practice, thus enabling the Group to identify and groom college and university talents with great potentials in advance. In the future, the Group will continue to build an internal and external talent introduction and development platform through in-depth cooperation with key colleges and universities to attract outstanding talents from all major universities in the PRC, and will enable excellent talents to become the core driving force in the sustainable development of the Group through the Scholar Training Institute's systematic talent selection and training interactives, thereby providing the Group with continuous talent support.

6. An employee incentive scheme with the characteristics of Scholar

Employees are the most valuable assets of the Group, and the Group has more than 4,500 employees as at the date of this announcement. During the pandemic, the Group's entire team worked side by side, understood and encouraged each other, and showed trust in each other. "Unity and teamwork" became the core philosophy that they all agreed on. Meanwhile, the Group introduced the core incentive mechanism with Scholar's characteristics, including the teacher partnership system, principal management fission mechanism and share option partnership system, which provided its teachers, principals and the core management with powerful incentives, and laid a solid foundation for the development of the Group for the next decade.

7. Inclusion in the Hong Kong Stock Connect list under the Shenzhen-Hong Kong Stock Connect

The Company has been included in the Hong Kong Stock Connect list under the Shenzhen-Hong Kong Stock Connect with effect from 15 March 2021. The Board is of the view that the Company's inclusion in the Hong Kong Stock Connect list under the Shenzhen-Hong Kong Stock Connect demonstrates the recognition of the business, operation and future prospects of the Company by the investors in the capital markets, which is expected to further diversify the shareholder structure and increase the liquidity of the shares of the Company, so as to facilitate the realisation of investment returns in the Company's shares and enhance the Company's reputation in the capital markets.

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 heartfelt appreciation 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 the "Scholar Wangxiao" of our online business and our offline layout in the Greater Bay Area, Zhejiang Province and Jiangsu Province. I believe that, with the joint efforts of our staff, the Group's offline and online businesses will continue to thrive and improve returns to the Shareholders.

Chen Qiyuan
Chairman

Hong Kong, 31 March 2021

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

	Year ended 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	749,089	711,422	493,115	375,798	170,757
Cost of sales	488,552	407,484	306,377	252,310	114,474
Gross profit	260,537	303,938	186,738	123,488	56,283
Operating profit	86,231	131,891	85,745	44,223	13,791
Profit before income tax	49,784	108,075	82,559	41,409	13,136
Profit for the year from continuing operations	48,938	94,786	69,474	35,679	10,376
Adjusted profit for the year from continuing operations	96,806	136,155	83,855	35,679	10,376

	As at 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	903,142	729,837	206,273	177,743	114,401
Current Assets	764,280	741,232	274,555	217,811	101,560
Total assets	1,667,422	1,471,069	480,828	395,554	215,601
Total Equity	538,037	553,364	115,219	21,215	24,974
Non-current liabilities	484,628	382,798	39,355	38,488	35,458
Current liabilities	644,757	534,907	326,254	335,851	155,169
Total liabilities	1,129,385	917,705	365,609	374,339	190,627
Total equity and liabilities	1,667,422	1,471,069	480,828	395,554	215,601

Financial Review

1. Revenue

	Year ended 31 December 2020 RMB'000	2019 RMB'000	Percentage Change
Academic preparation programme	739,352	696,229	6.2%
Early primary education programme	9,737	15,193	(35.9)%
Total	749,089	711,422	5.3%

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

	Year ended 31 December 2020		2019		Percentage Change	
	Student enrollments	Tutoring hours	Student enrollments	Tutoring hours		
Academic preparation programme	330,724	10,078,278	289,676	8,453,092	14.2%	19.2%
Early Primary Education Programme	3,978	120,216	6,415	189,000	(38.0)%	(36.4)%
Total	334,702	10,198,494	296,091	8,642,092	13.0%	18.0%

The Group's revenue increased by 5.3% from RMB711.4 million for the year ended 31 December 2019 to RMB749.1 million for the year ended 31 December 2020. This increase was primarily attributed to increases in the Group's total student enrollments and tutoring hours, mainly owing to the increase of the total number of our learning centres from 100 for the year ended 31 December 2019 to 152 for the year ended 31 December 2020. Such increase, however, was partially offset by a decrease in its average tuition fee per tutoring hour for its regular courses from RMB82.3 for the year ended 31 December 2019 to RMB73.5 for the year ended 31 December 2020.

2. Cost of sales

The Group's cost of sales increased by 19.9% from RMB407.5 million for the year ended 31 December 2019 to RMB488.6 million for the year ended 31 December 2020. This increase was primarily due to (i) an increase in teacher compensation and amortisation of right-of-use assets. The increase was primarily attributable to the increase of the total number of the Group's learning centres 100 for the year ended 31 December 2019 to 152 for the year ended 31 December 2020 following the expansion of the Group's learning centre network and growth of the Group's business; and (ii) additional expenses arising from the delivery of online classes during the pandemic.

3. Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit decreased by 14.3% from RMB303.9 million for the year ended 31 December 2019 to RMB260.5 million for the year ended 31 December 2020. The gross profit margin of the Group decreased from 42.7% for the year ended 31 December 2019 to 34.8% for the year ended 31 December 2020 primarily because (i) the new learning centres opened in 2019 and 2020 were during their ramping-up period, which generated relatively limited revenue while the related costs, such as amortisation of right-of-use assets related to such learning centers and salaries and benefits, were still fixed; and (ii) additional expenses arising from the delivery of online classes during the pandemic was considerable.

4. Selling expenses

The Group's selling expenses increased by 7.6% from RMB21.6 million for the year ended 31 December 2019 to RMB23.2 million for the year ended 31 December 2020. The increase was primarily due to (i) the increase in our customer service personnel as a result of the expansion of our learning centre network; and (ii) the increase in advertising and exhibition expenses in connection with parent seminars and talks held by the Group to promote its brand and services after the pandemic. Such increase, however, was partially offset by a decrease in entertainment expenses relating to business activities.

5. Administrative expenses

The Group's administrative expenses increased by 15.2% from RMB132.2 million for the year ended 31 December 2019 to RMB152.3 million for the year ended 31 December 2020. The increase was primarily due to the increase of RMB40.0 million in salaries and benefits for our administrative personnel as a result of the expansion of the Group's learning centre network and growth of its business. Such increase, however, was partially offset by the decrease of the non-recurring listing expenses of RMB25.8 million the Company incurred for the year ended 31 December 2019 in connection with the listing of the Shares on the Stock Exchange in June 2019.

6. Research and development expenses

The Group's research and development expenses increased by 26.1% from RMB45.2 million for the year ended 31 December 2019 to RMB57.0 million for the year ended 31 December 2020. The increase was primarily due to the increase of RMB8.2 million in salaries and benefits as a result of the increase in the number of our research and development personnel.

7. Other income — net

The Group's other income increased by 324.1% from RMB8.3 million for the year ended 31 December 2019 to RMB35.2 million for the year ended 31 December 2020. This increase was primarily due to (i) an increase of RMB25.3 million in government grants primarily as a result of the government's measures to relief the economic consequences of the COVID-19 pandemic; and (ii) an increase of RMB1.1 million in finance income. Such increases, however, were offset in part by the decrease of RMB1.3 million in net sub-lease income.

8. Other gains — net

The Group's other net gains increased by 23.5% from RMB18.7 million for the year ended 31 December 2019 to RMB23.1 million for the year ended 31 December 2020. This increase was primarily attributable to an increase of RMB15.2 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 the Group's wealth management products. The increase, however, was partially offset by the decrease in exchange gain of RMB8.8 million as a result of depreciation of cash and bank deposits denominated in USD and HKD.

9. Finance costs

The Group's finance costs increased by 52.9% from RMB23.8 million for the year ended 31 December 2019 to RMB36.4 million for the year ended 31 December 2020, primarily due to an increase in interest expenses on lease liabilities of RMB10.1 million and in borrowings of RMB2.5 million.

10. Profit before income tax

As a result of the foregoing, the Group's profit before income tax decreased by 53.9% from RMB108.1 million for the year ended 31 December 2019 to RMB49.8 million for the year ended 31 December 2020.

11. Income tax expenses

The income tax expenses of the Group were approximately RMB13.3 million for the year ended 31 December 2019 as compared to the income tax expenses of RMB0.8 million for year ended 31 December 2020. The effective tax rate of the Group was 12.3% for the year ended 31 December 2019 as compared to the effective tax rate of 1.7% for the year ended 31 December 2020. The decrease in the effective tax rate was primarily due to (i) the fact that two subsidiaries of the Group has obtained the qualification as a "High and New Technology Enterprise" and enjoyed a preferential enterprise income tax rate of 15%; (ii) the increase in research and development expenses, which entitled the Group to additional deduction in tax assessment; and (iii) recognition of deferred tax assets.

12. Profit for the year

As a result of the foregoing, the Group's profit for the year decreased by 48.4% from RMB94.8 million for the year ended 31 December 2019 to RMB48.9 million for the year ended 31 December 2020.

Five Year Financial summary

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 11 of this annual report. This summary does not form part of the audited consolidated financial statements.

Adjusted profit for the year

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 Shareholders and investors of the Company with additional information 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 the analysis of, the Company's results of operations or financial condition as reported under IFRS.

The following table reconciles the Group's adjusted profit for the years presented to the most directly comparable financial measure calculated and presented in accordance with IFRS:

	Year ended 31 December		Percentage
	2020	2019	Change
	RMB'000	RMB'000	
Profit for the year	48,938	94,786	(48.4)%
Add:			
Share option benefit expenses (Note 1)	26,958	6,739	300.0%
Effect on the adoption of IFRS 16 — Leases (Note 2)	20,910	8,793	137.8%
Listing expenses (Note 3)	—	25,837	(100.0)%
Adjusted profit for the year	96,806	136,155	(28.9)%

Notes:

(1) Share option benefit expenses: These expenses were incurred in connection with the share options granted to the employees of the Group on 25 September 2019, which are recognised over the share options' respective vesting period starting from the grant date to the vesting date. These expenses are non-cash and are not directly relevant to the Group's operating performance.

(2) Effect on the adoption of IFRS 16 — Leases: The effects of application of IFRS 16 include (i) the depreciation of right-of-use assets that is higher than the rental expenses that would have been incurred under IAS 17 — Leases. Such depreciation expenses significantly increased the Group's costs of sales; and (ii) the increase in interest expenses on lease liabilities, which significantly increased the Group's finance costs. Such effects were due to the changes of relevant accounting standard and are not directly relevant to the Group's operating performance.

(3) Listing expenses: These expenses were incurred for the purpose of listing of the Shares on the Stock Exchange, which was completed on 21 June 2019. Such expenses are non-recurring in nature and are not directly relevant to the Group's operating performance.

Liquidity, Financial Resources and Capital Structure

The total equity of the Group as at 31 December 2020 was RMB538.0 million (2019: RMB553.4 million). The Group generally finances its operation with internally generated cash flows. As at 31 December 2020, the Group's cash and cash equivalents increased by 83.3% from RMB241.5 million as at 31 December 2019 to RMB442.6 million. The significant increase of cash and cash equivalents for the year ended 31 December 2020 was primarily attributable to the net cash inflow generated from operating activities.

As at 31 December 2020, the current assets of the Group amounted to RMB764.3 million, including RMB298.9 million (2019: RMB447.6 million) in financial assets at fair value through profit or loss, RMB442.6 million (2019: RMB276.8 million) in bank balances and cash and other current assets of RMB22.8 million (2019: RMB16.8 million). The current liabilities of the Group amounted to RMB644.8 million (2019: RMB534.9 million), of which RMB357.0 million (2019: RMB283.4 million) are contract liabilities, RMB117.8 million (2019: RMB100.0 million) in lease liabilities, RMB54.4 million (2019: RMB38.3 million) are short-term interest bearing bank borrowings and approximately RMB115.6 million (2019: RMB113.2 million) are other payables and accruals.

The Group had total bank borrowings of RMB54.4 million (2019: RMB61.4 million), all of which were denominated in RMB (2019: all). The bank borrowings of the Group as at 31 December 2020 are wholly repayable within one year (2019: (i) approximately 62.5% are repayable within one year; (ii) approximately 5.7% are repayable between one and two years ; (iii) approximately 18.9% are repayable between two and five years; and (iv) approximately 12.9% are repayable over five years). The Group's gearing ratio as at 31 December 2020 was 10.1% (2019: 11.1%), based on the short-term and long-term interest bearing bank borrowings and the equity attributable to the Shareholders. As at 31 December 2020 and 2019, all of our bank borrowing are variable rate borrowings. As at 31 December 2020, the Group had net current assets of RMB119.5 million (2019: RMB206.3 million).

Treasury Management Policy

The treasury management policy of the Group is to utilise surplus cash reserves to invest in low-risk wealth management products to 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) low-risk, principal-protected unit trusts, structured deposits and other financial instruments issued by trust companies and commercial banks based in the PRC and the United States of America; (ii) money market instruments such as certified deposits and currency funds; and (iii) 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 approves 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 associated with 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 and 2020 were denominated in USD and HKD. 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 was no significant investment held, material acquisition and disposal of subsidiaries, associates and joint ventures by the Company for the year ended 31 December 2020. The Group will endeavour to keep abreast of the changing market conditions and proactively identify investment opportunities with a view to broadening its revenue base and enhancing its future financial performance and profitability. The Directors are confident in the future growth of the Company. As at 31 December 2020, none of the investments held by the Group were direct equity investments in any investee company nor individually exceeds 5% of the total assets of the Group as at 31 December 2020.

Save as disclosed in the Prospectus and in this annual report, the Group did not have any plans for significant investments as at 31 December 2020.

Contingencies

As at 31 December 2020, 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 (2019: nil).

Pledge of Assets

As at 31 December 2020, all bank borrowings were unsecured with guarantee (2019: bank borrowings of RMB61.4 million was secured by the property, plant and equipment and right-of-use assets for lands of the Group, net book value of which amounted to RMB42.7 million and approximately RMB37.7 million 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 4,574 employees as at 31 December 2020 (2019: 3,510 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 concerned. 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.

Declaration of Final Dividend

The Board has resolved to recommend the payment of a final dividend of HK$0.12 per Share for the year ended 31 December 2020 to the Shareholders. The final dividend is subject to the approval of the Shareholders at the AGM and the final dividend is expected to be payable on 4 June 2021 to the Shareholders whose names appear on the register of members of the Company on 26 May 2021.

The Board declared an interim dividend of HK$0.06 per Share for the six months ended 30 June 2020 to the Shareholders. The interim dividend had been paid on 15 October 2020 to those Shareholders whose names appeared on the register of members on 11 September 2020.

Closure of the Register of Members

The register of members of the Company will be closed from 13 May 2021 to 18 May 2021, 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 2021.

The register of members of the Company will also be closed on 26 May 2021 in order to determine the entitlement of the Shareholders to receive the final dividend, and no share transfers will be registered on such date. To qualify for the final 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 25 May 2021.

Subsequent events

There were no significant events affecting the Group after 31 December 2020.

Directors

Executive Directors

Mr. Chen Qiyuan (陳啟遠), aged 38, 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, as well as supervises and takes charge of the various branches of the Group in Guangzhou, Foshan and Zhejiang. Mr. Chen Qiyuan is a brother-in-law of Mr. Chen Hongyu and a cousin of Mr. Xu Chaoqiang.

Mr. Chen has over ten 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 then 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 has been appointed as the visiting professor at Lingnan Normal University (嶺南師範學院) in March 2021.

Mr. Chen Hongyu (陳弘宇), aged 35, who had 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 15 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 36, who had 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 November 2020, Mr Qi's primary responsibility has shifted from monitoring the Group's education work to being in charge of the Group's overall management and operation. He has also been appointed as the operations director, and has been supervising the Group's customer service centre, the Maoming branch of the Group and various branches of the Group in Zhejiang Province, contributing towards the overall strategic planning and realisation of the business objectives of the Group.

Mr. Qi has over eight 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 42, who had 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. Since November 2020, Mr. Xu has been appointed as the principal of learning centres of the Group in Dongguan city, and has been responsible for managing the Jiangmen branch of the Group. His primary responsibility has shifted from managing learning centres in the Yanlong District, Shenzhen to the overall management and operation of the Group in Dongguan and Jiangmen, as well as to the cost control, organic growth and realisation of business objectives of the Group in such regions. Mr. Xu Chaoqiang is a cousin of Mr. Chen Qiyuan.

Mr. Xu has over eight 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 re-designated and promoted to be the principal of learning centres in Futian district, Shenzhen in January 2017 and became 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 51, who had 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 the Group with advice on business strategy and development.

Mr. Shen has a wealth of experiences in management and investment. He has been 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 49, was appointed as an independent non-executive Director with effect from 11 June 2019.

Mr. Huang has over 27 years of experience in professional accounting, capital market and merger and acquisition. Mr. Huang joined PricewaterhouseCoopers Hong Kong in January 1993 and was 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; (vi) China Bright Culture Group (煜盛文化集團) (stock code: 1859), a company listed on the Stock Exchange; (vii) New Times Energy Corporation Limited (新時代有限公司) (stock code: 166), a company listed on the Stock Exchange; (viii) COSCO SHIPPING Energy Transportation Co Ltd (中遠海運能源運輸股份有限公司) (stock code: 1138), a company listed on the Stock Exchange; and (ix) Evergrande Property Services Group Limited (恒大物業服務有限公司) (stock code: 6666), a company listed on the Stock Exchange.

Mr. Huang is a member of the Hong Kong Institute of Certified Public Accountants and the Hong Kong Independent Non-Executive Director Association. 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 40, 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 12 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 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 talents (academics)* (全國會計領軍人才(學術類)).

Dr. Liu also has years of experience in professional accounting in relation to listed companies. Dr. Liu is currently the independent non-executive director of (i) FingerTango Inc. (指尖悅動控股有限公司) (stock code: 6860), a company listed on the Stock Exchange; (ii) 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.; (iii) Guangzhou Ruoyuchen Technology Company Limited (廣州若羽臣科技股份有限公司) (stock code: 003010), a company listed on the SME Board of the Shenzhen Stock Exchange; and (iv) By-HealthCo., Ltd (湯臣倍健股份有限公司) (stock code: 300146), a company listed on the ChiNext board of the Shenzhen Stock Exchange (深交所創業板上市公司). Dr. Liu ceased to be an independent non-executive director of 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, with effect from 31 August 2020.

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 73, 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 50 years of experience in the education industry. From August 1970 to November 2007, he worked in Hebei Hejiapingzhen High School and Fuzhou No. 24 Middle School with this last position as the vice principal for 25 years. 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 has also held successive offices as 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 eight main editions of which were published in 2009, "Elementary Mathematical Analysis in China《初等數學研究在中國》" since March 2019; "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》)" (600,000 words), 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 (785,000 words), which was published in August 2012, with a total of six publications.

Mr. Yang was also the guest speakers, adjudicators and trainers on 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). In 2009, he was honoured to have been awarded the first "Outstanding Contribution in Elementary Mathematical Analysis" award in China.

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 35, who had 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. From November 2020, Mr. Ho has been appointed as the principal of the learning centres of the Group in Shenzhen city and the leader of the executive management committee, been managing the Group's Zhongshan branch, as well as been responsible for the cost control, organic growth and realisation of business objectives of the Group. At the same time, he has also been responsible for coordinating and implementing the recruitment, training and development of the executives of the Group.

Mr. He has over eight 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 38, joined the Group in July 2013, and was appointed as a vice general manager of the Group on 8 December 2018. From November 2020, Ms. Li's primary responsibility has shifted from being in charge of the Group's overall management and operation to monitoring the Group's education and research work, managing the Group's subject management centre and teaching and research institute, improving the education quality of the Group, and managing the standardisation and institutionalisation of the Group's products. Ms. Li is also the principal of the learning centres of the Group in Zhuhai city.

She has over 13 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 41, 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 19 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 43, who had 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 19 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), responsible for 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 served 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 of 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 2020.

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 2020 are set out in Note 21 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 2020 were approximately RMB749.1 million and RMB96.8 million, respectively. Of such revenue, approximately 98.7% was derived from academic preparation programmes and approximately 1.3% was derived from early primary education programmes. For details, please see the audited consolidated statement of comprehensive income set out on page 110 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 7 to 9 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 2020, 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 2020, 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 that, to the knowledge of the Directors, owns more than 5% of the Company's share capital had an interest in the Group's major customers or suppliers.

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 various aspects of its business, including health and safety, workplace conditions, employment and the environment. The Group has implemented environmental protection measures and encouraged its members of staff to be environmentally 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 environment-related violations during the year ended 31 December 2020.

For details of the Company's environmental policies and performance, and the relations with employees, customers and suppliers, please see the Environmental, Social and Governance Report of the Company for the year ended 31 December 2020 on pages 77 to 104 of this annual report.

Compliance with Relevant Laws and Regulations

During the year ended 31 December 2020, 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 2020 are set out in Note 14 to the consolidated financial statements.

Share Capital

Details of the movements in the share capital of the Company during the year ended 31 December 2020 are set out in Note 21 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 2020 are set out in Note 24 to the consolidated financial statements.

As at 31 December 2020, the Company's reserves available for distribution to the Shareholders consisted of share premium of approximately RMB295.9 million (2019: RMB386.1 million) and retained profits of approximately RMB173.0 million (2019: RMB124.1 million). 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 2020 are set forth in Note 12 to the consolidated financial statements.

Bank Borrowings

As at 31 December 2020, the Group had bank borrowings of approximately RMB54.4 million (2019: approximately RMB61.4 million), details of which were disclosed in Note 28 to the consolidated financial statements.

Directors

The Directors during the year 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 Hongyu, Mr. Shen Jing Wu and Dr. Jianhua 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 2021.

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 21 to 26 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 is 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 has been 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 2020 are set out in Note 9(b) to the consolidated financial statements.

For the year ended 31 December 2020, 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 2020.

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.

The Company has adopted the Share Award Scheme to provide incentives to eligible employees of the Group. Details of the Share Award Scheme are set out in "Share Award Scheme" in this annual report.

Directors' Interests in Transactions, Arrangements or Material Contracts

Save as disclosed in this annual report, no Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts 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 year.

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, according 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 2020.

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 2020.

As at 31 December 2020, none of the Directors or their associates had any competing interests in the businesses which competed 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 2020.

Material Contracts

Save as disclosed in this annual report, none of the Company or any of its subsidiaries or PRC Operating Entities entered into any material contracts with the controlling shareholders or any of their subsidiaries other than the Company, nor was there any material contracts 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 2020.

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 2020.

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

As at 31 December 2020, 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 Qiyuan[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 Qiyuan[1]	Mr. Chen Qiyuan	7,800,000	39%

Save as disclosed above, as at 31 December 2020, 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 2020 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 was 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 2020, 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 2020, 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 ten years commencing on the Listing Date, and it has a remaining life of approximately eight 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 year 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 Year**	**Exercised during the Year**	**Lapsed/ cancelled during the Year**	**Outstanding as at 31 December 2020**
Employees of the Group	25 September 2019	HK$7.50	—	27,785,000 (Note 1)	—	—	27,785,000
Total			—	27,785,000 (Note 1)	—	—	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 on 25 September 2019 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.

Share Award Scheme

The Share Award Scheme was approved and adopted by the Board on 28 December 2020. A summary of the Scheme is set out below. For further details, please refer to the announcement of the Company dated 28 December 2020.

Duration

Subject to any early termination as may be determined by the Board pursuant to Scheme Rules, the Scheme shall be valid and effective from 28 December 2020 to the date the last of the Awarded Shares has been vested and transferred to the relevant selected participant or has lapsed in accordance with the Scheme Rules provided that no Award shall be made on or after the tenth anniversary date of the Adoption Date.

Purpose and objectives

The purposes and objectives of the Share Award Scheme are (i) to recognise the contributions by certain Eligible Participants and to provide them with incentives in order to retain them for the continual operation and development of the Group; (ii) to attract suitable personnel for further development of the Group; and (iii) to provide certain Eligible Participants with a direct economic interest in attaining a long-term relationship with the Group.

Administration

The Scheme shall be subject to the administration of the Board in accordance with the Scheme Rules and the terms of the Trust Deed. The Trustee shall hold the trust fund (including the Awarded Shares and related income) in accordance with the terms of the Trust Deed. The Board may from time to time issue implementation and operation manual for the Scheme.

Operation

The Board may, at any time and from time to time, cause to be paid by the Group an amount of cash to the Trustee for the purchase of Shares on the market at the prevailing market price for the operation of the Scheme. Once purchased, the Shares are to be held by the Trustee for the award of Shares under the Scheme. As no new Shares will be issued for the award of Shares under the Scheme, the Operation of the Scheme is not expected to have a dilutive impact to the Shareholders.

Scheme limit

As the operation of the Scheme will not involve any issuance of new Shares and is not expected to have any dilutive impact to the Shareholders, the Board does not consider that it is necessary to set a scheme limit for the Scheme. However, the maximum number of shares which may be awarded to a Selected Participant under the Scheme shall not exceed 1% of the issued share capital of the Company as at the Adoption Date.

Award of awarded shares

Subject to the Scheme Rules, the Board may, from time to time, at its sole and absolute discretion select any Eligible Participant (other than an Excluded Participant) for participation in the Scheme as a Selected Participant. As at the date of this announcement, the Board has not identified any Eligible Participant for the grant of any Award.

In determining the number of Awarded Shares for a Selected Participant, the Board may take into consideration matters including (without limitation), the general financial condition of the Group and the rank and performance of the relevant Selected Participant.

The Board is entitled to impose any conditions (including, without limitation, the performance, operating and financial targets and other criteria such as payment of grant price, if any, to be satisfied by the Selected Participant), as it deems appropriate in its sole and absolute discretion before the Awarded Shares can vest. The Board shall inform (i) such Selected Participant the number of Awarded Shares, the vesting conditions and the vesting schedule; and (ii) the Trustee the relevant information of the Selected Participant and the relevant conditions of the Awarded Shares.

No Awards will be granted to any Excluded Participant, including any connected person of the Company at the time of the proposed grant.

Any Award made under the Scheme Rules shall be personal to the Selected Participant to whom it is made and shall not be assignable or transferrable and, subject to the Scheme Rules, no Selected Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to such Award or the related income or any of the Returned Shares under the Scheme prior to the Vesting Date.

Vesting of Awarded Share

Subject to the terms and conditions of the Scheme and the fulfillment of all relevant vesting conditions, the respective Awarded Shares held by the Trustee on behalf of a Selected Participant pursuant to the provision of the Scheme Rules shall vest in such Selected Participant in accordance with the vesting schedule (if any) and the Trustee shall cause the Awarded Shares to be transferred to such Selected Participant on the Vesting Date(s), provided that the Selected Participant remains at all times after the grant of the Award and on each relevant Vesting Date an Eligible Participant.

Where any Awarded Shares and the related income which is in the form of Shares are not vested in any Selected Participant for whatever reasons in accordance with the Scheme Rules, all such unvested Awarded Shares and the related income shall become and for all intents and purposes be deemed to become the Returned Shares for the purposes of the Scheme and in accordance with the Scheme Rules.

In respect of a Selected Participant who retired by agreement with a member of the Group at any time prior to or on the Vesting Date, all the Awarded Shares of the relevant Selected Participant shall be deemed to be vested on the day immediately prior to his or her retirement with the relevant member of the Group.

Disqualification of Selected Participant

In the event that prior to or on the Vesting Date, a Selected Participant is found to be an Excluded Participant or is deemed by the Board in its sole and absolute discretion to cease to be an Eligible Participant under the following circumstances:

(a) where such person has committed any act of fraud or dishonesty or misconduct;

(b) where such person has been declared or adjudged to be bankrupt by a competent court or governmental body or has failed to pay his or her debts as they fall due (after the expiry of any applicable grace period) or has entered into any arrangement or composition with his or her creditors generally or an administrator has taken possession of any of his or her assets;

(c) where such person has been convicted of any criminal offence; or

(d) where such person has been convicted of or is being held liable for any offence under or any breach of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) or other securities laws or regulations in Hong Kong or any other applicable laws or regulations in force from time to time.

Lapse of Award

(1) Total Lapse

In the event that prior to or on the Vesting Date, under the following circumstances and subject to the terms of the Scheme, the Award shall, unless the Board otherwise agrees, lapse forthwith and the Awarded Shares of such Award shall not vest on the relevant Vesting Date but shall become Returned Shares for the purpose of the Scheme:

(i) the relevant Selected Participant dies or ceases to be an Eligible Participant;

(ii) the Subsidiary by which a Selected Participant is employed ceases to be a Subsidiary of the Company (or of a member of the Group); or

(iii) an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company.

(2) Partial Lapse

In the event that prior to or on the Vesting Date, under the following circumstances and subject to the terms of the Scheme, the relevant part of the Award made to such Selected Participant shall, unless the Board otherwise agrees, lapse forthwith and the relevant Awarded Shares shall not vest on the relevant Vesting Date but shall become Returned Shares for the purpose of the Scheme:

(i) a Selected Participant is found to be an Excluded Participant; or

(ii) a Selected Participant fails to return duly executed transfer documents prescribed by the Trustee for the relevant Awarded Shares within the stipulated period.

In case there is any lapsed Award, the Trustee shall hold the Returned Shares subject to future grants to be made by the Board in its sole and absolute discretion.

Restrictions

No Award shall be made by the Board pursuant to the Scheme Rules and no payment shall be made to the Trustee and no instructions to purchase Shares shall be given to the Trustee under the Scheme where any Director is in possession of inside information in relation to the Group or where dealings in Shares by Directors are prohibited under any code or requirement of the Listing Rules and all applicable laws from time to time, including the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

Alteration of the Scheme

The Scheme may be altered in any respect by a resolution of the Board provided that no such alteration shall operate to affect materially and adversely any subsisting rights of any Selected Participant under the Scheme Rules. Written notice of any amendment to the Scheme shall be given to all Selected Participants and the Trustee.

Voting Rights

The Trustee shall not exercise the voting rights in respect of any Shares held by it as nominee or under the Trust (if any).

Termination

If not otherwise extended by the Board, the Scheme shall terminate on the earlier of (i) the 10th anniversary date of the Adoption Date; and (ii) such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any Selected Participant under the Scheme.

Upon termination of the Scheme, all Shares remaining in the trust fund of the Trust shall be sold by the Trustee. The net proceeds of aforesaid sale and such other funds remaining in the Trust shall be remitted to the Company forthwith after the sale. For the avoidance of doubt, the Trustee may not transfer any Shares to the Company nor may the Company otherwise hold any Shares whatsoever (other than its interest in the proceeds of sale of such Shares mentioned above).

Share Purchase pursuant to the Share Award Scheme

On 28 December 2020, the Board also resolved to provide from time to time but in any event a total sum of not exceeding HK$100 million for the Trustee to purchase existing Shares on the market at the prevailing market price (the "**Share Purchase**") at appropriate time and hold such Shares for future award of Shares under the Scheme.

As at the date of this annual report, the Trustee has purchased a total number of 3,938,000 Shares on the market to hold on trust for the benefit of the Selected Participants pursuant to the Scheme Rules and the Trust Deed. The balance of Shares held by the Trustee immediately after the Share Purchase represents approximately 0.709% to the total number of Shares in issue as at the date of this annual report.

The Company will continue to closely monitor market conditions and its trading share price and instruct the Trustee to undertake share repurchase for the purpose of the Scheme as and when appropriate. As at the date of this annual report, no Shares have been awarded to any Selected Participants pursuant to the Scheme. The Board will constantly review and determine at its absolute discretion such number of awarded Shares to be awarded to the Selected Participants under the Scheme with such vesting conditions as the Board may deem appropriate.

Equity-linked Agreements

During the year ended 31 December, 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 2020, the Group entered into the following tenancy agreements that constitute partially-exempt connected transactions:

1. Liwan Tenancy Agreement
On 29 April 2020, Vanguard Department Store (Guangzhou) Co., Ltd.* (華潤萬家生活超市(廣州)有限公司) ("**Vanguard Department Store (Guangzhou)**"), and Guangzhou Scholar Education Consultancy Co., Ltd.* (廣州思考樂教育諮詢有限公司), entered into a tenancy agreement for a term commencing on 1 April 2020 and expiring on 15 April 2027, principal terms of which are set out below:

Parties	:	(1) Vanguard Department Store (Guangzhou), a subsidiary of China Resources Vanguard Co., Ltd.* (華潤萬家有限公司) ("**CR Vanguard**"), as lessor; and (2) Guangzhou Scholar Education Consultancy Co., Ltd.* (廣州市思考樂教育諮詢有限公司), a consolidated affiliated entity of the Company, as tenant
Premises	:	No. 12 Zhongshan 8th Road, Liwan District, Guangzhou, Guangdong Province, the PRC* (中國廣東省廣州市荔灣區中山八路12號)
Saleable area	:	Approximately 825 sq.m.
Monthly rent	:	RMB115,500 (inclusive of management fees, but exclusive of water, electricity and gas charges and insurance, which are borne by Guangzhou Scholar Education Consultancy Co., Ltd.)
Monthly rent adjustment	:	The monthly rent will be adjusted upward by 3% upon 1 April 2021 and then by 5% each year upon 1 April 2022

Please see the announcement of the Company dated 29 April 2020 for further details.

2. Xinhui Tenancy Agreement

On 29 May 2020, 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**") and Jiangmen Scholar Education Consultancy Co., Ltd.* (江門市思考樂教育諮詢有限公司) entered into a tenancy agreement for a term commencing on 15 May 2020 and expiring on 14 May 2028, principal terms of which are set out below:

Parties	:	(1) New Jiangcheng Department Store, a wholly-owned subsidiary of CR Vanguard, as lessor; and (2) Jiangmen Scholar Education Consultancy Co., Ltd.* (江門市思考樂教育諮詢有限公司), a subsidiary of the Company, as tenant
Premises	:	No. 30 Zhenxing 2nd Road, Xinhui District, Jiangmen, Guangdong Province, the PRC* (中國廣東省江門市新會區振興二路30號)
Saleable area	:	Approximately 716.4 sq.m.
Monthly rent	:	RMB25,074 (inclusive of management fees, but exclusive of water, electricity and gas charges, which are borne by Jiangmen Scholar Education Consultancy Co., Ltd)
Monthly rent adjustment	:	The monthly rent will be adjusted upward by 3% upon 15 May 2021 and then by 5% each year upon 15 May 2022

Please see the announcement of the Company dated 29 May 2020 for further details.

3. Huadu Tenancy Agreement

On 2 November 2020, Vanguard Department Store (Guangzhou) and Guangzhou Scholar Education Consultancy Co., Ltd.* (廣州市思考樂教育諮詢有限公司) entered into a tenancy agreement for a term commencing on 25 October 2020 and expiring 24 October 2028, principal terms of which are set out below:

Parties	:	(1) Vanguard Department Store (Guangzhou), a subsidiary of CR Vanguard, as lessor; and (2) Guangzhou Scholar Education Consultancy Co., Ltd.* (廣州市思考樂教育諮詢有限公司), a consolidated affiliated entity of the Company, as tenant
Premises	:	Room 01, 3rd Floor, No. 31 Yunshan Avenue, Huadu District, Guangzhou, Guangdong Province, the PRC* (中國廣東省廣州市花都區雲山大道31號三層01號)
Saleable area	:	Approximately 702 sq.m.
Monthly rent	:	RMB28,080 exclusive of management fees and water, electricity and gas charges, which are borne by Guangzhou Scholar Education Consultancy Co., Ltd)
Monthly rent adjustment	:	The monthly rent will be adjusted upward by 3% upon 25 October 2021, and then by 5% each year upon 25 October 2022.

Please see the announcement of the Company dated 2 November 2020 for further details.

4. Xiangzhou Tenancy Agreement

On 2 November 2020, Vanguard Department Store (Zhuhai) Co., Ltd.* (華潤萬家生活超市(珠海)有限公司 ("**Vanguard Department Store (Zhuhai)**") and Zhuhai Scholar Education Consultancy Co., Ltd.* (珠海市思考樂教育諮詢有限公司) entered into a tenancy agreement for a term commencing on 26 October 2020 and expiring on 25 October 2028, principal terms of which are set out below:

Parties	:	(1) Vanguard Department Store (Zhuhai), a subsidiary of CR Vanguard, as lessor; and (2) Zhuhai Scholar Education Consultancy Co., Ltd.* (珠海市思考樂教育諮詢有限公司), a consolidated affiliated entity of the Company, as tenant
Premises	:	Shop 3001, No. 808 Renmin West Road, Xiangzhou District, Zhuhai, Guangdong Province, the PRC* (中國廣東省珠海市香洲區人民西路808號3001舖)
Saleable area	:	Approximately 571 sq.m.
Monthly rent	:	RMB51,390 (exclusive of management fees and water, electricity and gas charges, which are borne by Zhuhai Scholar Education Consultancy Co., Ltd.)
Monthly rent adjustment	:	The monthly rent will be adjusted upward by 3% upon 26 October 2021, and then by 5% each year upon 26 October 2022

Please see the announcement of the Company dated 2 November 2020 for further details.

5. Torch Development Zone Tenancy Agreement

On 2 November 2020, Shenzhen Vanguard Department Store Co., Ltd.* (深圳華潤萬佳超級市場有限公司) ("**Shenzhen Vanguard Department Store**") and Zhongshan Scholar Education Consultancy Co., Ltd.* (中山市思考樂教育諮詢有限公司) entered into a tenancy agreement for a term commencing on 1 November 2020 and expiring 15 June 2026, principal terms of which are set out below:

Parties	:	(1) Shenzhen Vanguard Department Store, a subsidiary of CR Vanguard, as lessor; and (2) Zhongshan Scholar Education Consultancy Co., Ltd.* (中山市思考樂教育諮詢有限公司), a consolidated affiliated entity of the Company, as tenant
Premises	:	2nd Floor, No. 17 Yiling Road, Torch Hi-Tech Industrial Development Zone, Zhongshan, Guangdong Province, the PRC* (中國廣東省中山市火炬高技術產業開發區頤嶺路17號二層)
Saleable area	:	Approximately 741.7 sq.m.
Monthly rent	:	RMB18,542.50 (exclusive of management fees and water, electricity and gas charges, which are borne by Zhongshan Scholar Education Consultancy Co., Ltd)
Monthly rent adjustment	:	The monthly rent will be adjusted upward by 3% upon 1 November 2021, then by 5% upon 1 November 2022, and then by further 5% upon 1 November 2024.

Please see the announcement of the Company dated 2 November 2020 for further details.

6. Shunde Tenancy Agreement

On 2 November 2020, Shenzhen Vanguard Department Store and Foshan Scholar Culture Center Co., Ltd.* (佛山市思考樂文化有限公司) entered into a tenancy agreement for a term commencing on 1 November 2020 and expiring on 31 October 2028, principal terms of which are set out below:

Parties	:	(1) Shenzhen Vanguard Department Store, a subsidiary of CR Vanguard, as lessor; and (2) Foshan Scholar Culture Center Co., Ltd.* (佛山市思考樂文化有限公司), a consolidated affiliated entity of the Company, as tenant
Premises	:	Shops 33001–33028, Beijiao Commercial Plaza, No. 10 Renchang Road, Beijiao Community Residents Committee, Beijiao Town, Shunde District, Foshan, Guangdong Province, the PRC* (中國廣東省佛山市順德區北滘鎮北滘社區居民委員會人昌路10號北滘商業廣場33001號–33028號商舖)
Saleable area	:	Approximately 760 sq.m.
Monthly rent	:	RMB41,800 (inclusive of management fees, but exclusive of water, electricity and gas charges, which are borne by Foshan Scholar Culture Center Co., Ltd.*)
Monthly rent adjustment	:	The monthly rent will be adjusted upward by 3% upon 1 November 2021, and then by 5% each year upon 1 November 2022.

Please see the announcement of the Company dated 2 November 2020 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 RMB21,612,000.

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 Vanguard Department Store (Guangzhou), New Jiangcheng Department Store, Vanguard Department Store (Zhuhai) and Shenzhen Vanguard Department Store (which are the lessors under the tenancy agreements above) are subsidiaries of China Resources (Holdings) Company Limited, Vanguard Department Store (Guangzhou), New Jiangcheng Department Store, Vanguard Department Store (Zhuhai) and Shenzhen Vanguard 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 in respect of the provision of printing services with regard to 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 is 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 RMB9.4 million, RMB12.2 million and RMB15.9 million, 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 spousal 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 2020 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 has 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; or

(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

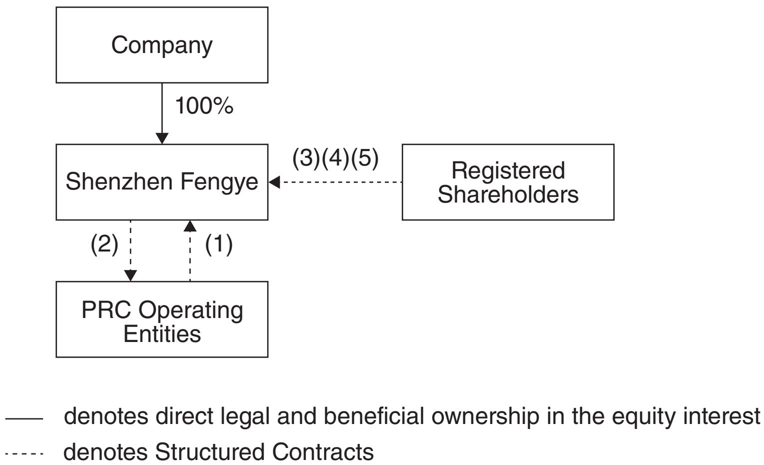
The following summarised generally the status of the Structured Contracts adopted by the Group given the PRC legal restriction imposed on the shareholding structure over the business the Group is engaging. For further details of the Structured Contracts, please refer to "Structured Contracts" in the 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) (2020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 Implementing Measures for the Regulation on Operating Sino-Foreign Schools of the PRC (《中外合作辦學條例實施辦法》) (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 are not limited to:

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

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

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

(d) providing 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 has agreed to provide exclusive technical services to the PRC Operating Entities, including but not limited to:

(a) designing, developing, updating and maintaining education software for computer and mobile devices;

(b) designing, developing, updating and maintaining webpages and websites necessary for the education activities of the PRC Operating Entities;

(c) designing, developing, updating and maintaining management information systems and other internal management systems necessary for the education activities of the PRC Operating Entities;

(d) providing other technical support necessary for the education activities of the PRC Operating Entities;

(e) providing technical consulting services;

(f) providing 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 becomes permitted under law.

(3) Exclusive Call Option Agreement

Pursuant to 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 the 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 the 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 the 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 has 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 the performance of the Structured Contracts, 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; and

(b) dispose of the pledged equity interest in other manners 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 has 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) Spousal Undertaking

Pursuant to the Spousal 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 Spousal 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 of Mr. Chen Qiyuan in shares of Shenzhen Scholar; and

(f) any undertaking, confirmation, consent and authorisation under the Spousal 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 Spousal 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.

According 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 2020	Net profit for the year ended 31 December 2020	Total assets as at 31 December 2020
PRC Operating Entities	100.0%	106.2%	69.70%

Revenue and assets involved in the Structured Contracts

The table below sets out (i) the revenue for the year ended 31 December 2020; and (ii) the total assets in relation to the PRC Operating Entities as at 31 December 2020, 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	749,089	1,162,183

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 are no other change in the relevant PRC laws and regulations), it will exercise the Equity Call Option in full to acquire 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 for converting 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 for converting 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 registration from the Education Bureau in Hong Kong and is currently identifying and recruiting suitable teachers and other relevant staff. 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 in reviewing the implementation of the Structured Contracts, 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 enhance 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

Neither the Company nor any of its subsidiaries or consolidated affiliated entities purchased, sold or redeemed any listed securities of the Company for the year ended 31 December 2020.

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 2020 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 constitutes connected transactions that need to be disclosed under the Listing Rules.

Donations

During the year ended 31 December 2020, the charitable and other donations made by the Group amounted to RMB0.9 million (2019: RMB0.7 million).

Debentures Issued

During the year ended 31 December 2020, no issuance of debentures was made by the Company.

Significant Legal Proceedings

During the year ended 31 December 2020, 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; and 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 for 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 2.20 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 59 to 76 of this annual report.

Use of Net Proceeds from Global Offering

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. The net proceeds from the global offering (the "**IPO Proceeds**") were 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; and

- 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 2020, 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 2020** HK$'million	**Unutilised amount**
Expanding its learning centre network in the Greater Bay Area	50%	225.1	143.8	81.3
Improving its teaching quality	30%	135.0	95.2	39.8
Renovating the facilities of its learning centres and purchasing teaching equipment	20%	90.0	40.8	49.2
Total	100%	450.1	279.8	170.3

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		
	2021	**2022**	**Total**
		HK$'million	
Expanding its learning centre network in the Greater Bay Area	**81.3**	**—**	**81.3**
Improving its teaching quality			
Optimising and diversifying service offerings			
— Informationalisation of course content and course materials	6.0	—	6.0
— Offering new courses of artificial intelligence	5.4	—	5.4
Developing digital materials			
— Procurement and improvement of digital platform	10.2	—	10.2
— Purchase of equipment and improvement of recording studios	5.0	—	5.0
Investing in new technologies			
— Developing applications and service platforms	6.3	—	6.3
— Informationalisation of human resources, finance and business operation systems	6.9	—	6.9
Subtotal	**39.8**	**—**	**39.8**
Renovating the facilities of its learning centres and purchasing teaching equipment			
Renovating facilities	20.7	18.2	38.9
Purchasing teaching equipment	4.8	5.5	10.3
Subtotal	**25.5**	**23.7**	**49.2**

Public Float

Based on information publicly available to the Company and to the best knowledge of the Directors, the Company continues to meet the prescribed public float under the Listing Rules, and 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, were held by the public at all times during the year ended 31 December 2020 and as at 7 April 2021, being the latest practicable date prior to the printing of this annual report.

Audit Committee

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed risk management, internal control and financial reporting matters with management including a review of the consolidated financial statements and annual results for the year ended 31 December 2020 of the Group.

Auditor

PricewaterhouseCoopers was appointed as the Auditor during the year ended 31 December 2020. 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, 31 March 2021

Corporate Governance Practices

The Board is committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group 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. For the year ended 31 December 2020, the Company had complied with all applicable code provisions set out in the CG Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules. The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the CG Code, and maintain a high standard of corporate governance practices.

The Board

Responsibilities

The Board is responsible for the overall leadership of the Company, overseeing 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 for appropriate liability insurance in respect of legal actions 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 past year, the Board has 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 past year, the Company has 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, as well as to recognise and embrace the benefits of diversity on 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. We seek to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, gender, age, cultural background, education background and length of service. The ultimate decision of the appointment will be based on merits and the contribution which the selected candidates are expected to 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 Directors have a wide range of age, ranging from 35 years old to 73 years old. The Board also has a good mix of new and experienced Directors that all the four executive Directors joined the Group in 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 on 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 managers of the Company is female and there are female managers in both the Group's existing teaching team and research positions. The Company will invest 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 them with more leadership training and provide pregnant female staff with support 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 experiences, 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 the relevant Statutes, laws, rules and regulations. The Company also arranges for 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 have (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 past year.

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 after which he is supposed to retire. 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. If more than one Director to retire became or was last re-elected Directors on the same day they 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 before each regular Board meeting to provide all Directors with an opportunity to attend and include matters in the agenda.

For other Board and Board Committee meetings, reasonable notice is generally given. The agenda and accompanying board papers are dispatched to the Directors or the relevant 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 their 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 2020, nine Board meetings were held. The attendance of each Director at the Board meetings is set out in the table below:

Directors	**Attended/Eligible to attend**
Executive Directors	
Mr. Chen Qiyuan	9/9
Mr. Chen Hongyu	9/9
Mr. Qi Mingzhi	9/9
Mr. Xu Chaoqiang	9/9
Non-Executive Director	
Mr. Shen Jing Wu	9/9
Independent Non-Executive Directors	
Mr. Huang Victor	9/9
Dr. Liu Jianhua	9/9
Mr. Yang Xuezhi	9/9

Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions to regulate all dealings by Directors and relevant employees of securities in the Company and other matters covered by the Model Code. 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 year.

For the past year, the Company has 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 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 must 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 whom 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, and 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, re-appointment 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) to 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 2020.

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

During the year, two meetings of the Audit Committee were held to discuss and consider, among other things, the following matters:

- reviewing the consolidated audited financial statements, final results announcement and the 2019 annual report for the year ended 31 December 2019, and submitting it to the Board for approval;

- reviewing the consolidated unaudited financial statements, interim results announcement and the 2020 interim report for the six months ended 30 June 2020, and submitting it to the Board for approval;

- reviewing 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 has not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of the Auditor; and

- discussing the audit plan for the year ended 31 December 2020 with the Auditor.

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

Directors	**Attended/Eligible to attend**
Mr. Huang Victor *(Chairman)*	2/2
Dr. Liu Jianhua	2/2
Mr. Yang Xuezhi	2/2

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.

Attendance of each member of the Nomination Committee member during the year is set out in the table below:

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

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.

Attendance of each member of the Remuneration Committee member during the year is set out in the table below:

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

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 year, are set out below:

Remuneration band (HK$)	**Number of individual**
Nil–HK$1,000,000	11
HK$1,000,001–HK$2,000,000	1

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 the strategic plans.

During the past year, 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 year 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

General Meeting

For the year ended 31 December 2020, no extraordinary general meeting and one annual general meeting of the Company were held. The attendance record of the directors is set out in the table below:

Directors	Attended/Eligible to attend
Executive Directors	
Mr. Chen Qiyuan	1/1
Mr. Chen Hongyu	1/1
Mr. Qi Mingzhi	1/1
Mr. Xu Chaoqiang	1/1
Non-Executive Director	
Mr. Shen Jing Wu	1/1
Independent Non-Executive Directors	
Mr. Huang Victor	1/1
Dr. Liu Jianhua	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 2020, 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 105 to 109 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. 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..

Four steps of the enterprise-wide risk assessment:

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.

During the year, major work performed by the management in relation to risk management and internal control include the following:

- the management, together with the Internal Audit Department, monitored and reviewed the risk management and internal control systems on an ongoing basis and reported to the Audit Committee regarding the status of the systems;

- the management periodically followed up and reviewed the implementation status of the risk management measures, controls and response plan to address the major risks identified so as to make sure that there is sufficient attention, oversight and response to all major risks identified;

- the management reviewed the risk management and internal control systems periodically to identify process and control deficiencies, and designed and implemented corrective actions to address such deficiencies; and

- the management ensured appropriate control procedures are in place.

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 2020, 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 2020 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 2020, 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, the Group's 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 2020 was approximately as follows:

Type of Services	**Amount** (RMB'000)
Audit services	1,906
Non-audit services related to interim review	694
Total	2,600

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 2020, Mr. So has 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 informed investment decisions.

The annual general meetings of the Company provide the Shareholders with an opportunity 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’s 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. The Company also 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 is 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, or to the email address at 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 year, the said amended and restated memorandum and articles of association did not have any change.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. About This Report

1.1 Scope

This report is the second Environmental, Social and Governance Report (ESG Report) of Scholar Education Group ("**we**" or the "**Group**"). This report presents the environmental and social responsibilities performance of the Group and covers the period from 1 January 2020 to 31 December 2020.

1.2 Reporting Standards

This report is prepared in strict accordance with the Environmental, Social and Governance Reporting Guidelines (the "**ESG Reporting Guidelines**"), No. 27 of the exchange listing rules issued by The Stock Exchange of Hong Kong Limited. To ensure the authenticity and accuracy of the report and meet stakeholders' needs of due information, the Group followed the reporting principles, assessed the importance of ESG issues, identified applicable ESG key performance indicators, and established an ESG data collection mechanism.

1.3 Data Source

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

2. ESG Management

We adhere to the mission "focus on academic excellence to enable our students to achieve their aspirations", utilising dual-core training system of "knowledge + education", to stimulate children's interest in learning and establishing their sound personality. As the Group is developing, we never forget why we start and insist on giving back to the society with love. Meanwhile, we abide by social commitments, integrate social responsibilities into the corporate's development plan, and actively promote the development of the education and training industry, to contribute to the sustainable development of the 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 executives of the Group co-ordinate the ESG management and review the important issues and annual reports of ESG. The Internal Audit Department of the Group has the responsibility for the communication and coordination in the daily management of ESG and the preparation of the annual report. Relevant functional departments are responsible for implementing the Group's ESG work plan, taking on their ESG responsibilities, carrying out the duties in relation to the Group's sustainable development, and assisting in information collection and compilation of ESG reports.

3. Stakeholder Communication and Materiality Assessment

We value and communicate with stakeholders, through active communication, timely understanding of their aspirations and expectations, to help us truly reflect on and examine the current state of the environment and society in business development, rational planning and evaluation of the Group's sustainable development work. According to the characteristics of different stakeholder groups, we use questionnaires, interviews, panel discussions and other forms to ensure smooth and efficient communication, and timely response.

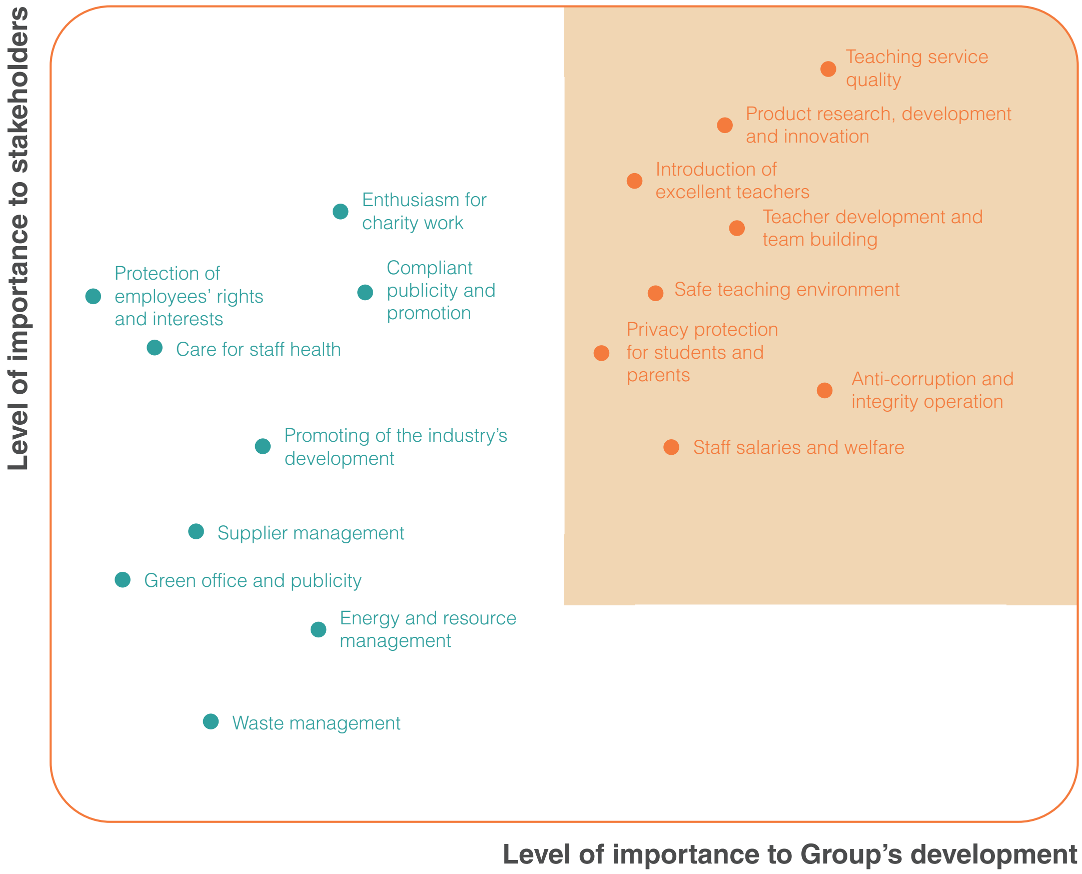
3.1 Communication mechanism of stakeholders

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

3.2 Materiality assessment of ESG issues

During the year, we engaged a third-party consultant to assist in reviewing and examining the Group's list of ESG issues, and to assess the importance of this year's ESG issues through stakeholder communication, industry analysis, etc.

The materiality matrix of the Group's ESG issues for 2020 is as follows:



The results of materiality assessment show that teaching quality, product innovation and development, and teacher team building 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 focuses of the ESG work plan. Meanwhile, the report will lengthen the space for important issues to respond to stakeholders' concerns.

4 Focus on Academic Excellence to Enable our students to Achieve their Aspiration

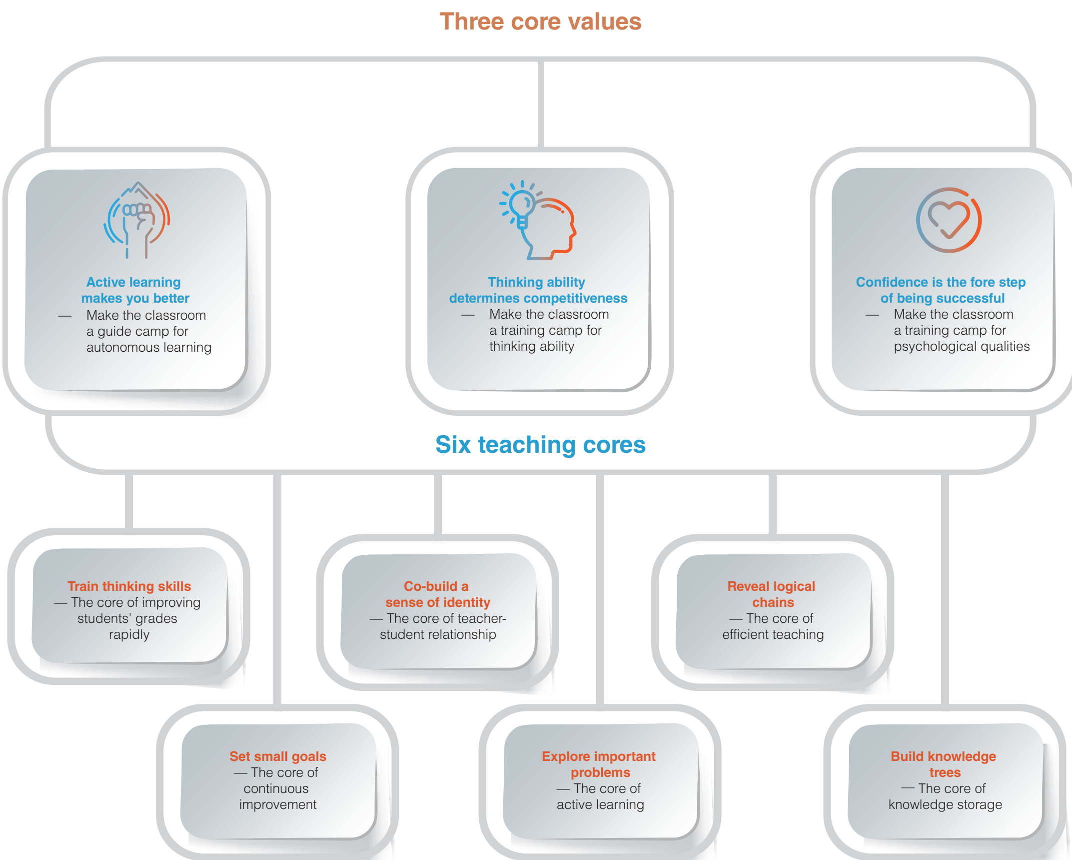
Education is the foundation of national strategic development in the long term.

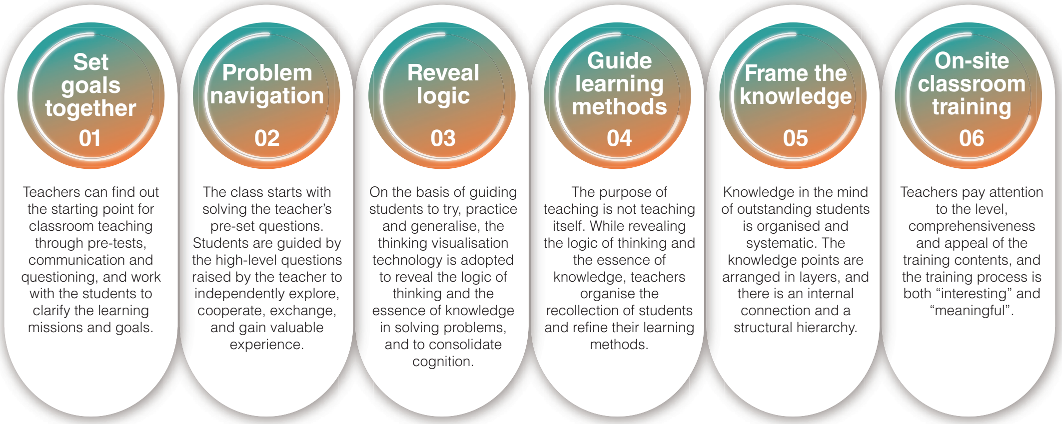
We regard teaching quality and our students' growth as fundamental to our development. As students vary in cognitive levels, learning abilities and characteristics, we teach them according to their talents. We broaden their mind, lift their interest in learning and equip them with a sound knowledge system. We also guide them with patience, encourage each of them to pursue his/her personal dreams, and conscientiously facilitate every individual's all-round development.

4.1 Innovative education system

The Group keeps up with the development of the times, constantly optimises the "366" model teaching system, and builds the ace teaching concept. The "366" model teaching system concentrates on cultivating thinking, guiding children to think actively, understanding the inner principles of knowledge, forming independent problem-solving ability and cultivating good students with thinking skills.

Under this model, our classes are designed to help students improve learning ability, build interest in learning and harvest learning experience. It centres on the teaching core of "specifying the goal, trying the exploration, uncovering the logic, discovering the essence, constructing the system, lifting the capacity and improving the performance". It aims to cultivate students' thinking ability and lay the foundation for their lifelong achievement.





Six classroom teaching standards

4.2 Quality teaching management

The Group strictly abides by laws and regulations, including *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 has gradually improved the internal system, upgraded teaching quality management standards, standardised the output of classroom content and created high-quality classes. The Subject Management Centre is responsible for teaching plan in each teaching centre, building an efficient and standardised teaching system according to the characteristics of the subject and the local educational standards of the teaching centres, combining teaching and practice effectively and creating high-quality classes and developing education together.

At the beginning of 2020, in the face of COVID-19 pandemic, the Group's management closely monitored the changes in the pandemic and established and implemented the "four originals" principles, i.e., original teachers, original students, original courses and original time, to ensure that students and parents are provided with high-quality undisrupted teaching services in the special period. At the beginning of COVID-19 outbreak, the Group planned ahead of time, took swift action, procured online equipment and live broadcast platform and shifted classes from offline to online. The Group developed guidelines for the pandemic, organised trainings for teachers and customer service staff for adapting to the online services delivery model and provided the support to teachers for online lesson preparation to ensure online classes were carried out smoothly and orderly.

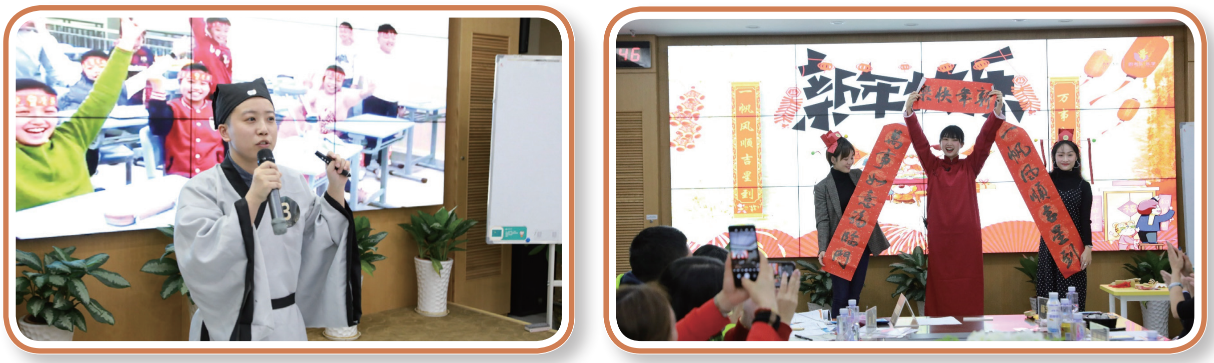
4.2.1 Teaching gathering day

The Group grasps the teachers' centralised lesson preparation through the teaching gathering day, ensuring the quality of teaching and improving the classroom performance. We encourage new and experienced teachers to form mutual aid groups to enhance teaching and research capabilities and improve teaching standards through joint study of the syllabus analysis of knowledge frameworks and principles, breakthrough of key topics and planning of teaching content and processes. At the same time, the Group advocates that teachers continue to polish the teaching content and teaching methods, optimise the curriculum, improve the flexibility of teaching, and jointly explore and optimise the content and teaching forms in line with the Group's educational philosophy.

4.2.2 Teacher promotion and evaluation

In order to find more outstanding teachers, the Group organises internal promotion examinations to give teachers a fair chance to compete. By recognising the promoted teachers, all teachers are encouraged to forge ahead and continuously improve their professional capabilities.

In order to encourage teachers to bring forth new ideas in teaching methods and ideas, the Group organised the Golden Ace Classroom Competition to select outstanding teachers and innovative classes which set a teaching example established excellent classes, continued to stimulate the teaching team's research spirit, and ensured that the teaching quality always comes first.



The Golden Ace Classroom Competition event site

High-quality teaching research and material development capabilities are our core competitiveness. This year, the Group increased its investment in teaching and research development, optimising the research and development system from the dimensions of research and development process, product content, product quality, typography standards, etc.:

Product development

- We hired external experts to share the advanced teaching concepts, guide our product research and development ideas, integrate different disciplines of teaching points, and unify teachers' teaching concepts.
- In order to make learning fun, we designed edutainment classroom to improve students' understanding of knowledge.
- Our research and development followed the guidance of experts, combining with first-line teachers' feedback and external research results, so as to improve the ability of independent development of teaching materials, refine the product research and development standards, and efficiently carry out research and development work in strict accordance with the standardised process.

Product content

- The textbook contents have been revised according to the "366" model teaching system. Learning goals and knowledge structure diagrams have been added to help students sort out the knowledge structure and develop logical thinking.
- Due attention has been paid to reading experience. With the combination of images and words, the students' reading interest and learning efficiency have been significantly improved.
- We localised materials which was to ensure that they fully meet the local teaching standards and characteristics and meets the students' needs for growth.

Product quality

- Adhering to the zero-tolerance attitude towards errors, we set up an editorial board within the Group, which is responsible for controlling product quality, quantifying quality requirements, disclosing quality assessment results, and formulating a reward and punishment system.
- We printed Error Correction QR code on teaching materials, requesting all teachers to rate the quality of teaching materials, and awarded those who contributed in improving the quality of the teaching materials.

Product design

- In typesetting, we used ID typesetting technology to produce high-definition reading materials.
- In terms of content, we set up chapter navigation flowcharts to help teachers and students clarify class goals, assisted teachers and students in quickly finding knowledge points, and helped students build knowledge system.
- The new version of the textbook is applied and popularised in all grades with great feedback. QR codes have been inserted, through which students can get videos explaining key questions, relevant knowledge and experiment classes to deepen their understanding.

Product team building

- The Group has been actively recruiting teachers with rich experience in teaching and research from prestigious universities, further enhancing the talent pool and setting up a teaching team with core competitiveness.
- To further explore the potential of teachers, we used competition, bonuses, performance, certificates and other rewards to stimulate their enthusiasm of teaching and researching and promote the continuous development of teaching and research work.

“ID Typesetting” technology teaching material

4.3 Technological innovation and upgrading

The Group spares no effort in developing science and technology education. We have been continuously updating the external education platform and the internal education system. In 2020, on the basis of upgrading the original teaching, research and classroom platform, the Group has added an application system for teacher development, combined with the development of the previous year's scientific and technological innovation platform, and added a new data transmission program to assist teachers and students with sharing educational resources.

For our teachers, the Group has upgraded its Le Customisation System, online-cloud platform system and the needs analysis and specific design of the E-school platform. The three platforms have applied to the management of teaching materials, lesson preparing, teaching and resources management, the specific contents of which are as follows:

- **Le Customisation System:** in 2020, the system has been continually upgraded according to different cities' curricula, and applied supporting materials to different scenarios. Through online revision of teaching materials, online sharing of core topics, online teaching and research discussions and other ways, the system has improved the efficiency of the teaching and research ensured that the content of teaching materials in line with the cutting-edge examination and promoted the development of product localisation.

- **Online-cloud platform system:** In order to allow teachers to use the system more flexibly, the Group upgraded cloud platform, optimised the teaching video online playback function, upgraded the group volume function, increased flexibility of the marking-mechanism and effectively improved the efficiency of the use of the platform this year.

- **E-school:** In 2020, the Group optimised and upgraded the frequently used learning systems, task-driven mechanisms, teaching and research resource pools, etc.. It creates a high-quality online platform that is easy for teachers to use, supervise, and manage and utilise teaching materials resources.

For students, we upgraded the online examination system and use the examination analysis system to make statistics and comparisons on the examination conditions of each teaching centre. This year, we launched a man-machine simulation test system to simulate the English listening and speaking test module of the senior high school entrance examination. Through the practice of real simulation questions, we can achieve the goal of scoring the high school entrance examination. The online placement test system is used for online class entry test and placement recommendation. This system has been promoted in the branches of various cities. At the same time, through the construction of small programs, the Group achieved learning materials sharing and enabled teachers and operators to manage learning materials, issue and store of test papers conveniently making it easier for students and parents to download learning materials, keep up with the school dynamics, realise the online interconnection of teachers and students, and effectively share resources.

4.4 Personalised professional service

We insist on teaching according to talents, prioritise the needs of our students in our service, and ensure that every student learns and thrives in the most appropriate growth model. In the process of promoting the standardisation of the teaching system, the Group integrates the characteristics of students, establishes an easy-to-accept coaching model, follows up on each student's learning progress, and focuses on tutoring each student in his/her weak subjects to help them improve their academic performance quickly.

Education requires the participation of parents. We track each student's performance in class, analyse the reasons for the changes, and regularly provide parents with feedback to ensure that parents could understand their children's learning progress in a timely manner. In 2020, in order to standardise teaching services, we have upgraded the home-school interconnection platform. The Subject Management Centre uniformly inputs the feedback content into the system after each class, rendering the teacher service more convenient.

The Group attaches great importance to feedback from parents and students, conducts regular school exchanges, holds small parental seminars and conducts surveys on the level of satisfaction of students and parents. Parents can also use the online anonymous satisfaction survey to evaluate the effectiveness of teachers, services and so on, to help us better improve teaching and services. During the pandemic, the Group's Customer Service Centre switched from offline to online, introducing the latest course settings and exam trends to parents through telephone, WeChat, etc., tracking refunds, and reflecting parents' complaints in a timely manner. The Group sees every parent's complaint as a valuable growth opportunity. For complaints handling, the Group uphold the mechanism of accountability and analysed and developed solutions in response to the complaint(s) through coordinations of different departments. The Group summarises and analyses the key challenging issues in the complaint, implements the corresponding corrective measures, and effectively improves the quality of service by optimising internal management, to live up to the trust of parents and students.

At the same time, the Group improves the professionalism of customer service staff through training activities, and strives to support students and parents with standardised and professional attitude. In 2020, the Group organised customer service quality training, explicated customer service staff responsibilities, improved service standards and strengthened customer service personnel learning ability and service awareness. The training results are remarkable.

4.5 Maintaining 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 Control Law of the People's Republic of China*, and strictly implements the *Responsibility System for Fire Prevention and Control Safety* 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. No safety accident occurred in the Group this year.

4.5.1 COVID-19 pandemic prevention

In order to ensure the health of the teaching centres, the Group formulated *Guidelines for Pandemic Prevention and The Work Programme for Pandemic Prevention* this year, specified the requirements of pandemic prevention, implemented the “prevention first, safety first” policy and maintained the normal order of the teaching centres in order, to ensure the health and safety of teaching centre personnel and their families. According to the plan, we established pandemic prevention and control teams to specify the responsibilities of the principal, customer service, teacher’s office and janitors. Through the site management, personnel management, health declaration, teaching centre disinfection, pandemic materials management and other aspects of the development of processes and systems, we strictly prevented cluster outbreaks, to ensure the safety of the teaching centres.

At the same time, based on *the Emergency Plan for Contingency*, we refined the emergency plan in respect of the COVID-19 pandemic, clarified the risk classification method, sorted the responsibilities of the emergency leadership team, and specified the way of kicking off the monitoring, early warning and emergency work to ensure the smooth implementation of the contingency plan.

According to the relevant system of prevention and control work, in the process of preparing for the resumption of classes on the teaching centres, the Group’s Materials Team completed the procurement, acceptance, storage, and distribution of pandemic prevention materials. After the resumption of classes, the Group insisted on “external defense against inflow, internal defense against rebound” with regard to the COVID-19 pandemic, with the specific measures as follows:

- Setting up temperature measurement and distributing disinfectants at the entrance and exit of the site.
- Setting up temporary isolation rooms in each teaching centre and implementing closed management.
- Strengthening teaching centre ventilation and disinfecting new air rooms, filters, and ventilation units at a weekly interval.
- Demanding daily health declarations from internal employees and detailed registration of external personnel.
- Arranging for a special person to carry out security inspection to ensure that everyone in the teaching centre wearing masks and do not gather.
- Strengthening safety education, strengthening pandemic prevention publicity in small areas, and putting up pandemic prevention signs.
- Strengthening psychological counseling for employees, stabilising employee mood adopting scientific pandemic prevention.

The Group promoting the knowledge of pandemic prevention

4.5.2 Safety inspection

Through daily safety inspections and regular special inspections, the Group conducts rectifications for safety and health risks in daily operations, and tracks such rectifications to ensure its effective implementation, achieve closed-loop management safety issues, eliminate safety hazards in teaching centres, and provide students and parents with a safe and secure teaching environment.

In 2020, monthly safety inspections were carried out in 162 teaching centres in 11 cities. We also had 6 special safety inspections and 530 fire inspections, handled 238 fire maintenance cases and completed 318 safety optimisation improvements.

The “Safety Inspection Checklist” mobile phone application is developed by the Group, and has been used to record the results of security checks in various teaching centres. It is synchronised with to the teaching centre security issues library in order to facilitate more targeted security planning and key prevention.

Operational flow chat of the Safety Inspection Checklist

In order to establish and improve the safety emergency work mechanism of the teaching centres, the Group has formulated emergency contingency plans and set up a security incident reporting system, in order to achieve information exchange and connection between teaching centres and headquarter and ensure that the incident is controlled in a timely manner and properly handled, offering safeguard to teachers and students.

4.5.3 Safety standards of teaching centre

The Group is committed to providing teachers and students with a healthy and safe learning environment, paying heed to the classroom lighting, blackboard illumination, desk and chair height. At the same time, we commissioned third-party professional companies to conduct formaldehyde treatment and air quality testing in new teaching centres, which shall be put into use after satisfactory safety inspection. The Group attaches great importance to safety and health education, regularly organises emergency drills and first aid training activities and ensures full participation, in order to enhance the expertise in handling safety and first aid incidents, cultivate employees' safety awareness and build a safety- and health-conscious culture.

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, sound training system and 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 Building a team of talents

The sustainable development of talents is the core of team building. The Group strictly follows *the Labor Law of the People's Republic of China* and other relevant employment laws and regulations, and adheres to the principle of fairness and justice in employment. In 2020, we continued to optimise the talent recruitment system, built multiple talent introduction channels such as campus recruitment, social recruitment, Wechat recruitment public account and internal employee recommendation to improve recruitment efficiency and meet the rapid development of the Group's demand for talents. At the same time, the Group continued to promote standardised recruitment and hiring procedures, and signed labor contracts with hired employees in accordance with the law to ensure reasonable employment and protect the legitimate rights and interests of employees.

As of December 31, 2020, the Group had a total of 4,574 employees, including 3,426 teachers and teaching assistants.

The Group upholds the principles of objectivity and fairness in evaluating the performance of its employees. The performance evaluation results are an important basis for internal promotion and bonus distribution, which encourage employees to improve personal capacity and work performance. In addition to work performance positive work attitude and spirit, such as the sense of responsibility, team spirit, service awareness and subjective initiatives, are highly emphasised by the Group.

The Group establishes a competitive remuneration plan in accordance with the law, regularly reviews and evaluates the rationality of remuneration, and follows the principles of position-based salary, high-quality remuneration, advanced incentives, and fairness. Mechanisms like performance bonus and innovative awards are used to acknowledge employees' contribution and value and further arouse their passion.

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 programs, such as birthday gifts and group birthday parties, spring outings, free shuttle bus, free medical examination and discounts on tuition fees for employees' children. In addition, Scholar Charity Fund continued to provide compassionate assistance to employees and their immediate family members to help them cater to their urgent needs and relieve their hardship. When arranging for employees to join the company, the Group adopted a unified collection of new employee information and labor contract management to avoid the incidents of child labor and forced labor.

5.2 Constant improvement of the career development mechanism

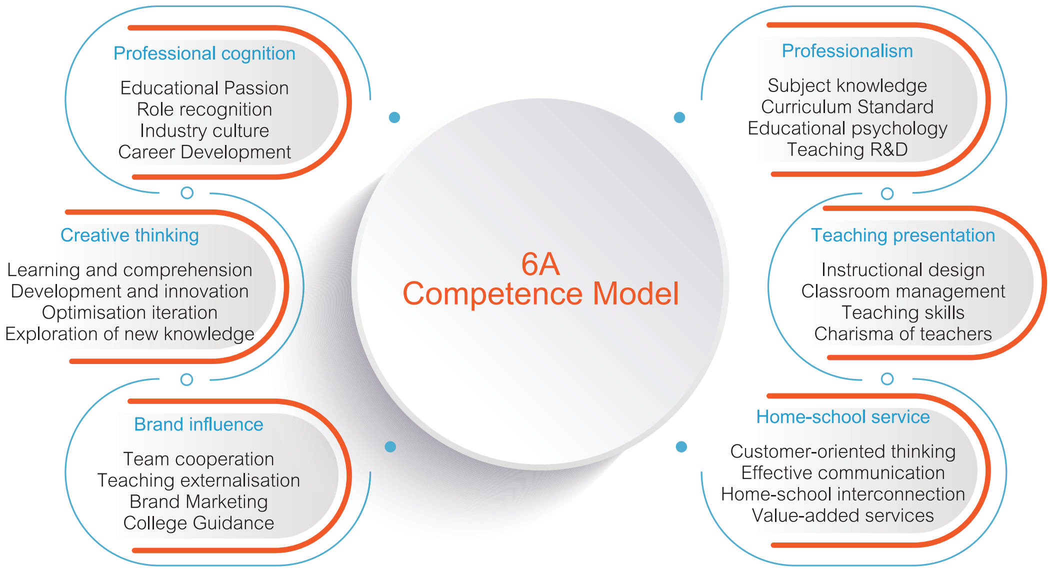
The Group helps employees improve their teaching and management capabilities in accordance with their own conditions and career plans. The Group has improved its internal talent training mechanism, enhanced its employees' professional and business capabilities, and created space for each employee to give full play to their personal strengths. In accordance with business development and job skill requirements, the Group has formulated an annual training plan, and conducted training activities through multiple channels at different levels to assist the personal development of the employees.

This year, the Group implemented the *"The Assistance Plan for Newcomers' Integration"* as a mentor system, and established a training course system for different positions and ranks to help new employees clarify their career goals and requirements, establish their confidence in their jobs and adapt to their jobs as soon as possible to cultivate a sense of belonging.

5.2.1 Teachers' training

We believe that systematic teacher training is the cornerstone of ensuring high-quality teaching and sustainable business development. The Group further improved the teaching standard of front-line teachers by upgrading the training mechanism and the training course framework and strengthening team training, in order to reserve excellent fresh blood for the team and ensure the quality and efficiency of the teaching, ultimately achieving standardised training between the headquarters and regional teaching centres.

This year, the Group upgraded the teacher training system and officially introduced the 6A competency model to help teachers continuously improve in terms of professional cognition, career development, personal growth, and teaching ability. The Group combined the 6A competency model with the curricula to cultivate the input and output capabilities of teachers and built exclusive quality courses in the course of updating the curricula.



At present, according to the sequence of teachers' growth, the Group has established three empowerment training systems, namely the "*369 New Teachers Starting Point Training Camp", "Charge Plan and Excellent Teacher Plan*", and "*Scholar Huangpu Class*".

369 New Teachers Starting Point Training Camp: The trainees were novice teachers. Through the three-stage training of internship, training, and practice, 6 major vocational abilities were shaped. At the later stage of the training, they formally became qualified teachers through the 9-credit clearance test. Through training, the teachers are expected to be able to present efficient classroom design, master student psychology, create a personal image of excellent teachers, establish teachers' professional qualities and thinking habits, and eventually transform into a qualified teacher of Scholar.

In 2020, a total of 13 new training programmes were carried out, with a total number of 1,540 trainees. More than 800 new teachers were sent to the front-line team to provide strong manpower guarantee for improving the team's ability of execution.

Charge Plan and Excellent Teacher Plan: In order to continuously improve the teaching ability of teachers, we have established targeted training contents for teachers of 6–12 months and 1–2 years of teaching age respectively. In order to solve common problems in daily teaching and improve teachers' working efficiency, the Group Teacher Development Academy provided teachers with training on topics such as teaching and research ability, teaching skills, personality image, personal brand, etc., focusing on solving the problems of teachers' teaching performance and working efficiency issues, ensuring the overall teaching quality.

Scholar Huangpu Class: In order to further "grab the top" and cultivate outstanding talents in order to support the future development of the Group, the Teacher Development Academy conducted systematic training for in-service ace teachers, subject leaders, faculty, researchers, and outstanding section leaders in 2020. The three dimensions of curriculum development, advancement reform, speech and training skills were developed to bring advanced teaching skills to excellent teachers.

In order to further empower the Scholar Huangpu class, the Group hired outstanding experts to lecture on the latest classroom concepts and help teachers improve their professional comprehensive capabilities. This year, the Huangpu Class has produced 7 books of subject classroom collections, 3 books of excellent experience, and 150 model open classes, reaching a student satisfaction rate of above 95%.

Silhouettes of training activity I

Winning at the starting point. Class 65 — *Teacher career planning and development*

Through the "*Teacher Career Planning and Development*" training, we established teachers' positive workplace values, enhanced their learning ability, clarified their career development path, and established a responsible teaching attitude. The course lasted 150 hours, in which the lecturer combined successful case explanations while the teacher participated in the interactive sharing of growth stories, gaining a good feedback on classroom effect.

Winning at the starting point. Class 65 training photo

5.2.2 Cadre training

With the continuous expansion of business, the challenges of campus talent training, key teacher training, and management training have become more and more significant. The Group's business school has provided diversified, multi-level training programs and multi-form training models to build an empowered platform for improving team management capabilities. It can strengthen the management theory accumulation of managers and improve the management level and comprehensive quality of the executives. Meanwhile, we introduced these yearly reward mechanisms such as education partners, principal management fission mechanism, option partners, etc., to nurture talents while retaining talents to ensure the company's long-term development.

In 2020, a total of 15 cadre training courses were offered, giving 51 lectures. The teaching methods included face-to-face lectures and team building. After class, students learnt from feedback and continuously optimised the curriculum.

Silhouettes of training activity II

The third training of the third phase of the "*The Wolf Warrior Project"* in 2020 *"Decisively Win the New Branch-Performance-Oriented Work Development*"

The Wolf Warrior Project was the inheritance of the wolf-like culture of the Group. It was taught by Guangzhou City Operations Director. It focused on three themes, namely market research, team formation and conference organisation elaborating on and interpreting the preliminary work plan of the new teaching centre. Through theoretical training in the morning and quality development in the afternoon, the vice-principals of each teaching centre practiced the training content in The Wolf Warrior Project, improved performance goals, deepened loyalty, upgraded the management and strategic plan of the new teaching centres, and inherited the wolf culture of the Group.

The "Wolf Warrior Project" Training photo

Silhouettes of training activity III

The second training of the first phase of the "Everest Plan" in 2020 "*Marketing Model During Depression*"

The Everest Plan was committed to cultivating the most outstanding management talents in the industry. The Group hired top domestic marketing experts to teach the principals from each teaching centre. The course contents covered multiple perspectives such as the market, customers and the enterprise, and an in-depth analysis to solve the challenges faced by each teaching centre. The training extended the three-dimensional design from theory, games, and quality development to ensure that students can fully absorb marketing knowledge and apply it to work in different teaching centres.

The Everest Plan training photo

Silhouettes of training activity IV

The Huangpu training class hired external experts to teach the "*Team Replication System Landing*" course for the cadres. This course explained from the aspects of improving the core competitiveness of the company, building a team structure and efficient communication, and escorted the Group's cadre team's building ability, thinking ability, and strategic goal setting.

External experts shared experience in customer service management and operational management. The lectures have received good response, and enriched the Customer Service Centre's response methods in customer communication and complaint handling. The Group attached great importance to cultivating teachers' teaching methods and delivery, and hired information-based teaching experts to teach "High Interaction Teaching Method". We hired core Chinese teachers to teach training courses on the theme of "How do teachers speak in a way which students like to listen". The two experts helped teachers find the "power point" of teaching from the perspectives of theoretical knowledge, experience transfer, and teaching methods, in order to improve the professional capabilities of the Group's teachers.

With the emphasis on cultivating teachers' ethics, the Group has been reiterating and strictly following "Ten forbidden behaviors" and "Redlines in teaching" for Scholar's teachers and other teaching members. These remind teachers of rigorous self-discipline, faithfulness to duties and constant development in ideologies and moralities to become a good role model for students.

Scholar 2020 "Teacher Partner" Selection

In 2020, the teacher ethics role model and the second teacher partner were combined. The Group awarded 196 honorable trophies and company options to the teacher partners with exemplary morality and outstanding performance. Among them, many teachers were outstanding for their performances, teaching skills and unique personal charisma. They were awarded the second "Teacher Partner" top three medal, and received awards ranging from RMB500,000 to RMB900,000 from the Group.

5.3 Accomplish the teaching career

5.3.1 Clear career development path

The Group follows the promotion management rule, upholds a democratic, open, and merit-based talent selection and evaluation mechanism, and clarifies the qualifications for promotion of cadres through the implementation of the *Cadre Appointment, Removal and Promotion Evaluation Rule*, and builds a dual-track path for the development of technology and management talents development path. We comprehensively consider the development needs and growth laws of front-line teachers, administrative management and headquarters functional staff, and set clear business lines for job promotion. By giving teachers a clear career development direction, we can fully mobilise their initiatives and enthusiasm for work and enhance the sense of competition among teachers, in order to make the best use of their talents, and help employees realise their professional ideals. In addition to rank promotion, the Group will evaluate the pacesetter, gold medal, and ace teachers every year. Teachers who meet the requirements can participate and win this honor based on merits.

5.3.2 Caring for the physical and mental health of employees

The Group attaches great importance to safeguarding the rights and interests of employees and works hard to stimulate the vitality of employees. It creates a friendly working atmosphere by regularly holding cultural events, issuing holiday gifts, and implementing employee benefits and creating an amicable atmosphere, in order to promote the stable development of the Group.

The Group pays attention to the physical and mental health and occupational health of its employees. In 2020, we arranged for all employees to undergo physical examinations, and declared the Shenzhen Critical Illness Medical Insurance uniformly in June. In daily management, the Group used employee health KPIs as a school-to-school evaluation project and formulated *Staff Political Commissar Rule* to guarantee the care for employees; the Group's Human Resource Department actively organised various cultural and sports activities to urge employees to regularly exercise and keep fit.

Sports and cultural activities-outdoor development, ball games, dance training

The Group's outdoor expansion footprint covers large and small historical sites and scenic areas in cities such as Shenzhen, Guangzhou, Zhuhai, Zhongshan, etc.. While enjoying the scenery, it strengthens the team's tacit understanding of mutual benefit, mutual love, and mutual assistance.

Competitive competitions are an activity that stimulates sportsmanship and personal will. Through basketball games, badminton games and other activities, the employees can relax, exercise the body, and enhance teamwork. In addition, the Group established a "Headquarters Dance Group" to show its ardent care for employees and the construction of the Group's culture through different forms of dance courses.

Handing out holiday gifts for teacher

"Keep up with one's own times" speech contest

In order to enhance the satisfaction and happiness of teachers, the Group actively innovated, sent sincere blessings to employees on the Dragon Boat Festival, and held a speech contest "Keep up with one's own times" at the end of the year, expressing the Group's core values of respecting teachers.

5.3.3 Smooth communication and equal participation

In 2020, in order to increase the communication between the Group and employees, we carried out positive dimensional constructions of employee relations with communication and prevention as the main focus and activities as the supplement through regular seminars, entry and exit interviews, internal online complaints, team building, etc.. We eliminate labor disputes and protect the legitimate rights and interests of employees. Employees can contact the Human Resources Department if they experience any unfair treatment or have any demands. The Human Resources Department will handle it in time and give feedback about the progress. The Group treats employees of different genders, ages, nationalities, ethnicities, and religious beliefs equally, eliminates any form of discrimination, and creates a fair, just and open working environment.

6. Maintain Legal Operation and Sustainable Development

6.1 Standard purchasing

A strict and highly efficient supplying chain is a 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 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 strictly obeys the *Government Procurement Law of the People's Republic of China, improves the Procurement Management Rule*, adds new service categories and sporadic procurement management systems, and regulates supplier management access, evaluation, and hierarchical management. By evaluating the performance of suppliers, the Group follows strict entry standards and evaluates their all-around performance in implementing the contract. Poor performers will be excluded in time to ensure the quality of our products and service.

In the entry phase, the Group focuses on the supplier's business reputation, qualification certificates, and product quality, collects basic suppliers' information through multiple channels, conducts preliminary inspections of qualified suppliers, and admits them as potential suppliers once pass the tests. Potential suppliers will be recorded in the supplier's resource database, assessed together with field evaluation scores to determine whether to be upgraded to approved suppliers.

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

The Group strictly implements internal procurement systems and procedures, requires related personnel to sign a "*Self-discipline Agreement*", strictly investigates violations of the agreement's liability. Anyone who breaks the laws will be transferred to judicial organisations and may face potential criminal liability.

6.2 Customer Information Protection

The Group has formulated internal regulations such as the *Network Security Management Regulation and Information System Account Management Rule* to conduct standardised management of network operation and maintenance, account permissions, computer hardware, and user permissions to ensure the security of network systems and computers.

The Group strictly enforces information confidentiality regulations and has zero tolerance for customer information leakage incidents. Therefore, we upgraded the permission module of LeXiaoTong and added data authorisation function to control the approval process of opening permissions and protect customer data to the utmost extent. At the same time, the Group obfuscated customer phone numbers in the system, regularly monitored the security of the information platform, protected the information system from viruses and hackers, prevented information leakage, and effectively protected the rights and interests of students and parents. Additionally, the Group has conducted regular disaster drills, information security training and other activities to explain to employees the importance of information protection, enhance internal employees' awareness of confidentiality, and standardise information confidentiality measures.

6.3 Compliant Publicity

The Group strictly complies with the requirements of the *Advertising Law of the People's Republic of China* and other laws and regulations, and strictly manages the enrollment guidelines of each teaching centre to ensure the legality, authenticity, and accuracy of advertising. In 2020, the Group strictly implemented the management and control of publicity, through process of departmental self-inspection, filing review by the Marketing Centre, legal verification, etc. to comprehensively ensured check online and offline publicity materials, unify the language of publicity copywriting, the authenticity of publicity materials, and protect customers' legal rights and interests.

6.4 Operating with credit and integrity

The Group strictly follows the standards of business ethics and integrity, and the requirements of anti-corruption laws and regulations. In order to strengthen the control and supervision of anti-corruption behaviour, the Group has established and publicly disclosed an anti-corruption reporting mechanism, by which relevant parties can make anonymous reports via telephone, email, and mailbox. After receiving the report, the Group's audit department will promptly launch investigations and impose disciplinary sanctions on the persons involved in the found violations of regulations and disciplines; if any violations are involved, the relevant employee will be transferred to the judicial organisations. In 2020, no lawsuit of corruption case occurred.

The Group solemnly restrains the red line of integrity violations, resolutely prohibits teachers from violating regulations or accepting expensive gifts or money from students or parents, and requires the heads of each teaching centre to play a role of supervision, inspection and guidance, and creates an atmosphere of teaching without corruption.

6.5 Intellectual property protection

In accordance with the *Intellectual Property Law of the People's Republic of China* and other laws and regulations, *the Group formulates and implements the Intellectual Property Management Regulation*, improves the intellectual property management system, allocates specialised personnel for the declaration and management of intellectual property rights, and protects research and development results from infringement.

In 2020, the Group organised intellectual property training meetings to help employees understand the Group's intellectual property management regulations, increasing the awareness of various departments of intellectual property rights to achieve the purpose of enhancing the competitiveness of the company.

7. Energy Saving and Environmental Protection

While the educational training industry does not have a huge impact on environment or natural resources, yet we still maintain a high priority on environmental protection conduct the company's core value of "being thrifty", establishing energy-saving, environmentally-friendly and low-carbon operation company. The Group complies with the *Environmental Protection Law of the People's Republic of China* and other relevant laws and regulations, establishes environmental policies, 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 used in teaching centres and office area comes from the regional grid. Water is completely taken from the municipal water supply system. The Group's operation does not involve any production or use of packaging materials.

Our main greenhouse gases and air pollutants are from fuel and electricity consumption, waste comprises of domestic waste and ink cartridge in teaching centres and office areas as well as domestic sewage. Domestic waste is centrally collected, which will be cleaned and transported by sanitation workers this year. Empty ink cartridges 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 2020, the Group continued collecting environmental statistics. Based on data of electricity, water and office resources on the existing teaching centres, 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 calibers and standards. Meanwhile, the Group comprehensively promoted 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 2020[1]

Gas emissions

SO_2	0.13	kg
NO_X	8.13	kg
Particulate Matter(PM)	0.60	kg

Greenhouse gas (GHG) emissions

Emission (Scope 1)	24.84	tons of CO_2 equivalent
Emission (Scope 2)	3,350.17	tons of CO_2 equivalent
Emission (Scope 1+2)	3,375.01	tons of CO_2 equivalent
GHG intensity	0.01	tons of CO_2 equivalent/ thousand RMB revenue

Waste production

Hazardous Waste	0.53	tons
Non-hazardous Waste	51.20	tons

Energy consumption

Total energy consumption	4,083.61	MWh
Direct energy consumption	79.58	MWh
Indirect energy consumption	4,004.03	MWh
Energy consumption intensity	7.08	kWh/thousand RMB revenue
Electricity consumption	4,004.03	MWh
Fuel	9,175.00	L

Water consumption

Water consumption	25,226.22	m^3
Water consumption intensity	0.04	m^3/thousand RMB revenue

1 The Scope of environmental data collection in 2020 covers the Group's headquarters office areas and all teaching centres in Shenzhen. Time range is from January 1st to December 31st, 2020. Emission Factors refer to the ESG Environmental Data Reporting Guide of Hong Kong Stock Exchange. The GHG emission coefficient of purchased electricity refers to the 2015 China Regional Grid Baseline Emission Factor by the National Development and Reform Commission. The energy Consumption refers to the GBT2589-2008 General Energy Consumption Calculation General Principles issued by the People's Republic of China.

7.2 Green operation and environmentally-friendly publicity

This year, the Group continuously carried out *Regulations of Managing Energy Conservation and Emission Reduction*. For the headquarters, the Administration Centre is responsible for the overall planning of energy conservation and emission reduction, and supervises the use of energy and resources in office areas. For the teaching centres, the headmaster, as the person in charge for energy conservation and emission reduction, should plan and carry out energy conservation and emission reduction plan based on implementing the Group's requirements.

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

Low-carbon and Energy-saving

- Strengthen the management and maintenance of electrical equipment to avoid waste of electricity.
- It is required to purchase energy-saving equipment when constructing a new teaching centre.
- 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 teaching centres.
- More natural light is used to reduce power consumption.

Water resource saving

- Use water-saving and energy-saving sanitary ware 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 resource saving

- Promote paperless office, use online OA approval, give priority to the use of electronic documents for document viewing, and reduce photocopying of paper documents.
- The printer is set for automatic double-sided printing; reuse single-sided printing paper to reduce the consumption of office paper.
- Regular maintenance of office facilities and equipment to prolong service life and improve the efficiency of the use of resources.
- Implement the system of obtaining office supplies to improve the rate of repeated use.

Business trips management

- 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, refueling, maintenance, etc.
- Reduce unnecessary business trips with the help of the Internet and online platforms.

The Group deeply understands the importance of environmental education and is committed to popularizing environmental knowledge, who also joins hands with stakeholders to fulfill 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 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

The Group regards "gratefulness" as an important part of the core values of education, insists on repaying society with love, and fulfils the original aspirations of education with actions. Through years of charitable deeds, the Group has successively won many honors such as "Annual Brand Influence Education Group", "Sponsoring Education Loving Enterprises", "Annual Most Socially Influential Educational Public Welfare Project", and "Charity Star".

8.1 Support the construction of Hope Primary School

The Group always cares about children in poverty-stricken areas, and hopes to use education, love and public welfare to lead each child to explore a wider world and realise their value in life. We continued the charity project of " Travel for Love. School for Dreams " and built four Hope Primary Schools. By donating campus infrastructure to Hope Primary Schools, we improved the children's shortage of materials, teaching conditions and backward campus environment, contributing to the social welfare; at the same time, with improved technological infrastructure, we provided teachers and students of Hope Primary School with online courses and enriched educational resources.

"Support Hope Primary School" public welfare project photo

8.2 "Diligent learning, live up to the spring" free class

During the COVID-19 pandemic, in response to the call of the Ministry of Education to "suspend classes without stopping learning", the Group launched free online learning courses and large-scale public welfare live lectures to actively contribute to national education and public welfare undertakings. At the same time, the Group cooperated with CCTV to launch free public welfare classes in for primary and secondary schools to help students understand the knowledge of school textbooks, expand extracurricular content, better enrich students' knowledge, and help students adequately prepare for returning to school.

"Free Open Classes" promotional photo

8.3 "Future Great Teachers" Education-Aid Project

In order to cultivate better teachers, the Group continues to donate to Hunan Shaoyang College to improve the teaching infrastructure of Shaoyang College. In 2020, the Group donated RMB350,000 to run the "Future Great Teachers" charity aid project, which aimed to encourage college students to fully develop themselves and improve their professional capacities.

At the same time, the Group and Shaoyang College jointly organised the second "Scholar Cup" Skills Competition to improve the teaching skills of students and encourage them to become "Future Great Teachers".

"Future Great Teachers" education project site

8.4 Care for children

In 2020, adhering to the concept of "Wonderful Ideas, Happy Growth", the Group organised young people to learn to enrich their after-school life. Activities included natural observation, famous enterprises visits, craft lessons, tea culture learning, etc., allowing children to gain a new way of thinking from a new educational perspective, exploring children's inherent potential, and allowing each child to grow up happily.

Care for children photo

8.5 Care for the disadvantaged and vulnerable Groups

We actively responded to the country's mobilisation order to launch a "decisive battle" for poverty alleviation. We care about the poor and devote ourselves to social welfare undertakings. This year, the Group and the Agricultural Bank of China jointly created the "Mobile Bank Poverty Alleviation Mall" to promote consumption and poverty alleviation, and precisely helped the sales of agricultural products in more than 300 impoverished counties across the country, with a cumulative consumption of RMB500,000. The poverty alleviation work received good feedback. It not only opened up the sales channels of agricultural products in impoverished areas, but also effectively reduced the risk of waste of agricultural products.

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 110 to 180, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- 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 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") 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.

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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 is summarised as follows:

- Revenue recognition

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition Refer to Note 2.23 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 RMB749,089,000 for the year ended 31 December 2020 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 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 a sample basis; • We performed reconciliation between the total education service fees received and the total cash received according to the bank statements on a sample basis; • We performed site visit to the education centre on a 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; • We performed specific cut-off procedures to test if the service fees recognised as revenue around the year-end are recorded in appropriate period; 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.

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, actions taken to eliminate threats or safeguards applied.

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2020	2019
	Notes	RMB'000	RMB'000
Revenue	5	749,089	711,422
Cost of sales	8	(488,552)	(407,484)
Gross profit		260,537	303,938
Selling expenses	8	(23,233)	(21,593)
Administrative expenses	8	(152,339)	(132,243)
Research and development expenses	8	(56,966)	(45,223)
Other income — net	6	35,170	8,289
Other gains — net	7	23,062	18,723
Operating profit		86,231	131,891
Finance costs	10	(36,447)	(23,816)
Profit before income tax		49,784	108,075
Income tax expense	12	(846)	(13,289)
Profit for the year		48,938	94,786
Profit for the year attributable to:			
— Equity holders of the Company		48,938	94,786
— Non-controlling interests		—	—
		48,938	94,786
Earnings per share (expressed in RMB cents per share)			
— Basic	13	8.81	19.06
— Diluted	13	8.59	19.01

CONSOLIDATED BALANCE SHEET

	Notes	As at 31 December 2020 RMB'000	2019 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	14	170,333	144,882
Right-of-use assets	15	643,427	525,953
Intangible assets	16	2,857	996
Prepayments and other receivables	18	50,461	38,429
Deferred tax assets	29	36,064	19,577
Total non-current assets		903,142	729,837
Current assets			
Prepayments and other receivables	18	22,751	16,828
Financial assets at fair value through profit or loss	19	298,943	447,621
Term deposits with original maturity over three months	20	—	35,304
Cash and cash equivalents	20	442,586	241,479
Total current assets		764,280	741,232
Total assets		1,667,422	1,471,069
Equity			
Share capital	21	3,775	3,775
Share premium	24	295,908	386,081
Shares held for employee share scheme	22	(1,050)	—
Other reserves	24	66,361	39,403
Retained earnings		173,043	124,105
Total equity		538,037	553,364
Liabilities			
Non-current liabilities			
Borrowings	28	—	23,035
Lease liabilities	15	484,628	359,763
Total non-current liabilities		484,628	382,798

	Notes	As at 31 December 2020 RMB'000	2019 RMB'000
Current liabilities			
Contract liabilities	26	357,039	283,356
Lease liabilities	15	117,783	100,005
Trade and other payables	27	105,078	101,352
Current income tax liabilities		10,457	11,854
Borrowings	28	54,400	38,340
Total current liabilities		644,757	534,907
Total liabilities		1,129,385	917,705
Total equity and liabilities		1,667,422	1,471,069

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of Company				
	Notes	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2019		339	52,897	32,664	29,319	115,219
Profit for the year		—	—	—	94,786	94,786
Total comprehensive income for the year		339	52,897	32,664	124,105	210,005
Transactions with owners:						
Capital injection from shareholders						
Share issued pursuant to the Listing	21, 24	855	402,196	—	—	403,051
Issue of shares pursuant to the Capitalisation Issue	21, 24	2,581	(2,581)	—	—	—
Listing expense charged to share premium	24	—	(36,380)	—	—	(36,380)
Dividends paid	24, 25	—	(30,051)	—	—	(30,051)
Share based payments	23, 24	—	—	6,739	—	6,739
Balance at 31 December 2019		3,775	386,081	39,403	124,105	553,364

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital RMB'000	Share premium RMB'000	Shares held for employee share scheme RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
		Attributable to owners of Company					
Balance at 1 January 2020		3,775	386,081	—	39,403	124,105	553,364
Profit for the year		—	—	—	—	48,938	48,938
Total comprehensive income for the year		3,775	386,081	—	39,403	173,043	602,302
Transactions with owners:							
Capital injection from shareholders							
Dividends paid	24, 25	—	(90,173)	—	—	—	(90,173)
Share based payments	23, 24	—	—	—	26,958	—	26,958
Acquisition of shares for employee share scheme	22	—	—	(1,050)	—	—	(1,050)
Balance at 31 December 2020		3,775	295,908	(1,050)	66,361	173,043	538,037

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December 2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash generated from operations	30(a)	290,184	315,774
Interest received		5,586	4,467
Interest paid		(5,591)	(3,064)
Income taxes paid		(18,729)	(16,756)
Net cash inflow from operating activities		271,450	300,421
Cash flows from investing activities			
Payments for property, plant and equipment, land use rights and intangible assets		(82,496)	(123,208)
Proceeds from disposal of property, plant and equipment and intangible assets	30(b)	252	313
Payments for term deposits with initial maturities over three months	20	—	(35,304)
Proceeds from term deposits with initial maturities over three months	20	35,304	10,500
Payments for purchase of financial assets at fair value through profit or loss	19	(2,676,875)	(1,540,538)
Proceeds from redemption of financial assets at fair value through profit or loss at maturity	19	2,856,199	1,313,442
Net cash inflow/(outflow) from investing activities		132,384	(374,795)
Cash flows from financing activities			
Acquisition of shares under employee share scheme	22	(1,050)	—
Issuance of new shares pursuant to the Listing	21, 24	—	403,051
Payments for listing related expenses		—	(30,562)
Proceeds from borrowings		80,000	53,400
Repayment of borrowings		(86,975)	(34,784)
Dividends paid to shareholders	25	(90,173)	(30,051)
Amounts due from shareholders		—	315
Principal elements of lease payments		(99,844)	(82,716)
Net cash (outflow)/inflow from financing activities		(198,042)	278,653
Net increase in cash and cash equivalents		205,792	204,279
Cash and cash equivalents at the beginning of the year		241,479	37,200
Effects of exchange rate changes on cash and cash equivalents		(4,685)	—
Cash and cash equivalents at end of the year		442,586	241,479

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Scholar Education Group (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 ordinary 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 31 March 2021.

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 2020:

- Definition of Material — Amendments to IAS 1 and IAS 8
- Definition of a Business — Amendments to IFRS 3
- Interest Rate Benchmark Reform — Amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting
- COVID-19-Related Rent Concessions — Amendments to IFRS 16

The 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 periods, except for the Amendment to IFRS 16 set out above.

(b) New standards and interpretations not yet adopted

		Effective for annual periods beginning on or after
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest rate benchmark reform — phrase 2	1 January 2021
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2021
Amendments to IAS 16	Proceeds before Intended Use	1 January 2021
Amendments to IAS 37	Cost of Fulfilling a Contract	1 January 2021
Annual improvement project	Annual Improvements 2018–2020 Cycle	1 January 2021
IFRS 17	Insurance Contracts	1 January 2021
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current	1 January 2021
Accounting Guideline 5 (Revised)	Merge accounting for common control combination	1 January 2022
IAS Interpretation (2020)	Presentation of financial statements — classification by the borrower of a term loan that contains a prepayment on demand clause	1 January 2023
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation and reorganisation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 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.

2.2 Change in accounting policy

The Group has adopted Amendments to IFRS 16 COVID-19-Related Rent Concessions retrospectively from 1 January 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: a. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b. any reduction in lease payments affects only payments due on or before 30 June 2021; and c. there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions totalling RMB13,445,000 have been accounted for as negative variable lease payments and recognised in cost of sales in the statement of profit or loss for the year ended 31 December 2020 (see note 8), with a corresponding adjustment to the lease liability. There is no impact on the opening balance of equity at 1 January 2020.

2.3 Principles of consolidation

2.3.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has controlled. 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.

2. Summary of significant accounting policies (Continued)

2.3 Principles of consolidation (Continued)

2.3.1 Subsidiaries (Continued)

(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.

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 remeasured, 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.

2. Summary of significant accounting policies (Continued)

2.3 Principles of consolidation (Continued)

2.3.1 Subsidiaries (Continued)

(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 statement 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 statement of comprehensive income or transferred to another category of equity as specified/permitted by applicable IFRSs.

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") 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. Summary of significant accounting policies (Continued)

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).

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.

2. Summary of significant accounting policies (Continued)

2.5 Foreign currency translation (Continued)

(c) Group companies (Continued)

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.

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.

2. Summary of significant accounting policies (Continued)

2.6 Property, plant and equipment (Continued)

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.

2.7 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. Summary of significant accounting policies (Continued)

2.8 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.

2.9 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. Summary of significant accounting policies (Continued)

2.10 Financial assets

2.10.1 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 fair value through other comprehensive income (FVOCI).

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

2.10.2 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.

2.10.3 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.

2. Summary of significant accounting policies (Continued)

2.10 Financial assets (Continued)

2.10.3 Measurement (Continued)

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.

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.

2. Summary of significant accounting policies (Continued)

2.10 Financial assets (Continued)

2.10.3 Measurement (Continued)

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.

2.11 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.

2.12 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.

2.13 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. Summary of significant accounting policies (Continued)

2.14 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.

2.15 Share capital and shares held for employee share scheme

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.

Where any group company purchases the company's equity instruments, for example as the result of a share buy-back or a share based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Group as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Group.

Shares held by the Smart Scholar Limited are disclosed as share held for employee share scheme and deducted from contributed equity.

2.16 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.

2.17 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)

2.18 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.

2.19 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.

2. Summary of significant accounting policies (Continued)

2.19 Current and deferred income tax (Continued)

Deferred income tax (Continued)

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.

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.

2.20 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.

2. Summary of significant accounting policies (Continued)

2.20 Employee benefits (Continued)

(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.

2.21 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.

2.22 Share based payments

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. Summary of significant accounting policies (Continued)

2.23 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.

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)

2.24 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.

2.25 Leases

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.

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.

Lease payments are allocated between principal 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.

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.

2. Summary of significant accounting policies (Continued)

2.25 Leases (Continued)

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.

2.26 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.

2.27 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	
	2020	2019
	RMB'000	RMB'000
Assets		
USD	**15,028**	86,228
HKD	**5,456**	428
	20,484	86,656

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:

	2020		2019	
	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% RMB'000	(5%) RMB'000	5% RMB'000	(5%) RMB'000
USD	(751)	751	(4,314)	4,314
HKD	(273)	273	(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 2020 and 2019, 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	
	2020 RMB'000	2019 RMB'000
Floating rate		
Expiring within 1 year	54,400	38,340
Between 1 and 2 years	—	3,511
Between 2 and 5 years	—	11,588
Over 5 years	—	7,936
	54,400	61,375

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	
	2020	2019
	RMB'000	RMB'000
Interest rates — increase by 100 basis points	**(384)**	(521)
Interest rates — decrease by 100 basis points	**384**	521

(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 2020 and 2019, 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 lease deposits, loans to employees and amounts due from related parties. 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.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Credit risk (Continued)

Other receivables (Continued)

As at 31 December 2020 and 2019, management considers other receivables 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 2020 and 2019 for these balances is not material.

(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 that 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 one year RMB'000	**one to two years** RMB'000	**two to five years** RMB'000	**over five years** RMB'000	**Total** RMB'000
As at 31 December 2020					
Trade payables	**3,363**	**—**	**—**	**—**	**3,363**
Other payables	**15,984**	**—**	**—**	**—**	**15,984**
Borrowings	**55,166**	**—**	**—**	**—**	**55,166**
Lease liabilities	**134,582**	**127,472**	**296,197**	**174,382**	**732,633**
	209,095	**127,472**	**296,197**	**174,382**	**807,146**
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

3. Financial risk management (Continued)

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.

3.3 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 19 for disclosure of the financial assets at FVPL.

3. Financial risk management (Continued)

3.3 Fair value estimation (Continued)

Financial instruments at fair value as at 31 December 2020 and 2019 were as follows:

2020	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Asset				
Financial assets at FVPL	—	—	298,943	298,943

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

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 2020 and 2019.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the years ended 31 December 2020 and 2019.

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 19.

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 2020 and 2019 would have been approximately RMB2,873,000 higher/lower and RMB4,507,000 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.

(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.

4. Critical accounting estimates and judgements (Continued)

(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 and to 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

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 CODM 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.

The Group's principal market is in Guangdong Province of the PRC, most of the Group's revenue and operating profit are derived within Guangdong Province, and most of the Group's operations and non-current assets are located in Guangdong Province. Accordingly, no geographical segment information is presented.

As a result of evaluation by CODM ("**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 2020.

	2020 RMB'000	2019 RMB'000
Recognised over time		
— After-school education services	749,089	711,422

The Group has a large number of customers, and no single customer accounted for more than 10% of the Group's total revenue during the year.

6. Other income — net

	2020 RMB'000	2019 RMB'000
Sub-lease (a)		
— Sub-lease income	9,376	12,790
— Sub-lease expense	(9,379)	(11,497)
Finance income	5,586	4,468
Government grants (b)	29,587	2,528
	35,170	8,289

(a) The Group sub-leases a portion of its teaching centres to the third party, pricing of sub-lease income was determined with reference to the actual rental expense with terms agreed by both parties.

(b) Government grants mainly include VAT exemption. VAT exemption amounted to RMB25,259,000 (2019: nil) was recognised in the consolidated statement of comprehensive income due to the VAT exemption caused by COVID-19 pandemic. Since January 2020, in accordance with Cai Shui [2020] No.8, VAT on certain services revenue of the Group was temporarily exempted for calendar year 2020.

7. Other gains — net

	2020 RMB'000	2019 RMB'000
Fair value gains on financial assets at FVPL	30,646	15,441
Lease modification	2,258	—
Net losses on disposal of property, plant and equipment and intangible assets (Note 30(b))	(2,539)	(911)
Net foreign exchange (losses)/gains	(4,685)	4,137
Others	(2,618)	56
	23,062	18,723

8. Expenses by nature

	2020 RMB'000	2019 RMB'000
Employee benefits expenses (Note 9)	463,653	380,295
Depreciation and amortisation (Note 14, 15 and 16)	156,114	110,069
Teaching materials	25,913	19,709
Software usage fee	11,549	—
Property management expenses	11,915	9,474
Advertising and exhibition expenses	13,372	10,387
Utilities	9,874	7,525
Office expenses	8,677	6,678
Maintenance cost	5,688	4,832
Entertainment and activities expenses	4,052	6,113
Other taxes	4,026	4,179
Professional service fees	3,795	2,128
Travel and transportation	2,056	2,129
Auditor's remuneration		
— Audit services	1,906	1,496
— Other assurance services	694	683
Recruitment expenses	2,477	1,689
Renting expense	1,182	—
Allowance for impairment	206	—
Listing expense	—	25,837
Rent concessions related to COVID-19 (Note 15(d))	(13,445)	—
Others	7,386	13,320
	721,090	606,543

9. Employee benefits expenses

(a) Employee benefits expenses are as follows:

	2020 RMB'000	2019 RMB'000
Wages, salaries and bonus	421,487	354,651
Defined contribution plan	5,095	10,772
Share options granted to employees	26,958	6,739
Other social security costs and housing fund	10,113	8,133
	463,653	380,295

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2020 include nil (2019: nil) director whose emoluments are reflected in the analysis shown in Note 33. The emoluments payable to the remaining 5 (2019: 5) individuals during the years ended 31 December 2020 and 2019 are as follows:

	2020 RMB'000	2019 RMB'000
Wages, salaries and bonus	4,857	4,424
Defined contribution plan	8	20
Other social security costs and housing fund	30	32
	4,895	4,476

(c) The emoluments fell within the following bands:

	Number of individuals for the year ended 31 December 2020	2019
Emolument band		
Nil – HK$1,000,000	2	4
HK$1,000,000 – HK$2,000,000	3	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

	2020 RMB'000	2019 RMB'000
Interest expenses on bank borrowings	5,591	3,064
Interest expenses on leasing liabilities (Note 15(b))	30,856	20,752
	36,447	23,816

11. Subsidiaries

The Group's principal subsidiaries at 31 December 2020 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 by the Company				
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 by the Company				
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%
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	RMB1,000,000/ 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	RMB1,000,000/ 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	RMB1,000,000/ 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%

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 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 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%
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%
Foshan Shunde District Daliang Scholar Education and Training Centre Co., Ltd. (佛山市順德區大良思考樂教育培訓中心有限公司)	The PRC/ 26 March 2020	Education service/ The PRC	RMB300,000/ RMB300,000	100%
Dongguan Shilong Scholar Training Centre Co., Ltd. (東莞市石龍思考樂培訓中心有限公司)	The PRC/ 20 January 2020	Education service/ The PRC	RMB150,000/ RMB150,000	100%
Dongguan Liaobu Scholar Training Centre Co., Ltd. (東莞市寮步思考樂培訓中心有限公司)	The PRC/ 30 July 2020	Education service/ The PRC	RMB150,000/ RMB150,000	100%
Dongguan Huangjiang Scholar Training Centre Co., Ltd. (東莞市黃江思考樂培訓中心有限公司)	The PRC/ 25 August 2020	Education service/ The PRC	RMB150,000/ RMB150,000	100%
Heyuan Scholar Education and Consultation Co., Ltd. (河源市思考樂教育諮詢有限公司)	The PRC/ 25 September 2020	Education service/ The PRC	RMB0/ 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
Jiangmen Pengjiang District Qifan Education and Training Center Co., Ltd. (江門市蓬江區啟凡教育培訓中心有限公司)	The PRC/ 18 June 2020	Education service/ The PRC	RMB300,000/ RMB300,000	100%
Jiangmen Pengjiang District Scholar Education and Training Center Co., Ltd. (江門市蓬江區思考樂教育培訓中心有限公司)	The PRC/ 15 June 2020	Education service/ The PRC	RMB300,000/ RMB1,500,000	100%
Zhongshan Shiqi District Scholar Education and Training Center Co., Ltd. (中山市石岐區思考樂教育培訓中心有限公司)	The PRC/ 4 June 2020	Education service/ The PRC	RMB0/ RMB300,000	100%
Zhongshan Shiqi District Xinyue Scholar Education and Training Center Co., Ltd. (中山市石岐區新悦思考樂教育培訓中心有限公司)	The PRC/ 6 November 2020	Education service/ The PRC	RMB0/ RMB300,000	100%
Zhongshan Xi District Scholar Education and Training Center Co., Ltd. (中山市西區思考樂教育培訓中心有限公司)	The PRC/ 27 September 2020	Education service/ The PRC	RMB0/ RMB300,000	100%
Guangzhou Scholar Education and Consultation Co., Ltd. (廣州市思考樂教育諮詢有限公司)	The PRC/ 19 December 2019	Education service/ The PRC	RMB0/ RMB1,000,000	100%
Ningbo Scholar Education Information Consulting Co., Ltd. (寧波市思考樂教育資訊諮詢有限公司)	The PRC/ 28 June 2020	Education service/ The PRC	RMB0/ RMB1,000,000	100%
Suzhou Scholar Culture and Technology Development co., Ltd. (蘇州市思考樂文化科技發展有限公司)	The PRC/ 9 September 2020	Education service/ The PRC	RMB0/ RMB1,000,000	100%
Maoming Scholar Education and Consultation Co., Ltd. (茂名市思考樂教育諮詢有限公司)	The PRC/ 30 September 2020	Education service/ The PRC	RMB300,000/ RMB1,000,000	100%
Dongguan Shatian Scholar Training Centre Co., Ltd. (東莞市沙田思考樂培訓中心有限公司)	The PRC/ 21 October 2020	Education service/ The PRC	RMB150,000/ RMB150,000	100%
Zhuhai Scholar Education and Consultation Co., Ltd. (珠海市思考樂教育諮詢有限公司)	The PRC/ 7 August 2020	Education service/ The PRC	RMB300,000/ RMB1,000,000	100%
Foshan Chancheng District Scholar Education and Training Center Co., Ltd. (佛山市禪城區思考樂教育培訓中心有限公司)	The PRC/ 31 March 2020	Education service/ The PRC	RMB300,000/ RMB300,000	100%
Guangzhou Haizhu District Scholar Training Centre Co., Ltd. (廣州市海珠區思考樂培訓中心有限公司)	The PRC/ 8 December 2020	Education service/ The PRC	RMB300,000/ RMB300,000	100%
Huizhou Huicheng District Qifan Education Training Centre Co., Ltd., Shangpai Branch (惠州市惠城區啟凡教育培訓中心有限公司上排分公司)	The PRC/ 12 May 2020	Education service/ The PRC	RMB300,000/ RMB300,000	100%
Huizhou Huicheng District Scholar Education Training Centre Co., Ltd., Zhongkai Branch (惠州市惠城區思考樂教育培訓中心有限公司仲愷分公司)	The PRC/ 22 December 2020	Education service/ The PRC	RMB300,000/ RMB300,000	100%
Qingdao Fengye Education and Consultation Co., Ltd. (青島楓燁教育諮詢有限公司)	The PRC/ 23 November 2020	Education service/ The PRC	RMB0/ 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

	2020 RMB'000	2019 RMB'000
Current tax		
— Current tax on profits for the year	17,333	19,388
Deferred income tax		
— Increase in deferred income tax (Note 29)	(16,487)	(6,099)
Income tax expense	846	13,289

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:

	2020 RMB'000	2019 RMB'000
Profit before income tax:	49,784	108,075
Tax calculated at tax rates applicable to profit in the respective companies	12,145	29,411
Tax effects of:		
— Preferential tax policies (c)	(11,343)	(11,910)
— Expenses not deductible for tax purposes	64	48
— Research and development super deduction (d)	(5,242)	(4,260)
— Unrecognised tax losses	5,222	—
	846	13,289

(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

Under the current Hong Kong Inland Revenue Ordinance, 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 year, 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 2020, and it is subject to a reduced preferential EIT rate of 15% for 3-year period from 2020 to 2022 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.

	2020	2019
Earnings attributable to equity shareholders of the Company (in RMB thousands)	48,938	94,786
Weighted average number of ordinary shares in issue (thousand shares) (i)	555,700	497,186
Basic earnings per share (expressed in RMB cents per share)	8.81	19.06

(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 2020 and 2019. 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 21 (a) and 21(c) 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.

	2020	2019
Diluted earnings per share (expressed in RMB cents per share)	8.59	19.01

Weighted average number of shares used as the denominator

	2020	2019
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	555,700,000	497,185,000
Adjustments for calculation of diluted earnings per share: Share options	14,294,000	1,320,000
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	569,994,000	498,505,000

14. 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 2019					
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
Year ended 31 December 2020					
Opening net book amount	63,942	7,281	72,253	1,406	144,882
Additions	—	14,616	55,425	1,807	71,848
Disposals	—	(209)	(2,579)	(3)	(2,791)
Depreciation charge	(1,771)	(7,130)	(34,267)	(438)	(43,606)
Closing net book amount	62,171	14,558	90,832	2,772	170,333
As at 31 December 2020					
Cost	67,752	30,782	170,626	4,101	273,261
Accumulated depreciation	(5,581)	(16,224)	(79,794)	(1,329)	(102,928)
Net book amount	62,171	14,558	90,832	2,772	170,333

14. Property, plant and equipment (Continued)

Depreciation expenses have been charged to comprehensive income as follows:

	2020 RMB'000	2019 RMB'000
Cost of sales	34,067	23,708
Administrative expenses	9,539	5,396
	43,606	29,104

As at 31 December 2020, the net book amounts of Group's buildings pledged to a bank to secure bank borrowing was nil (As at 31 December 2019: RMB42,690,000) (Note 28).

15. Right-of-use assets and leases

(a) Amount recognised in the consolidated balance sheet

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000
Right-of-use assets*		
Land use rights**	87,675	90,561
Properties	555,752	435,392
	643,427	525,953
Lease liabilities		
Current	117,783	100,005
Non-current	484,628	359,763
	602,411	459,768

* Additions to the right-of-use assets during the year ended 31 December 2020 was RMB254,546,000 (2019: RMB218,349,000).

** 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 under IFRS 16.

As at 31 December 2020, the net book amount of Group's right-of-use for lands pledged to a bank to secure certain banking borrowings was nil (As at 31 December 2019: RMB 37,543,000) (Note 28).

15. Right-of-use assets and leases (Continued)

(b) Amount recognised in the consolidated statement of comprehensive income

	2020 RMB'000	2019 RMB'000
Depreciation charge of right-of-use assets		
— Properties	109,428	79,233
— Land use rights	2,886	1,620
	112,314	80,853
Interest expense (included in finance costs)	30,856	20,752
Expense relating to short-term leases (included in administrative expenses and cost of sales)	1,182	—

(c) Amounts recognised in the consolidated statement of cash flows

For the year ended 31 December 2020, the cash outflows from financing activities for leases was RMB99,844,000 (For the year ended 31 December 2019: RMB82,716,000) and cash outflows from operating activities for short-term lease was RMB1,182,000 (For the year ended 31 December 2019: Nil).

(d) Rent concessions related to COVID-19

For the year ended 31 December 2020, the rent concessions related to COVID-19 was RMB13,445,000 (Note 8).

16. Intangible assets

	Computer software RMB'000
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
Year ended 31 December 2020	
Opening net book amount	996
Additions	2,055
Amortisation charge	(194)
Closing net book amount	2,857
As at 31 December 2020	
Cost	3,225
Accumulated amortisation	(368)
Net book amount	2,857

17. Financial instruments by category

	Financial assets at amortised cost RMB'000	Financial assets at FVPL RMB'000
As at 1 January 2019		
Other receivables	24,629	—
Financial assets at FVPL	—	205,084
Term deposits with original maturity over three 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 three months	35,304	—
Cash and cash equivalents	241,479	—
	307,028	447,621
As at 31 December 2020		
Other receivables	40,109	—
Financial assets at FVPL	—	298,943
Cash and cash equivalents	442,586	—
	482,695	298,943

	2020 RMB'000	2019 RMB'000
Financial liabilities at amortised cost		
Trade payables	3,363	3,244
Other payables	16,040	12,615
Borrowings	54,400	61,375
	73,803	77,234

18. Prepayments and other receivables

	2020 RMB'000	2019 RMB'000
Included in non-current assets		
Lease deposits	26,978	23,411
Prepayments for leasehold improvements	23,611	15,018
	50,589	38,429
Allowance for impairment (d)	(128)	—
	50,461	38,429
Included in current assets		
Amounts due from related parties (Note 32(d)(i))	1,493	772
Cash advances to employees (a)	962	778
Loans to employees (b)	3,420	2,821
Lease deposits	2,022	677
Prepayments (c)	8,205	9,223
Other receivables	6,727	2,557
	22,829	16,828
Allowance for impairment (d)	(78)	—
	22,751	16,828

As at 31 December 2020 and 2019 there were no significant balances that are past due.

(a) Cash advances to employees mainly represent cash advances to certain employees for ordinary course of business.

(b) Loans to employees mainly represent loans to certain employees for personal house purchase. The loans were unsecured and interest free.

(c) Prepayments mainly represent prepayment teaching materials purchase and property management expense.

(d) The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all other receivables. The loss allowance for other receivables during the current reporting period was RMB206,000 (2019: nil).

19. Financial assets at fair value through profit or loss

	2020 RMB'000	2019 RMB'000
At beginning of the year	447,621	205,084
Additions	2,676,875	1,540,538
Fair value gains	30,646	15,441
Redemption on maturity	(2,856,199)	(1,313,442)
At the end of the year	298,943	447,621

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 6.50% to 8.80% and 2.00% to 8.30% per annum for the years ended 31 December 2020 and 2019, 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 is 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.

20. Cash and cash equivalents

	2020 RMB'000	2019 RMB'000
Cash and bank deposits	442,586	276,783
Less: Term deposits with original maturity over three months	—	(35,304)
	442,586	241,479

The carrying amounts of the Group's cash and bank deposits are denominated in the following currencies:

	2020 RMB'000	2019 RMB'000
RMB	422,102	190,127
US dollar	15,028	86,228
HKD	5,456	428
	442,586	276,783

21. Share capital

	Authorised			Issued		
	Number of ordinary shares	Nominal value		Number of ordinary shares	Nominal value	
		USD	RMB		USD	RMB
Balance at 1 January 2019	53,831	53,831	338,501	53,831	53,831	338,501
Effect of share subdivision (a)	53,777,219	—	—	53,777,219	—	—
Increase in authorised share capital (b)	946,168,950	946,169	6,522,132	—	—	—
Issue of shares pursuant to the Capitalisation Issue (c)	—	—	—	376,968,950	376,969	2,581,181
Issue of shares pursuant to the Listing (d)	—	—	—	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
Balance at 1 January 2020 and 31 December 2020	**1,000,000,000**	**1,000,000**	**6,860,633**	**555,700,000**	**555,700**	**3,774,897**

(a) 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.

(b) 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.

(c) 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**").

(d) 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.

(e) 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.

22. Shares held for employee share scheme

	2020 Shares	2020 RMB'000
Shares held for employee share scheme	**99,000**	**1,050**

The Group through its trustee, Kastle Limited, acquired a total of 99,000 of the Company's shares for the year ended 31 December 2020 (for the year ended 31 December 2019: Nil). The total consideration paid to acquisition of these shares was HK$1,247,100 (equivalent to RMB1,050,000), which has been presented as a deduction from equity attributable to owners of the Company. These shares are held by the trustee for the purpose of granting share award under the Company's employee share award scheme.

Details	**Number of shares**	**RMB'000**
Opening balance as at 1 January 2020	—	—
Acquisition of shares by the trustee	99,000	1,050
Balance as at 31 December 2020	99,000	1,050

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	**2020 Number of options**	Average exercise price per share option	2019 Number of options
As at 1 January	**HK$7.5**	**27,785,000**	—	—
Granted during the year	—	—	HK$7.5	27,785,000
Exercised during the year	—	—	—	—
Forfeited during the year	—	—	—	—
As at 31 December	**HK$7.5**	**27,785,000**	HK$7.5	27,785,000
Vested and exercisable at 31 December	—	—	—	—

23. Share based payments (Continued)

No options expired during the years covered by the above tables.

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 2020
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 2020, the total expenses recognised in the consolidated statement of comprehensive income for share options was approximately RMB26,958,000(2019: RMB6,739,000) and were included in staff costs.

24. Share premium and other reserves

		Other reserves			
	Share premium RMB'000	Merger reserve (a) RMB'000	Capital reserves RMB'000	Share based compensation reserves RMB'000	Total RMB'000
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 21)	(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
Balance at 1 January 2020	386,081	(46,347)	79,011	6,739	39,403
Dividends paid to the Company's shareholders (Note 25)	(90,173)	—	—	—	—
Transfer to statutory reserves (b)	—	—	—	—	—
Share based payments (Note 23)	—	—	—	26,958	26,958
Balance at 31 December 2020	295,908	(46,347)	79,011	33,697	66,361

(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

	2020 HKD'000	2019 HKD'000
Interim dividend paid per share: HK$0.06 (2019: HK$0.02)	33,342	11,114
Interim special dividend per share: Nil (2019: HK$0.04)	—	22,228
	33,342	33,342
Proposed final dividend per share: HK$0.12 (2019: HK$0.06)	66,684	33,342
Proposed final special dividend per share: Nil (2019: HK$0.06)	—	33,342
	66,684	66,684

For the year ended 31 December 2020, the Company declared and paid the final dividends amounting to HK$66,684,000 (equivalent to RMB61,149,000) and the interim dividends amounting to HK$33,342,000 (equivalent to RMB29,024,000) (For the year ended 31 December 2019: interim dividends amounting to HK$33,342,000 (equivalent to RMB30,051,000)).

A final dividend in respect of the year ended 31 December 2020 of HK$0.12 per share, amounting to HK$66,684,000 is to be proposed at the annual general meeting of the Company held on or around 18 May 2021.

26. Contract liabilities

	2020 RMB'000	2019 RMB'000
Deferred revenue — Education services	357,039	283,356

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:

	2020 RMB'000	2019 RMB'000
At the beginning of the year	283,356	214,701
Revenue recognised	(749,089)	(711,422)
Cash received from customers during the year	896,825	835,837
Cash refunded to customers during the year	(74,053)	(55,760)
At the end of the year	357,039	283,356

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

	2020 RMB'000	2019 RMB'000
Current		
Trade payables (a)	3,363	3,244
Employee benefits payables	68,495	72,823
Other taxes payables	17,180	12,670
Interest payables	56	56
Other payables	15,984	12,559
	105,078	101,352

(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 2020 and 2019, the ageing analysis of trade payables based on the invoice date was as follows:

	2020 RMB'000	2019 RMB'000
Three months or less	2,493	2,186
Three to six months	607	676
Six months to one year	263	382
	3,363	3,244

28. Borrowings

	2020 RMB'000	2019 RMB'000
Non-current		
— Secured		
Bank borrowings	—	23,035
Current		
— Secured		
Current portion of non-current bank borrowings	—	3,348
Bank borrowings	—	34,992
— Unsecured with guarantee		
Bank borrowings	54,400	—
	54,400	38,340
	54,400	61,375

For the years ended 31 December 2020 and 2019, bank borrowings bear effective interest rate of 4.6% and 5.0% 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:

	2020 RMB'000	2019 RMB'000
Within 1 year	54,400	38,340
Between 1 and 2 years	—	3,511
Between 2 and 5 years	—	11,588
Over 5 years	—	7,936
	54,400	61,375

As at 31 December 2019, bank borrowings of RMB61,375,000 was 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)(Note 14 and Note 15), during the year ended 31 December 2020, the Group has repaid all of the bank borrowings carried as at 31 December 2019 and the secured by the property, plant and equipment and right-of-use assets for lands of the Group had been released.

29. Deferred income tax

	2020 RMB'000	2019 RMB'000
Tax losses	20,101	11,101
Financial assets at FVPL	(1,338)	(745)
Lease liabilities	10,668	5,295
Accruals on wages, salaries and bonus	100	2,284
Share based payments	5,837	1,010
Others	696	632
	36,064	19,577

The movement on the deferred tax assets for the years is as follows:

	Tax losses RMB'000	Financial assets at FVPL RMB'000	Lease liabilities RMB'000	Accruals on wages, salaries and bonus RMB'000	Share based payments RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2019	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
Credited/(charged) to the statement of comprehensive income	9,000	(593)	5,373	(2,184)	4,827	64	16,487
As at 31 December 2020	20,101	(1,338)	10,668	100	5,837	696	36,064

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 2020 and 2019, the Group did not recognise deferred income tax assets of RMB5,222,000 (2019: nil) in respect of the tax losses amounting to RMB20,888,000 (2019: nil), as their recoverability is uncertain.

29. Deferred income tax (Continued)

The amount of tax losses from subsidiaries in the PRC will expire in the following years:

	2020 RMB'000	2019 RMB'000
2021	—	4,196
2022	6,047	14,687
2023	6,162	8,946
2024	13,112	15,174
2025	52,519	—
	77,840	43,003

As at 31 December 2020, unused tax losses of approximately RMB3,866,000 (2019: RMB2,123,000) was incurred by Youshine International Co., Ltd. The losses can be carried forward and has no expiry date.

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 2020 and 2019, 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 RMB232,448,000 and RMB130,385,000, 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 statement of cash flows

(a) Cash generated from operations

	2020 RMB'000	2019 RMB'000
Profit before income tax	49,784	108,075
Adjustments for:		
Depreciation and amortisation	156,114	110,069
Net losses on disposal of property, plant and equipment and intangible assets	2,539	911
Net gains on disposal of right-of-use assets	(2,258)	—
Fair value gains on financial assets at FVPL	(30,646)	(15,441)
Finance costs	36,447	23,816
Share based payments	26,958	6,739
Net exchange differences	4,685	—
Changes in working capital:		
Increase in prepayments and other receivables	(32,138)	(12,150)
Increase in trade and other payables	5,016	25,100
Increase in contract liabilities	73,683	68,655
Cash generated from operations	290,184	315,774

(b) Proceeds from disposal of property, plant and equipment and intangible assets

	2020 RMB'000	2019 RMB'000
Net book value (Note 14 and 16)	2,791	1,224
Net losses on disposal of property, plant and equipment and intangible assets (Note 7)	(2,539)	(911)
Proceeds from disposal	252	313

30. Notes to the consolidated statement of cash flows (Continued)

(c) Net cash reconciliation

	2020 RMB'000	2019 RMB'000
Cash and cash equivalents	442,586	241,479
Term deposits with initial maturities over three months	—	35,304
Financial assets at FVPL	298,943	447,621
Borrowings — repayable within one year	(54,400)	(38,340)
Borrowings — repayable after one year	—	(23,035)
Net cash	687,129	663,029
Cash, term deposits and financial assets at FVPL	741,529	724,404
Gross debt — variable interest rates	(54,400)	(61,375)
Net cash	687,129	663,029

30. Notes to the consolidated statement of cash flows (Continued)

(c) Net cash reconciliation (Continued)

	Other assets			Liabilities from financing activities		
	Cash and cash equivalents	Term deposits with original maturity over 3 months	Financial assets at FVPL	Borrowings due within 1 year	Borrowings due after 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2019	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
Cash flows	201,107	(35,304)	(152,632)	(16,060)	23,035	20,146
Other non - cash movements	—	—	3,954	—	—	3,954
As at 31 December 2020	442,586	—	298,943	(54,400)	—	687,129

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:

	2020	2019
	RMB'000	RMB'000
Within 1 year	**160**	—

32. Significant related party transactions*

(a) Related party

The Group is controlled by the following entities:

Name	Type	Place of incorporation	Ownership interest 2020	2019
Sky Noon International Company Limited ("**Sky Noon**")	Ultimate and immediate parent entity	BVI	38.52%	38.52%
Magnificent Industrial Company Limited ("**Magnificent Industrial**")	Ultimate and immediate parent entity	BVI	24.84%	24.84%

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
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
Vanguard Department Store (Guangzhou) Co., Ltd.* (華潤萬家生活超市(廣州)有限公司)	Related party
Vanguard Department Store (Zhuhai) Co., Ltd.* (華潤萬家生活超市(珠海)有限公司)	Related party
Shenzhen Vanguard Department Store Co., Ltd.* (深圳華潤萬家超級市場有限公司)	Related party
Shenzhen Zhengxin Tuwen Advertisement Co., Ltd.* (深圳市正信圖文廣告有限公司)	Related party
Shenzhen Hengchuangxin Industrial Technology Co., Ltd.* (深圳市恒創鑫實業科技有限公司)	Related party

* 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 (excluding directors)

	2020 RMB'000	2019 RMB'000
Wages, salaries and bonus	1,994	1,898
Defined contribution plan	7	28
Other social security costs and housing fund	26	17
	2,027	1,943

(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 materials:

	2020 RMB'000	2019 RMB'000
Shenzhen Zhengxin Tuwen Advertisement Co., Ltd.	—	1,504
Shenzhen Hengchuangxin Industrial Technology Co., Ltd.	—	484
	—	1,988

The purchase of teaching material was conducted on normal commercial terms and the purchase price was determined with reference to the prevailing market price.

Amortisation of right-of-use assets related to the lease from related parties:

	2020 RMB'000	2019 RMB'000
China Resources Vanguard Co., Ltd.	3,248	606
Vanguard Department Store (Guangzhou) Co., Ltd.	902	—
New Jiangcheng Department Store (Jiangmen) Co., Ltd.	678	125
Shenzhen Vanguard Department Store Co., Ltd.	105	—
Vanguard Department Store (Zhuhai) Co., Ltd.	91	—
	5,024	731

32. Significant related party transactions (Continued)

(c) Significant transactions with related parties (Continued)

Interest expenses for lease liabilities related to the lease from related parties:

	2020 RMB'000	2019 RMB'000
China Resources Vanguard Co., Ltd.	1,094	186
Vanguard Department Store (Guangzhou) Co., Ltd.	380	—
New Jiangcheng Department Store (Jiangmen) Co., Ltd.	335	63
Shenzhen Vanguard Department Store Co., Ltd.	44	—
Vanguard Department Store (Zhuhai) Co., Ltd.	41	—
	1,894	249

(d) Balances with related parties

(i) Prepayments and other receivables

	2020 RMB'000	2019 RMB'000
China Resources Vanguard Co., Ltd.	734	651
Vanguard Department Store (Guangzhou) Co., Ltd.	316	—
New Jiangcheng Department Store (Jiangmen) Co., Ltd.	171	121
Vanguard Department Store (Zhuhai) Co., Ltd.	139	—
Shenzhen Vanguard Department Store Co., Ltd.	133	—
	1,493	772

Prepayments and other receivables due from related parties are mainly lease deposits.

32. Significant related party transactions (Continued)

(d) Balances with related parties (Continued)

(ii) Right-of-use assets

	2020 RMB'000	2019 RMB'000
China Resources Vanguard Co., Ltd.	14,388	17,637
Vanguard Department Store (Guangzhou) Co., Ltd.	9,591	—
New Jiangcheng Department Store (Jiangmen) Co., Ltd.	5,328	3,886
Shenzhen Vanguard Department Store Co., Ltd.	4,515	—
Vanguard Department Store (Zhuhai) Co., Ltd.	4,286	—
	38,108	21,523

(iii) Lease liabilities

	2020 RMB'000	2019 RMB'000
China Resources Vanguard Co., Ltd.	16,215	18,429
Vanguard Department Store (Guangzhou) Co., Ltd.	10,324	—
New Jiangcheng Department Store (Jiangmen) Co., Ltd.	5,955	4,075
Shenzhen Vanguard Department Store Co., Ltd.	4,665	—
Vanguard Department Store (Zhuhai) Co., Ltd.	4,419	—
	41,578	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 2020 and 2019 are set out as follows:

Year ended 31 December 2020:

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	—	430	—	13	443
Executive directors:					
Mr. Chen Hongyu	—	343	—	11	354
Mr. Qi Mingzhi *(chief executive officer)*	—	359	—	13	372
Mr. Xu Chaoqiang	—	267	—	13	280
	—	1,399	—	50	1,449
Non-Executive director:					
Mr. Shen Jingwu *(vice chairman)*	—	—	—	—	—
Independent non-executive directors:					
Mr. Huang Victor	—	213	—	—	213
Dr. Liu Jianhua	—	102	—	—	102
Mr. Yang Xuezhi	—	144	8	—	152
	—	459	8	—	467
	—	1,858	8	50	1,916

33. Benefits and interests of directors (Continued)

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 Jingwu *(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

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 2020 and 2019.

No retirement or termination benefits have been paid to the Company's directors for the years ended 31 December 2020 and 2019.

33. Benefits and interests of directors (Continued)

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 2020 and 2019.

No consideration was provided to third parties for making available directors' services during the years ended 31 December 2020 and 2019.

34. Contingencies

As at 31 December 2020, 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 (2019: Nil).

35. Comparative figures

Comparative figures have been reclassified to conform with current year's presentation, including the presentation of commitments and key management personnel compensation (excluding directors) on significant transactions with related parties. These reclassifications have no impact on the Group's total equity as at 31 December 2020 and 2019, or on the Group's loss for the years ended 31 December 2020 and 2019.

36. Balance sheet and reserve movement of the Company

	Notes	As at 31 December 2020 RMB'000	2019 RMB'000
Assets			
Non-current assets			
Investment in a subsidiary		100,044	73,086
Prepayments and other receivables		239,048	—
Total non-current assets		339,092	73,086
Current assets			
Prepayments and other receivables		165	109,915
Cash and cash equivalents		45,461	230,940
Term deposits with original maturity over 3 months		—	35,304
Financial assets at fair value through profit or loss		—	595
Total current assets		45,626	376,754
Total assets		384,718	449,840
Liabilities			
Current liabilities			
Trade and other payables		164	3,894
Equity			
Share capital		3,775	3,775
Share premium	36(a)	295,908	386,081
Other reserves	36(a)	100,044	73,086
Accumulated losses		(15,173)	(16,996)
Total equity		384,554	445,946
Total equity and liabilities		384,718	449,840

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
At 1 January 2019	52,897	66,347
Share issued pursuant to the Listing	402,196	—
Issue of shares pursuant to the Capitalisation Issue	(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
At 1 January 2020	386,081	73,086
Dividends paid	(90,173)	—
Share based payments	—	26,958
At 31 December 2020	295,908	100,044

In this annual report, the following expressions have the meanings set out below unless the context otherwise requires:

"Adoption Date"	28 December 2020, being the date on which the Scheme Rules are adopted by the Board for the establishment of the Scheme
"AGM"	the forthcoming annual general meeting of the Company to be held on 18 May 2021
"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
"Award"	an award of Shares by the Board to a Selected Participant pursuant to the Scheme Rules
"Awarded Share(s)"	in respect of a Selected Participant, such number of Shares determined by the Board and granted to such Selected Participant pursuant to the Scheme Rules
"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
"Eligible Participant"	any employee (whether full time or part time) of any member of the Group, in each case, in the sole and absolute discretion of the Board, who have contributed or will contribute to the growth and development of the Group

"Excluded Participant"	(i) at the time of the proposed grant of an Award, any connected person of the Company; or (ii) any Eligible Participant who is resident in a place where the award of the Awarded Shares and/or the vesting and transfer of the Awarded Shares pursuant to the terms of the Scheme is not permitted under the laws and regulations of such place or where in the view of the Board or the Trustee (as the case may be), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such Eligible Participant
"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
"Returned Shares"	such Awarded Shares or the related income which are not vested and/or are forfeited in accordance with the terms of the Scheme or such Shares being deemed to be Returned Shares in accordance with the terms of the Scheme and the Trust Deed
"RMB"	Renminbi yuan, the lawful currency of the PRC
"Scheme" or "Share Award Scheme"	the share award scheme of the Company constituted by the Scheme Rules
"Scheme Rules"	the rules relating to the Scheme, as approved and adopted by the Board on the Adoption Date in its present form or as amended from time to time
"Selected Participant(s)"	Eligible Participant(s) selected by the Board pursuant to the Scheme Rules for participating in the Scheme
"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
"Shareholder(s)"	holder(s) of the Share(s)
"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
"Trust"	the trust constituted by the Trust Deed
"Trust Deed"	a trust deed dated 28 December 2020 and entered into between the Company as settlor and the Trustee as trustee (as restated, supplemented and amended from time to time)
"Trustee"	Kastle Limited, and any additional or replacement trustees, being the trustee or trustees for the time being declared in the Trust Deed
"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
"Vesting Date"	in respect of a Selected Participant, the date on which his or her entitlement to the Awarded Shares is vested in such Selected Participant in accordance with the Scheme Rules
"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 or names.