思考乐教育
SCHOLAR EDUCATION

2022 Annual Report

Erudite to Be Excelsior • Educate to Achieve Success

思 考 樂 教 育 集 團
SCHOLAR EDUCATION GROUP

Stock Code: 1769
(Incorporated in the Cayman Islands with limited liability)

思考乐教育
SCHOLAR EDUCATION

CONTENT

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Chen Qiyuan *(Chairman)*
Mr. Qi Mingzhi *(Chief Executive Officer)*
Ms. Li Ailing
Ms. Leng Xinlan

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
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
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 Meilin Branch
1st Floor, Huamaoyuan
Zhongkang Road, Shangmelin
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 private education service provider in South China.

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). We are committed to providing high-quality tutoring education to students through a student-oriented teaching approach. All of our classes are delivered in small class settings, typically consisting of no more than 20 students per class.

Our “Le Xue” (樂學) programme is comprised of liberal education courses in respect of art, sports, painting, performance art, calligraphy, scientific literacy, Le Xue and Guo Xue (樂學國學), logic training and Miaowei international literacy (妙維國際素養) with a view to fulfilling various needs of students and encouraging students to develop their hobbies and talents, and by providing them quality services, children can achieve a balanced development in the five aspects of “ethics, intellect, physique, aesthetics and hard-work” and enjoy a healthy and all-rounded development.

In addition, the Group provides after-school care services, by which students can receive its quality after-school care services from professional teachers in a safe and comfortable environment. With its talented teachers as companions in their daily lives, the Group’s students can grow sturdily and will be motivated to build positive thinking and attitude as well as to cultivate their capability in lifelong learning.

We have also explored new opportunities and launched our livestreaming e-commerce business. This new business segment enables us to enhance public welfare through knowledge sharing and create values to the society. Leveraging our advantages in branding, technology and resources with an existing pool of talents, we established our e-commerce business which provide food, drinks, daily and other products, and offer premium services for our customers through our superior supply chain management, innovative livestreaming marketing and diversified cooperation with different partners. Our mission is to create a high-quality and cost-effective e-commerce platform for the provision of competitive value for money high quality products so as to improve better quality of life and promote healthy lifestyles to our customers.

We will strive to promote the diversified development of the Group throughout all aspects in the future to live up to the recognition of students, parents, and people from all walks of life.

FINANCIAL HIGHLIGHTS

	For the year ended 31 December 2022 RMB'000	2021 RMB'000	Change RMB'000	Percentage change
Revenue	**402,082**	831,725	(429,642)	(51.7)%
Gross profit	**138,692**	315,021	(176,329)	(56.0)%
Profit/(loss) for the year attributable to equity holders	**54,411**	(26,611)	81,022	304.5%

Earnings/(loss) per Share

	RMB cents	RMB cents	RMB cents	
Basic	**9.79**	(4.83)	14.62	302.7%
Diluted	**9.79**	(4.83)	14.62	302.7%

CHAIRMAN'S STATEMENT

To: Shareholders

On behalf of the Board, I am pleased to present this annual report of the Group for the year ended 31 December 2022.

Business overview

The principal business of the Group had remained profitable and recorded an increase in operating profit in 2022. The Group has strived to promote business transformation, and has launched non-academic literacy programmes since autumn 2021, including science literacy, Le Xue and Guo Xue (樂學國學), logic training, Miaowei international literacy (妙維國際素養) and other courses, which have shown promising results. During the year ended 31 December 2022, the Group's revenue from literacy programmes increased to RMB369.8 million from RMB196.0 million, and its tutoring hours increased to 4,282,148 hours from 2,314,289 hours, as compared to last year. Our literacy programmes have gained a high level of recognition from students and parents as they placed more emphasis on training children's ability to take initiatives and enhancing their deep thinking skills to achieve their overall development through the integration of learning and thinking.

In order to improve operational efficiency and to carry out the strategic plan of business transformation, the Group closed some of its learning centres in the second half of last year that did not meet its expected key performance indicators, resulting in a decrease in the Group's total revenue as compared with the last year. During the year ended 31 December 2022, the Group's revenue had decreased to RMB402.1 million, representing a decrease of 51.7% as compared to the last year. For the year ended 31 December 2022, the Group recorded a net profit attributable to equity holders of RMB54.4 million, as compared to a net loss attributable to equity holders of RMB26.6 million for the year ended 31 December 2021. It was mainly attributable to (i) the Group had not incurred one-off costs due to closure of certain learning centres as it had last year, and (ii) the decrease in fair value loss on financial assets as compared with the last year.

Future Prospects and Development Strategies

The Group has been exploring new business opportunities. The Group entered the brand new live commerce business at the end of 2022, and launched its first live streaming account, "Scholar GO" (思考樂GO), on the Douyin platform. This was a new attempt by the Group to tap into the new consumption industry. The slogan of "Scholar GO" (思考樂GO) is "Building a better life, all in Scholars GO! (構建美好生活，盡在思考樂GO!)". The Group expects to create an e-commerce platform making use of fun facts to sell products, providing high-quality and cost-effective products, with an aim to improve customers' quality of life. Leveraging the advantages of its brand, technology and resources and the existing talent, the Group will collaborate with top e-commerce and new media partners in the industry to develop a live-streaming e-commerce knowledge based sales team with distinctive South China characteristics and established supply chain and anchors. The Group believes that the live commerce business will broaden the revenue base of the Group and contribute to its long-term development.

At the same time, we will further consolidate the development of "Le Xue" (樂學), one of the Group's brands, which comprises of liberal education in respect of art, sports, painting, performance art, calligraphy, scientific literacy, Guo Xue (國學), logic training and international literacy with a view to fulfilling various needs of students and encouraging students to develop their hobbies and talents. By providing them with quality services, children can achieve a balanced development in the five aspects of "ethics, intellect, physique, aesthetics and hard-work" and enjoy a healthy and all-rounded development.

We will strive to promote the diversified development of the Group throughout all aspects in the future by leveraging our brand influence and reputation, as well as the extensive management experience and industry knowledge of the management team, in order to broaden the revenue base and maximise returns for the shareholders of the Company. In addition, we will continue to employ stringent cost control measures to maintain a sound cash flow of the Company. We will also develop technology to continuously enhance the quality of our services and operational efficiency to support the long-term development of the Group.

Acknowledgement

Finally, on behalf of the Board, I would like to express my sincere gratitude to the students and parents, but also to our management and all staff for their loyalty and dedication. I would also like to express my cordial thanks to all Shareholders, local governments and business partners for their support of, and trust in, the Board and the management of the Group. We will endeavour to further develop our business to deliver greater returns to Shareholders.

Chen Qiyuan
Chairman

Hong Kong, 30 March 2023

FINANCIAL SUMMARY

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				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**402,082**	831,725	749,089	711,422	493,115
Cost of sales	**263,390**	516,704	488,552	407,484	306,377
Gross profit	**138,692**	315,021	260,537	303,938	186,738
Operating profit	**49,013**	34,583	86,231	131,891	85,745
Profit before income tax	**42,310**	5,598	49,784	108,075	82,559
Profit/(loss) for the year attributable to equity holders from continuing operations	**54,411**	(26,611)	48,938	94,786	69,474

	As at 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**322,292**	357,201	903,142	729,837	206,273
Current assets	**432,633**	403,367	764,280	741,232	274,555
Total assets	**754,925**	760,568	1,667,422	1,471,069	480,828
Total equity	**371,402**	317,545	538,037	553,364	115,219
Non-current liabilities	**82,764**	119,592	484,628	382,798	39,355
Current liabilities	**300,759**	323,431	644,757	534,907	326,254
Total liabilities	**383,523**	443,023	1,129,385	917,705	365,609
Total equity and liabilities	**754,925**	760,568	1,667,422	1,471,069	480,828

Financial Review

1. Revenue

	Year ended 31 December 2022 RMB'000	2021 RMB'000	Percentage Change
Non-academic literacy programme and others	**369,795**	195,973	88.7%
Academic education programme	**32,287**	635,752	(94.9)%
Total	**402,082**	831,725	(51.7)%

The following table sets forth the student enrollments and tutoring hours delivered under the Group's non-academic literacy programme and academic education programme for the years indicated based on the Group's internal records:

	Year ended 31 December					
	2022		2021		Percentage Change	
	Student enrollments	**Tutoring hours**	Student enrollments	Tutoring hours		
Non-academic literacy programme	**173,016**	**4,282,148**	57,207	2,314,289	202.4%	85.0%
Academic education programme	**14,765**	**363,240**	249,826	7,206,158	(94.1)%	(95.0)%
Total	**187,781**	**4,645,388**	307,033	9,520,447	(38.8)%	(51.2)%

The Group's revenue decreased by 51.7% from RMB831.7 million for the year ended 31 December 2021 to RMB402.1 million for the year ended 31 December 2022. This decrease was primarily due to decreases in the total student enrolments and tutoring hours, which was primarily because of the decrease of the total number of the Group's learning centres for the year ended 31 December 2022.

2. Cost of sales

The Group's cost of sales decreased by 49.0% from RMB516.7 million for the year ended 31 December 2021 to RMB263.4 million for the year ended 31 December 2022. This decrease was primarily due to (i) decreases in teacher compensation and teaching materials primarily attributable to the decrease in revenue, (ii) decreases in amortisation of right-of-use assets and property management fee as a result of the decrease of the total number of the Group's learning centres for the year ended 31 December 2022.

3. Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit decreased by 56.0% from RMB315.0 million for the year ended 31 December 2021 to RMB138.7 million for the year ended 31 December 2022. The gross profit margin of the Group decreased from 37.9% for the year ended 31 December 2021 to 34.5% for the year ended 31 December 2022.

4. Selling expenses

The Group's selling expenses decreased by 65.6% from RMB13.6 million for the year ended 31 December 2021 to RMB4.7 million for the year ended 31 December 2022. The decrease was primarily due to the decreases in advertising and exhibition expenses, customer service personnel expenses and entertainment expenses relating to business activities.

5. Administrative expenses

The Group's administrative expenses decreased by 51.5% from RMB170.1 million for the year ended 31 December 2021 to RMB82.4 million for the year ended 31 December 2022. This decrease was mainly due to (i) the decreases in administrative personnel expenses, depreciation and amortisation, and office expenses, and (ii) the absence of an impairment provision on property, plant and equipment of RMB24.7 million provided for the year ended 31 December 2021.

6. Research and development expenses

The Group's research and development expenses decreased by 69.6% from RMB53.4 million for the year ended 31 December 2021 to RMB16.2 million for the year ended 31 December 2022. The decrease was primarily due to the decrease in research and development personnel expenses.

7. Other income — net

The Group's other income decreased by 52.9% from RMB22.5 million for the year ended 31 December 2021 to RMB10.6 million for the year ended 31 December 2022. This decrease was primarily due to (i) a decrease of RMB12.1 million in government grants in relation to the government's measures to provide relief for the economic impact of the COVID-19 pandemic and (ii) a decrease in finance income of RMB2.0 million. The decrease was partially offset by increases in sub-lease income and rental income from operating leases.

8. Other gains/(losses) — net

The Group recorded other net gains of RMB3.0 million for the year ended 31 December 2022 as compared with the other net losses of RMB65.9 million for the year ended 31 December 2021, primarily attributable to: (i) a decrease of RMB62.2 million in net losses on disposal of property, plant and equipment, (ii) a decrease in fair value losses on financial assets at fair value through profit or loss of RMB22.6 million, (iii) a decrease in deposits losses of RMB9.8 million; and (iv) a decrease in compensation charges of RMB2.6 million. The decrease was partially offset by a decrease of RMB36.0 million in lease modification.

9. Finance costs

The Group's finance costs decreased by 76.9% from RMB29.0 million for the year ended 31 December 2021 to RMB6.7 million for the year ended 31 December 2022, primarily due to a decrease in interest expenses on borrowings of RMB1.6 million and in lease liabilities of RMB20.7 million.

10. Profit before income tax

As a result of the foregoing, the Group's profit before income tax increased by 655.8% from RMB5.6 million for the year ended 31 December 2021 to RMB42.3 million for the year ended 31 December 2022.

11. Income tax credit/(expense)

The Group recorded an income tax credit of RMB11.5 million for year ended 31 December 2022 as compared to income tax expense of RMB32.6 million for the year ended 31 December 2021. The income tax credit was primarily due to the recognition of deferred tax assets.

12. Profit/(loss) for the year attributable to equity holders

As a result of the foregoing, the Group recorded a profit for the year attributable to equity holders of RMB54.4 million for the year ended 31 December 2022 as compared with the loss for the year attributable to equity holders of RMB26.6 million for the year ended 31 December 2021.

Five Year Financial summary

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

Liquidity, Financial Resources and Capital Structure

The total equity of the Group as at 31 December 2022 was RMB371.4 million (2021: RMB317.5 million). The Group generally finances its operation with internally generated cash flows. As at 31 December 2022, the Group's cash and cash equivalents increased by 26.6% from RMB236.0 million as at 31 December 2021 to RMB298.7 million. The increase of cash and cash equivalents for the year ended 31 December 2022 was primarily attributable to the net cash inflow from operating activities. As at 31 December 2022, the current assets of the Group amounted to RMB432.6 million, including RMB117.3 million (2021: RMB155.7 million) in financial assets at fair value through profit or loss, and RMB298.8 million (2021: RMB236.2 million) in bank balances and cash and other current assets of RMB16.6 million (2021: RMB11.4 million). The current liabilities of the Group amounted to RMB300.8 million (2021: RMB323.4 million), of which RMB181.5 million (2021: RMB176.3 million) are contract liabilities, RMB34.2 million (2021: RMB32.8 million) in lease liabilities, and RMB85.1 million (2021: RMB84.4 million) are other payables and accruals. The Group did not have bank borrowings as at 31 December 2022. As at 31 December 2021, the Group had RMB30.0 million bank borrowings, all of which were denominated in RMB and wholly repayable within one year. The Group's gearing ratio as at 31 December 2022 was 0% (2021: 9.4%), based on the interest bearing bank borrowings and the equity attributable to the Shareholders. As at 31 December 2022, the Group had net current assets of RMB131.9 million (2021: RMB79.9 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 and medium risk and short-term (generally 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; (iii) debt instruments such as sovereign debt, central bank-issued debts and various debt funds; and (iv) listed and unlisted securities. 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. Most of the cash and bank deposits of the Group as at 31 December 2022 and 2021 were denominated in RMB. The Group currently does not have any foreign currency hedging policies. The management will continue to monitor the Group's foreign exchange risk exposure and consider adopting prudent measures as appropriate.

Material Acquisitions and Disposals and Significant Investment

There was no significant investment held, material acquisition and disposal of subsidiaries, associates and joint ventures by the Company for the year ended 31 December 2022. 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 2022, 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 2022.

Save as disclosed in this annual report, the Group did not have any plans for significant investments as at 31 December 2022.

Contingencies

As at 31 December 2022, 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 (2021: nil).

Pledge of Assets

The Group did not have any pledge of assets as at 31 December 2022 and 2021.

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 1,350 employees as at 31 December 2022 (2021: 1,552 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. On 21 October 2021, the Ministry of Education, together with several other Chinese government authorities, jointly promulgated the Notice on Strengthening the Supervision of Pre-Charging by After-School Training Institutions (《關於加強校外培訓機構預收費監管工作的通知》), which provides that pre-charging by after-school tutoring institutions providing academic and non-academic tutoring services shall be included in the scope of supervision. Local governments shall adopt escrow bank accounts or risk reserves for the purpose of risk control, depending on local conditions.

2. On 8 November 2021, the General Office of the Ministry of Education promulgated the Guidelines for the Classification and Identification of After-School Training Programs at the Compulsory Education Stage (《義務教育階段校外培訓項目分類鑒別指南》), which provides that the identification of academic after-school tutoring programs shall take into account factors such as the purpose of training, training content, training methods and evaluation methods. In addition, the General Office of the Ministry of Education has issued the Notice on Strictly Investigating and Punishing Disguised or Incompliant Academic After-School Tutoring (《關於堅決查處變相違規開展學科類校外培訓問題的通知》), which prohibits the provision of invisible or disguised academic after-school tutoring services in violation of relevant laws and regulations.

3. In March 2022, the Ministry of Education, the National Development and Reform Commission ("NDRC") and the State Administration for Market Regulation jointly issued the Announcement on the Regulation of Non-Academic After-School Training (《關於規範非學科類校外培訓的公告》), which provides that: (i) non-academic after-school tutoring institutions shall hold the corresponding qualifications and the relevant practitioners shall have the corresponding certificates of occupational (professional) competence; (ii) non-academic after-school tutoring institutions shall ensure that the training contents and training methods are appropriate to the age, physical and mental characteristics and cognitive level of the trainees; (iii) information on the training contents, training period, charging items and charging standards of non-academic after-school tutoring institutions shall be disclosed to the public and subject to public supervision; (iv) non-academic after-school tutoring institutions shall use model contracts for after-school tutoring services for primary and secondary students, strictly fulfil their contractual obligations and regulate their own charging behavior; (v) non-academic after-school tutoring institutions shall be prohibited from engaging in unfair competition by means of fictitious original prices, false discounts, false publicity, etc., prevent and stop monopolistic practices, and prohibit any form of price fraudulence; (vi) non-academic after-school tutoring institutions shall deposit all their pre-charges into their special-purpose accounts; and shall not charge one-off fees or disguised fees in the form of top-ups or time cards for a period of more than 60 tutoring hours or 3 months; and (vii) non-academic after-school tutoring institutions shall comply with the regulations on venues, facilities and fire safety.

4. On 27 May 2022, the Ministry of Education published an announcement on its website, stating that the Ministry of Education is adopting and will continue to adopt measures governing non-academic tutoring institutions, including qualification checks, regulation of charging practices and supervision of pre-charges. The announcement also stated that as of 15 May 2022, approximately 88% of non-academic tutoring institutions in China had implemented third-party custodianship or risk-based deposits for the purpose of risk control over pre-charges.

5. On 16 June 2022, the Department of Education of Guangdong Province issued the "Announcement of Solicitation of Public Comments on the 'Measures for the Management of Practitioners of After-School Tutoring Institutions in Guangdong Province (Draft for Comments)'" (《關於〈廣東省校外培訓機構從業人員管理辦法(徵求意見稿)〉公開徵求意見的公告》). In order to implement the "Double Reduction" policy and meet the requirements under the "Notice of the General Office of the Ministry of Education and Office of the Ministry of Human Resources and Social Security on the Publication of the 'Measures for the Management of Practitioners of After-School Tutoring Institutions (Trial)'" (《教育部辦公廳人力資源社會保障部辦公室關於印發〈校外培訓機構從業人員管理辦法(試行)〉的通知》) and taking into account the actual situation in Guangdong Province, the Department of Education of Guangdong Province drafted the "Measures for the Management of Practitioners of After-School Tutoring Institutions in Guangdong Province (Draft for Comments)" to solicit public opinions. The "Measures for the Management of Practitioners of After-School Tutoring Institutions in Guangdong Province (Draft for Comments)" consists of General Provisions, Recruitment and Dismissal of Practitioners of After-School Tutoring institutions, Internal Management, Inspection and Supervision, Supplementary Provisions, etc.

6. On 22 June 2022, the General Office of the Ministry of Education issued the "Notice on the Remediation of After-School Tutoring in 2022 Summer Vocation" (《關於做好2022年暑期校外培訓治理有關工作的通知》), which requires the following work to be done in order to continue to do a good job in remediating after-school tutoring, strictly prevent the opening of academic tutoring institutions, regulate the tutoring services of non-academic tutoring institutions, effectively reduce the burden of students during the holiday, and ensure all students from primary and secondary schools to spend a safe, enjoyable and meaningful holiday: First, making special planning and arrangements; Second, strictly preventing the illegal opening of classes by academic tutoring institutions; Third, strengthening supervision on non-academic tutoring institutions; Fourth. strengthening supervision, reporting, investigation and punishment efforts; Fifth. strictly preventing safety risks and hidden dangers; and creating a good holiday atmosphere.

7. On 28 October 2022, the State Council issued the "Report on Effectively Reducing the Burden of Excessive Homework and After-School Tutoring and Promoting Comprehensive and Healthy Development of Students at the Compulsory Education Stage" (《關於有效減輕過重作業負擔和校外培訓負擔,促進義務教育階段學生全面健康發展情況的報告》), which reports on the progress of the "Double-Reduction" work, study of the current situation and consideration of the next step.

8. On 21 November 2022, the Ministry of Education, the Central Political and Legal Affairs Commission, the Office of the Central Cyberspace Affairs Commission, the National Development and Reform Commission, the Ministry of Science and Technology, the Ministry of Human Resources and Social Security, the Ministry of Housing and Urban-Rural Development, the Ministry of Commerce, the Ministry of Culture and Tourism, the State Administration for Market Regulation, the General Administration of Sports of China, and the All-China Women's Federation jointly issued "Opinions on Further Strengthening the Prevention and Remediation of Invisible or Variant Academic Tutoring" (《關於進一步加強學科類隱形變異培訓防範治理工作的意見》), which provides opinions on "general requirements", "improving prevention system to reduce non-compliance", "perfecting discovery mechanism to ensure no dead corner is left untouched", "increasing investigation and punishment efforts to consolidate strict remediation" and "intensifying organizational support to seek effective remediation results" in order to further strengthen the prevention and remediation of invisible or variant academic tutoring, consolidate the achievements in after-school tutoring governance and regulate after-school tutoring services.

9. On 23 November 2022, the Ministry of Education issued the "Announcement of the Ministry of Education on the Solicitation of Public Comments on the 'Interim Measures for Administrative Punishment for After-School Tutoring (Draft for Comments)'" (《教育部關於〈校外培訓行政處罰暫行辦法(徵求意見稿)〉公開徵求意見的公告》). Upon in-depth investigation and research, the Ministry of Education finalized the "Interim Measures for Administrative Punishment for After-School Tutoring (Draft for Comments)" to solicit public opinions. The "Interim Measures for Administrative Punishment for After-School Tutoring (Draft for Comments)" consists of six chapters, namely, "General Provisions", "Implementing Authority, Jurisdiction and Admissibility", "Offences and Punishments", "Punishment Procedures and Enforcement", "Supervision of Enforcement" and "Supplementary Provisions".

10. On 30 November 2022, the Ministry of Education, the Office of the Central Cyberspace Affairs Commission, the National Development and Reform Commission, the Ministry of Science and Technology, the Ministry of Industry and Information Technology, the Ministry of Civil Affairs, the Ministry of Finance, the Ministry of Culture and Tourism, the People's Bank of China, the State Administration for Market Regulation, the General Administration of Sports of China, the China Banking and Insurance Regulatory Commission and the China Securities Regulatory Commission jointly issued the "Opinions on Regulating Non-Academic After-School Tutoring for Students at Primary and Secondary Schools" (《關於規範面向中小學生的非學科類校外培訓的意見》), which provides opinions on further deepening the remediation of after-school tutoring institutions, comprehensively regulating non-academic tutoring services, and effectively safeguarding the rights and interests of students at primary and secondary schools and their parents, including general requirements, clarifying institution-setting standards, strictly controlling access procedure, regulating daily operations, strengthening daily supervision, and implementing supporting facility reforms and intensifying organizational guidance.

11. On 13 December 2022, the director of the Department of Supervision of After-School Education and Training of the Ministry of Education answered reporters' question on the "Opinions on Further Strengthening the Prevention and Remediation of Invisible or Variant Academic Tutoring", in particular, the background and practice basis of "Opinions on Further Strengthening the Prevention and Remediation of Invisible or Variant Academic Tutoring", the general idea for the remediation of invisible or variant academic tutoring, improvement of the prevention system in respect of invisible or variant academic tutoring, solution to the difficulties in discovering invisible or variant academic tutoring, strengthening the collection of evidence, investigation and punishment, and public criticism and exposure of invisible and variant tutoring to ensure the remediation of invisible and variant tutoring is effective.

12. On 29 December 2022, the General Office of the Ministry of Education issued the "Notice on the Remediation of After-School Tutoring in 2022 Winter Vocation" (《關於做好2023年寒假期間校外培訓治理有關工作的通知》), which requires the following work to be done in order to resolutely prevent illegal after-school tutoring from increasing burdens to students after school, and help students at primary and secondary school spend a healthy, warm and meaningful holiday: First, deepening the remediation, seriously investigate and punish invisible variant academic tutoring; Second, adopting a multi-pronged approach to continue to strengthen the supervision of non-academic tutoring; Third, broadening reporting channels for community supervision; Fourth, providing scientific guidance and work together to create a good education atmosphere.

The Company will continue to monitor the regulatory environment and assess the impact on the business and financial condition of the Company in the near future. The Company will also adjust its business plan from time to time and continue to actively explore opportunities.

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

Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (for the year ended 31 December 2021: nil).

Subsequent events

There were no significant events affecting the Group after 31 December 2022.

DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive Directors

Mr. Chen Qiyuan (陳啟遠), aged 40, founder of the Group, was appointed as a Director on 7 February 2018 and the chairman of the Board on 16 April 2018, respectively. He was re-designated as an executive Director on 20 December 2018. He is responsible for the overall formulation, guidance of business strategy and development of the Group.

Mr. Chen has over 12 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 received a master of business administration at Peking University Shenzhen Graduate School in July 2022. 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 has also been appointed as the committee member of the Fifth Shenzhen Municipal People's Congress in May 2021.

Mr. Qi Mingzhi (齊明智), aged 38, 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. Mr. Qi is in charge of the Group's overall management and operation, contributing towards the overall strategic planning and realisation of the business objectives of the Group.

Mr. Qi has over 10 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.

Ms. Li Ailing (李愛玲), aged 40, joined the Group in July 2013, and was appointed as a vice general manager of the Group on 8 December 2018. From January 2021, Ms. Li is primary responsible for the cost control, organic growth and realisation of business objectives of the Group's high school segment operations. Ms. Li has over 14 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. Ms. Li 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.

Ms. Leng Xin Lan (冷新蘭), aged 37, joined the Group in May 2010, and was appointed as the director of training and development of the Group in 2017. Ms. Leng's main responsibilities are building the teacher and executive training system, improving teacher's teaching standard and morality, improving executive's management ability, continuously cultivating excellent management reserve for the Group to meet the talent demand. Ms. Leng has over 13 years of experience in tutoring business. Prior to joining the Company, Ms. Leng worked in Shenzhen Bond Cultural Development Co., Ltd* (深圳市邦德文化發展有限公司) from February 2008 to April 2010. Ms. Leng graduated from the Southwest University (西南大學), Chongqing, the PRC in July 2008 with a bachelor's degree

Non-executive Director

Mr. Shen Jing Wu (沈敬武), aged 53, 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 51, was appointed as an independent non-executive Director with effect from 11 June 2019. Mr. Huang has over 29 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) 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; (iv) Topsports International Holdings Limited (滔搏國際控股有限公司) (stock code: 6110), a company listed on the Stock Exchange; (v) New Times Energy Corporation Limited (新時代有限公司) (stock code: 166), a company listed on the Stock Exchange; (vi) 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 (vii) Shandong Hi-Speed New Energy Group Limited (山高新能源集團有限公司) (stock code: 1250), a company listed on the Stock Exchange.

Mr. Huang was also an independent non-executive director of (i) Trinity Limited (利邦控股有限公司) (stock code: 891), a company listed on the Stock Exchange, from 20 December 2018 to 31 December 2020; (ii) China Bright Culture Group (煜盛文化集團) (stock code: 1859), a company listed on the Stock Exchange, from 3 February 2020 to 27 November 2020; and (iii) 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, from 13 November 2020 to 19 November 2021.

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 42, 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 14 years of experience in the education industry. Dr. Liu had been a postgraduate and doctorate mentor of the department of finance of Sun Yat-sen University since June 2013 and October 2020 respectively. He also became 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. Dr. Liu has been appointed an assistant dean of Lingnan College of Sun Yat-sen University and the chief of Professional Master program since March 2022. He was also promoted to act as a professor of Lingnan College of Sun Yat-sen University since April 2022. 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) By-Health Co., 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); (iv) Shenzhen Megmeet Electrical Co., Ltd,* (深圳麥格米特電氣股份有限公司) (stock code: 002851), a company listed on the Main Board of the Shenzhen Stock Exchange; and (v) MYJ Chemical Co., Ltd * (邁奇化學股份有限公司) (stock code: 831325), a company listed on The National Equities Exchange and Quotations (NEEQ, known as the New Third Board).

Dr. Liu ceased to be an independent non-executive director of 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, with effect from 31 August 2021.

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 75, 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. He worked in Hebei Hejiapingzhen High School and Fuzhou No. 24 Middle School with his last position as the vice principal for 25 years.

Mr. Yang is 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 "Elementary Mathematical Analysis in China* (《初等數學研究在中國》)". He was the senior trainer of Mathematical Olympiad and some of his students had won and awarded with the International Mathematical Olympiad Gold Medal. Mr. Yang was the judge and chief judge of thesis defence at Southern Division of S. T. Yau High School Mathematics Awards, and served as the chairman of the judging panel of graduate thesis defense of Fujian Normal University for many times. He had been employed by "Middle School Mathematics* (《中學數學》)" and other magazines in Hubei Province as an editorial board member. He had been the director of the evaluation committee of intermediate title and senior title for middle school mathematics teacher in Fuzhou for three consecutive sessions. He has participated in the evaluation of senior title for mathematics, the evaluation of special-grade mathematics teacher, and the evaluation of backbone teachers for mathematics discipline in Fujian province and Fuzhou City for many times. He has also participated in the evaluation of leaders of mathematics discipline and the evaluation of famous mathematics teachers in Fujian Province and Fuzhou City, and was the guidance tutor in mathematics discipline under the New Curriculum Reform. Mr. Yang has published more than 300 valuable research papers on education, teaching and elementary mathematics in foreign mathematical journals, national CN journals, mathematics core journals and university journals, and many of his papers have won the national first prizes. He has edited and published a number of books, such as "Elementary Mathematics Research Anthology in Fujian Province* (《福建省初等數學研究文集》)", "Inequality Research* (《不等式研究》)", "Mathematical Olympics Inequality Research* (《數學奧林匹克不等式研究》)" and "Journey to Realize the Dream of Revitalizing Mathematics in China — Historical Notes on Chinese Elementary Mathematics Research* (《振興祖國數學的圓夢之旅—中國初等數學研究史話》)". He has also edited and published eight issues of "China Elementary Mathematics Studies* (《中國初等數學研究》) magazine (conference journal), and four issues of "Chinese Research on Elementary Mathematics*《(中國初等數學研究》)" (deluxe edition). He has participated in the compilation of many mathematical monographs and reference books on mathematics teaching.

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. So Wai Hang (蘇偉恒), aged 43, 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 21 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.

DIRECTORS' REPORT

The Directors present their report together with the audited consolidated financial statements for the year ended 31 December 2022.

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 2022 are set out in Note 22 to the consolidated financial statements.

Principal Activities

The Company is an investment holding company. The Group's principal activities include mainly the provision of private education services and livestreaming e-commerce business. Details of activities of the Group are set out in Note 11 to the consolidated financial statements.

Financial Results

The revenue and profit attributable to the owners of the Company for the year ended 31 December 2022 were approximately RMB402.1 million and RMB54.4 million, respectively. Of such revenue, approximately 92.0% was derived from non-academic literacy programmes and others; and approximately 8.0% was derived from academic education programmes. For details, please see the audited consolidated statement of comprehensive income set out on page 98 of this annual report.

Business Review

A fair review of the Group's business during the year ended 31 December 2022, which includes an analysis of the Group's performance during the year using financial key performance indicators, an indication of likely future developments in the Group's business, a discussion of the principal risks and uncertainties faced by the Group, a discussion on the Group's environmental policies and performance, details regarding the Group's compliance with the relevant laws and regulations that have a significant impact on the Group, and the Group's key relationships with stakeholders as required under Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) are set out in "Chairman's Statement", "Management Discussion and Analysis", "Corporate Governance Report" and "Environmental, Social and Governance Report" in this annual report.

Outlook

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

Major Customers and Suppliers

The customers of the Group are primarily its students. For the year ended 31 December 2022, 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 2022, 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 2022.

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 2022 on pages 65 to 92 of this annual report.

Compliance with Relevant Laws and Regulations

During the year ended 31 December 2022, 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 2022 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 2022 are set out in Note 22 to the consolidated financial statements.

Distributable Reserves of the Company

Details of the movements in reserves of the Company during the year ended 31 December 2022 are set out in Note 25 to the consolidated financial statements.

As at 31 December 2022, the Company's reserves available for distribution to the Shareholders consisted of share premium of approximately RMB79.8 million (2021: RMB79.8 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 2022 are set forth in Note 12 to the consolidated financial statements.

Bank Borrowings

As at 31 December 2022, the Group did not have bank borrowings (2021: approximately RMB30.0 million), details of which were disclosed in Note 29 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. Qi Mingzhi *(Chief Executive Officer)*
Ms. Li Ailing
Ms. Leng Xin Lan

Non-executive Director

Mr. Shen Jing Wu *(Vice Chairman)*

Independent non-executive Directors

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

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

Details of the Directors to be re-elected at the AGM will be set out in the circular to the Shareholders.

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 18 to 22 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 2022 are set out in Note 9(b) to the consolidated financial statements.

For the year ended 31 December 2022, 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 2022.

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 2022.

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 2022.

As at 31 December 2022, 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 2022.

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 2022.

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 2022.

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

As at 31 December 2022, 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	218,180,000	39.26%
Mr. Qi Mingzhi	Beneficial owner	12,818,000	2.31%

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 2022, 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 2022 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 2022, 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	218,180,000	39.26%
Yu Xi International(1)	Interest in a controlled corporation	218,180,000	39.26%
CREG(2)	Beneficial owner	37,318,000	6.72%
CRE Alliance Fund I L.P.(2)(3)	Interest in a controlled corporation	37,318,000	6.72%
CRE Alliance (Cayman) Limited(2)	Interest in a controlled corporation	37,318,000	6.72%
CRE Alliance (BVI) Limited(2)	Interest in a controlled corporation	37,318,000	6.72%
CRE Trading (Hong Kong) Limited(2)	Interest in a controlled corporation	37,318,000	6.72%
China Resources Enterprise, Limited(2)	Interest in a controlled corporation	37,318,000	6.72%
CRE Alliance Fund I LP Limited(3)	Interest in a controlled corporation	37,318,000	6.72%
China Great Wall AMC (International) Holdings Company Limited(3)	Interest in a controlled corporation	37,318,000	6.72%

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) 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.

(3) 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 2022, 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 six years and two months as at the date of this annual report. As at 1 January and 31 December 2022, the number of options available for grant under the Share Option Scheme was 55,570,000. Throughout the year ended 31 December 2022, no option was outstanding under the Share Option Scheme.

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.

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 purchased a total number of 7,281,000 Shares on the market and these Shares have been fully awarded to the Selected Participants pursuant to the Scheme Rules and the Trust Deed. No Share Awards were granted or vested under the Scheme during the year ended 31 December 2022.

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, nil Shares were held by the Trustee. 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 2022, 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.

Continuing Connected Transactions

In addition to the related party transactions disclosed in Notes 35 to the consolidated financial statements, details of 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:

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. 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.
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 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 2022 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

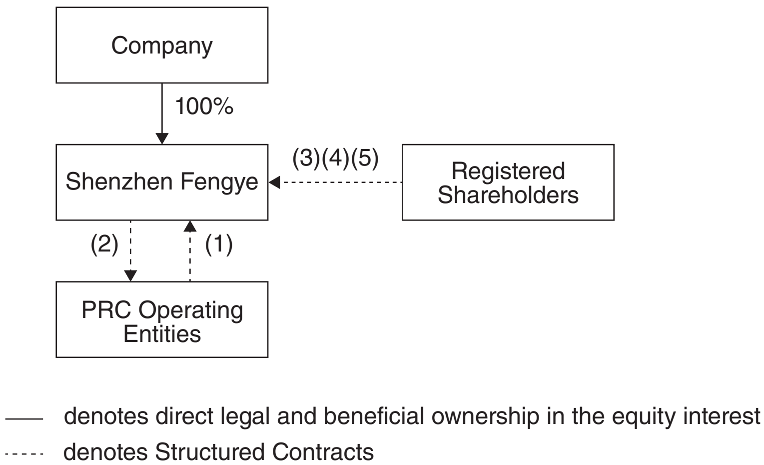
The following summarised generally the status of the Structured Contracts adopted by the Group given the PRC legal restriction imposed on the shareholding structure over the business the Group is engaging. For further details of the Structured Contracts, please refer to "**Structured Contracts**" in 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 private 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 non-academic literacy programme and academic preparation 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 2022	Net profit for the year ended 31 December 2022	Total assets as at 31 December 2022
PRC Operating Entities	**100.0%**	**107%**	**99%**

Revenue and assets involved in the Structured Contracts

The table below sets out (i) the revenue for the year ended 31 December 2022; and (ii) the total assets in relation to the PRC Operating Entities as at 31 December 2022, 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	402,082	754,864

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. 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 launch of the tutorial centre in Hong Kong has been affected by the COVID-19 outbreak in 2022, and the Group continues to evaluate the optimal timing and feasibility of the launch. 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. As advised by the Group's PRC legal counsel, the Structured Contracts were legally enforceable and did not violate existing PRC laws and regulations for the year ended 31 December 2022 and up to the date of this 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 2022.

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 2022 are set out in Note 35 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 2022, no charitable and other donations made by the Group (2021: RMB0.3 million).

Debentures Issued

During the year ended 31 December 2022, no issuance of debentures was made by the Company.

Significant Legal Proceedings

During the year ended 31 December 2022, 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 47 to 64 of this annual report.

DIRECTORS' REPORT

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 2022 and as at 17 April 2023, 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 2022 of the Group.

Auditor

PricewaterhouseCoopers was appointed as the Auditor during the year ended 31 December 2022. 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, 30 March 2023

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 2022, 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. Qi Mingzhi *(Chief Executive Officer)*
Ms. Li Ailing
Ms. Leng Xinlan

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 37 years old to 75 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 and 2013, who have valuable knowledge and insights of the Group's business over the years, while the other four Directors are expected to bring in fresh ideas and new perspectives to the Group. The Board believes that based on the existing business model of the Group, the meritocracy of the Directors and with two female representation on the Board, the existing board composition satisfies the principles under the Board Diversity Policy. 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. 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.

Mechanism to Ensure Independent Views

The Company ensures independent views and input are available to the Board via the below mechanisms:

1. the Board composition and the independence of the independent non-executive Directors should be reviewed by the Nomination Committee on an annual basis, in particular the portion of the independent non-executive Directors;

2. a written confirmation was received by the Company under Rule 3.13 of the Listing Rules from each of the independent non-executive Directors in relation to his independence to the Company. The Company considers all its independent non-executive directors to be independent;

3. in view of good corporate governance practices and to avoid conflict of interests, the Directors who are also directors and/or senior management of the Company's controlling shareholders and/or certain subsidiaries of the controlling shareholders, would abstain from voting in the relevant Board resolutions in relation to the transactions with the controlling shareholders and/or its associates;

4. the chairman of the Board shall meet with independent non-executive Directors at least once annually; and

5. all members of the Board can seek independent professional advice when necessary to perform their responsibilities in accordance with the Company's policy.

The Board reviews the mechanisms for ensuring independent views and input are available to the Board on an annual basis, whether in terms of proportion, recruitment and independence of independent non-executive Directors, and their contribution and access to external independent professional advice.

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 2022, eight 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	8/8
Mr. Qi Mingzhi	8/8
Mr. Chen Hongyu (retired on 18 May 2022)	3/3
Mr. Xu Chaoqiang (retired on 18 May 2022)	3/3
Ms. Li Ailing (appointed on 18 May 2022)	5/5
Ms. Leng Xinlan (appointed on 18 May 2022)	5/5
Non-Executive Director	
Mr. Shen Jing Wu	8/8
Independent Non-Executive Directors	
Mr. Huang Victor	8/8
Dr. Liu Jianhua	8/8
Mr. Yang Xuezhi	8/8

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 2022.

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 2022 annual report for the year ended 31 December 2022, and submitting it to the Board for approval;

- reviewing the consolidated unaudited financial statements, interim results announcement and the 2022 interim report for the six months ended 30 June 2022, 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 2022 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	7
HK$1,000,001–HK$2,000,000	2

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 2022, 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. Qi Mingzhi	1/1
Ms. Li Ailing	1/1
Ms. Leng Xinlan	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 2022, 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.

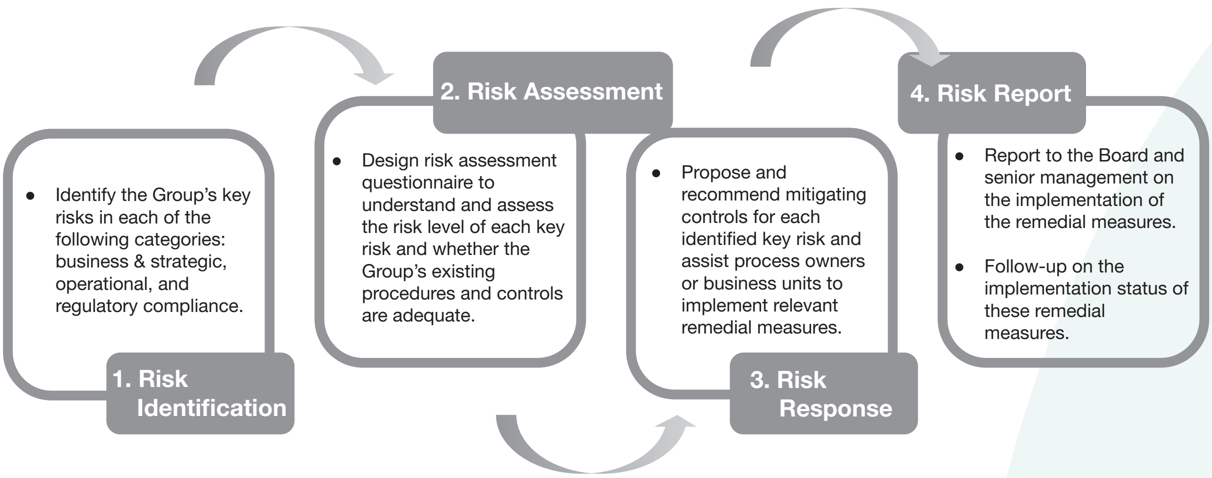
The statement by the Auditor regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 95 to 97 of this annual report.

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 2022, 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 2022 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 2022, 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 dividend policy. This policy aims to safeguard the interests of the Shareholders whilst preserving the Group's liquidity for its business development. The Board has complete discretion on whether to pay a dividend, subject to the Shareholders' approval, where applicable. The Company's ability to pay dividends will depend upon, 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 PricewaterhouseCoopers, the Auditor to the Company, and other auditors for the year ended 31 December 2022 was approximately as follows:

Type of Services	Amount (RMB'000)
Audit services	
— PricewaterhouseCoopers	1,830
— Other auditors	62
	1,892
Non-audit services related to interim review, tax and other services	
— PricewaterhouseCoopers	951
Total	2,843

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 2022, 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 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 report on Environment, Society and Governance (ESG) of the Scholar Education Group (We, the "Group"). This report presents the environmental and social responsibilities performance of the Group and its subsidiaries and covers the period from 1 January 2022 to 31 December 2022.

1.2 Preparation Principles

This report is prepared in accordance with the principles of materiality, quantitative, balance and consistency defined in the *Environmental, Social and Governance Reporting Guidelines* (hereafter referred to as the "ESG Reporting Guidelines"), No. 27 of the exchange listing rules issued by The Stock Exchange of Hong Kong Limited.

Reporting Principles	Definitions	Our Responses
Materiality	The topics of the report should reflect the significant impact of the Group on the environment, society and governance, or the scope of substantial impact on the evaluation and decision of stakeholders.	The sustainable development topics are identified based on the communication with stakeholders and the Group's business development.
Quantitative	The key performance indicators (KPIs) disclosed in this report must be measurable to evaluate and verify the performance of environmental, social and governance policies and management systems.	The Group quantifies its environmental and social key performance indicators and provides textual descriptions of the quantitative resources.
Balance	The report should truly reflect the positive and negative aspects of the Group's performance, so as to reasonably evaluate the performance as a whole.	The Group has detailed sustainable development issues that significantly impact its business, including outcomes and challenges.
Consistency	The Group should ensure that consistent disclosure principles are applied to enable stakeholders to analyze and evaluate the organization's performance in different periods. The organization should explain any changes in methods.	The Group ensures that the disclosure scope and reporting method generally remain consistent every year.

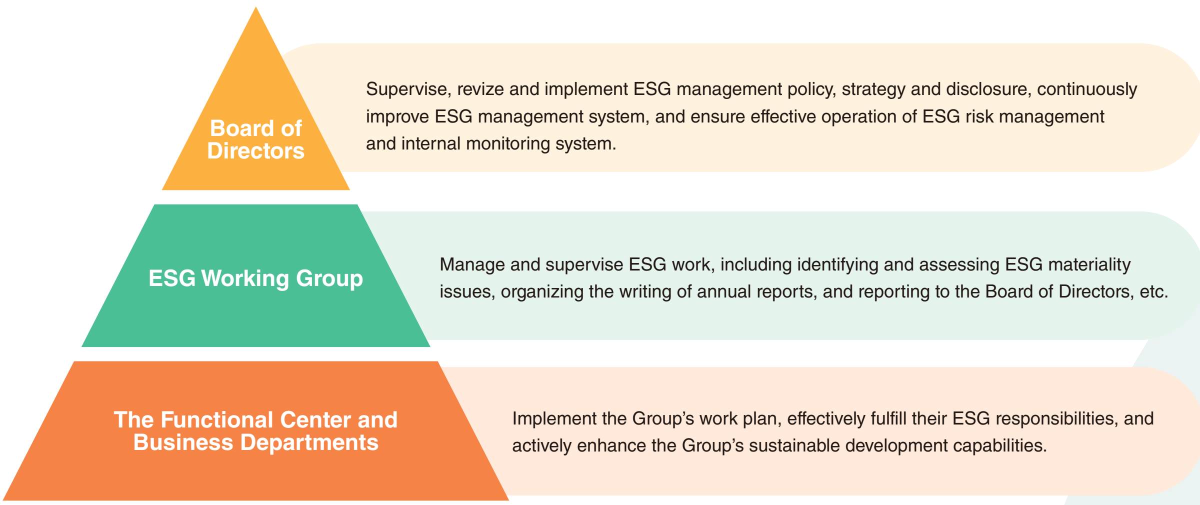
1.3 Data Source

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

2. ESG Management

Upholding the education philosophy of “focusing on academic excellence to enable our students to achieve their aspirations”, we are committed to exploring advanced educational concepts, developing methods that are in line with children’s development, and nurturing inter-disciplinary talents with excellent learning and practical skills for the nation’s needs. We integrate social responsibility into our corporate development planning, never forget our original intention, give back to the society with love, contribute to the sustainable development of the society.

We have developed an ESG governance structure to ensure that ESG governance is integrated into the daily operations and development of the Group. As the highest decision-making body of ESG, the Group’s Board of Directors attaches great importance to ESG work and is responsible for the Group’s ESG management policies, strategies and disclosures. The senior management and the Group’s Internal Audit Department are responsible for ESG work management and supervision. Each functional center and business departments are responsible for implementing the Group’s ESG work plan and taking on their ESG responsibilities.



3. Stakeholder Communication and Materiality Assessment

Maintaining continuous communication with stakeholders is an important measure to enhance ESG efforts. In order to better understand the appeals and expectations of stakeholders for the Group, we have established a mechanism and diversified channels to communicate with stakeholders such as investors, employees, students, parents, suppliers, the government and the public. We continuously listen to the demands and expectations of stakeholders, truly examine and reflect on the environment and society in business development, and rationally plan and evaluate the Group's sustainable development work, so as to share the value of sustainable development with all stakeholders.

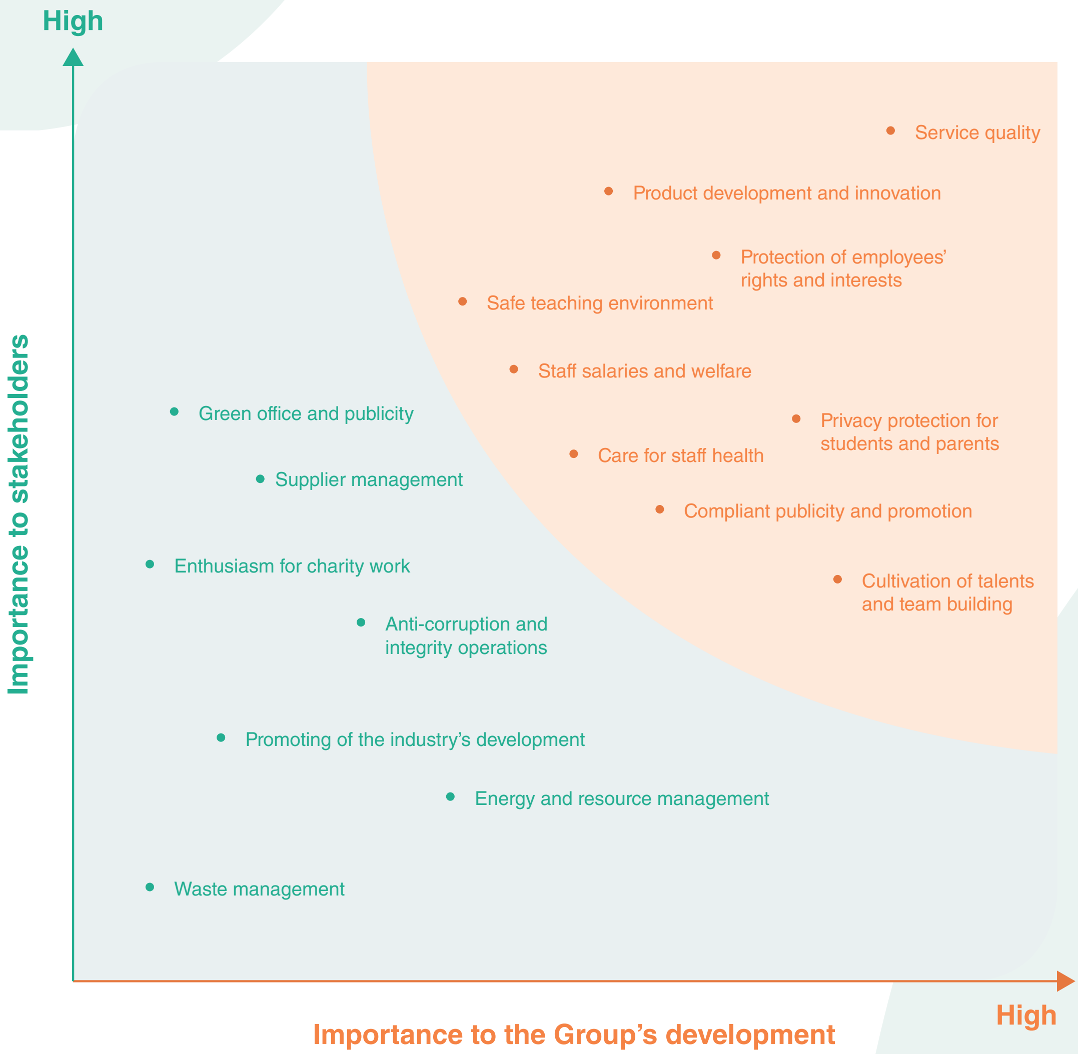
3.1 Communication mechanism of stakeholders

Stakeholders	Expectations and Appeals	Communications
Investors/ Shareholders	• Information transparency • Compliant operations and management • Value creation • Sustainable development and risk management	• Hong Kong Stock Exchange/ Company Website • Shareholders' meeting • Company announcements and press releases
Teachers/ Staff	• Employee Compensation and Benefits • Employee health and safety • Career Development and Training	• Departmental meetings/ teaching and research activities • Teacher/Staff training and communication • Teacher/Staff performance assessment
Students	• Quality teaching • Comfortable learning environment • Advanced teaching facilities	• Thematic class meetings • Lectures • Satisfaction survey
Parents	• Quality teaching • Ensuring students' safety and physical and mental health • Students and parents' privacy and information security	• Parents' meeting • Parents' Open Day • Principal Reception Day • Principal mailbox
Suppliers/ Partners	• Win-win • Long-term partnerships • Fair and open procurement	• Supplier evaluation • Supplier on-site inspection • Supplier exchange meeting
Government and regulators	• Compliance with laws and regulations • Paying taxes according to law • Safe teaching environment • Generating positive social impact	• Periodic reports and disclosure of information • Regular communication • Field visits • Participation in meetings/ seminars
Community/ Public	• Charity projects • Student social activities • Educational trends • Provide employment opportunities	• Public benefit and charity activities • Media platforms • Recruitment Activities

3.2 Materiality assessment of ESG issues

During the reporting period, we developed a list of ESG issues based on ESG reporting guidelines of The Stock Exchange of Hong Kong Limited and company development and engaged a third-party consultant to assist in reviewing and examining it. Through stakeholder communication and industry analysis, we ranked the importance of ESG issues for the year and formed a materiality matrix of ESG issues as the basis for the Group's ESG focus and disclosure.

The materiality matrix of the Group's ESG issues for 2022 is as follows:



Environmental Management

Green office and publicity
Energy and resource management
Waste management

Employment Management

Protection of employees' rights and interests
Staff salaries and welfare
Care for staff health
Talent development Sand team building

Operation Management

Service quality
Product development and innovation
Safe teaching environment
Privacy protection for students and parents
Compliant publicity and promotion
Anti-corruption and integrity operations
Supplier management
Promoting the industry's development

Social Contribution

Enthusiasm for charity work

According to the results of materiality assessment of this year, the Group's stakeholders regarded service quality, product development and innovation, protection of employees' rights and interests as the most material ESG issues. We will improve the ESG work plan with reference to the above results and expound on the core issues in this report to respond to stakeholders' concerns.

4. Focus on Academic Excellence to Enable Our Students to Achieve Their Aspirations

The Group upholds the educational philosophy of "Focus on Academic Excellence to Enable Our Students to Achieve Their Aspirations". We are committed to providing quality literacy education service to our students through a student-centered approach.

The Group strictly complies with the policy principles, such as *Guidelines to Ease the Burden of Excessive Homework and Off-campus Tutoring for Students Undergoing Compulsory Education* ("Double Reduction Opinions") and *Guidelines for the Identification of Subjects and Non-Subject Categories in Guangdong Primary and Secondary School Training Programs* ("Guidelines for the Identification of Subjects and Non-Subject Categories"). The training contents, training methods and training purposes are actively adjusted to comply with national policy requirements and all the Group's operating campuses obtained non-disciplinary school licenses during this year. What's more, we are committed to helping students improve their thinking and logic skills, hands-on skills and innovative thinking ability, encouraging students to develop integrally in "morality, intelligence, stature, aesthetic and labor", reducing the burden of schoolwork on students in compulsory education and implementing the fundamental task of establishing moral education.

4.1 Product quality and innovation

As a leading non-government-funded education service provider in South China, the Group complies with the *Education Law of the People's Republic of China* and other laws and regulations, formulates and implements internal rules and regulations such as *Accountability Mechanism for Violations of Teaching Quality, Teaching Services and Teaching Order*, promotes the implementation of the new teaching system and strengthens teaching management. In 2022, all of the Group's academic tutoring has been transformed into tutoring for non-academic subjects. In the process of business transformation, the Group continued to optimize the management of literacy courses, standardized course content output and improved course quality to make every effort to provide students with high-quality educational services.

The Group attaches great importance to the comprehensive development of youth and children, focusing on cultivating students' logical thinking skills, hands-on practical skills, cognitive skills and communication skills, etc. By integrating quality educational resources and strengthening product development and innovation, the Group can better meet the needs of students' comprehensive development. During the year 2022, the Group orderly and continuously promoted various work related to the standardized management of products, among which the work of product renewal, R&D process, product design, quality control and so on was carried out as follows:

Product updating	• Launch four series of literacy products, including "Keen on Sinology", "Logical Thinking Training", "Miaowei International Literacy" and "Science Literacy", which focus on developing students' communication skills, logical thinking skills, innovation skills and hands-on skills, as well as assisting them in developing their overall abilities.
Product development	• Develop curriculum products that meet the national requirements of Education Department of Guangdong for non-academic off-campus training content.
Product content	• Focus on non-academic content to enhance the intellectual, cultural and fun aspects of the curriculum content, foster students' personality development and meet their individual needs; • Focus on the logic and storytelling of the content, combine pictures and text to enhance the reading and comprehension experience, stimulate students' enthusiasm for learning, and develop their minds.
Product quality	• Adhering to the zero-tolerance attitude towards errors, we strictly controlled the product quality;
Product design	• In terms of content, we focus on experiential learning, inquiry-based learning, inspirational learning and game-based learning; the course content is designed with teacher guidance auxiliary and takes student practice and exploration as the main body to help students improve their overall literacy skills.

The Group's self-developed products became increasingly mature in content and quality. We developed liberal education teaching products such as the *Logical Thinking Training*, *Han Wen Le Hui*, and *International Literacy English Drama Recognition*.

Scholar liberal teaching products

This year, in order to systematically cultivate children's core literacy and comprehensive quality, and motivate students to continuously explore the fun of knowledge in sinology and science, the Group held a series of interactive activities such as the Ancient Poetry Conference, Happy Reading, Dragon Boat Festival Fun Knowledge Challenge, and Science Encyclopedia Contest. Students actively participated in these activities, which were well received by students and parents. In the future, we will continue to explore the content and activities of the curriculum, and devote ourselves to stimulating students' interest in learning, enhancing their endogenous driving force, and cultivating the new generation's talents with "morality, intelligence, stature, aesthetic and labor".

Scholar interactive activities for literacy classes

4.2 Customer service quality

The Group has always been committed to deeply understanding customers' needs and enhancing their experience, improving product and service quality by listening to and collecting customer feedback on our products and services through multiple channels. Additionally, we respond quickly to customers' inquiries and demands, as well as respect and protect customers' legitimate rights and interests. To further improve the quality of customer service, we continuously update our customer service guidelines to provide institutionalized, standardized and comprehensive guidance for customer service work, clarify the principles, processes and targets for handling various types of incidents to ensure service quality. At the same time, we continue to train customer service personnel to strengthen their service quality and capability, which is helpful to ensure that they can effectively respond to customer needs and enhance customer satisfaction.

To properly handle customer complaints, we formulate and implement internal systems and procedures such as the *Complaint Guide* to specify the responsibilities and principles for dealing with complaints. The Group's customer service center is responsible for handling and following up on complaints, understanding the reasons for complaints promptly, reporting the complaints according to different types, and tracking results through return visits to ensure that complaints are dealt with in a timely and effective manner. This year, the Group handled a total of 20 complaints and recommendations on fees and curriculum, which is a significant decrease compared to the same period last year, and all the complaints were handled timely and effectively.

This year, the Group's Customer Service Center optimized the existing refund process and further promoted paperless processing. Parents can initiate a course refund on the "Scholar Culture" WeChat Public Platform, and customer service staff will assist customers to complete the refund online. The optimized refund process greatly reduces the time cost of customers and the risk of personal information leakage, effectively improving customer satisfaction. In addition, offline classes have more significant uncertainty due to the impact of the epidemic closure and control. We provide CLASSIN online platform for students to choose. If students are unable to participate in offline courses, they can participate in the courses online through CLASSIN to ensure the learning progress.

4.3 Safe campus environment

The Group always gives top priority to the safety management of students and staff. We are committed to providing a safe and stable campus environment for students and teachers by establishing and implementing a comprehensive campus safety management system.

The Group strictly abides by the laws and regulations like the *Fire Service Law of the People's Republic of China* and the *Law of the People's Republic of China on the Protection of Minors*, and strictly implements the *Fire Safety Responsibility System*, the *Standardized Operation Manual for Teaching Centers*, and the *Safety Management System of Scholar Education Group*, etc. In accordance with the principle of "who is in charge, then who is responsible", we clarify the division of responsibilities for safety management from the Group headquarters to the campus, implement the campus safety assessment, reward and punishment mechanism, and make campus safety management to be one of the Group's essential tasks. In addition, we regularly conduct safety inspections, training and drills to cultivate students' and staff's awareness of safety precautions and improve their ability to respond to safety incidents in campus . During this year, the Group did not have any safety-related accidents.

4.3.1 Campus Safety Standards

The Group attaches great importance to the safety of students and staff, continues to improve the safety management system and measures of the school district, strengthens the publicity of safety knowledge, raises the awareness of students, parents and staff of safety precautions, and builds a safe and healthy culture of the school district.

This year, according to laws and regulations as well as the actual situation of school district safety, the Group updated the *Safety Management System*, the *Fire Safety Education and Training System* and the *Emergency Plan for Epidemic Prevention and Control*. We clarified the organizational structure and work responsibilities of safety management in each school district, attached importance to daily fire safety publicity and education, and improved emergency management measures for emergencies.

This year, the Group's campus safety management initiatives mainly included:

- Formulate annual safety management plans.
- Formulate, supervise and implement safety work operation procedures.
- Formulate capital investment guarantee programs.
- Organize daily inspection and rectification work, daily publicity, education and training, as well as emergency implementation and drills for emergencies.

4.3.2 Safety inspection

This year, the Group actively implemented the policy of "safety first, prevention first", clarified specific measures to ensure that fire prevention work is carried out in practice, and made every effort to create a safe and peaceful working environment for employees.

The Group headquarters and campus regularly conduct fire prevention inspections, check the safety hazards of fire, electricity, machinery, hazardous chemicals and the environment of the place, register the safety problems, report them in time and then follow up on the rectification. There are "school inspectors" responsible for following up and rectifying the whole process of campus safety inspections to ensure that the inspection problems are solved, eliminate the hidden dangers of the campus, and provide students and parents with a secure campus environment.

- Conduct regular safety inspections monthly.
- Conduct a total of 4 special safety inspections and follow up 149 correction points.
- Conduct daily inspections of campus fire facilities and form inspection logs.
- Conduct 71 fire repairs and optimize 54 fire safety materials.

4.3.3 Public health event prevention and control

During the prevention and control period of COVID-19, the Group formulated and strictly implemented the *Guidelines for Epidemic Prevention and Control*, the *Work Plan for Epidemic Prevention and Control* and the *Emergency Plan for Epidemic Prevention and Control*. We gradually improved the epidemic prevention and control measures. Moreover, we formed a standardized epidemic prevention and control process as well as a safety management process, which ensured that all epidemic prevention and control work was carried out smoothly and orderly to protect the safety and health of students and faculty. As of the end of the reporting period, epidemic prevention and control has been completely liberalized. However, the experience of epidemic prevention and control during the epidemic will be beneficial for us to deal with emergencies in a timely and effective manner in the face of public health emergencies in the future, and to maintain the safe and stable teaching order of students and faculty.

5. Build Elite Teams to Work Together Towards a Better Future

Adhering to the talent development concept of "taking employees as fundament, cultivating employees with work, training employees with opportunities", the Group constantly improves the talent management mechanism, provides employees with a fair workplace atmosphere, and cares for the health and growth of employees. Combined with the Group's business development and employees' career development plans, we continue to optimize the training system, fully integrate resources, help employees improve their abilities and work together to grow.

5.1 Protection of employees' rights and interests

The Group strictly abides by the *Labor Law of the People's Republic of China*, the *Special Provisions for Labor Protection of Female Workers*, the *Regulations Prohibiting the Use of Child Labor and other relevant laws and regulations*. According to them, we formulate and implement internal human resource management systems, including the *Cadre Management System*, the *Compensation Adjustment Control System* and *Employee Handbook*. We insist on a fair salary mechanism, establish an open and transparent promotion mechanism, protect employees' labor rights and interests, and provide employees a fair and harmonious workplace. By the end of 31 December 2022, we have had 1,350 employees (1,552 workers in 2021), of which 35% were male and 65% were female.

5.1.1 Compensation and promotion management

The Group adheres to the salary management principle of "setting salary according to position and distributing profit according to contribution". Through regular job evaluations and market surveys, we are devoted to providing employees with fair and competitive salaries. In order to motivate our employees, the Group formulates the *Salary Adjustment Control System*, which stipulates the categories and range of salary adjustment to ensure that employees are given fair opportunities for salary adjustment. At the same time, we issue additional rewards for advanced workers, innovative workers and performance winners to fully recognize the performance of employees and promote the joint development and growth of the company and employees.

The Group has always implemented the democratic, open and merit-based talent selection and evaluation mechanism. We strictly implement internal systems such as the *Cadre Management System*, clarify the standards of knowledge, skills, quality and behavior of cadres. Each standard sets clear assessment rules based on the position's requirements, and the cadre candidates who pass the assessment requirements can be promoted. Meanwhile, the *Cadre Management System* stipulates various processes of cadre selection, promotion, assessment, etc. to ensure that all employees have fair and open promotion opportunities.

The Group continues to improve its talent management mechanism. In order to encourage employees who perform outstandingly and have extraordinary contribution to the Group or new employees have potential, the Group has set up a "promotion channel", whereby employees who meet the relevant promotion requirements can be promoted after special approval. By doing so, we encourage our employees to be active and provide opportunities and platforms for them to realize their personal values and career aspirations.

5.1.2 Employee welfare and care

For employee care, in addition to providing the basic benefits required by national laws, the Group carries out a series of employee care and welfare actions to infect and unit employees with warmth. We formulate the *Management Measures for the Political Commissar System of Employee Relationships at Teaching Centers* to ensure the implementation of mentors' help to new employees, solve their work and life problems, and create a working atmosphere with a sense of warmth and belonging for employees. Additionally, we regularly conduct publicly funded trips, staff club activities, afternoon tea, birthday parties and other activities to enrich the lives of our staff and increase team cohesion.

The Group always puts the health of our employees in first place. We protect employees' physical and mental health by developing and resolutely implementing of a number of management systems. We have set up a mechanism to report employees' health abnormalities to assist employees with major diseases or accidents. By making full use of the "Love Charity Fund", we provide love assistance to employees or their immediate family members who are in difficulty, and try to help employees overcome problems. In addition, we regularly organize health check-ups for employees and organize employees to participate in various sports activities, such as basketball tournaments, games for all employees, hiking activities, etc., to encourage employees to carry out daily exercise.

5.1.3 Improve employee communication

The voice of employees is the direction of the Group's efforts. In order to establish a harmonious labor-management relationship and strengthen communication with employees, we establish various communication channels, including individual employee interviews, principal symposiums, daily work meetings and communication sessions. By doing so, we are committed to maintaining a harmonious employee relationship.

1
Interview

We conduct various types of interviews with our employees (such as exit interviews, onboarding interviews, performance interviews, etc.). Employees can give direct feedback on the difficulties they encounter and we will strive to assist them.

2
Symposium

The campus holds regular symposiums. If employees have ideas or suggestions they would like to communicate directly with the principal, they can contact the symposium leader to express their desire to participate.

3
Work Meeting

In order to facilitate the communication and summarization of work, the Group has various types of meetings from time to time and the employees can communicate on their work on these meetings.

4
Communication Session

The Group holds various types of communication meetings and group recreational activities from time to time and looks forward to the participation of employees.

5
Caring Communication

Human resources staff regularly visit each campus for care and communication activities. Employees can also contact us directly at this time if they have difficulties.

In addition, we strictly prohibit any unfair treatment of employees and encourage employees to complain about unfair behavior by providing an open and confidential formal complaint channel. We treat all employees equally, eliminate any form of discrimination or injustice, and are committed to creating a fair and open working environment for our employees.

5.1.4 Employment management

The Group insists on hiring honest and upright employees with excellent professionalism, potential and team spirit, and does not treat them differently according to their ethnicity, gender, age, marriage and religious beliefs. We sign and uniformly manage labor contracts with hired employees in accordance with the law, pay "five insurance and one fund" and major disease insurance for them on time. Meantime, we give overtime pay to employees and ensure they are entitled to legal holidays, sick leave, wedding leave, maternity leave and other paid holidays according to law.

This year, under the influence of the national "double reduction opinion" policy, the Group actively transformed and adjusted the non-disciplinary training business and the development of new businesses such as the selling products by live streaming on TikTok. In order to adapt to the business transformation and adjustment, the Group continues to optimize our talent management strategy and pay more attention to cultivating and reserving diversified talents. There are also a loss of some employees while introducing outstanding talents. The Group attaches great importance to the communication of departing employees, and handles the departure procedures for employees according to the requirements of laws and regulations to fully protect the legitimate rights and interests of departing employees.

In addition, we firmly oppose and resist forced labor and the employment of child labor, and conduct strict checks on applicants' identity information and other documents during the recruitment process to ensure the authenticity of their age and other information. During this year, there were no child labor or forced labor cases in the Group.

5.2 Constant improvement of the talent development mechanism

Talent is the core element that drives development. Therefore, the Group attaches great importance to our employees' professional development and capability cultivation. Every year, according to business development and job skill needs, we formulate training plans for employees at different development stages and set up a series of training courses to improve employees' business and management abilities to help them grow continuously.

We continue to improve the existing training system and devote ourselves to helping employees enhance their professional abilities such as career awareness, innovative thinking, brand influence and professionalism, etc. In 2022, the Group launched the "Wolf Warriors Plan" on the basis of the original "Starting Point Plan" and "Excellent Teacher Plan". The "Starting Point Plan" and "Excellent Teacher Plan" help new employees quickly get familiar with the work content and further improve their professional abilities. The "Wolf Warriors Plan" cultivates middle-level management cadres with excellent moral character and extraordinary ability, so that middle management cadres can further improve their team management ability and strategic execution ability.

Training activities

6. Legal Operation and Sustainable Development

The Group adheres to the business philosophy of "Maintain Legal Operation and Sustainable Development". Specifically, we strictly comply with the laws and regulations applicable to the Group's business development and continuously improve our risk management and internal control mechanism. We are also committed to safeguarding stakeholders' legitimate interests and promoting the sustainable development of the Group.

6.1. Standardise supply chain management

The Group strictly complies with laws and regulations such as the *Law of the People's Republic of China on Government Procurement*, and formulates and implements the *Procurement Management Rule* and *Supplier Management Rule*. These rules specify the responsibilities and assignment of procurement, scope and types of procurement, procedures and methods of procurement and lifecycle management of suppliers, etc. During the reporting period, the materials procured by the Group were primarily teaching material printings, office supplies, electronic products, and spray painting products. We continue to improve our supplier management system to ensure the overall level of suppliers in performance, strive to prevent environmental and social risks, and promote the sustainable growth of our supply chain. Currently, there are a total of 14 suppliers in partnership with the Group.

The Group formulates a strict supplier access mechanism. In the entry phase, the procurement center collects suppliers' information and initially assesses whether they meet the entry requirements. In the evaluation phase, the evaluation team which is comprised of the procurement center, finance center and other departments, focuses on suppliers' credentials, product quality, environmental and social risks, etc. For suppliers qualified by the evaluation team, the procurement center personnel initiates the supplier access approval process and records the suppliers into the supplier database after approval.

In the assessment phase, the procurement center organizes the finance department and other departments to regularly assess suppliers. The assessment dimensions include supply quality on-site services, after-sales support, and business ethics. Based on the annual assessment annual, the Group takes outstanding suppliers in the database of excellent suppliers and ceases cooperation with unqualified suppliers.

The Group also attaches great importance to constructing a green supply chain system. In order to convey the concept of environmental protection and operation compliance to suppliers, the Group incorporates environmental management and anti-corruption in the supplier access and assessment process. Consequently, the Group prioritizes suppliers with ISO14001 environmental management system certification. Meanwhile, the Group actively implements the concept of environmental protection. Regarding the procurement of materials, the Group prefers energy-saving and environmentally friendly products, such as LED lamps, computers with national energy-saving certification marks and environmentally friendly paper. In addition, to avoid commercial bribery and other acts that are harmful to the interests of the Group and its shareholders, the Group requires all employees to strictly follow the internal procurement systems and procedures and asks personnel related to procurement to sign the *Self-discipline Agreement*. For employees who break the *Self-discipline Agreement*, the Group is entitled to unilaterally terminate the employment contracts or transfer them to judicial organizations to take criminal responsibility.

6.2 Customer privacy protection

The Group severely observes laws and regulations such as the *Personal Information Protection Law of the People's Republic of China*. We formulate and implement regulations such as the *Network Security Management Regulation* and *Information System Account Management Rule* to ensure operating security such as the Group's network systems and computers, as well as the privacy and personal information security of customers.

The Group attaches great importance to customer information security and privacy protection, and takes various measures to safeguard customers' personal information security. The information center of the Group regularly checks the operating status of the systems to ensure their secure and stable operation. It also regularly examines the operating environment of system software and application software to prevent risks such as virus and hacker attacks. To ensure the security of customers' privacy, we adopt the information system to manage customer information in the whole area, set the information access rights according to the staff positions, and strictly restrict the export of customer information. The Group also constantly explains the importance of information protection to employees and enhances their awareness of confidentiality to offer greater protection of customer privacy.

6.3 Compliance promotion

This year, the Group explored a new business of live streaming with goods on TikTok while promoting the development of the literacy training business. The Group strictly complies with laws and regulations such as the *Advertising Law of the People's Republic of China*, *Measures for the Administration of Livestreaming Marketing*, and *Notice on Regulation of Advertising for After-school Training*. For literacy training courses, we make sure that we do not advertise after-school training in mainstream media, online platforms and public places, which actively responds to the State Council's "Double Reduction" work goals and regulations on after-school training advertisements. For live streaming business on TikTok, our live streaming team continues to improve the online sales procedures. For example, the team strictly checks the publicity contents and ensures the release of product information is truthful, accurate and comprehensive. It also advises consumers to purchase rationally and actively protects their legitimate rights and interests.

6.4 Operate with integrity and trust

The Group regards business ethics and integrity as the pedestal of operation compliance. In strict compliance with the relevant state laws and regulations such as *Anti-corruption Law of the People's Republic of China*, *Anti-money Laundering Law of the People's Republic of China*, the Group formulates the *Accountability Management Regulation*. This regulation clarifies the Group's principle of zero tolerance on illegal practices and the respective penalties and ensures that all employees understand and observe the relevant anti-corruption terms therein. The Group's audit and inspection department regularly conducts fraud investigations and risk assessments to prevent and correct non-compliance behaviors of employees.

The Group develops standardized monitoring, reporting and surveillance mechanisms. Anonymous channels are available to internal and external stakeholders to report via telephone, email, and mailbox. After receiving the reports, the audit and inspection department promptly launches investigations and verifies the truth of the reports, and then publicizes the investigation results in the Group. We promise to deal seriously with those who violate the rules and regulations, regardless of their rank. If illegal acts are found, persons involved will be transferred to the judicial authorities for treatment in accordance with the law. During this year, the Group did not have any litigation cases of corruption.

The Group firmly prohibits corruption, bribery, and other illegal activities. Through training and daily work meetings, we continuously educate our employees about anti-corruption regulations. Management members are required to sign anti-corruption pledges and all employees are strictly prohibited from accepting any gifts or commercial bribery by abusing their authority. Meanwhile, the Group requires the heads of each department and campus to play a role in daily supervision and inspection. By doing so, we timely discover the corruption risks and take appropriate prevention measures, to actively create an atmosphere of integrity and honesty. During this year, the Group did not have any litigation cases of corruption.

6.5 Intellectual property protection

The Group strictly follows laws and regulations such as *the Intellectual Property Law of the People's Republic of China* as well as formulates and implements *the Intellectual Property Management Regulation*. Under this regulation, the Group continues safeguarding the confidentiality of intellectual property rights ("IPR") and maintains centralized management of IPR files in a standardized manner, as well as encourages employees to engage in all kinds of innovation and R&D activities.

The Group arranges special personnel to manage the intellectual property certificates, and establishes a detailed IP ledger and annual inspection follow-up form to strictly limit the borrowing of the certificates. When conducting innovation activities, the relevant departments must search for the novelty of the patents to ensure that these patents can be applied for and to determine the effective scope of patent protection. During this year, the Group incorporated IPR protection in performance assessment indicators to further improve the IPR protection mechanism. Moreover, to further enhance the IPR protection awareness and IPR management capability of departments, the Group provides training on IPR management in daily work, thus effectively improving the efficiency and quality of R&D achievements. During this year, the Group acquired 16 software copyrights, 9 trademarks and 11 patents.

7. Energy Saving and Environmental Protection

The Group strictly complies with relevant laws and regulations, such as the *Environmental Protection Law of the People's Republic of China*, and formulates an internal regulation called *Management Regulation on Energy Conservation and Emission Reduction*, which specifies energy saving and green development as a fundamental responsibility. In active response to the national green and low carbon development trend, the Group sets up three major targets for green development, including energy conservation and emission reduction, water conservation, and waste reduction, and takes pragmatic environmental protection measures in daily operation. As the Group's principal business is to provide literacy training services, there is no mass manufacturing or pollutant discharge involved in its business activities. During this year, the Group did not incur any environmental violations or environmental administrative penalties with significant impact.

7.1 Resources usage and compliant emissions

During the year, the Group's consumption of resources was mainly electricity and water in teaching centers and office areas, while the other resource consumption was from office paper, fuel for official vehicles, etc. Electricity used in teaching centers and office areas came from the regional grid and water was completely taken from the municipal water supply system. During the reporting period, we continuously implemented measures to control energy consumption, and took energy conservation and emission reduction measures to enhance employees' awareness, fulfilling our commitment to using energy more efficiently.

The Group's principal business is providing literacy education and training services. Emissions generated in the operation mainly include greenhouse gases and air pollutants from electricity consumption and fuel combustion of official vehicles, as well as domestic garbage, domestic sewage and waste ink cartridge generated from teaching centers and office areas. Domestic garbage is collected centrally and transported by sanitation workers. All domestic sewage enters the municipal sewage treatment network without directly discharging into soil or natural water. All waste ink cartridges are handed over to qualified third-party companies for recycling and disposal. In the future, we will continue to cut down the use of energy to reduce waste emissions, striving to utilize the waste resources more efficiently.

In 2022, the Group continued collecting environmental statistics. On the basis of the existing data of teaching centers on electricity, water and office resources, and in compliance with the data requirements of the ESG reporting guidelines of the Hong Kong Stock Exchange, the Group further improved the statistical subjects and revised the data form. In this way, we helped teaching centers better understand statistical calibre and standards, comprehensively promoted the quantitative, normalized and standardized management of environmental performance, and laid the data foundation for the establishment of the next year's energy conservation and emission reduction plans and targets. For the environmental data details this year, please refer to "Appendix 2022 ESG Key Performance Data".

7.2 Publicity of green operation and environmental protection

To better achieve the sustainable development targets of saving energy and reducing the pollutant emission as well as practice the core values of "diligence and thrift", the Group formulates *the Regulation on Management of Energy Conservation and Emission Reduction*, which stipulates the management measures for energy conservation and emission reduction during the daily operation. The Administration Center, as the management department of energy conservation and emission reduction, is responsible for developing energy conservation and emission reduction targets and specific measures, as well as supervising and inspecting the energy conservation and emission reduction practices in the office areas and teaching centers. In conjunction with the Administration Center, the President's Office is responsible for making the assessment indicators for energy conservation and emission reduction and organizing the inspection of it. The person in charge of each unit is responsible for their own energy conservation and emission reduction work.

The three green development targets set by the Group for energy conservation and emission reduction, water saving, and waste emission reduction are as follows:

Energy conservation and emission reduction: practice low energy consumption and sustainable operation, explore green and low-carbon office operation methods, and improve energy use efficiency to reduce greenhouse gas emissions.

Waste reduction: respond to waste classification, reduce the use of printing paper and ink cartridges, strengthen the awareness of material recycling, and promote waste reduction, waste resourcefulness and harmlessness.

Water saving: strengthen the daily maintenance of water extraction facilities, promote awareness of water saving, use water resources scientifically and reasonably, and improve water use efficiency.

To achieve these green development targets, the Group formulates the energy conservation and emission reduction measures for the office areas and teaching centers. To be specific, the Group actively implements measures to save water, electricity, paper and ink in the office areas, cultivate the employees' awareness of energy conservation and emission reduction and practice the low-carbon lifestyle. The Group's green operation measures include, but are not limited to:

Low carbon and energy conservation

- Strengthen the management and maintenance of electrical equipment in public areas to avoid waste of electricity;
- Purchase energy-saving equipment when constructing a new teaching center;
- Strictly stipulate the requirements and conditions for the use of air conditioners. inspect the use of air conditioners daily by the customer service staff at teaching centers;
- More natural light is used to reduce power consumption.

Office resource saving

- Promote paperless office, use online OA approval, give priority to electronic versions for viewing documents, and reduce photocopying of paper documents;
- The printer is set for automatic double-sided printing; reuse single-sided printing paper to reduce paper consumption;
- Maintain office facilities and equipment regularly to prolong their service lives and improve the efficiency of resource use;
- Implement the regulations of obtaining office supplies to improve the rate of repeated use.

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 centers and repair the pipelines in time to stop them from leaking and dripping and other problems.

Low-carbon transportation

- Implement the *Official Vehicle Management Regulation*; strengthen the management of the whole process of vehicle use such as vehicle application, vehicle dispatching, and vehicle returning registration; encourage employees to take public transport instead of official vehicles;
- Reduce unnecessary business trips with the help of the internet and online platforms.

We deeply understand the importance of environmental education and are committed to popularizing environmental knowledge to raise employees' awareness of environmental protection. Moreover, we encourage them to take concrete actions and join hands with stakeholders to fulfil environmental obligations and build a sustainable future.

7.3 Response to climate change risks

As a responsible educational enterprise in China, the Group implements the energy conservation and emission reduction measures in daily business activities in active response to the national call for "carbon peaking and carbon neutrality". Furthermore, the Group keeps close attention to the climate change risks associated with the Group's business, evaluates related impact on the business sustainability and stability, and fully identifies the challenges and opportunities therein, improving the ability to deal with these risks.

Faced with potential physical risks from climate change such as rainstorms and typhoons, which may threaten the safety of employees and students, the Group develops an emergency response mechanism for extreme weather. Additionally, the Group conducts publicity activities and drills in daily operations to enhance the awareness of relevant parties on extreme weather preparedness and their emergency response capabilities, striving to mitigate physical risks.

Faced with potential transition risks from climate change such as policy risks, market risks and reputational risks, the Group formulates the green operation targets and related measures, and the *Regulation on Energy Conservation and Emission Reduction*. In this way, we encourage employees to practice the concept of "green office", effectively save the resources and reduce carbon emissions. Moreover, we will continue to monitor the release of relevant laws and regulations, actively comply with the policy requirements related to sustainable development, and avoid the adverse impact on the Group's reputation due to violations of laws and regulations.

8. Give Back to The Community with Enthusiasm

As an educational enterprise with a strong sense of responsibility and social mission, the Group regards "gratitude" as part of the Group's core values and insists on giving back to the society with love, striving to promote the development of educational industry. This year, we provided public live streaming to help students and parents make better decisions on enrolment. Meanwhile, we were also invited by the education bureaus to provide teaching guidance and training for the teachers in local schools, helping raise their teaching ability and promoting the development of education industry.

8.1 Public live streaming for children's enrolment

To help students and parents understand the information on schools more comprehensively and assist the students in making the most suitable choices for enrolment, we launched the public live streaming program of "Winning a Decisive Victory of Senior High School Entrance Examination in Shenzhen in 2022" this year. The contents covered the school profiles, faculty resources, admission plans, campus environment, etc. Some of the live broadcasts also invited the school's admissions office to participate together to answer questions and solve problems for parents and students. In 2022, the public live streaming program of "Winning a Decisive Victory of Senior High School Entrance Examination in Shenzhen in 2022" was held for about 30 times with about 60,000 views, which was well received by parents and students. In the future, we will continue to provide more enrolment-related public live streaming programs to assist the students in making more suitable choices for their own development.

Public live streaming programme of
"Winning a Decisive Victory of Senior High School Entrance Examination in Shenzhen in 2022"

8.2 Public training for development of education industry

The Group adheres to the original intention of fostering one's character and civic virtue, making an unremitting contribution to the development of education industry. During the year, the teachers of the Group's Miaowei Business Division were invited by the Education Bureau of Ningwu County in Shanxi Province to provide teaching guidance in summer for all English teachers of elementary and secondary schools and conduct on-site teaching PK activities. In this way, we helped them to further improve their teaching ability and discussed with them the method to stimulate the students' enthusiasm for studying. In addition, the teachers of the Group's Miaowei Business Division were also invited by the Gaozhou Teacher Development Center of Guangdong Province to provide guidance and demonstration training on oral teaching for nearly 1,000 English teachers, helping further improve their oral teaching ability and boost the local education development.

Public training activities

Appendix 2022 ESG Key Performance Data

Environmental Aspect

KPI		Unit	2022
Emissions	SO_2 emissions	kg	0.12
	Nitrogen oxides emissions	kg	5.79
	Particulate matter emissions	kg	0.43
Greenhouse gas emissions	Greenhouse gas emissions (Scope 1)	tCO_2 Equivalent	20.95
	Greenhouse gas emissions (Scope 2)	tCO_2 Equivalent	1,278.72
	Total greenhouse gas emissions	tCO_2 Equivalent	1,299.67
	Greenhouse gas emissions intensity	tCO_2 Equivalent/ thousand yuan revenue	0.003
Hazardous waste	Waste ink cartridges, toner cartridges	Tonne	0
Non-hazardous waste	Household waste	Tonne	28.78
Use of energy	Total energy consumption	MWh	2,164.24
	Direct energy consumption	MWh	68.31
	Indirect energy consumption	MWh	2,095.92
	Energy consumption intensity	MWh/thousand yuan revenue	0.005
	Total electricity consumption	MWh	2,095.92
	Petrol consumption	Litre	7,875.69
Water consumption	Water consumption	Cubic metre	15,403.29
	Water consumption intensity	Cubic meter/thousand yuan revenue	0.04
Office paper consumption	Office paper consumption	kg	69,100.00

Description of environmental data and coefficients

1. The time span of environmental data is from 1 January 2022 to 31 December 2022; the data collection covers the Company's headquarters and teaching centers in Shenzhen.

2. Greenhouse gas emissions (scope 1) were mainly from the fuel consumption of office vehicles, and greenhouse gas emissions (scope 2) were generated from the consumption of purchased electricity. The data sources were the payment bills for relevant expenses and the administrative statistics ledger. The greenhouse gas emission factors for purchased electricity and other emission factors were in reference to the *Guidelines on Reporting of Environmental Key Performance Indicators* issued by the Hong Kong Stock Exchange.

3. The types of energy consumed by the Group in 2022 included fuel for official vehicles and purchased electricity. The data sources were the payment bills for relevant expenses and the administrative statistics ledger; the energy consumption coefficient was in reference to the conversion factors provided by the International Energy Agency and the national *GB/T2589-2008 General Principles for Calculation of the Comprehensive Energy Consumption*.

4. Hazardous waste is waste batteries, waste lamps, waste ink cartridges and toner cartridges.

5. Non-hazardous waste was office waste generated by the administrative offices.

6. The Group's water is supplied from the municipal water supply network, and the data sources are financial records and administrative statistics ledgers.

Social Aspect

KPI	2022

Total workforce by gender, employment type, age group and geographical region

		Number of employees	Proportion (%)
By gender	Male	476	35.26%
	Female	874	64.74%
By employment type	Full-time	1,350	100.00%
By age	< 30 years old	984	72.89%
	31–40 years old	300	22.22%
	41–50 years old	58	4.30%
	> 50 years old	8	0.59%
By job level	Middle and Senior Management	161	11.93%
	General Staff	1,189	88.07%
By geographical region	Mainland China	1,348	99.85%
	Overseas and districts of Hong Kong, Macao and Taiwan	2	0.15%
Total Workforce		1,350	
Health and safety			
Number of work-related fatalities in the last 3 years		0	
Lost days due to work injury		0	

The percentage of employees trained and average training hours completed per employee by gender and employee category

		The percentage of employees trained	Average training hours completed per employee
By job function	Teacher	94.11%	38.41
	Others[4]	5.89%	8.28
By gender	Male	27.71%	25.58
	Female[5]	72.29%	39.29

KPI		2022
Employee turnover rate by gender, age group and geographical region		
By gender	Male	30.91%
	Female	23.27%
By age group	< 30 years old	25.74%
	31–40 years old	25.37%
	41–50 years old	35.56%
	> 50 years old	27.27%
By geographical region	Mainland China	26.14%
	Overseas and districts of Hong Kong, Macao and Taiwan	33.33%
Number of suppliers		
Number of suppliers	South China	14
Customer service data		
Number of customer complaints (times)		20
Rate of complaint handling(%)		100%

Description of social data and calculation formula

1. The time span of social data is from 1 January 2022 to 31 December 2022; the data collection covers the Company's headquarters and teaching centers in Shenzhen.

2. Formula for calculating the percentage of employees trained: employees by relevant category = number of employees trained in a specific category/employees trained * 100%.

3. Hours of training per capita: average hours of training for employees in the relevant category = total hours of training for employees in the specific category/number of employees in the specific category.

4. Others include mainly administrative and managerial personnel, etc.

5. The higher percentage of female trained employees is mainly due to the high number of female employees in frontline teaching positions.

6. Formula for calculating the employee turnover rate: employee turnover rate by relevant category = number of departing employees in a specific category/(number of departing employees in a specific category + total number of employees of that category at the end of the reporting period) * 100%

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**"),which are set out on pages 100 to 169, comprise:

- the consolidated balance sheet as at 31 December 2022;
- 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 significant accounting policies and other explanatory information.

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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") 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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for 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.

The key audit matter identified in our audit is related to 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 RMB402,082,000 for the year ended 31 December 2022 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 understood, evaluated and tested of the key internal controls over the collection of the education service fees and recognition of revenue on a sample basis and assessed the inherent risk of material misstatement by considering the degree of inherent risk factors; • 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 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, 30 March 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2022 RMB'000	2021 RMB'000
Revenue	5	**402,082**	831,725
Cost of sales	8	**(263,390)**	(516,704)
Gross profit		**138,692**	315,021
Selling expenses	8	**(4,684)**	(13,629)
Administrative expenses	8	**(82,412)**	(170,052)
Research and development expenses	8	**(16,244)**	(53,382)
Other income — net	6	**10,617**	22,520
Other gains/(losses) — net	7	**3,044**	(65,895)
Operating profit		**49,013**	34,583
Finance costs	10	**(6,703)**	(28,985)
Profit before income tax		**42,310**	5,598
Income tax credit/(expense)	12	**11,547**	(32,610)
Profit/(loss) for the year		**53,857**	(27,012)
Profit/(loss) for the year is attributable to:			
— Equity holders of the Company		**54,411**	(26,611)
— Non-controlling interests		**(554)**	(401)
		53,857	(27,012)
Profit/(loss) for the year		**53,857**	(27,012)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation gains on investment properties upon transfer from property, plant and equipment		**—**	378
Total comprehensive income/(loss) for the year		**53,857**	(26,634)
Total comprehensive income/(loss) for the year is attributable to:			
— Equity holders of the Company		**54,411**	(26,233)
— Non-controlling interests		**(554)**	(401)
		53,857	(26,634)
Earnings/(loss) per share (expressed in RMB cents per share)			
— Basic	13	**9.79**	(4.83)
— Diluted	13	**9.79**	(4.83)

CONSOLIDATED BALANCE SHEET

	Notes	As at 31 December 2022 RMB'000	2021 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	14	37,678	54,369
Right-of-use assets	15	135,895	179,388
Investment properties	16	82,375	65,100
Intangible assets	17	2,454	2,800
Prepayments and other receivables	19	10,931	18,694
Deferred tax assets	30	20,264	12,721
Financial assets at fair value through profit or loss	20	32,695	24,129
Total non-current assets		322,292	357,201
Current assets			
Prepayments and other receivables	19	16,566	11,425
Financial assets at fair value through profit or loss	20	117,295	155,725
Cash and cash equivalents	21	298,737	236,041
Restricted cash	21	35	176
Total current assets		432,633	403,367
Total assets		754,925	760,568
Equity			
Share capital	22	3,775	3,775
Share premium	25	82,698	82,698
Other reserves	25	32,338	33,293
Retained earnings		252,591	198,180
Capital and reserves attributable to equity holders of the Company		371,402	317,946
Non-controlling interests		—	(401)
Total equity		371,402	317,545
Liabilities			
Non-current liabilities			
Lease liabilities	15	82,764	119,592
Total non-current liabilities		82,764	119,592

CONSOLIDATED BALANCE SHEET

	Notes	As at 31 December 2022 RMB'000	2021 RMB'000
Current liabilities			
Contract liabilities	27	**181,524**	176,251
Lease liabilities	15	**34,169**	32,804
Trade and other payables	28	**83,431**	80,941
Current income tax liabilities		**1,635**	3,435
Borrowings	29	**—**	30,000
Total current liabilities		**300,759**	323,431
Total liabilities		**383,523**	443,023
Total equity and liabilities		**754,925**	760,568

The consolidated financial statements on pages 100 to 169 were approved by the Board of Directors on 30 March 2023 and were signed on its behalf.

Director *Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of Company							
	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	Non-con-trolling interests RMB'000	Total equity RMB'000
Balance at 1 January 2021		3,775	295,908	(1,050)	66,361	173,043	538,037	—	538,037
Loss for the year		—	—	—	—	(26,611)	(26,611)	(401)	(27,012)
Other comprehensive income		—	—	—	378	—	378	—	378
Total comprehensive income for the year		—	—	—	378	(26,611)	(26,233)	(401)	(26,634)
Transactions with owners:									
Capital injection from shareholders									
Dividends paid	25, 26	—	(167,630)	—	—	—	(167,630)	—	(167,630)
Share based payments	24, 25	—	—	—	35,639	—	35,639	—	35,639
Acquisition of shares under employee share award scheme	23	—	—	(52,942)	—	—	(52,942)	—	(52,942)
Payments on cancellation of share options	25	—	—	—	(15,646)	—	(15,646)	—	(15,646)
Exercise and transfer of shares held	23, 25	—	(45,580)	53,992	(1,691)	—	6,721	—	6,721
Transfer of reserve upon cancellation of share options	25	—	—	—	(51,748)	51,748	—	—	—
Balance at 31 December 2021		3,775	82,698	—	33,293	198,180	317,946	(401)	317,545

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	Non-con-trolling interests RMB'000	Total equity RMB'000
Balance at 1 January 2022		3,775	82,698	33,293	198,180	317,946	(401)	317,545
Profit/(loss) for the year		—	—	—	54,411	54,411	(554)	53,857
Total comprehensive income for the year		—	—	—	54,411	54,411	(554)	53,857
Transactions with owners in their capacity as owners:								
Transactions with non-controlling interests	32	—	—	(955)	—	(955)	955	—
Balance at 31 December 2022		3,775	82,698	32,338	252,591	371,402	—	371,402

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December 2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Cash generated from operations	31(a)	**125,908**	108,518
Interest received		**476**	2,437
Interest paid		**(446)**	(1,878)
Income taxes paid		**(186)**	(16,290)
Net cash inflow from operating activities		**125,752**	92,787
Cash flows from investing activities			
Payments for property, plant and equipment, land use rights and intangible assets		**(7,943)**	(52,350)
Proceeds from disposals of property, plant and equipment and intangible assets	31(b)	**497**	4,562
Payments for purchase of financial assets at fair value through profit or loss	20	**(1,281,042)**	(2,622,212)
Proceeds from redemption of financial assets at fair value through profit or loss at maturity	20	**1,307,181**	2,717,109
Net cash inflow from investing activities		**18,693**	47,109
Cash flows from financing activities			
Acquisition of shares for employee share based payments	23	**—**	(52,942)
Exercise and transfer of shares held	24(b)	**1,145**	5,576
Payments on cancellation of share options	24(a)	**(12,657)**	(2,988)
Proceeds from borrowings		**—**	60,000
Repayment of borrowings		**(30,000)**	(84,400)
Dividends paid to shareholders	26	**—**	(167,630)
Principal elements of lease payments	15(c)	**(40,557)**	(102,248)
Net cash outflow from financing activities		**(82,069)**	(344,632)
Net increase/(decrease) in cash and cash equivalents		**62,376**	(204,736)
Cash and cash equivalents at the beginning of the year	21	**236,041**	442,586
Effects of exchange rate changes on cash and cash equivalents		**320**	(1,809)
Cash and cash equivalents at the end of the year	21	**298,737**	236,041

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 private education services 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 30 March 2023.

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**") and investment properties, which are carried at fair value.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation and reorganisation (Continued)

The preparation of consolidated 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.

The Group will continue to implement measures before the Structured Contracts are unwound, with an aim to further enhance its control over the PRC Consolidated Affiliated 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 report. As advised by the Group's PRC legal counsel, the Group did not violate existing PRC laws and regulations and the Structured Contracts are legally enforceable for the year ended 31 December 2022 and up to the date of this report. The directors will continue to closely monitor the development of laws and regulations and will make further appropriate adjustment of its business model whenever needed to ensure comply with the new relevant policies. Based on cashflow projections for a period of not less than 12 months after 31 December 2022, the directors are in the opinion that the Group's available source of funds is sufficient to fulfil its financial obligations as when fall due in the coming twelve months from 31 December 2022. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

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 2022:

- Property, Plant and Equipment: Proceeds before Intended Use — Amendments International Accounting Standards ("**IAS**") to IAS 16
- Onerous Contracts — Cost of Fulfilling a Contract — Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018–2020; and
- Reference to the Conceptual Framework — Amendments to IFRS 3

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.

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

		Effective for annual periods beginning on or after
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IFRS 16	Leases on sale and leaseback	1 January 2024
Amendments to IFRS 10 and IAS 28	Consolidated Financial Statements and Investments in Associates and Joint Ventures	To be determined

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations 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 Principles of consolidation

2.2.1 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)

2.2 Principles of consolidation (Continued)

2.2.1 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)

2.2 Principles of consolidation (Continued)

2.2.1 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.

2.2.2 Associates

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

(a) *Equity method*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

2. Summary of significant accounting policies (Continued)

2.2 Principles of consolidation (Continued)

2.2.2 Associates (Continued)

(a) Equity method (Continued)

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

2.2.3 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.

2.3 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.

2.4 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).

2. Summary of significant accounting policies (Continued)

2.4 Foreign currency translation (Continued)

(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 consolidated statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the consolidated 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 consolidated statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- All resulting exchange differences are recognised in other comprehensive income.

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

2. Summary of significant accounting policies (Continued)

2.4 Foreign currency translation (Continued)

(c) Group companies (Continued)

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.

2.5 Property, plant and equipment

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

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

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

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

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

2. Summary of significant accounting policies (Continued)

2.5 Property, plant and equipment (Continued)

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.

2.6 Investment properties

Investment properties, principally freehold office buildings, are held for long-term rental yields and are not occupied by the group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at fair value. Changes in fair values are presented in the consolidated statement of comprehensive income as part of other gains/(losses).

2.7 Intangible assets

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

2.8 Research and development costs

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

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

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

2. Summary of significant accounting policies (Continued)

2.9 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.

2.10 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. Summary of significant accounting policies (Continued)

2.10 Financial assets (Continued)

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.

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 consolidated 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 consolidated statement of comprehensive income.

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

2. Summary of significant accounting policies (Continued)

2.10 Financial assets (Continued)

2.10.3 Measurement (Continued)

Equity instruments

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

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

Impairment

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

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

2.11 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. Summary of significant accounting policies (Continued)

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.

2.14 Cash and cash equivalents

For the purpose of presentation in the consolidated 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.

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. Summary of significant accounting policies (Continued)

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.

2.18 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 and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

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 and does not give rise to equal taxable and deductible temporary differences. 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.

2. Summary of significant accounting policies (Continued)

2.19 Current and deferred income tax (Continued)

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

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

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.

Current and deferred tax is recognised in comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

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 and share award schemes under which the Group receives services from its employees in exchange of equity instruments (including share options and awarded shares) 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 equity instruments 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.

For grant of share options, the total amount to be expensed is determined by reference to the fair value of the options granted by using option-pricing model. For grant of award shares, the total amount to be expensed is determined by reference to the market price of the Company's shares at the grant date.

2. Summary of significant accounting policies (Continued)

2.22 Share based payments (Continued)

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 and awarded shares 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 proceeds received net of any directly attributable transaction costs are credited to share capital.

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 services 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 services may be transferred over time or at a point in time.

Control of the goods or services 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 services 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 services. 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 goods or services 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.

2. Summary of significant accounting policies (Continued)

2.23 Revenue recognition (Continued)

The Group's revenue is primarily derived from provision of private education 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.

2.24 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.

2. Summary of significant accounting policies (Continued)

2.25 Leases (Continued)

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.

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.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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 without a purchase option.

2. Summary of significant accounting policies (Continued)

2.25 Leases (Continued)

The Group has adopted Amendment 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 2022; and c. there is no substantive change to other terms and conditions of the lease.

The Group has early adopted Amendment to IFRS 16 — Covid-19-Related Rent Concessions beyond 30 June 2021, which extended the practical expedient to lease payments that were due on or before 30 June 2022.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions.

Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term.

2.26 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the Group's consolidated 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 deferred and 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	
	2022	2021
	RMB'000	RMB'000
Assets		
USD	**3**	3
HKD	**1,810**	1,727
	1,813	1,730

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:

	2022		2021	
	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
HKD	(91)	91	(86)	86

(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 2022 and 2021, 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	
	2022 RMB'000	2021 RMB'000
Floating rate		
Expiring within 1 year	—	30,000

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	
	2022	2021
	RMB'000	RMB'000
Interest rates — increase by 100 basis points	**(102)**	(198)
Interest rates — decrease by 100 basis points	**102**	198

(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.

As at 31 December 2022 and 2021, 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 2022 and 2021, 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 2022 and 2021 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 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	over 5 years RMB'000	Total RMB'000
As at 31 December 2022					
Trade payables	**1,281**	**—**	**—**	**—**	**1,281**
Other payables	**11,042**	**—**	**—**	**—**	**11,042**
Lease liabilities	**37,138**	**29,928**	**35,393**	**100,219**	**202,678**
	49,461	**29,928**	**35,393**	**100,219**	**215,001**
As at 31 December 2021					
Trade payables	1,948	—	—	—	1,948
Other payables	24,926	—	—	—	24,926
Borrowings	30,397	—	—	—	30,397
Lease liabilities	36,217	38,614	66,774	69,602	211,207
	93,488	38,614	66,774	69,602	268,478

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 20 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 2022 and 2021 were as follows:

2022	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Asset				
Wealth management products	—	—	117,295	117,295
Listed equity investments in Mainland China	2,065	—	—	2,065
Unlisted equity investments in Mainland China	—	—	30,630	30,630
	2,065	—	147,925	149,990

2021	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Asset				
Wealth management products	—	—	179,854	179,854

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 2022 and 2021.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the years ended 31 December 2022 and 2021.

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

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

If the fair values of financial assets at FVPL held by the Group had been 10% higher/lower, the profit after income tax for the years ended 31 December 2022 and 2021 would have been approximately RMB12,422,000 higher/lower and RMB15,290,000 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) Fair value of financial assets

The fair value of financial assets that are not traded in an active market (for example, investments in private companies) is determined by using valuation methodologies. The Group uses its judgment to select a variety of methods and make assumptions, as mentioned in Note 3.3, that are mainly based on market conditions existing at the end of each reporting period. Changes in these assumptions and estimates could materially affect the respective fair value of these investments.

(b) Structured Contracts

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

4. Critical accounting estimates and judgements (Continued)

(c) 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.

(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.

(e) Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The recoverable amounts have been determined based on higher of its fair value less costs of disposal ("**FVLCOD**") or value in use ("**VIU**") calculations. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of FVLCOD and VIU which is the net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in the impairment test included market data used in FVLCOD, gross margin and discount rate for preparing cash flow forecast used in VIU calculation. Changing the assumptions selected by management, could affect the recoverable amounts in the impairment test and as a result affect the Group's financial position and results of operations.

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, the CODM considers that the Group is operated and managed as a single operating segment of private education services for the year ended 31 December 2022.

	2022 RMB'000	2021 RMB'000
Recognised over time		
— Private education services and others	402,082	831,725

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

	2022 RMB'000	2021 RMB'000
Sub-lease — net (a)	1,180	871
Rental income from operating leases	3,022	2,293
Goods sales	1,154	—
Finance income	476	2,437
Government grants (b)	4,785	16,889
Others	—	30
	10,617	22,520

(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 include VAT exemption. VAT exemption amounted to nil (2021: RMB15,259,000) was recognised in the consolidated statement of comprehensive income due to the VAT exemption caused by COVID-19 pandemic, since Cai Shui [2020] No.8 extended the period of VAT exemption from calandar year 2020 to 2021.

7. Other gains/(losses) — net

	2022 RMB'000	2021 RMB'000
Fair value losses on financial assets at FVPL	**(1,610)**	(24,192)
Fair value losses on investment properties (Note 16)	**(1,380)**	(900)
Gains on disposal of a subsidiary (Note 33)	**3,006**	—
Lease modification (a)	**6,301**	42,271
Net losses on disposals of property, plant and equipment and intangible assets (Note 31(b))	**(2,114)**	(64,350)
Deposits losses	**(1,137)**	(10,949)
Compensation charges	**(520)**	(3,144)
Net foreign exchange gains/(losses)	**320**	(1,809)
Others	**178**	(2,822)
	3,044	(65,895)

(a) Based on the principles set out in the "Opinion on Further Easing the Workload of Students in Compulsory Education and Burden of After-school Tutoring" published by the General Office of the Chinese Communist Party and the General Office of the State Council of the PRC ("**Opinions on Double Reduction**") in July 2021, the Group ceased operating certain learning centres that do not meet the key operating parameters as originally envisaged.

8. Expenses by nature

	2022 RMB'000	2021 RMB'000
Employee benefit expenses (Note 9)	**260,826**	470,721
Depreciation and amortisation (Note 14, 15 and 17)	**56,837**	155,086
Teaching materials	**7,538**	24,009
Property management expenses	**6,435**	13,590
Renting expenses	**5,189**	3,027
Professional service fees	**3,767**	3,718
Maintenance cost	**3,426**	7,452
Utilities	**3,369**	8,964
Advertising and exhibition expenses	**3,256**	7,584
Other taxes	**2,930**	5,021
Office expenses	**2,723**	6,730
Software usage fees	**2,112**	1,001
Auditors' remuneration		
— Audit services	**1,892**	1,923
— Non-audit services	**951**	693
Entertainment and activities expenses	**587**	1,425
Travel and transportation	**421**	1,148
Recruitment expenses	**250**	1,266
Rent concession related to COVID-19 (Note 15(d))	**(1,310)**	(2,340)
Allowance for impairment	**(398)**	5,912
Impairment provisions on property, plant and equipment (Note 14)	**—**	24,681
Others	**5,929**	12,156
	366,730	753,767

9. Employee benefit expenses

(a) Employee benefit expenses are as follows:

	2022 RMB'000	2021 RMB'000
Wages, salaries and bonus	**240,599**	404,730
Defined contribution plan	**5,601**	14,675
Share options and share awarded scheme granted to employees	**—**	35,639
Termination benefits	**7,786**	4,095
Other social security costs and housing fund	**6,840**	11,582
	260,826	470,721

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2022 include 1 (2021: nil) director whose emoluments are reflected in the analysis shown in Note 36. The emoluments payable to the remaining 5 (2021: 5) individuals during the years ended 31 December 2022 and 2021 are as follows:

	2022 RMB'000	2021 RMB'000
Wages, salaries and bonus	**4,961**	4,260
Share options and share award scheme	**—**	2,184
Defined contribution plan	**44**	40
Other social security costs and housing fund	**50**	19
	5,055	6,503

(c) The emoluments fell within the following bands:

	Number of individuals for the year ended 31 December	
	2022	2021
Emolument band		
Nil — HK$1,000,000	**—**	3
HK$1,000,000 — HK$2,000,000	**5**	2

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

	2022 RMB'000	2021 RMB'000
Interest expenses on bank borrowings	**357**	1,911
Interest expenses on lease liabilities (Note 15(b))	**6,346**	27,074
	6,703	28,985

11. Subsidiaries

The Group's principal subsidiaries at 31 December 2022 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	Ownership interest held by the group
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$0/ 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 services/The PRC	RMB50,000,000/ RMB50,000,000	100%
Shenzhen Scholar	The PRC/4 January 2012	Education services/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 services/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 services/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 services/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 services/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 services/The PRC	RMB1,500,000/ RMB1,500,000	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 services/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 services/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 services/The PRC	RMB 300,000/ RMB300,000	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	Ownership interest held by the group
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 services/The PRC	RMB300,000/ 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 services/The PRC	RMB1,000,000/ 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 services/The PRC	RMB500,000/ RMB1,000,000	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 services/The PRC	RMB 300,000/ RMB1,000,000	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 services/The PRC	RMB300,000/ RMB300,000	100%
Huizhou Huicheng District He Nan'an Deming Scholar Education Training Centre Co., Ltd. (惠州市惠城區河南岸德明思考樂教育培訓中心有限公司)	The PRC/19 January 2021	Education services/The PRC	RMB300,000/RMB 300,000	100%
Guangzhou Liwan District Scholar Education Training Centre Co.,Ltd. (廣州市荔灣區思考樂教育培訓中心有限公司)	The PRC/04 January 2021	Education services/The PRC	RMB300,000/RMB 300,000	100%
Suzhou Gusu District Scholar Education Training Centre Co.,Ltd. (蘇州市姑蘇區思考樂教育培訓中心有限公司)	The PRC/20 February 2021	Education services/The PRC	RMB500,000/ RMB500,000	100%
Zhuahi Scholar Education Training Centre Co.,Ltd. (珠海市思考樂教育培訓中心有限公司)	The PRC/08 February 2021	Education services/The PRC	RMB300,000/ RMB300,000	100%
Guangdong Hongyuan Investment Co.,Ltd. (廣東省弘遠投資有限公司)	The PRC/16 September 2021	Investment/The PRC	RMB35,000,000/ RMB50,000,000	100%
Shenzhen Lexiang Jiapin E-commerce Co., Ltd. (深圳市樂享佳品電子商務有限公司)	The PRC/19 May 2022	E-commerce/The PRC	RMB1,000,000/ RMB1,000,000	100%
Shenzhen Scholar Go E-Commerce Co., Ltd. (深圳市思考樂購電子商務有限公司)	The PRC/29 June 2022	E-commerce/The PRC	RMB0/ RMB500,000	100%
Shenzhen Lele Youxuan E-commerce Co., Ltd. (深圳市樂樂優選電子商務有限公司)	The PRC/29 June 2022	E-commerce/The PRC	RMB 0/ RMB500,000	100%
Shenzhen Sile Jingxuan E-Commerce Co., Ltd. (深圳市思樂精選電子商務有限公司)	The PRC/18 July 2022	E-commerce/The PRC	RMB0/ RMB500,000	100%
Shenzhen Scholar Yanxuan Intelligent Technology Co., Ltd. (深圳市思考樂嚴選智能科技有限公司)	The PRC/19 July 2022	E-commerce/The PRC	RMB0/ RMB500,000	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 (credit)/expense

	2022 RMB'000	2021 RMB'000
Current tax		
— Current tax on profits for the year	(4,004)	8,637
Deferred income tax		
— (Decrease)/increase in deferred income tax (Note 30)	(7,543)	23,973
Income tax (credit)/expense	(11,547)	32,610

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:

	2022 RMB'000	2021 RMB'000
Profit before income tax:	42,310	5,598
Tax calculated at tax rates applicable to profit in the respective companies	9,013	1,252
Tax effects of:		
— Preferential tax policies (c)	4,560	2,671
— Expenses not deductible for tax purposes	48	421
— Research and development super deduction (d)	(1,820)	(4,512)
— Adjustment for current tax of prior periods	(7,233)	—
— Previously unrecognised tax losses now recouped to reduce current tax expense	(20,885)	(5,222)
— Previously recognised tax losses now used to increase deferred tax expense	1,531	—
— Unrecognised tax losses	3,239	38,000
	(11,547)	32,610

(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.

12. Income tax (credit)/expense (Continued)

(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 provision for Hong Kong Profits Tax for 2022 is taken into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2021–2022 subject to a maximum reduction of HK$10,000 for each business (2021: a maximum reduction of HK$10,000 was granted for the year of assessment 2020–2021 and was taken into account in calculating the provision for 2021). 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 relevant laws and regulations promulgated by the State Administration of Tax of the PRC effective from 1 October 2022 onwards, enterprises engaging in research and development activities are entitled to claim 200% (2021: 175%) of their qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the year ("**Super Deduction**"). The Group has made its best estimate for the Super Deduction to be claimed in ascertaining the assessable profits for the year ended 31 December 2022.

13. Earnings/(loss) per share

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the earnings/(loss) for the year by the weighted average number of ordinary shares in issue for the year.

	2022	2021
Earnings/(loss) attributable to equity holders of the Company (in RMB thousands)	**54,411**	(26,611)
Weighted average number of ordinary shares in issue (thousand shares) (i)	**555,700**	551,181
Basic earnings/(loss) per share (expressed in RMB cents per share)	**9.79**	(4.83)

(i) Basic earnings/(loss) per share is calculated by dividing the profit/(loss) for the year attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2022 and 2021.

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share adjusts the figures used in the determination of basic earnings/(loss) 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.

	2022	2021
Diluted earnings/(loss) per share (expressed in RMB cents per share)	**9.79**	(4.83)

Weighted average number of shares used as the denominator

	2022	2021
Weighted average number of ordinary shares used as the denominator in calculating basic earnings/(loss) per share	**555,700,000**	551,181,000
Adjustments for calculation of diluted earnings/(loss) per share: Share options*	**—**	—
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings/(loss) per share	**555,700,000**	551,181,000

* As at 31 December 2022, the Company did not have any potential dilutive shares throughout the current reporting period. Accordingly, diluted earnings per share are the same as the basic earnings per share.

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 2021					
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
Year ended 31 December 2021					
Opening net book amount	62,171	14,558	90,832	2,772	170,333
Additions	443	16,072	51,545	—	68,060
Transfer to investment properties	(39,399)	—	—	—	(39,399)
Disposals	—	(13,755)	(54,255)	(189)	(68,199)
Impairment provisions (a)	—	(3,537)	(21,144)	—	(24,681)
Depreciation charge	(904)	(9,493)	(40,615)	(733)	(51,745)
Closing net book amount	22,311	3,845	26,363	1,850	54,369
As at 31 December 2021					
Cost	68,195	23,960	167,917	3,759	263,831
Accumulated depreciation and impairment provisions	(6,485)	(20,115)	(141,554)	(1,909)	(170,063)
Transfer to investment properties	(39,399)	—	—	—	(39,399)
Net book amount	22,311	3,845	26,363	1,850	54,369
Year ended 31 December 2022					
Opening net book amount	22,311	3,845	26,363	1,850	54,369
Additions	—	281	2,390	—	2,671
Transfer to investment properties	(4,597)	—	—	—	(4,597)
Disposals	—	(356)	(2,203)	—	(2,559)
Depreciation charge	(309)	(2,185)	(9,252)	(460)	(12,206)
Closing net book amount	17,405	1,585	17,298	1,390	37,678
As at 31 December 2022					
Cost	19,350	16,866	168,103	3,759	208,078
Accumulated depreciation and impairment provisions	(1,945)	(15,281)	(150,805)	(2,369)	(170,400)
Net book amount	17,405	1,585	17,298	1,390	37,678

14. Property, plant and equipment (Continued)

Depreciation expenses have been charged to comprehensive income as follows:

	2022 RMB'000	2021 RMB'000
Cost of sales	**8,789**	44,114
Administrative expenses	**3,417**	7,631
	12,206	51,745

(a) Provision for impairment

According to the accounting policies stated in Note 2.9 and critical accounting estimates and judgements stated in Note 4(e), the Group performed impairment testing on property, plant and equipment with impairment indicators, and recorded impairment charge of RMB24,681,000 on property, plant and equipment for the year ended 31 December 2021 respectively, and no further impairment change was made during the year ended 31 December 2022.

Management assessed the recoverable value of these assets, which is the higher of FVLCOD and VIU. FVLCOD is based on the estimates having regard to estimated selling price to third-party. FVLCOD is a level 3 fair value measurement. VIU is determined using cash flow projections based on financial forecast, which was higher than FVLCOD. The key assumptions include gross margin and discount rates applied to future cash flows.

15. Right-of-use assets and leases

(a) Amounts recognised in the consolidated balance sheet

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Right-of-use assets*		
Land use rights**	**45,300**	59,043
Properties	**90,595**	120,345
	135,895	179,388
Lease liabilities		
Current	**34,169**	32,804
Non-current	**82,764**	119,592
	116,933	152,396

* Additions to the right-of-use assets during the year ended 31 December 2022 was RMB33,746,000 (for the year ended 31 December 2021: RMB64,558,000).

** 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.

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

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

	2022 RMB'000	2021 RMB'000
Depreciation charge of right-of-use assets		
— Properties	42,482	100,499
— Land use rights	1,800	2,409
	44,282	102,908
Interest expense (included in finance costs)	6,346	27,074
Expense relating to short-term leases (included in administrative expenses and cost of sales)	5,189	3,027

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

For the year ended 31 December 2022, the cash outflows from financing activities for leases was RMB40,557,000 (for the year ended 31 December 2021: RMB102,248,000) and cash outflows from operating activities for short-term lease was RMB5,189,000 (for the year ended 31 December 2021: RMB3,027,000).

(d) Rent concessions related to COVID-19

For the year ended 31 December 2022, the rent concessions related to COVID-19 was RMB1,310,000 (for the year ended 31 December 2021: RMB2,340,000) (Note 8).

16. Investment properties

	2022 RMB'000	2021 RMB'000
Non-current assets at fair value		
Opening balance at 1 January	65,100	—
Additions	2,115	—
Transfer from property, plant and equipment	4,597	39,399
Transfer from land use right	11,943	26,223
Revaluation gains recognised in other comprehensive income	—	378
Fair value losses	(1,380)	(900)
Closing balance at 31 December	82,375	65,100

16. Investment properties (Continued)

(a) Amounts recognised in the consolidated statement of comprehensive income

	2022 RMB'000	2021 RMB'000
Rental income from operating leases	**3,022**	1,841
Fair value losses	**(1,380)**	(900)
	1,642	941

The valuation of the Group's investment properties was performed by the valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited. The fair value of the Group's investment properties as at 31 December 2022 was determined based on comparison approach with reference to the recent market transaction price. The Group's investment properties, which comprised office buildings in the PRC, were valued at fair value and measured by using significant unobservable inputs (Level 3) for the twelve months ended 31 December 2022.

(b) Leasing arrangements

The investment properties are leased to tenants under operating leases with rentals payable monthly. Where considered necessary to reduce credit risk, the Group required the tenants to provide deposits for the term of lease contract.

(c) Valuation processes of the Group

The finance department of the Group includes a team that performs the valuations of investment properties required for financial reporting purposes. This team reports directly to the chief financial officer (CFO). Discussions of valuation processes and results are held between the CFO, the valuation team and the valuer at least once every six months, in line with the Group's half-yearly reporting periods.

(d) Valuation technique

The Group obtains independent valuations for its investment properties at least every six months. At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the directors consider information from current prices in an active market for properties of a different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences.

The significant unobservable input used is the unit price, which is RMB48,100 (2021: RMB48,800) per square metre for Excellence Meilin Center Square and RMB14,600 (2021: nil) per square metre for Yunfeng Garden.

17. Intangible assets

	Computer software RMB'000
Year ended 31 December 2021	
Opening net book amount	2,857
Additions	1,089
Disposals	(713)
Amortisation charge	(433)
Closing net book amount	2,800
As at 31 December 2021	
Cost	3,601
Accumulated amortisation	(801)
Net book amount	2,800
Year ended 31 December 2022	
Opening net book amount	2,800
Additions	55
Disposals	(52)
Amortisation charge	(349)
Closing net book amount	2,454
As at 31 December 2022	
Cost	3,604
Accumulated amortisation	(1,150)
Net book amount	2,454

18. Financial instruments by category

	Financial assets at amortised cost RMB'000	Financial assets at FVPL RMB'000
As at 1 January 2021		
Other receivables	40,109	—
Financial assets at FVPL	—	298,943
Cash and cash equivalents	442,586	—
	482,695	298,943
As at 31 December 2021		
Other receivables	25,451	—
Financial assets at FVPL	—	179,854
Cash and cash equivalents	236,041	—
Restricted cash	176	—
	261,668	179,854
As at 31 December 2022		
Other receivables	28,491	—
Financial assets at FVPL	—	149,990
Cash and cash equivalents	298,737	—
	327,228	149,990

	2022 RMB'000	2021 RMB'000
Financial liabilities at amortised cost		
Trade payables	**1,281**	1,948
Other payables	**11,042**	25,015
Borrowings	**—**	30,000
	12,323	56,963

19. Prepayments and other receivables

	2022 RMB'000	2021 RMB'000
Included in non-current assets		
Lease deposits	13,636	15,594
Prepayments for fund management fees	273	—
Prepayments for leasehold improvements	327	6,812
	14,236	22,406
Allowance for impairment (d)	(3,305)	(3,712)
	10,931	18,694
Included in current assets		
Amounts due from related parties (Note 35 (d) (i))	552	1,009
Cash advances to employees (a)	2,724	1,152
Loans to employees (b)	3,450	3,086
Lease deposits	479	649
Prepayments (c)	2,275	2,965
Lease receivables	3,821	2,979
Other receivables	5,680	1,991
	18,981	13,831
Allowance for impairment (d)	(2,415)	(2,406)
	16,566	11,425

As at 31 December 2022 and 2021 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 RMB5,720,000 (2021: RMB6,118,000).

20. Financial assets at fair value through profit or loss

Financial assets mandatorily measured at FVPL include the following:

	2022 RMB'000	2021 RMB'000
Non-current assets		
Wealth management products	—	24,129
Listed equity investments in Mainland China	2,065	—
Unlisted equity investments in Mainland China (c)	30,630	—
	32,695	24,129
Current assets		
Wealth management products	117,295	155,725
	149,990	179,854

Movements of the financial assets at fair value through profit or loss are set out below:

	2022 RMB'000	2021 RMB'000
At the beginning of the year	179,854	298,943
Additions	1,281,042	2,622,212
Fair value losses	(1,610)	(24,192)
Other less	(2,115)	—
Redemption on maturity	(1,307,181)	(2,717,109)
At the end of the year	149,990	179,854

(a) 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 5.60% to 9.10% and 1.29% to 8.70% per annum for the years ended 31 December 2022 and 2021, 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.

(b) The fair value is based on cash flow discounted using the expected return based on management judgement and are within level 1 and level 3 of the fair value hierarchy (Note 3.3). The higher the expected rates of return, the higher of the fair value.

(c) As at 31 December 2022, the Group holds certain investment funds with fair value of RMB27,000,000 (As at 31 December 2021: nil) which are managed by the general partner while the Group participated in the funds as a limited partner. Those funds are mainly engaged in the business of investment management. Management considered that the Group has neither significant influence nor joint control over the fund and therefore it is classified as financial assets at FVPL.

21. Bank balance and cash

(a) Cash and cash equivalents

	2022 RMB'000	2021 RMB'000
Cash and bank deposits	**298,737**	236,041

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

	2022 RMB'000	2021 RMB'000
RMB	**296,924**	234,311
US dollar	**3**	3
HKD	**1,810**	1,727
	298,737	236,041

(b) Restricted cash

As at 31 December 2022, restricted deposits held at banks of RMB35,000 (31 December 2021: RMB176,000) were mainly denominated in RMB.

22. Share capital

	Authorised			Issued		
	Number of ordinary shares	Nominal value		Number of ordinary shares	Nominal value	
		USD	RMB		USD	RMB
Balance at 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	**1,000,000,000**	**1,000,000**	**6,860,633**	**555,700,000**	**555,700**	**3,774,897**

23. Shares held for employee share scheme

	2022 Shares	2022 RMB'000
Shares held for employee share scheme	—	—

Movements of the shares held for employee share scheme are set out below:

	Number of shares	RMB'000
Opening balance as at 1 January 2021	99,000	1,050
Acquisition of shares by the trustee	7,182,000	52,942
Exercise and transfer of shares held (Note 24(b))	(7,281,000)	(53,992)
Balance as at 31 December 2021	—	—
Balance as at 1 January 2022 and 31 December 2022	—	—

The Group did not acquire any Company's shares for the year ended 31 December 2022.

For the year ended 31 December 2021, the Group through its trustee, Smart Scholar Limited, acquired 7,182,000 Company's shares. The total consideration paid to acquisition of these shares was HK$63,535,000 (equivalent to RMB52,942,000), which has been presented as a deduction from equity attributable to owners of the Company.

24. Share based payments

(a) Share Option Scheme

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.

24. Share based payments (Continued)

(a) Share Option Scheme (Continued)

Movements of the share options are set out below:

	Average exercise price per share option	2022 Number of options	Average exercise price per share option	2021 Number of options
As at 1 January	—	—	HK$7.5	27,785,000
Cancelled during the year	—	—	HK$7.5	(27,785,000)
As at 31 December	—	—	—	—
Vested and exercisable at 31 December	—	—	—	—

Based on the fair value of the underlying ordinary share, the directors had used Binomial valuation model to determine the fair value of the share option as at the grant date. Key assumptions were 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.

Considering that the exercise price of options had been consistently high when compared with the prevailing market price of the share, which deterred the option holders from exercising their share options, the Group cancelled the share options scheme as the share options scheme could no longer serve the purpose to motivate existing holders, and compensated options holders with bonus instead.

For the year ended 31 December 2022, the total expenses recognised in the consolidated statement of comprehensive income for share options were nil (for the year ended 31 December 2021: RMB33,697,000).

For the year ended 31 December 2022, the payments for the cancellation of share options made in 2021 was RMB12,657,000 (for the year ended 31 December 2021: RMB2,988,000).

24. Share based payments (Continued)

(b) Share award scheme

The Company has adopted a share award scheme (the "**Share Award Scheme**") as of 31 December 2021. The vesting period of the awarded shares is determined by the Board.

The fair value of the awarded shares was calculated based on the market price of the Company's shares at the grant date. The expected dividends during the vesting period have been taken into account when assessing the fair value of these awarded shares.

For the year ended 31 December 2022, the total expenses recognised in the consolidated statement of comprehensive income for share award scheme was RMB Nil (for the year ended 31 December 2021: RMB1,942,000) and was included in staff costs.

For the year ended 31 December 2022, the proceeds from the exercise from the shares that was granted in 2021 under the share award scheme was HK$1,400,000 (equivalent to RMB1,145,000) (for the year ended 31 December 2021: HK$6,830,000 (equivalent to RMB5,576,000))

25. 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	Revaluation surplus RMB'000	Total RMB'000
Balance at 1 January 2021	295,908	(46,347)	79,011	33,697	—	66,361
Dividends paid to the Company's shareholders (Note 26)	(167,630)	—	—	—	—	—
Share based payments (Note 24)	—	—	—	35,639	—	35,639
Exercise and transfer of shares held	(45,580)	—	—	(1,691)	—	(1,691)
Transfer of reserve upon cancellation of share options	—	—	—	(51,748)	—	(51,748)
Payments on cancellation of share options	—	—	—	(15,646)	—	(15,646)
Revaluation surplus (Note 16)	—	—	—	—	378	378
Balance at 31 December 2021	82,698	(46,347)	79,011	251	378	33,293
Balance at 1 January 2022	82,698	(46,347)	79,011	251	378	33,293
Transactions with non-controlling interests (Note 32)	—	—	(955)	—	—	(955)
Balance at 31 December 2022	82,698	(46,347)	78,056	251	378	32,338

(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.

25. 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.

26. Dividends

	2022 **HKD'000**	2021 HKD'000
Interim dividends paid per share: nil (2021: HK$0.10)	—	55,570
Special dividends per share: nil (2021: HK$0.15)	—	83,355
	—	138,925
Proposed final dividends per share: nil (2021: nil)	—	—
	—	—

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (for the year ended 31 December 2021: nil).

For the year ended 31 December 2021, the Company declared and paid the final dividends amounting to HK$66,684,000 (equivalent to RMB54,918,000), the interim dividends amounting to HK$55,570,000 (equivalent to RMB45,812,000) and special dividends amounting to HK$83,355,000 (equivalent to RMB68,151,000).

27. Contract liabilities

	2022 RMB'000	2021 RMB'000
Deferred revenue — Education services	**181,524**	176,251

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:

	2022 RMB'000	2021 RMB'000
At the beginning of the year	**176,251**	357,039
Revenue recognised	**(402,082)**	(831,725)
Cash received from customers during the year	**461,809**	806,477
Cash refunded to customers during the year	**(54,454)**	(155,540)
At the end of the year	**181,524**	176,251

Due to the short-term nature of the related services, 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.

28. Trade and other payables

	2022 RMB'000	2021 RMB'000
Current		
Trade payables (a)	**1,281**	1,948
Employee benefits payables	**57,141**	42,506
Other taxes payables	**13,927**	11,412
Interest payables	**—**	89
Lease payment in advance	**40**	60
Other payables	**11,042**	24,926
	83,431	80,941

(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.

28. Trade and other payables (Continued)

As at 31 December 2022 and 2021, the aging analysis of trade payables based on the invoice date was as follows:

	2022 RMB'000	2021 RMB'000
3 months or less	**1,233**	723
3 to 6 months	**—**	993
6 months to 1 year	**48**	232
	1,281	1,948

29. Borrowings

	2022 RMB'000	2021 RMB'000
Current		
— Unsecured with guarantee		
Bank borrowings	**—**	30,000

As at 31 December 2021, bank borrowings bear effective interest rate of 3.89%. All the bank borrowings of the Group were denominated in RMB. During the year ended 31 December 2022, the Group has repaid all of the bank borrowings brought forward from as at 31 December 2021.

The scheduled repayment dates of the Group's bank borrowing, as set out in loan arrangements are as follows:

	2022 RMB'000	2021 RMB'000
Within 1 year	**—**	30,000

30. Deferred income tax

	2022 RMB'000	2021 RMB'000
Tax losses	**9,971**	829
Financial assets at FVPL	**6,638**	5,769
Lease liabilities	**2,481**	4,215
Share based payments	**—**	291
Fair value losses on investment properties	**(269)**	(151)
Others	**1,443**	1,768
	20,264	12,721

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	Fair value losses on investment properties RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2021	20,101	(1,338)	10,668	100	5,837	—	696	36,064
Credited/(charged) to the consolidated statement of comprehensive income	(19,272)	7,107	(6,453)	(100)	(5,546)	(151)	1,072	(23,343)
As at 31 December 2021	829	5,769	4,215	—	291	(151)	1,768	12,721
(Charged)/credited to the consolidated statement of comprehensive income	**9,142**	**869**	**(1,734)**	**—**	**(291)**	**(118)**	**(325)**	**7,543**
As at 31 December 2022	**9,971**	**6,638**	**2,481**	**—**	**—**	**(269)**	**1,443**	**20,264**

30. Deferred income tax (Continued)

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 2022 and 2021, the Group did not recognise deferred income tax assets of RMB3,239,000 (2021: RMB38,000,000) in respect of the tax losses amounting to RMB13,653,000 (2021: RMB171,921,000), as their recoverability is uncertain.

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

	2022 **RMB'000**	2021 RMB'000
2023	—	—
2024	—	—
2025	—	—
2026	—	815
2027	**1,770**	—
	1,770	815

As at 31 December 2022, unused tax losses of approximately RMB5,837,000 (2021: RMB3,786,000) 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 2022 and 2021, the undistributed 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 RMB255,291,000 and RMB288,370,000, respectively. For this unrecognised amount, the Group is able to control the timing of distributions from subsidiaries and is not expected to distribute these profits in the foreseeable future.

31. Notes to the consolidated statement of cash flows

(a) Cash generated from operations

	2022 RMB'000	2021 RMB'000
Profit before income tax	**42,310**	5,598
Adjustments for:		
Depreciation and amortisation	**56,837**	155,086
Net losses on disposals of property, plant and equipment and intangible assets	**2,114**	64,350
Net gains on disposals of right-of-use assets	**(3,562)**	(42,271)
Gains on disposal of a subsidiary	**(3,006)**	—
Fair value losses on financial assets at FVPL	**1,610**	24,192
Fair value losses on investment properties	**1,380**	900
Finance costs	**6,703**	28,985
Share based payments	**—**	35,639
Impairment provisions on property, plant and equipment	**—**	24,681
Restricted cash	**176**	(176)
Net exchange differences	**(320)**	1,809
Changes in working capital:		
(Increase)/decrease in prepayments and other receivables	**(4,950)**	50,858
Increase/(decrease) in trade and other payables, lease liabilities and current income tax payables	**21,343**	(60,345)
Increase/(decrease) in contract liabilities	**5,273**	(180,788)
Cash generated from operations	**125,908**	108,518

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

	2022 RMB'000	2021 RMB'000
Net book value (Note 14 and 17)	**2,611**	68,912
Net losses on disposals of property, plant and equipment and intangible assets (Note 7)	**(2,114)**	(64,350)
Proceeds from disposals	**497**	4,562

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

(c) Net cash reconciliation

	2022 RMB'000	2021 RMB'000
Cash and cash equivalents	**298,737**	236,041
Restricted cash	**35**	176
Financial assets at FVPL	**149,990**	179,854
Borrowings — repayable within one year	**—**	(30,000)
Net cash	**448,762**	386,071
Cash, restricted cash and financial assets at FVPL	**448,762**	416,071
Gross debt — variable interest rates	**—**	(30,000)
Net cash	**448,762**	386,071

	Other assets			Liabilities from financing activities	
	Cash and cash equivalents RMB'000	Restricted cash RMB'000	Financial assets at FVPL RMB'000	Borrowings due within 1 year RMB'000	Total RMB'000
As at 1 January 2021	442,586	—	298,943	(54,400)	687,129
Cash flows	(206,545)	176	(71,711)	24,400	(253,680)
Other non — cash movements (Note)	—	—	(47,378)	—	(47,378)
As at 31 December 2021	236,041	176	179,854	(30,000)	386,071
Cash flows	62,696	(141)	(22,269)	30,000	70,286
Other non — cash movements (Note)	—	—	(7,595)	—	(7,595)
As at 31 December 2022	298,737	35	149,990	—	448,762

Note: For the year ended 31 December 2022, estimated fair value losses of RMB2,686,000 (for the year ended 31 December 2021: RMB 51,900,000) are recognised in the consolidated statement of comprehensive income since certain wealth management products purchased by the Group are overdue for redemption or may be subject to the risk of overdue redemption.

32. Transactions with non-controlling interests

On 1 April 2022, the Group acquired an additional 49% of the shares of Shenzhen Zhibo Culture and Art Education Co., Ltd. ("**Zhibo**"). The Group's equity interest in Zhibo increased from 51% to 100%. The effect of changes in the ownership interest of Zhibo on the equity attributable to owners of the parent during the year is summarised as follows:

	2022 RMB'000
Carrying amount of non-controlling interests acquired	(955)
Consideration paid to non-controlling interests	—
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	(955)

In December 2022, Zhibo was voluntarily dissolved as it had no ongoing operating activities.

There were no transactions with non-controlling interests in 2021.

33. Disposal of a subsidiary

The Group disposed 100% interests of Maoming Scholar Education and Consultation Co., Ltd. on 1 August 2022. Summaries of the disposal are as follows:

	2022 RMB'000
Disposal consideration	—
Total net liabilities of a subsidiary disposed of	3,006
Gains on disposal	3,006

34. 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:

	2022 **RMB'000**	2021 RMB'000
Within 1 year	**1,540**	3,464

35. Significant related party transactions

(a) Related party

The Group is controlled by the following entities as at 31 December 2022:

Name	**Type**	**Place of incorporation**	**Ownership interest**
Sky Noon International Company Limited ("**Sky Noon**")	Ultimate and immediate parent entity	BVI	39.26%

35. Significant related party transactions (Continued)

(a) Related party (Continued)

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
Jiaren Health Meiye (Shenzhen) Group Co., Ltd.** (嘉人健康美業(深圳)集團有限公司)	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.

** On 12 January 2022, Mr. Chen Qiyuan obtained 30% shares of Jiaren Health Meiye (Shenzhen) Group Co., Ltd., and disposed those shares on 07 November 2022.

(b) Key management personnel compensation (excluding directors)

	2022 RMB'000	2021 RMB'000
Wages, salaries and bonus	1,322	2,069
Share options and shares awarded	—	1,515
Defined contribution plan	28	68
Other social security costs and housing fund	15	33
	1,365	3,685

35. Significant related party transactions (Continued)

(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.

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

	2022 RMB'000	2021 RMB'000
China Resources Vanguard Co., Ltd.	1,781	2,823
Vanguard Department Store (Guangzhou) Co., Ltd.	—	1,328
New Jiangcheng Department Store (Jiangmen) Co., Ltd.	—	489
Shenzhen Vanguard Department Store Co., Ltd.	—	552
Vanguard Department Store (Zhuhai) Co., Ltd.	—	547
	1,781	5,739

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

	2022 RMB'000	2021 RMB'000
China Resources Vanguard Co., Ltd.	246	796
Vanguard Department Store (Guangzhou) Co., Ltd.	—	515
New Jiangcheng Department Store (Jiangmen) Co., Ltd.	—	226
Shenzhen Vanguard Department Store Co., Ltd.	—	228
Vanguard Department Store (Zhuhai) Co., Ltd.	—	246
	246	2,011

35. Significant related party transactions (Continued)

(c) Significant transactions with related parties (Continued)

Rental income from operating leases to related parties:

	2022 RMB'000	2021 RMB'000
Jiaren Health Meiye (Shenzhen) Group Co., Ltd.	**334**	—

(d) Balances with related parties

(i) Prepayment and other receivables

	2022 RMB'000	2021 RMB'000
China Resources Vanguard Co., Ltd.	**552**	482
Vanguard Department Store (Guangzhou) Co., Ltd.	**—**	322
Vanguard Department Store (Zhuhai) Co., Ltd.	**—**	113
Shenzhen Vanguard Department Store Co., Ltd.	**—**	92
	552	1,009

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

(ii) Right-of-use assets

	2022 RMB'000	2021 RMB'000
China Resources Vanguard Co., Ltd.	**3,365**	4,352

(iii) Lease liabilities

	2022 RMB'000	2021 RMB'000
China Resources Vanguard Co., Ltd.	**4,700**	5,666

36. Benefits and interests of directors

The remuneration of each director of the Company paid/payable by the Group for the years ended 31 December 2022 and 2021 are set out as follows:

Year ended 31 December 2022:

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	—	472	650	29	1,151
Executive directors:					
Mr. Chen Hongyu	—	42	—	12	54
Mr. Qi Mingzhi *(chief executive officer)*	—	428	300	29	757
Mr. Xu Chaoqiang	—	80	—	12	92
Ms. Li Ailing	—	267	380	15	662
Ms. Leng Xinlan	—	228	140	15	383
	—	1,517	1,470	112	3,099
Non-Executive director:					
Mr. Shen Jingwu *(vice chairman)*	—	—	—	—	—
Independent non-executive directors					
Dr. Huang Victor	—	206	—	—	206
Mr. Liu Jianhua	—	102	—	—	102
Mr. Yang Xuezhi	—	144	—	—	144
	—	452	—	—	452
	—	1,969	1,470	112	3,551

36. Benefits and interests of directors (Continued)

Year ended 31 December 2021:

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	—	442	100	31	573
Executive directors:					
Mr. Chen Hongyu	—	334	58	31	423
Mr. Qi Mingzhi *(chief executive officer)*	—	402	114	31	547
Mr. Xu Chaoqiang	—	356	35	29	420
	—	1,534	307	122	1,963
Non-Executive director:					
Mr. Shen Jingwu *(vice chairman)*	—	—	—	—	—
Independent non-executive directors					
Dr. Huang Victor	—	199	—	—	199
Mr. Liu Jianhua	—	102	—	—	102
Mr. Yang Xuezhi	—	144	—	—	144
	—	445	—	—	445
	—	1,979	307	122	2,408

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. On 18 May 2022, the Board announced that Mr. Xu Chaoqiang and Mr. Chen Hongyu would retire by rotation and Ms. Li Ailing and Ms. Leng Xinlan have been appointed as executive directors.

36. Benefits and interests of directors (Continued)

Mr. Shen Jingwu, 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 2022 and 2021.

No retirement or termination benefits have been paid to the Company's directors for the years ended 31 December 2022 and 2021.

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 2022 and 2021.

No consideration was provided to third parties for making available directors' services during the years ended 31 December 2022 and 2021.

37. Contingencies

As at 31 December 2022, 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 (2021: nil).

38. Balance sheet and reserve movement of the Company

	Notes	As at 31 December 2022 RMB'000	2021 RMB'000
Assets			
Non-current assets			
Investment in a subsidiary		120,037	120,037
Prepayments and other receivables		58,569	59,214
Total non-current assets		178,606	179,251
Current assets			
Prepayments and other receivables		136	124
Cash and cash equivalents		6,717	6,954
Total current assets		6,853	7,078
Total assets		185,459	186,329
Liabilities			
Current liabilities			
Trade and other payables		150	135
Equity			
Share capital		3,775	3,775
Share premium	38(a)	79,757	79,757
Other reserves	38(a)	120,037	120,037
Accumulated losses		(18,260)	(17,375)
Total equity		185,309	186,194
Total equity and liabilities		185,459	186,329

The balance sheet of the Company was approved by the Board of Directors on 30 March 2023 and was signed on its behalf:

Director *Director*

38. 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 2021	295,908	100,044
Dividends paid	(168,880)	—
Share based payments	—	35,639
Cancellation of share options	—	(15,646)
Exercise and transfer of shares held	(47,271)	—
At 31 December 2021	79,757	120,037
At 1 January 2022 and at 31 December 2022	79,757	120,037

DEFINITIONS

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 2022
"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 consolidated affiliated 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, as issued by the International Accounting Standards Board
"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
"Opinions on Double Reduction"	the Opinions on Further Easing the Workload of Students in Compulsory Education and Burden of After-School Tutoring (《關於進一步減輕義務教育階段學生作業負擔和校外培訓負擔的意見》) published by the General office of the Chinese Communist Party and the General Office of the State Council of the PRC in July 2021

DEFINITIONS

"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.

SCHEDULE OF PRINCIPAL INVESTMENT PROPERTIES

Address	Type	Lease term	Percentage of Group's interest
Unit 2601, 2602, 2607, 2608, 2609 and 2610, Building A, Excellence City II, Zhongkang Road, Shangmeilin, Futian District, Shenzhen, PRC	Commercial	Medium	100%
Two retail units, 4/F, Yunfeng Garden, 29 Youyi Road, Jianan Community, Nanhu Street, Louhu District, Shenzhen, PRC	Commercial	Medium	100%
Room 02, Unit 1, Building 35, Daguan Mountain, Baoneng Danxia Mountain Villa, 601 Danxia Avenue, Huangkeng Town, Renhua County, Shaoguan, PRC	Residential	Medium	100%