思考乐教育
SCHOLAR EDUCATION

2021 Annual Report

思考樂教育集團
SCHOLAR EDUCATION GROUP

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

CONTENT

CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Non-executive Director

Mr. Shen Jing Wu *(Vice Chairman)*

Independent Non-executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Strategic Development Committee

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

Authorised Representatives

Mr. Qi Mingzhi
Mr. So Wai Hang

Company Secretary

Mr. So Wai Hang

Legal Advisers

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

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

Auditor

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

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 K-12 after-school 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 student-oriented teaching approach. All of our classes are delivered in small class settings, typically consisting of no more than 20 students per class. We offer a comprehensive suite of after-school education services.

"Le Xue" (樂學) comprises of liberal education 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 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 2021 RMB'000	2020 RMB'000	Change RMB'000	Percentage change
Revenue	**831,725**	749,089	82,636	11.0%
Gross profit	**315,021**	260,537	54,484	20.9%
(Loss)/profit for the year attributable to equity holders	**(26,611)**	48,938	(75,549)	(154.4)%
Adjusted profit for the year attributable to equity holders (Note)	**23,933**	96,806	(72,873)	(75.3)%

(Loss)/earnings per Share

	RMB cents	RMB cents	RMB cents	
Basic	**(4.83)**	8.81	(13.64)	(154.8)%
Diluted	**(4.83)**	8.59	(13.42)	(156.2)%
Adjusted earnings per Share (Note)				
Basic	**4.34**	17.42	(13.08)	(75.1)%
Diluted	**4.29**	16.98	(12.69)	(74.7)%

Note: The Company defined its adjusted net profit attributable to equity holders as its profit for the year attributable to equity holders after adjusting for those items which were not indicative of the Company's operating performances, mainly including the share option benefit expenses of approximately RMB39.2 million (2020: approximately RMB27.0 million) and effect on the adoption of IFRS 16 — Leases of approximately RMB11.3 million (2020: approximately RMB20.9 million) for the year ended 31 December 2021.

CHAIRMAN'S STATEMENT

To: Shareholders

On behalf of the Board, I am pleased to present this annual results report of the Group for the year ended 31 December 2021.

Results and Business Overview

The Group upholds the educational philosophy of "focusing on academic excellence to enable its students to achieve their aspirations" (博學精教，成就學生) and adheres to its fundamental mission to foster one's character and civil virtue.

As an extra-curricular educational service provider who has been providing law-abiding educational services, the Group is committed to complying with the relevant regulations and requirements set out in the Opinions on Double Reduction, and is actively taking measures to undergo business transformation. In autumn 2021, the Group launched non-academic literacy programmes for primary and secondary schools, 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 placed more emphasis on training children's ability to take initiative and enhancing their deep thinking skills to achieve their overall development, through the integration of learning and thinking. At the same time, in order to improve operational efficiency and to save and control costs, the Group closed down some of its learning centres that did not meet its expected key performance indicators, and therefore incurred one-off costs including impairment losses on renovation costs and equipment, loss of deposits and compensations on the termination of leases over certain premises, and termination compensation for employees. In addition, the Group had made provisions for certain investment in financial assets, leading to a decrease in fair value gains on financial assets. These losses, amounting to approximately RMB131.1 million in total, were provided on a one-off basis for the year ended 31 December 2021.

For the year ended 31 December 2021, the Group's revenue had increased to RMB831.7 million, representing an increase of 11.0% as compared to last year. The Group's gross profit had increased to RMB315.0 million, representing an increase of 20.9% as compared to last year. As a result of the one-off costs amounting to RMB131.1 million incurred for the year ended 31 December 2021, the Group had recorded a net loss attributable to equity holders of RMB 26.6 million for the year as compared to the net profit attributable to equity holders of RMB48.9 million for the year ended 31 December 2020.

Future Prospects and Development Strategies

By leveraging its brand influence and reputation, the Group has gained a high level of recognition from students and parents in the Greater Bay Area. The Group is actively seeking new market opportunities by integrating its experienced team of out-of-school interest training operators, outstanding teaching and auxiliary staff to upgrade to a comprehensive education group that focuses on the holistic development of young children.

The Group 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, 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. 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.

In addition, the Group will actively organise after-school care services, through which students can receive 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.

The Group will strictly control and reduce costs to maintain steady cash flow. It will also remain steadfast in original intention of education and develop its technology to continue to enhance the quality of its education and teaching as well as service standards. To fulfill social responsibilities, the Group will, as a complement of school education, strive to comply with the implementation rules of the Opinions on Double Reduction to serve the overall development of the nation and strive to contribute to the development of a strong socialist country equipped with modernised education and the cultivation of contributors and successors who have received all-rounded development in "ethics, intellect, physique, aesthetics and hard-work" and follow the principles of socialism.

Acknowledgement

Finally, on behalf of the Board, I would like to express my sincere gratitude to its students and parents. I would also like to express my gratitude to management and staff for their support and companionship during the hardest time, with which we overcame various difficulties and challenges. 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 strive to promote the diversified development of the Group throughout all aspects in the future. We believe that we will attain new achievements with the efforts of our excellent and united team by sticking to our mission.

Chen Qiyuan
Chairman

Hong Kong, 30 March 2022

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				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**831,725**	749,089	711,422	493,115	375,798
Cost of sales	**516,704**	488,552	407,484	306,377	252,310
Gross profit	**315,021**	260,537	303,938	186,738	123,488
Operating profit	**34,583**	86,231	131,891	85,745	44,223
Profit before income tax	**5,598**	49,784	108,075	82,559	41,409
(Loss)/profit for the year attributable to equity holders from continuing operations	**(26,611)**	48,938	94,786	69,474	35,679
Adjusted profit attributable to equity holders for the year from continuing operations	**23,933**	96,806	136,155	83,855	35,679

	As at 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**357,201**	903,142	729,837	206,273	177,743
Current Assets	**403,367**	764,280	741,232	274,555	217,811
Total assets	**760,568**	1,667,422	1,471,069	480,828	395,554
Total Equity	**317,545**	538,037	553,364	115,219	21,215
Non-current liabilities	**119,592**	484,628	382,798	39,355	38,488
Current liabilities	**323,431**	644,757	534,907	326,254	335,851
Total liabilities	**443,023**	1,129,385	917,705	365,609	374,339
Total equity and liabilities	**760,568**	1,667,422	1,471,069	480,828	395,554

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

1. Revenue

	Year ended 31 December 2021 RMB'000	2020 RMB'000	Percentage Change
Non-academic literacy programme	**195,973**	9,737	1,912.7%
Academic education programme	**635,752**	739,352	(14.0)%
Total	**831,725**	749,089	11.0%

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 2021 Student enrollments	2021 Tutoring hours	2020 Student enrollments	2020 Tutoring hours	Percentage Change	
Non-academic literacy programme	**57,207**	**2,314,289**	3,978	120,216	1,338.1%	1,825.1%
Academic education programme	**249,826**	**7,206,158**	330,724	10,078,278	(24.5)%	(28.5)%
Total	**307,033**	**9,520,447**	334,702	10,198,494	(8.3)%	(6.6)%

The Group's revenue increased by 11.0% from RMB749.1 million for the year ended 31 December 2020 to RMB831.7 million for the year ended 31 December 2021. This increase was primarily attributed to an increase in the average tuition fee per tutoring hour for its regular courses from RMB73.5 for the year ended 31 December 2020 to RMB87.4 for the year ended 31 December 2021. Such increase, however, was partially offset by decreases in the Group's total student enrollments and tutoring hours, mainly owing to the decrease of the total number of the Group's learning centres for the year ended 31 December 2021.

2. Cost of sales

The Group's cost of sales increased by 5.8% from RMB488.6 million for the year ended 31 December 2020 to RMB516.7 million for the year ended 31 December 2021. This increase was primarily due to (i) an increase in teacher compensation primarily attributable to the increase in revenue and (ii) decrease in rent concessions due to COVID-19 for the year ended 31 December 2021. Such increase, however, was partially offset by decrease in software usage fee arising from the delivery of online classes during the pandemic last year.

3. Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit increased by 20.9% from RMB260.5 million for the year ended 31 December 2020 to RMB315.0 million for the year ended 31 December 2021. The gross profit margin of the Group increased from 34.8% for the year ended 31 December 2020 to 37.9% for the year ended 31 December 2021 primarily because of an increase in its average tuition fee per tutoring hour for its regular courses from RMB73.5 for the year ended 31 December 2020 to RMB87.4 for the year ended 31 December 2021.

4. Selling expenses

The Group's selling expenses decreased by 41.3% from RMB23.2 million for the year ended 31 December 2020 to RMB13.6 million for the year ended 31 December 2021. 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 increased by 11.6% from RMB152.3 million for the year ended 31 December 2020 to RMB170.1 million for the year ended 31 December 2021. The increase was primarily due to a one-off impairment provision for property, plant and equipment, lease deposits and other receivables of RMB30.6 million for the year ended 31 December 2021. The increase was partially offset by the decrease in RMB14.7 million administrative personal expenses as result of the closure of the Group's learning centre network.

6. Research and development expenses

The Group's research and development expenses decreased by 6.3% from RMB57.0 million for the year ended 31 December 2020 to RMB53.4 million for the year ended 31 December 2021. The decrease was primarily due to the research and development personnel expenses as result of the closure of the Group's learning centre network.

7. Other income — net

The Group's other income decreased by 36.0% from RMB35.2 million for the year ended 31 December 2020 to RMB22.5 million for the year ended 31 December 2021. This decrease was primarily due to: (i) a decrease of RMB12.7 million in government grants primarily as a result of the government's measures to relief the economic consequences of the COVID-19 pandemic last year; and (ii) a decrease of RMB3.1 million in finance income. The decrease was partially offset by the increase in rental income from operating leases of RMB2.3 million.

8. Other (losses)/gains — net

The Group's other net gains decreased by 385.7% from RMB23.1 million for the year ended 31 December 2020 to other net losses of RMB65.9 million for the year ended 31 December 2021. This decrease was primarily attributable to: (i) an increase of RMB61.8 million in net losses on disposal of property, plant and equipment; (ii) a decrease in fair value gains on financial assets at fair value through profit or loss of RMB54.8 million; (iii) an increase in deposits losses of RMB9.3 million; and (iv) an increase in compensation charges of RMB3.1 million. The decrease was partially offset by the increase in RMB40.0 million in lease modification.

9. Finance costs

The Group's finance costs decreased by 20.5% from RMB36.4 million for the year ended 31 December 2020 to RMB29.0 million for the year ended 31 December 2021, primarily due to a decrease in interest expenses on borrowings of RMB3.7 million and in lease liabilities of RMB3.8 million.

10. Profit before income tax

As a result of the foregoing, the Group's profit before income tax decreased by 88.8% from RMB49.8 million for the year ended 31 December 2020 to RMB5.6 million for the year ended 31 December 2021.

11. Income tax expenses

The income tax expenses of the Group were approximately RMB0.8 million for the year ended 31 December 2020 as compared to the income tax expenses of RMB32.6 million for year ended 31 December 2021. The increase was primarily due to the derecognition of deferred tax assets.

12. (Loss)/profit for the year attributable to equity holders

As a result of the foregoing, the Group recorded a loss for the year attributable to equity holders of RMB26.6 million for the year ended 31 December 2021 as compared with the profit for the year attributable to equity holders of RMB48.9 million for the year ended 31 December 2020.

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 9 of this annual report. This summary does not form part of the audited consolidated financial statements.

Adjusted profit for the year attributable to equity holders

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

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

	Year ended 31 December		Percentage
	2021	2020	Change
	RMB'000	RMB'000	
(Loss)/profit for the year attributable to equity holders	**(26,611)**	48,938	(154.4)%
Add:			
Share option benefit expenses (Note 1)	**39,243**	26,958	45.6%
Effect on the adoption of IFRS 16 — Leases (Note 2)	**11,301**	20,910	(46.0)%
Adjusted profit for the year attributable to equity holders	**23,933**	96,806	(75.3)%

Notes:

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

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

Liquidity, Financial Resources and Capital Structure

The total equity of the Group as at 31 December 2021 was RMB317.5 million (2020: RMB538.0 million). The Group generally finances its operation with internally generated cash flows. As at 31 December 2021, the Group's cash and cash equivalents decreased by 46.7% from RMB442.6 million as at 31 December 2020 to RMB236.0 million. The decrease of cash and cash equivalents for the year ended 31 December 2020 was primarily attributable to the net cash outflow from financing activities.

As at 31 December 2021, the current assets of the Group amounted to RMB403.4 million, including RMB155.7 million (2020: RMB298.9 million) in financial assets at fair value through profit or loss, and RMB236.2 million (2020: RMB442.6 million) in bank balances and cash and other current assets of RMB11.4 million (2020: RMB22.8 million). The current liabilities of the Group amounted to RMB323.4 million (2020: RMB644.8 million), of which RMB176.3 million (2020: RMB357.0 million) are contract liabilities, RMB32.8 million (2020: RMB117.8 million) in lease liabilities, and RMB30.0 million (2020: RMB54.4 million) are short-term interest bearing bank borrowings and approximately RMB84.3 million (2020: RMB115.5 million) are other payables and accruals.

The Group had total bank borrowings of RMB30.0 million (2020: RMB54.4 million), all of which were denominated in RMB (2020: all). The bank borrowings of the Group as at 31 December 2021 and 2020 are wholly repayable within one year. The Group's gearing ratio as at 31 December 2021 was 9.4% (2020: 10.1%), based on the interest bearing bank borrowings and the equity attributable to the Shareholders. As at 31 December 2021 and 2020, all of our bank borrowing are variable rate borrowings. As at 31 December 2021, the Group had net current assets of RMB79.9 million (2020: RMB119.5 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) 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 2021 and 2020 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 2021. 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 2021, 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 2021.

Save as disclosed in the Prospectus and in this annual report, the Group did not have any plans for significant investments as at 31 December 2021.

Contingencies

As at 31 December 2021, 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 (2020: nil).

Pledge of Assets

As at 31 December 2021 and 2020, all bank borrowings were unsecured with guarantee.

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 1,552 employees as at 31 December 2021 (2020: 4,574 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

On 8 April 2021, the General Office of the Chinese Ministry of Education ("**MOE**") enacted the Notice of Strengthening the Management of Homework for Compulsory Education, which requires that the local governments shall implement prohibition measures on leaving homework as an important part of the daily supervision on after-school training institutions in accordance with relevant regulations, and in order to avoid reducing the burden in schools but increasing the burden after-school, after-school training institutions shall not leave homework to primary and secondary school students.

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

Any violation of the foregoing shall be rectified. Moreover, the Opinions on Double Reduction specifies a series of operating requirements that after-school tutoring institutions must meet, including, among other things: (i) after-school tutoring institutions shall not provide tutoring services on academic subjects during national holidays, weekends and school breaks; (ii) for online tutoring, each session shall be no more than thirty minutes and the training shall end no later than 9:00 p.m.; (iii) no advertisements for after-school tutoring shall be published or broadcasted in the network platforms and billboards displayed in the mainstream media, new media, public place and residential areas; (iv) the provision of overseas education courses is strictly prohibited; (v) fees charged for academic subjects tutoring in compulsory education shall be included into government-guided price management, and excessive high fees and excessive profit-seeking behaviors will be suppressed; (vi) government authorities will implement risk management and control for the pre-collection of fees by after-school tutoring institutions with requirements such as setting up third-party custodians and risk reserves, and strengthen supervision over loans regarding tutoring services; (vii) online tutoring for preschool-age children is prohibited, and offline academic subjects (including foreign language) tutoring services for preschool-age children is also strictly prohibited; (viii) no more approval of new after-school tutoring institutions providing tutoring services on academic subjects for pre-school-age children and students on grade ten to twelve will be granted; and (ix) administration and supervision over academic subjects tutoring institutions for students on grade ten to twelve shall be implemented by reference to the relevant provisions of the Opinions on Double Reduction.

On 28 July 2021, the General Office of MOE promulgated the Notice on Further Clarifying the Scope of Academic Subjects and Non-Academic Subjects of After-School Tutoring in the Compulsory Education, which specifies that according to the national curriculum on compulsory education, after-school institutions carrying out tutoring, morality and rule of law, Chinese, history, geography, mathematics, foreign language (including English, Japanese, Russian), physics, chemistry and biology are classified as academic subjects, while sports (or sports and health), art (or music, art), and comprehensive practical activities (including information technology education, labor and technology education) are classified as non-academic subjects.

On 18 August 2021, the Beijing Municipality Government and the Beijing Municipal Committee of the Communist Party of China jointly published the full text of the Beijing Municipality's Measures to Further Reduce the Burden of Homework and After-School Tutoring on Students in Compulsory Education in Beijing, or the Beijing Measures, to implement the Alleviating Burden Opinion. The Beijing Measures provide, among others, that: (i) no new academic after-school tutoring institutions will be approved, while existing academic after-school tutoring institutions will be subject to review and re-registration aimed at reducing their numbers by phases; the remaining academic after-school tutoring institutions shall all be registered as non-profit; (ii) online academic after-school tutoring institutions previously filed with the local education administration authorities will be subject to review and re-approval; the registration and internet content provider license of any disqualifying online academic after-school tutoring institutions will be rescinded; (iii) after-school tutoring institutions are strictly prohibited from providing tutoring services on academic subjects during any national holiday, weekend, winter and summer break period; (iv) academic after-school tutoring institutions are prohibited from: (a) offering classes over contents outside of or in advance of the school curriculum, (b) offering classes based on any foreign curriculum, (c) soliciting and recruiting school teacher by offering excessive compensation, or (d) employing foreign personnel abroad to carry out training activities; non- academic after-school tutoring institutions providers are prohibited from offering tutoring services on academic subjects; (v) prices for academic after-school tutoring institutions will need to follow the guidelines from the government to prevent any excessive charging or excessive profit-seeking activity; (vi) academic after-school tutoring institutions are prohibited from financing by way of listing its securities or conducting other capital market activities; listed companies may not invest in academic after-school tutoring institutions through capital markets fundraising activities, and may not acquire assets of academic after-school tutoring institutions by paying cash or issuing securities; foreign capital is prohibited from controlling or participating in academic after-school tutoring institutions through merger and acquisitions, entrusted operations, joining franchise or using variable interest entities.

On 25 August 2021, the General Office of MOE issued the Administrative Measures for After-School Tutoring Materials for Primary and Secondary School Students (for Trial Implementation), which provide that, among others: (i) after-school tutoring materials for primary and secondary school students and staff preparing such tutoring materials shall meet certain requirements specified in such measures, which include, among others, that tutoring materials shall follow the national curriculum standard and shall not provide contents in advance of the school curriculum; (ii) after-school tutoring institutions shall establish internal management system for the tutoring materials and the staff preparing such tutoring materials; (iii) after-school tutoring institutions shall conduct internal review of the tutoring materials and the local education administrations shall conduct external review of the tutoring materials; (iv) after-school tutoring institutions may only use tutoring materials that have been internally and externally reviewed or if the materials have been officially published; (v) after school tutoring institutions shall file with the relevant education administrations the tutoring materials and the staff preparing such materials; (vi) after-school tutoring institutions in violation of the measures will be subject to rectification and shall not use the relevant tutoring materials during the rectification period; if the after-school tutoring institution refuses to rectify within the time limit or if the violation is severe, its private school operating permit may be revoked by the local education administration.

On 7 September 2021, the MOE published on its official website that the MOE, together with two other government authorities, issued a circular requiring all academic after-school tutoring institutions to complete registration as non-profit by the end of 2021, and all academic after-school tutoring institutions shall, before completing such registration, suspend enrollment of students and charging fees. On September 9, 2021, the General Office of MOE and the General Office of the Ministry of Human Resources and Social Welfare jointly issued the Administrative Measures for Practitioners of the After-School Tutoring Institutions (for Trial Implementation), which set out a series of requirements for the after-school tutoring institutions with respect to their employed teachers, research staff and teaching assistants. After-school tutoring institutions in violation of such requirements will be subject to rectification. If an after-school tutoring institution violates the requirements several times or violates several requirements, such after-school tutoring institution is prohibited from the enrollment of students and shall not conduct tutoring activities during the rectification period; and if the after-school tutoring institution refuses to rectify within the time limit or if the violation is severe, its private school operating permit may be revoked by the local education administration.

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 2021 (for the year ended 31 December 2020: HK$0.12 per share).

The Board declared an interim dividend of HK$0.10 per Share for the six months ended 30 June 2021 to the Shareholders. The interim dividend had been paid on 22 October 2021 to those Shareholders whose names appeared on the register of members on 13 September 2021.

The Board also declared a special dividend of HK$0.15 per Share for the year ended 31 December 2021 to the Shareholders. The special dividend had been paid on 31 December 2021 to those Shareholders whose names appeared on the register of members on 22 December 2021.

Subsequent events

There were no significant events affecting the Group after 31 December 2021.

Directors

Executive Directors

Mr. Chen Qiyuan (陳啟遠), aged 39, founder of the Group, was appointed as a Director on 7 February 2018 and the chairman of the Board on 16 April 2018, respectively. He was re-designated as an executive Director on 20 December 2018. He is responsible for the overall formulation, guidance of business strategy and development of the Group. Mr. Chen Qiyuan is a brother-in-law of Mr. Chen Hongyu and a cousin of Mr. Xu Chaoqiang.

Mr. Chen has over 11 years of experience in tutoring business. From 2008 to 2012, Mr. Chen had been in preparation for the establishment of the Group. He has been the general manager of Shenzhen Scholar since 2012. Prior to founding the Group, he worked at Shenzhen Bond Cultural Development Co., Ltd* (深圳市邦德文化發展有限公司) from December 2005 to July 2008.

Mr. Chen graduated from Shaoyang University (邵陽學院) in Shaoyang, Hunan Province, the PRC in June 2006 with a bachelor's degree of science. He has then been studying for a master of business administration at Peking University Shenzhen Graduate School since September 2017. Mr. Chen obtained the qualification of a middle school senior teacher granted by Shaoyang Department of Education in July 2006. He was awarded the "Outstanding Person in Private Education in 2015" (2015民辦教育風雲人物) by Southern Metropolis Daily (南方都市報). He also completed the Hong Kong Youth Leadership National Studies Workshop organised by the Chinese Academy of Governance in December 2018. Further, he completed the Oxford-Visiting Study Programme organised by the Mansfield College, University of Oxford as a visiting scholar from Peking University HSBC Business School in March 2018. He currently serves as the deputy chairman of the Guangdong Elementary Mathematical Society. Mr. Chen has been appointed as the visiting professor at Lingnan Normal University (嶺南師範學院) in March 2021. Mr. Chen has also been appointed as the committee member of the Fifth Shenzhen Municipal People's Congress in May 2021.

Mr. Chen Hongyu (陳弘宇), aged 36, who had joined the Group in January 2012, was appointed as a Director on 16 April 2018 and re-designated as an executive Director on 20 December 2018. He has also been a vice general manager of the Group since 8 December 2018. Mr. Chen is responsible for the overall administration and management of the Group. Mr. Chen Hongyu is a brother-in-law of Mr. Chen Qiyuan.

Mr. Chen has over 16 years of experience in tutoring business. Prior to joining the Group, he was the market director of Zhangjiang Zhiyuan Cultural Training Centre* (湛江市志遠文化培訓中心) from October 2005 to January 2012. He joined Shenzhen Scholar as the vice general manager in January 2012. In March 2014, he became the chief of Shenzhen Nanshan Houhai learning centre of Shenzhen Scholar. He was also the head of high school division since September 2014. He was promoted to be the vice general manager of the Shenzhen Scholar group in December 2017.

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

Mr. Qi Mingzhi (齊明智), aged 37, 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 nine years of experience in tutoring business. He was the subject co-ordinator of science of Shenzhen Scholar since September 2012 and was promoted to the head of teaching and education in April 2013. In September 2014, he became the deputy chief of Scholar Centre and also the chief of Shenzhen Cuizhu learning centre. He was further promoted to serve as the deputy chief operating officer of the Shenzhen Scholar and the principal of the middle school division of Shenzhen Scholar in July 2015. He has been serving as the chief operating officer and the executive general manager of Shenzhen Scholar since September 2016.

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

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

Mr. Xu Chaoqiang (許超強), aged 43, who had joined the Group in January 2012, was appointed as a Director on 16 April 2018 and re-designated as an executive Director on 20 December 2018. Mr. Xu is responsible for the overall management of the Group. Mr. Xu Chaoqiang is a cousin of Mr. Chen Qiyuan.

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

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

Non-executive Director

Mr. Shen Jing Wu (沈敬武), aged 52, 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 50, was appointed as an independent non-executive Director with effect from 11 June 2019.

Mr. Huang has over 28 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; and (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. Mr. Huang ceased to be an independent non-executive director of 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, with effect from 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 41, 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 13 years of experience in the education industry. Dr. Liu has 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 become an associate professor and the deputy chief of the department of finance of Lingnan College of Sun Yat-sen University since June and October 2016 respectively. He was selected by the ministry of finance of the PRC as one of the national accounting leading talents (academics)* (全國會計領軍人才(學術類)).

Dr. Liu also has years of experience in professional accounting in relation to listed companies. Dr. Liu is currently the independent non-executive director of (i) FingerTango Inc. (指尖悅動控股有限公司) (stock code: 6860), a company listed on the Stock Exchange; (ii) China National Electric Apparatus Research Institute Co., Ltd.* (中國電器科學研究院股份有限公司) (stock code: 688128), a company listed on the Sci-Tech Innovation Board of the Shanghai Stock Exchange.; and (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). 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 74, 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 this 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 defense 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 "A 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. He Fan (何凡), aged 36, who had joined the Group in April 2012, and was appointed as the general manager of learning centres in Foshan of the Group on 8 December 2018. From November 2020, Mr. Ho has been appointed as the principal of the learning centres of the Group in Shenzhen city and the leader of the executive management committee, as well as been responsible for the cost control, organic growth and realisation of business objectives of the Group. At the same time, he has also been responsible for coordinating and implementing the recruitment, training and development of the executives of the Group.

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

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

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

Ms. Li Ailing (李愛玲), aged 39, 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 has been responsible for the cost control, organic growth and realisation of business objectives of the Group's high school segment operations.

She 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.

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

Mr. So Wai Hang (蘇偉恒), aged 42, 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 20 years of experience in professional accounting and auditing. Prior to joining the Group, Mr. So worked for PricewaterhouseCoopers and was mainly responsible for leading and managing various teams of professionals to provide audit and assurance assignments, capital market transactions and advisory projects to clients including listed companies and multinational companies.

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

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

Mr. Hua Ribao (花日寶), aged 44, who had joined the Group in November 2016, and was appointed as a financial controller of the Group on 4 January 2017. He is responsible for the financial management of the Group.

He has over 20 years of experience in accounting and financial management. Prior to joining the Group, Mr. Hua served as a finance manager of Shenzhen Taiwei Footwear Limited* (深圳台威鞋業有限公司) from January 2001 to February 2007. He then served as the accountant of ChinaPaint (Shenzhen) Limited (中華制漆(深圳)有限公司) from March 2007 to October 2008. From March 2009 to September 2010, Mr. Hua was the finance manager of Little Sheep Catering China Company Limited (Shenzhen branch) (內蒙古小肥羊餐飲連鎖有限公司深圳分公司) and was responsible for financial review. From September 2010 to May 2012, he was the director of the finance department of Shenzhen Susaite Information Counseling Co., Ltd* (深圳蘇賽特商業數據有限公司), responsible for reviewing and auditing the financials of the company. From May 2012 to November 2013, he was the audit manager of Shenzhen Meten Education Science and Technology Co., Ltd* (深圳市美聯國際教育有限公司), formerly known as Shenzhen Yelian Business and Consultancy Co., Ltd* (深圳億聯企業管理諮詢有限公司).

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

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

The Directors present their report together with the audited consolidated financial statements for the year ended 31 December 2021.

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 2021 are set out in Note 22 to the consolidated financial statements.

Principal Activities

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

Financial Results

The revenue and adjusted profit attributable to the owners of the Company for the year ended 31 December 2021 were approximately RMB831.7 million and RMB23.9 million, respectively. Of such revenue, approximately 23.6% was derived from non-academic literacy programmes and approximately 76.4% 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 2021, 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 2021, 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 2021, 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 2021.

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 2021 on pages 69 to 92 of this annual report.

Compliance with Relevant Laws and Regulations

During the year ended 31 December 2021, 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 2021 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 2021 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 2021 are set out in Note 25 to the consolidated financial statements.

As at 31 December 2021, the Company's reserves available for distribution to the Shareholders consisted of share premium of approximately RMB82.7 million (2020: RMB295.9 million) and retained profits of approximately RMB198.2 million (2020: RMB173.0 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 2021 are set forth in Note 12 to the consolidated financial statements.

Bank Borrowings

As at 31 December 2021, the Group had bank borrowings of approximately RMB30.0 million (2020: approximately RMB54.4 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. Chen Hongyu
Mr. Qi Mingzhi *(Chief Executive Officer)*
Mr. Xu Chaoqiang

Non-executive Director

Mr. Shen Jing Wu *(Vice Chairman)*

Independent non-executive Directors

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

In accordance with Article 84(1) of the Articles of Association, Mr. Huang Victor and Mr. Yang Xuezhi will retire by rotation and, being eligible, have offered themselves for re-election at the AGM.

Details of the Directors to be re-elected at the AGM are set out in the circular to the Shareholders dated 13 April 2022.

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 19 to 24 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 2021 are set out in Note 9(b) to the consolidated financial statements.

For the year ended 31 December 2021, 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 2021.

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 2021.

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 2021.

As at 31 December 2021, 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 2021.

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 2021.

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 2021.

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

As at 31 December 2021, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(a) Long positions in the Company

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

Note:

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

(b) Long positions in Shenzhen Scholar

Name of Directors	Capacity/Nature of Interest	Amount of registered capital (RMB)	Approximate percentage of equity interest[1]
Mr. Chen Qiyuan[1]	Mr. Chen Qiyuan	7,800,000	38.52%

Save as disclosed above, as at 31 December 2021, 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 2021 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 2021, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholders	Capacity/Nature of Interest	Number of Shares held	Approximate percentage of interest in the Company
Sky Noon[(1)]	Beneficial owner	214,080,000	38.52%
Yu Xi International[(1)]	Interest in a controlled corporation	214,080,000	38.52%
Magnificent Industrial[(2)]	Beneficial owner	138,024,000	24.84%
CREG[(3)]	Beneficial owner	48,975,000	8.81%
CRE Alliance Fund I L.P.[(3)(4)]	Interest in a controlled corporation	48,975,000	8.81%
CRE Alliance (Cayman) Limited[(3)]	Interest in a controlled corporation	48,975,000	8.81%
CRE Alliance (BVI) Limited[(3)]	Interest in a controlled corporation	48,975,000	8.81%
CRE Trading (Hong Kong) Limited[(3)]	Interest in a controlled corporation	48,975,000	8.81%
China Resources Enterprise, Limited[(3)]	Interest in a controlled corporation	48,975,000	8.81%
CRE Alliance Fund I LP Limited[(4)]	Interest in a controlled corporation	48,975,000	8.81%
China Great Wall AMC (International) Holdings Company Limited[(4)]	Interest in a controlled corporation	48,975,000	8.81%

Notes:

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

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

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

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

Save as disclosed above, as at 31 December 2021, the Directors were not aware of any persons (who were not Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Share Option Scheme

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

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

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

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

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

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

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

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

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

			Number of share options				
Name/class of grantees	**Date granted**	**Exercise price per Share**	**Outstanding as at the Listing Date**	**Granted during the Year**	**Exercised during the Year**	**Lapsed/ cancelled during the Year**	**Outstanding as at 31 December 2021**
Employees of the Group	25 September 2019	HK$7.50	—	27,785,000 (Note 1)	—	27,785,000 (Note 1)	—
Total			—	27,785,000 (Note 1)	—	27,785,000 (Note 1)	—

Note:

(1) On 25 September 2019, the Company granted share options (the "Share Options") to the grantees under the Share Option Scheme, which will entitle them to subscribe for an aggregate of 27,785,000 new Shares. Subject to the fulfilment of the relevant vesting conditions (including performance criteria and duration of employment with the Group) as determined by the Board, the Share Options will vest on 31 December 2021. Options that have vested may be exercised at any time from 1 April 2022 to 31 March 2024 (both days inclusive). All outstanding or unexercised Options shall lapse after 31 March 2024. None of the 27,785,000 share options granted on 25 September 2019 was vested on 31 December 2021.

The value of the Share Options granted on 25 September 2019 is HK$2.6887, based on the binomial valuation model. The significant inputs into the model were share price of HK$7.50 as at the grant date, exercise price shown above, standard deviation of expected share price returns of 43.43%, expected life of options of two years, expected zero dividend payout rate and annual risk-free interest rate of 1.26%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices of comparable companies. The binomial model is developed to estimate the fair value of European share options. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

Share Award Scheme

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

Duration

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

Purpose and objectives

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

Administration

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

Operation

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

Scheme limit

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

Award of awarded shares

Subject to the Scheme Rules, the Board may, from time to time, at its sole and absolute discretion select any Eligible Participant (other than an Excluded Participant) for participation in the Scheme as a Selected Participant.

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.

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, 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 33 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. Printing Service Agreement

   Pursuant to the master printing service agreement (the "**Printing Service Agreement**") dated 1 June 2019 in respect of the provision of printing services with regard to the teaching, advertising and marketing materials and other printing services of the Group. The term of the Printing Service Agreements is from 1 June 2019 to 31 December 2021, and is renewable unless terminated by either party by serving written notice to the other party within 30 days prior to the expiration of the Printing Service Agreement (subject to compliance with the provisions under the Listing Rules regarding continuing connected transactions).

   The annual cap for the Printing Service Agreement for each of the years ending 31 December 2019, 2020 and 2021 is expected to be RMB9.4 million, RMB12.2 million and RMB15.9 million, respectively.

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

2. Structured Contracts

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

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

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

Name	Connected Relationships
Mr. Chen Qiyuan	Mr. Chen Qiyuan is a Director and a controlling shareholder of the Company, and therefore a connected person of the Company under Rule 14A.07(1) of the Listing Rules.
Mr. Chen Hongyu	Mr. Cheng Hongyu is a Director and a substantial shareholder of the Company, and therefore a connected person of the Company under Rule 14A.07(1) of the Listing Rules.
Xuanyang Investment	Xuanyang Investment is owned as to 19.99% by Mr. Chen Qiyuan and 80.01% by Ms. Chen Yunlei, the spouse of Mr. Chen Qiyuan and therefore a connected person of the Company under Rule 14A.07(4) of the Listing Rules.

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

The independent non-executive Directors have also reviewed the transactions under the Structured Contracts and have confirmed that (i) the transactions under the Structured Contracts carried out during the year ended 31 December 2021 had been entered into in accordance with the relevant provisions of the Structured Contracts, had been operated so that the profit generated by the PRC Operating Entities had been substantially retained by the Group; (ii) no dividends or other distributions have been made by the PRC Operating Entities to the holders of its interest which are not otherwise subsequently assigned or transferred to the Group; and (iii) the Structured Contracts are fair and reasonable, or advantageous, so far as the Group is concerned and in the interests of the Shareholders as a whole.

PricewaterhouseCoopers, the Company's auditor, was engaged to report on the transactions under the Printing Service Agreement and the Structured Contracts in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. PricewaterhouseCoopers has issued a letter to the Board, confirming that nothing has come to their attention that would cause them to believe that:

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

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

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

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

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

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

Structured Contracts

Background of the Structured Contracts

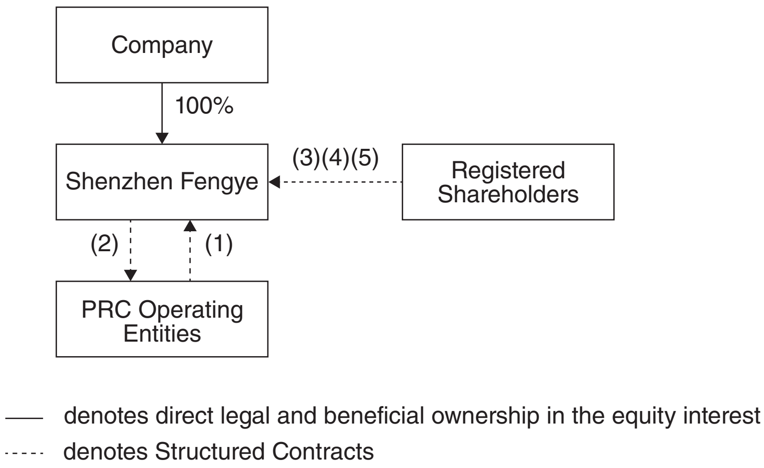
The following summarised generally the status of the Structured Contracts adopted by the Group given the PRC legal restriction imposed on the shareholding structure over the business the Group is engaging. For further details of the Structured Contracts, please refer to "Structured Contracts" in the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

Pursuant to the List of Special Management Measures for the Market Entry of Foreign Investment (《外商投資准入特別管理措施(負面清單) (2020年版)》, the "**Negative List**"), the provision does not explicitly prohibit or restrict the participation of foreign-invested entities in K-12 after-school tutoring services. As such, there is uncertainty in practice as to (i) whether foreign investors are permitted to invest in tutoring business in the PRC; (ii) if foreign investment is permitted, whether tutoring business invested by foreign investors must comply with the Regulation on Operating Sino-foreign Schools of the PRC (《中華人民共和國中外合作辦學條例》) (the "**Sino-foreign Regulations**") and its implementation measures and whether such companies offering tutoring business must operate through Sino-foreign joint venture entities; and (iii) if Sino-Foreign Regulations are applicable, what specific criteria must be met by a foreign investor (such as length of experience and form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant education authorities that it meets the Qualification Requirement (as defined below).

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

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

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



Notes:

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

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

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

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

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

Summary of the material terms of the Structured Contracts

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

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

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

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

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

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

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

(2) Exclusive Technical Service Agreement
Pursuant to the Exclusive Technical Service Agreement, Shenzhen Fengye has agreed to provide exclusive technical services to the PRC Operating Entities, including but not limited to:

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

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

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

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

(e) providing technical consulting services;

(f) providing technical training;

(g) engaging technical staff to provide on-site technical support; and

(h) providing other technical services reasonably requested by the PRC Operating Entities.

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

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

(3) Exclusive Call Option Agreement

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

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

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

(4) Shareholders' Voting Rights Entrustment Agreement

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

(5) Equity Pledge Agreement

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

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

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

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

(6) Shareholders' Powers of Attorney

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

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

(7) Spousal Undertaking

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

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

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

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

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

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

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

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

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

The main business activities of the PRC Operating Entities are the provision of after-school education services through 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 2021	Net loss for the year ended 31 December 2021	Total assets as at 31 December 2021
PRC Operating Entities	100.0%	120.8%	59.9%

Revenue and assets involved in the Structured Contracts

The table below sets out (i) the revenue for the year ended 31 December 2021; and (ii) the total assets in relation to the PRC Operating Entities as at 31 December 2021, 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	831,725	455,237

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 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 2021 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 2021.

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 2021 are set out in Note 33 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 2021, the charitable and other donations made by the Group amounted to RMB0.3 million (2020: RMB0.9 million).

Debentures Issued

During the year ended 31 December 2021, no issuance of debentures was made by the Company.

Significant Legal Proceedings

During the year ended 31 December 2021, 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 51 to 68 of this annual report.

Use of Net Proceeds from Global Offering

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

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

- approximately 50.0%, or HK$225.1 million to be used primarily to expand its learning centre network in the Greater Bay Area;

- approximately 30.0%, or HK$135.0 million, is expected to be used primarily to improve its teaching quality; and

- approximately 20.0%, or HK$90.0 million to be used primarily to renovate the facilities of its learning centres and purchase teaching equipment to improve its students' learning experience so as to further optimise the pricing of its classes and enhance profitability;

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

As at 31 December 2021, the IPO Proceeds had been fully utilised in the manner as set out in the table below:

	%	**Net proceeds from Global Offering** HK$'million	**Utilisation as at 31 December 2021** HK$'million	**Unutilised amount** HK$'million
Expanding its learning centre network in the Greater Bay Area	50%	225.1	225.1	—
Improving its teaching quality	30%	135.0	135.0	—
Renovating the facilities of its learning centres and purchasing teaching equipment	20%	90.0	90.0	—
Total	100%	450.1	450.1	—

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 2021 and as at 6 April 2022, 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 2021 of the Group.

Auditor

PricewaterhouseCoopers was appointed as the Auditor during the year ended 31 December 2021. 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 2022

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 2021, the Company had complied with all applicable code provisions set out in the CG Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules. The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the CG Code, and maintain a high standard of corporate governance practices.

The Board

Responsibilities

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

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

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

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

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

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

Board Composition

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

Executive Directors

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

Non-executive Director

Mr. Shen Jing Wu *(Vice Chairman)*

Independent non-executive Directors

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

The biographies of the Directors are set out in “Directors and Senior Management” in this annual report.

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

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

Save as disclosed in the Directors’ biographies set out in “Directors and Senior Management” in this annual report, none of the Directors have any personal relationship (including financial, business, family or other material or relevant relationship) with any other Director and chief executive.

Board Diversity Policy

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

The Board comprises eight members, including four executive Directors, one non-executive Director and three independent non-executive Directors. The Directors have a balanced mix of experiences, including management and strategic development, finance and investment and accounting experiences in addition to education business. Furthermore, the Directors have a wide range of age, ranging from 36 years old to 74 years old. The Board also has a good mix of new and experienced Directors that all the four executive Directors joined the Group in 2012, who have valuable knowledge and insights of the Group's business over the years, while the other four newly joined Directors are expected to bring in fresh ideas and new perspectives to the Group. After due consideration, the Board believes that based on the existing business model of the Group and meritocracy of the Directors, despite the fact that there is currently no female representation on the Board, its composition satisfies the principles under the Board Diversity Policy. Nevertheless, in recognition of the particular importance of gender diversity, the Company confirms that the Nomination Committee will use its best efforts, within three years from the Listing Date, to identify and recommend suitable female candidates to the Board for its consideration and the Company will use its best efforts to achieve at least 20% of female Directors on the Board by the end of 2022, subject to the Directors (i) being satisfied with the competence and experience of the relevant candidates after a reasonable review process based on reasonable criteria; and (ii) fulfilling their fiduciary duties to act in the best interests of the Company and the Shareholders as a whole when making the relevant appointments. The Company has also taken, and will continue to take steps to promote gender diversity at all levels of the Company, including but without limitation at the Board and senior management levels. In particular, one of the existing senior managers of the Company is female and there are female managers in both the Group's existing teaching team and research positions. The Company will invest more resources in training these female managers with the aim of promoting them to the senior management or directorship of the Company. For example, the Company will provide them with more leadership training and provide pregnant female staff with support with a view to ensuring they have similar career prospects with their male counterparts.

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

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

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

Induction and Continuous Professional Development

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

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

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

Appointment and Re-election of Directors

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

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

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

Board Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than 14 days are given before each regular Board meeting to provide all Directors with an opportunity to attend and include matters in the agenda.

For other Board and Board Committee meetings, reasonable notice is generally given. The agenda and accompanying board papers are dispatched to the Directors or the relevant Board Committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When Directors or Board Committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting. Minutes of meetings are kept by the company secretary, with copies circulated to all Directors for their information and records.

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

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

During the year ended 31 December 2021, eleven 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	11/11
Mr. Chen Hongyu	11/11
Mr. Qi Mingzhi	11/11
Mr. Xu Chaoqiang	11/11
Non-Executive Director	
Mr. Shen Jing Wu	11/11
Independent Non-Executive Directors	
Mr. Huang Victor	11/11
Dr. Liu Jianhua	11/11
Mr. Yang Xuezhi	11/11

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 2021.

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 2021 annual report for the year ended 31 December 2021, and submitting it to the Board for approval;

- reviewing the consolidated unaudited financial statements, interim results announcement and the 2021 interim report for the six months ended 30 June 2021, 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 2021 with the Auditor.

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

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

Nomination Committee

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

The principal duties of the Nomination Committee include the following:

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

(b) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships. In identifying suitable candidates, the Nomination Committee shall consider candidates on merit and against the objective criteria, with due regard for the benefits of diversity on the Board;

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

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

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

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

The Nomination Committee assesses the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision.

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

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

Policy on Directors' nomination

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

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

   (i) reputation for integrity;

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

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

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

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

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

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

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

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

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

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

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

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

Remuneration Committee

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

The principal duties of the Remuneration Committee include the following:

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

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

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

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

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

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

(g) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(h) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

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

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

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

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

Remuneration of Directors and Senior Management

Details of the remuneration by band of the members of the Board and senior management of the Company, whose biographies are set out in "Directors and Senior Management" in this annual report, during the year, are set out below:

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

Strategic Development Committee

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

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

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

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

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

General Meeting

For the year ended 31 December 2021, no extraordinary general meeting and one annual general meeting of the Company were held. The attendance record of the directors is set out in the table below:

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

Directors' Responsibilities for Financial Reporting in Respect of Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2021, 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.

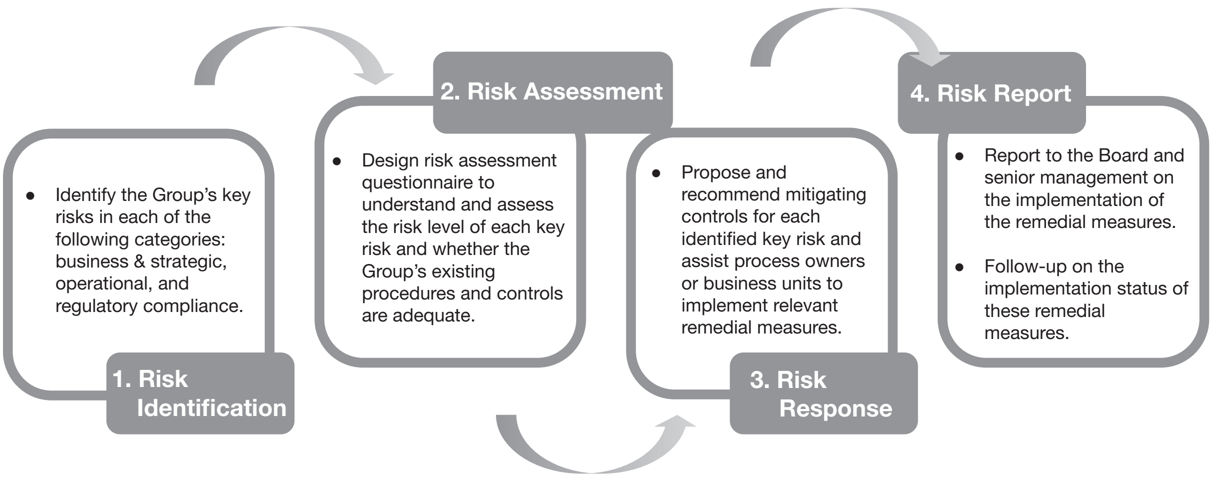
The statement by the Auditor regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 93 to 97 of this annual report.

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 2021, 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 2021 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 2021, 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 the Auditor to the Company for the year ended 31 December 2021 was approximately as follows:

Type of Services	**Amount** (RMB'000)
Audit services	1,730
Non-audit services related to interim review	650
Total	2,380

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 2021, Mr. So has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

Communication with Shareholders and Investor Relations

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

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

To promote effective communication, the Company has adopted a shareholders’ communication policy which aims at establishing a two-way relationship and communication between the Company and the Shareholders. The Company also maintains a website of the Company at http://www.skledu.com, where up-to-date information on the Company’s business operations and developments, financial information, corporate governance practices and other information is available for public access.

Shareholders’ Rights

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

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

Convening of extraordinary general meeting and putting forward proposals

Shareholders may put forward proposals for consideration at a general meeting of the Company according to the Articles of Association. Any one or more members holding as at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting of the Company to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

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

Enquiries to the Board

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

Change in Constitutional Documents

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. About This Report

1.1 Scope

This report is the report on Environment, Society and Governance (ESG) of 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 2021 to 31 December 2021.

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 economy, 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 have a significant impact on its business, including outcomes and challenges.
Consistency	The Group should ensure that consistent disclosure principles are applied to enable stakeholders to analyse and evaluate the performance of the organisation in different periods. The organisation should explain any changes in methods.	The Group ensures that the disclosure scope and reporting method of the report remain generally consistent every year.

1.3 Data Source

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

2. ESG Management

Upholding the education philosophy of "focusing on academic excellence to enable our students to achieve their aspirations", we impart knowledge, convey ideas and foster culture to stimulate children's interest in learning and establish sound personality. We integrate social responsibilities into the corporate's development plan, never forget our initial objective and give back to the society with love, contributing to the sustainable development of the society.

The Group's Board of Directors, as the highest decision-making body of ESG, is responsible for supervising, revising and implementing the Group's ESG management policies and strategies. The Board of Directors and senior management establish the ESG risk identification mechanism and ensure appropriate and effective ESG risk management and internal control systems are put in place. They also evaluate the importance of ESG issues, draw up and supervise the progress of ESG objectives, review and formally approve and sign the annual ESG report. The Internal Audit Department of the Group has the responsibility for the communication and coordination in the daily management of ESG and the preparation of the annual report. Relevant functional departments are responsible for implementing the Group's ESG work plan, taking on their ESG responsibilities, carrying out the duties in relation to the Group's sustainable development, and assisting in information collection and compilation of ESG reports.

3. Stakeholder Communication and Materiality Assessment

In order to better understand the appeals and expectations of stakeholders for the Group, we have established a mechanism to communicate with stakeholders such as investors, employees, students, parents, suppliers, the government and the public to help us truly examine and reflect on the current state of the environment and society in business development, rational planning and evaluation of the Group's sustainable development work, so as to share the value of sustainable development with all stakeholders.

3.1 Communication mechanism of stakeholders

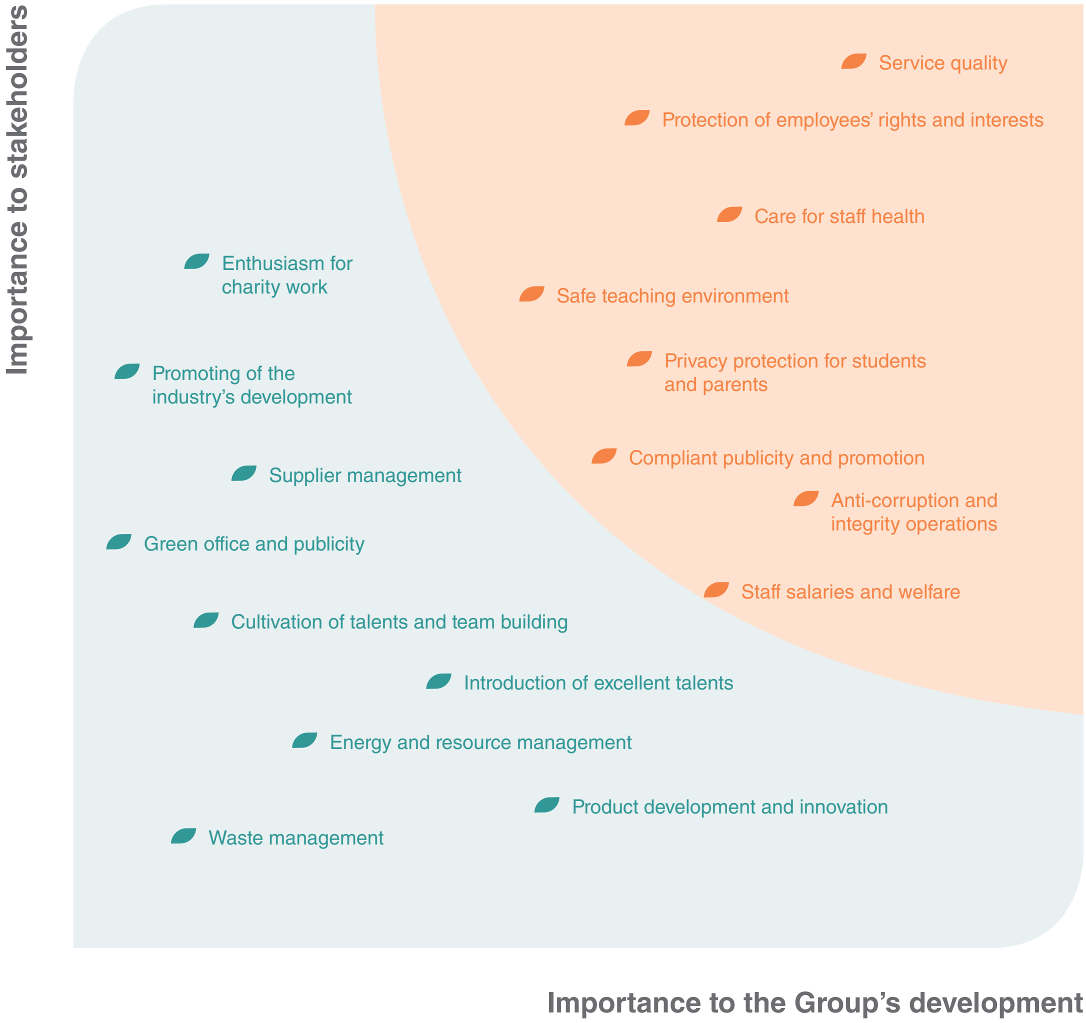
Stakeholders	Expectations and Appeals	Communications
Investors/ Shareholders	Information transparency Compliant operations and management	Hong Kong Stock Exchange/ Company Website Shareholders' meeting Company announcements and press releases
Teachers/Staff	Employees' rights Safe and healthy working environment Promising career development	Departmental meetings/teaching and research activities Teacher/Staff training and communication Teacher/Staff assessment

Stakeholders	Expectations and Appeals	Communications
Students	Quality teaching Comfortable learning environment Advanced teaching mode	Thematic class meetings Lectures Satisfaction survey
Parents	Quality teaching Guarding students' physical and mental health Ensuring students' safety	Parents' meeting Parents' Open Day Principal Reception Day Principal mailbox
Suppliers/Partners	Win-win Long-term partnerships Fair competition	Supplier evaluation Supplier on-site inspection Supplier exchange meeting
Government and regulators	Compliance with laws and regulations Paying taxes according to law Safe teaching environment Generating positive social impact	Compliance report Regular visits Field visits Participation in meetings/seminars
Community/Public	Charity projects Student social activities Educational trends	Public benefit activities Charity activities Voluntary activities

3.2 Materiality assessment of ESG issues

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

The materiality matrix of the Group's ESG issues for 2021 is as follows:



Environmental Management

Green office and publicity
Energy and resource management
Waste management

Employment Management

Introduction of excellent talents
Talent development and team building
Staff salaries and welfares
Protection of employees' rights and interests
Care for staff health

Operation Management

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

Social Contribution

Enthusiasm for charity work

According to the results of materiality assessment, the Group's stakeholders regarded service quality, protection of employees' rights and interests and other issues as the most material ESG issues in 2021. In view of the small impact of the Group's business on the environment, the issues related to environmental management are ranked low. The Group will improve the ESG work plan with reference to the above results and expatiate 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

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

The Opinions on Double Reduction was issued by the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council of the People's Republic of China in July 2021. Students' well-being is at the core of the Group's values. The Group strictly complies with the principles and implementation rules of the Opinions on Double Reduction to safeguard the well-being of students. During the year, in response to the Opinions, the Group provided law-abiding educational services and adjusted the internal subject building direction. We focus on the development of liberal education disciplines such as "art, painting, performance art, and calligraphy", and encourage students to achieve a balanced development in the five aspects of "ethics, intellect, physique, aesthetics and hard-work". By reducing the burden of compulsory education students' homework, we have undertaken the fundamental mission to foster one's character and civil virtue.

4.1 Product quality and innovation

During the business transformation, the Group constantly optimises its teaching management to offer high-quality teaching services. Complying with the *Education Law of the People's Republic of China,* the *Law of the People's Republic of China on Promotion of Private-run Schools* and other laws and regulations, the Group standardises the output of curriculum content to improve the quality of courses.

Paying attention to the all-rounded development of teenagers and children, the Group focuses on cultivating students' abilities for concentration, thinking, cognition and communication, integrates high-quality educational resources and strengthens development and innovation of teaching products to further promote AI in liberal education, thus better meeting students' needs. This year, the Group orderly and constantly advanced research and development on teaching products. Work concerning update of teaching products, R&D process, content review, quality control was carried out as follows:

Product updating	• We published four editions of teaching materials themed by spring, summer, autumn and winter with different colours matching different editions to attract students' attention; • The teaching materials mainly focus on developing students' abilities for practice, analysis, integrative application and innovation, and serve as supplementary materials for the cultivation of students' comprehensive capabilities.
Product development	• We improved the independent research and development of teaching materials, refined the product research and development standards and carried out research and development work in strict accordance with the standardised process

Product content

- Due attention has been paid to reading experience. With the combination of images and words, the students' reading interest and learning efficiency have been significantly improved;
- We localised materials that was to ensure that they fully meet the local teaching standards and characteristics and meets the students' needs for growth.

Product quality

- Adhering to the zero-tolerance attitude towards errors, we strictly controlled the product quality;
- We printed Error Correction QR code on teaching materials, requested all teachers to rate the quality of teaching materials, and awarded those who contributed to improving the quality of the teaching materials.

Product design

- In typesetting, we used ID typesetting technology to produce high-definition reading materials;
- In terms of content, we set up chapter navigation flowcharts to help teachers and students clarify class goals, facilitated teachers and students to quickly find knowledge points, and helped students build knowledge system.

The Group's self-developed products became increasingly mature in terms of content and quality. We developed liberal education teaching products such as the *Chemical Experiment Report Manual*, *Creative Thinking* and *International Literacy Drama Manual.*

Scholar liberal education teaching products

This year, the Group brought innovation to education services, curriculum systems and parent-child education, striving to build a liberal education platform that serves students, families and the society. The Group develops a comprehensive curriculum system for liberal education, which is designed to systematically cultivate children's core qualities and comprehensive competence. The Zhibo Youth Development Centre under the Group, with a focus on public welfare and services, sets up three thematic modules of base education, camp education, and position education to encourage students' growth and help them develop in an all-round way. Specifically, the base education provides students with interest courses including music, dance, art, science and technology, sports, etc., with the aim to arouse their interest in learning and tap into their potential. The camp education focuses on outdoor activities. This kind of education develops students' capacities for thinking, innovation and communication by organizing students and family members to do course practice in groups and interact with each other. The position education mainly helps students build positive thinking and encourages them to integrate into society and participate in volunteer activities in the community so as to cultivate young people who love their family, love their country, and embrace the world in the new era.

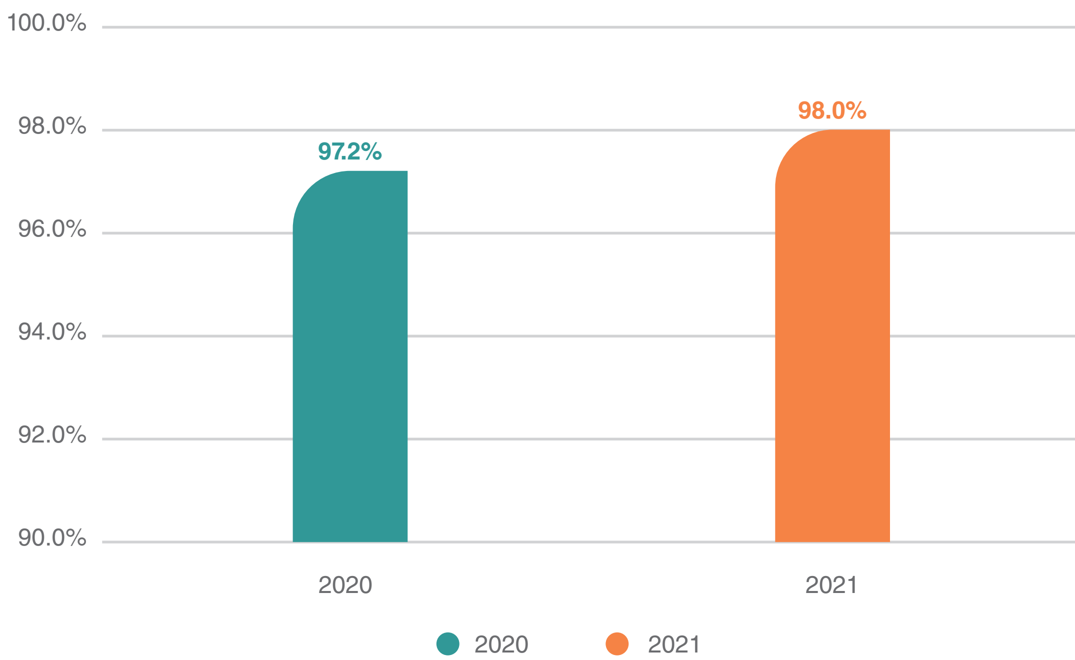
In addition, the Group will further consolidate the development of "Le Xue", one of the Group's brands, which comprises of liberal education in respect of art, sports, painting, performance art, calligraphy, scientific literacy, Guo Xue, logic training and Miaowei international literacy with a view to fulfilling various needs of students and encouraging students to achieve balanced and personalised development. With the mission of providing quality liberal education resources and services, we stimulate students' intrinsic desire for learning and improve their cognitive abilities by offering diverse curriculums, so as to nurture talents with an all-rounded development in "ethics, intellect, physique, aesthetics and hard-work" in the new era.

4.2 Customer service quality

The Group has always been committed to providing quality services, listening to customers' feedback on our products and services through multiple channels, responding quickly to customers' inquiries and demands, and respecting and protecting the legitimate rights and interests of customers. In order to improve our customer service, we formulate guidelines on customer service to regulate and standardise our customer service, clarify the principles and procedures for handling events, and guarantee service quality. At the same time, we continue to carry out training for customer service staff to strengthen their abilities and quality so as to ensure that they effectively respond to customer needs. During the year, the Group's customer service centre completed a total of 33 training sessions, including 27 offline sessions and 6 online sessions.

In order 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 centre is responsible for handling and following up on complaints, understanding the reasons for complaints in a timely manner, reporting the complaints according to different types, and track 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 114 complaints, all of which were dealt with within 24 hours, and the satisfaction rate of return visits was 98.0%.

The satisfaction rate of return visits



This year, with the release of the Opinions on Double Reduction, the Group actively responded to customers' inquiries and demands for refunds, standardised the refund process through the refund processing system and information system, and formulated a special approval process to handle peak season refunds. We also improved online refund channels and guided parents to request self-service refunds online to boost the efficiency of handling refunds. When the refund information is wrong, the customer service centre will notify the customer to correct the information in a timely manner to ensure that the refund is received in time. The Group promptly coordinates cash flow and puts the collection and refund of fees under the unified management of its bank accounts to ensure it have sufficient funds to meet the demand for refunds. In 2021, no disputes occurred due to refund delay.

4.3 Safety environment in teaching centres

The Group closely abides by the laws and regulations like the *Fire Service Law of the People's Republic of China*, and strictly implements the *Fire Safety Responsibility System and* the *Standardised Operation Manual for Teaching Centres*. With the safety of teaching centres as one of its focus areas, the Group clarifies the safety management responsibilities from the headquarters to teaching centres and implements the reward and punishment mechanism. This year, no safety accident occurred in the Group.

4.3.1 COVID-19 epidemic prevention

As epidemic prevention went regular, while implementing the *Guidelines for Epidemic Prevention* and the *Work Programme for Epidemic Prevention*, we issued the *Important Notice on Strengthening Epidemic Prevention* to all members of the Group at the beginning of the year. We coordinated the distribution of epidemic prevention materials and human resources and practically implemented epidemic prevention measures so as to ensure that all epidemic prevention work could be carried out in a smooth and orderly manner. This year, we further clarified the responsibilities of all positions to enhance personnel management and ensure the safety of the teaching centres.

Based on the need for epidemic prevention, we have formulated standardised, unified and process-oriented epidemic prevention and safety management arrangements for each city, region and branch, and the specific measures are as follows:

Epidemic prevention measures

Entrance inspection

- Conduct temperature measurement, check digital travel records and health QR codes at the entrance and exit of the teaching centre, and deny the access of yellow or red code holders.
- Distribute instant hand sanitizer to people entering the teaching centres.

Epidemic prevention at teaching centres

- Strengthen teaching centre ventilation and disinfect new air rooms, filters, and ventilation units on a weekly level.
- Arrange a special person to carry out security inspection to ensure that everyone at the teaching centre is wearing masks and people are not gathering.
- Purchase and stock sufficient epidemic prevention materials and disinfect and clean teaching centres on a regular basis.

Epidemic prevention of employees

- Conduct health declarations for internal employees and detailed registration of external personnel on a daily basis.
- Strengthen safety education, reinforce epidemic prevention publicity and post epidemic prevention signs at teaching centres.
- Strengthen psychological counseling for employees to stabilise their mood, and carry out scientific epidemic prevention.

4.4.2 Safety inspection

This year, the Group conducted regular safety inspections on teaching centres and fire protection facilities, registered safety issues and followed up on subsequent rectifications. The "Campus Inspector" takes the responsibility for following up on rectifications during the whole process of safety inspections to ensure that the issues identified are addressed and the teaching centres are free of safety hazards, so as to create a safe environment for students and parents.

Monthly safety inspections were carried out on a regular basis

6 special safety inspections were carried out and **645** rectifications were followed up in this year

Daily inspections were carried out on fire protection facilities at the teaching centres, with inspection logs produced

784 inspections on fire control facilities and **208** fire maintenance tasks were completed in this year, and **22** issues in the fire safety materials were rectified.

4.4.3 Teaching centre safety standards

This year, taking into account the related laws and regulations as well as the actual safety situation of the teaching centres, the Group updated the *Content of Safety Management Work,* the *Fire Safety Management System* and the *Safety Management System*, which clarified the organisational structure of safety management, adjusted the comprehensive safety management regulations and improved special safety management measures. The Group set up standards for daily special safety inspection and fire inspection, established special files to record the issues inspected and followed up on the rectification of such issues to regulate the inspection management.

Attaching great importance to the air quality of the teaching centres, the Group values air quality testing, and regularly performs air purification at the teaching centres to ensure everyone's health at the teaching centres. As we value the promotion of safety knowledge, we post materials containing knowledge about self-rescue, epidemic prevention and self-rescue in extreme weather at the teaching centres, so as to raise the safety awareness of students, parents and employees and foster the safety and health culture at teaching centres.

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

With its sound talent cultivation mechanism, the Group has built a brilliant team consisting of great teachers and ace lecturers to constantly reinforce its core competitiveness in business. We put teachers first, cultivate them with meaningful work, and offer them training opportunities. By continuously improving and optimising our training system, we promote integrated development of individual employees and the Group in pursuit of a better shared future.

5.1. Protection of employees' rights and interests

The Group strictly abides by the *Labour Law of the People's Republic of China* and other relevant laws and regulations, and adheres to the principle of fairness and justice in employment. The Group also formulates and implements systems like the *Cadre Management System*, insists on a fair and just salary mechanism, and establishes an open and transparent promotion mechanism to protect employees' labour rights and interests and promote the development of a harmonious workplace.

5.1.1 Compensation and promotion management

In terms of salary, we adhere to the principle of setting salary according to position and distributing profit according to contribution, and make reasonable salary adjustment during regularisation, promotion and transfer. The Group also provides additional rewards for advanced employees, innovative employees and employees with outstanding performance. Material rewards and mental encouragement in recognition of excellent performance stimulate employees' enthusiasm for work and help employees achieve personal development.

The Group has always implemented the democratic, open and merit-based talent selection and evaluation mechanism and clarified the criteria for cadre promotion through the *Cadre Management System*, the *Scholar Group Employee Salary Adjustment System*, and the *Urban Branch Organisational Configuration Management Manual of the Group* and other systems. This year, the Group added a new "accelerated promotion" track to establish a sound review and special approval mechanism for promotion, aiming to provide a platform for employees with outstanding achievements and excellent work performance to realise rapid development, and encourage employees to be proactive and realize their personal values and career aspirations.

5.1.2 Employee welfare and care

For employee care, as we focus on the physical and mental health of our employees, we have established the political commissar system of employee relationships and formulated the *Management Measures for Supporting Mentors at Teaching Centres* and the *Management Measures for the Political Commissar System of Employee Relationships at Teaching Centres* to see that the support is lent to mentors and new employees to solve their problems in work and life, so as to provide teachers with a warm and home-like working environment. In respect of welfare, we regularly organise team building, annual meeting and birthday party to enrich the life of employees and enhance team cohesion and unity. Scholar Charity Fund continues to provide compassionate assistance to needy employees and their immediate family members to help them solve their urgent needs.

We always put the physical health of teachers in the first place. The Group conscientiously implements the requirements of the *Group Employee Relations Political Commissar System* and organises employees to conduct health examinations. Taking "health KPI" as an indicator of employee performance, the Group calls on all teaching centres to actively develop interest clubs. Employees are encouraged to take more physical exercises in various competitive and joyful activities organised by the clubs. Through such activities, the Group guides its employees to balance work and life to promote physical and mental health. Since the outbreak of the epidemic, we have strictly controlled the safety of the teaching centres and taken practical actions to ensure the safety of employees, including conducting daily temperature measurement on employees, checking health QR codes and digital travel records, distributing epidemic prevention materials to employees, and regularly disinfecting the teaching centres and office area.

5.1.3 Improve employee communication

During the year, the Group understood the voices of employees through regular seminars and team building activities, thus strengthening communication and maintaining harmonious relationship with employees. The Group attaches great importance to employee's claims and demands, prohibits any unfair treatment of employees, and provides online and offline anonymous complaint channels to encourage employees to complain about relevant conducts. The Human Resources Centre is responsible for handling employee complaints in a timely manner and giving feedback to employees on relevant investigations and processing results. The Group treats employees of different genders, ages, nationalities, ethnicities and religious beliefs equally, and eliminates any form of discrimination, thus creating a fair, just and open working environment.

5.1.4 Employment management

The Group signs and uniformly manages labour contracts with hired employees in accordance with the law to ensure reasonable employment and avoid child labour and forced labour incidents. The Group pays "social insurance and house fund" and critical illness insurance for its employees on time, pays overtime allowances, and guarantees paid annual leave. As of 31 December 2021, the Group had 1,552 employees (4,574 in 2020), with 33% of whom were males and 67% of whom were females.

During the year, under the influence of the Opinions on Double Reduction, the Group's personnel structure has changed significantly, and the employee turnover rate has increased. We attach great importance to the communication and compensation of departing employees. Through exit interviews and other means, we communicate with the departing employees in a timely manner, care about their emotions and offer psychological persuasion to them. For employees who want to terminate the employment relationship, the Human Resources Department will communicate with the employees in detail about the dismissal plan and promise that in the future, the Group will give priority to the admission of departing employees.

5.2 Constant improvement of the talent development mechanism

The Group values the career development and capacity building of its employees. Based on its needs for business development and position competency, the Group formulates annual training plans and sets up a series of training courses for business and management abilities to help employees achieve continuous growth.

We have developed a sound training system. Through the Starting Point Plan, the Charge Plan, the Excellent Teacher Plan and the Huangpu Plan ("the Four Training Plans"), we provide special training courses through multiple channels at different levels to teachers according to their entry time and help them improve their career abilities concerning professional cognition, innovative thinking, brand influence and professional competency.

Scholar's professional capacity building

Training activities

Photo of participants at the end of the training

6. Maintain Legal Operation and Sustainable Development

6.1 Standardise the procurement process

The Group adheres to the principles of integrity, justice and quality-first for tender and procurement, implements the supplier management system, and establishes mutually beneficial and trusting cooperation, so as to promote the sustainable development of supply chain.

The Group strictly complies with the *Law of the People's Republic of China on Government Procurement*, rectifies and implements the *Procurement Management Rule*, and specifies the scope and type of procurement, the procurement approval node, the supplier assessment standard, and the responsibilities of the procurement centre. The Group strictly performs supplier access and assessment procedures to ensure the quality of purchased products and to prevent environmental and social risks of suppliers.

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

In its daily operations, the Group exercises the unified acceptance standard for purchased products, and only those that have been tested and qualified can be accepted. In addition, the Group conducts supplier assessment on a regular basis annually, and evaluates supplier performance in all respects of service quality, product quality and business merits in accordance with the *Supplier Assessment Form*. Based on the assessment results, the Group will incorporate excellent suppliers into the high-quality supplier resource pool and increase the quantity of orders appropriately; at the same time, terminate the subsequent contracts with unqualified suppliers.

In order to strengthen the assessment and management of environmental and social risks of suppliers, the Group considers environmental management, labour rights, equality and anti-discrimination and anti-corruption in the supplier access and assessment process. Consequently, the Group gives priority to products and suppliers that have obtained ISO14001 environmental management system and ISO45001 occupational health system certification, which are conducive to social and environmental sustainability. The Group advocates a green and environmentally friendly purchasing philosophy and actively explores environmentally friendly purchasing practices. Regarding the materials used for the decoration of office areas and office equipment, the Group gives priority to energy-saving and environmentally friendly products, such as LED lamps, computers with national energy-saving certification marks and environmentally friendly paper. In addition, the Group strictly implements internal procurement systems and procedures, requires related personnel to sign the *Self-discipline Agreement*, strictly investigates violations of the agreement's liability. Anyone who breaks the laws will be transferred to judicial organisations to take criminal responsibility.

6.2 Customer privacy protection

The Group attaches great importance to standardised information management, hence the Group has formulated and implemented internal regulations such as the *Network Security Management Regulation* and *Information System Account Management Rule* to conduct standardised management account permissions to ensure the operating security of network systems and computers.

The Group pays great attention to the security of customer information and privacy protection. We have realised online management of customer information across the entire territory and provided employees with different access rights to customer information. The senior management of the Group has the right to view the full amount of customer information of each teaching centre, and the head of each branch has the right to view the customer information of the school, while ordinary employees do not have the right to view or export customer information. At the same time, the Group obfuscates customer phone numbers in the system, and regularly checks the system's operational status on a daily basis to ensure the system's safe and stable operation; The Group periodically inspects the system software, application software and application running environment to detect risks of viruses and hacking attacks, so as to prevent information leakage and effectively protect the privacy of students and parents. At the same time, the Group also explains the importance of information protection to employees, enhances internal employees' awareness of confidentiality, and standardises information confidentiality measures.

6.3 Compliance promotion

The Group strictly complies with the *Advertising Law of the People's Republic of China* and other laws and regulations, actively implements the State Council's "Double Reduction" work goals, and properly manages the enrolment advertising and publicity to safeguard the physical and mental health of students. The Group continues to improve its promotional management measures, strictly implement assessment standards, and optimise the control processes such as departmental self-inspection, filing review by the Marketing Centre and legal verification, etc. The Group comprehensively checks online and offline publicity materials to ensure the objectivity of the language of publicity copywriting, and the legality, authenticity, and accuracy of publicity materials, thus protecting customer legal rights and interests.

6.4 Operate with integrity and trust

The Group regards business ethics and integrity as the operating pedestal, strictly complies with the relevant state laws and regulations on anti-corruption and anti-bribery, and develops standardised monitoring, reporting and surveillance mechanisms. The Group sets up anonymous channels for internal and external stakeholders to report via telephone, email, and mailbox, and promptly launches investigations after receiving the report. The results of the investigation will be publicised within the Group. The Group undertakes to deal seriously with those who violate the rules and regulations, regardless of their rank; if illegal acts are involved, they will be referred to the judicial authorities for treatment in accordance with the law. In 2021, no lawsuit of corruption case occurred.

The Group firmly prohibits corruption, bribery, and other illegal activities, and resolutely prohibits teachers from accepting gifts or money from students or parents in any form. Meanwhile, the Group requires the heads of each teaching centre to play a role of supervision, inspection and guidance, to timely discover the corruption risks and take evasive measures in the operation of teaching centres, thus creating an atmosphere of teaching without corruption. The Group regularly organises anti-corruption training and publicity, clarifies the Group's principle of zero tolerance and corresponding penalties for illegal practices, so as to ensure that employees comply with relevant anti-corruption policies and to identify illegal and unethical behaviour.

6.5 Intellectual property protection

In accordance with the *Intellectual Property Law of the People's Republic of China* and other laws and regulations, the Group formulates and implements the *Intellectual Property Management Regulation*, improves the intellectual property management system, and protects research and development results from infringement. The Group has set up a dedicated person to manage the intellectual property certificates and follow up matters and established a detailed IP ledger and annual inspection follow-up form. The Group conducts intellectual property rights training sessions to help departments raise awareness of IPR protection. The Group carries out innovation and research and development in accordance with its intellectual property management procedures to further enhance the protection of corporate assets. During this year, the Group has acquired 9 software copyrights and is applying for exclusive use rights and quality rights for 14 trademarks.

7. Energy Saving and Environmental Protection

The Group complies with relevant laws and regulations such as the *Environmental Protection Law of the People's Republic of China*, actively responds to the national green and low carbon development trend, and sets up energy conservation and emission reduction targets to use energy and resources rationally, and dispose of waste properly. During this year, the Group did not have any significant environmental violations.

7.1 Resources usage and eligible emissions

The Group's consumption of resources mainly originates from electricity, water, printing and fuel for official vehicles in each teaching centre and office area within this year. Electricity used in teaching centres and office area comes from the regional grid. Water is completely taken from the municipal water supply system. The Group's operation does not involve any production or use of packaging materials.

Our main greenhouse gases and air pollutants are from fuel and electricity consumption, waste comprises of domestic waste and ink cartridge in teaching centres and office areas as well as domestic sewage. Domestic waste is centrally collected, which will be cleaned and transported by sanitation workers this year. Empty ink cartridges are all returned to a qualified third-party company for recycling and disposal. Sewage enters the municipal sewage treatment plant without directly discharging into soil or natural water.

In 2021, the Group continued collecting environmental statistics. Based on data of electricity, water and office resources on the existing teaching centres, the Group further improved the statistical subjects, revised the data form according to the data requirements of the *ESG Reporting Guidelines* of the Hong Kong Stock Exchange, which helped our teaching centres better understand statistical calibres and standards. Meanwhile, the Group comprehensively promoted the quantitative, normalised and standardised management of environmental performance. This lays the data foundation for the establishment of the next year's energy saving and emission reduction plans and targets.

7.2 Green operation and environmentally friendly publicity

According to the *Regulations of Managing Energy Conservation and Emission Reduction*, the Administration Centre of the Group is responsible for the overall planning of energy conservation and emission reduction targets, formulating specific measures for energy conservation and emission reduction targets, and supervising the use of energy and resources in the office areas and teaching centres. The Group has formulated energy saving and emission reduction measures for office areas and teaching centres and actively implemented water, electricity and paper and ink saving measures in office areas to continuously cultivate employees' awareness of energy saving and emission reduction and to help them practise a low-carbon lifestyle.

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: Practise 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 recycling and waste harmlessness.

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

To achieve these green development goals, the Group's green operation measures include, but are not limited to:

Low-carbon and energy-saving

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

Office resource saving

- Promote paperless office, use online OA approval, give priority to the use of electronic documents for document viewing, and reduce photocopying of paper documents.
- The printer is set for automatic double-sided printing; reuse single-sided printing paper to reduce the consumption of office paper.
- Regular maintenance of office facilities and equipment to prolong service life and improve the efficiency of resource use
- Implement the system 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 centres and repair the pipelines in time to stop them from leaking and dripping and other problems.

Business trip management

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

The Group deeply understands the importance of environmental education and is committed to popularising environmental knowledge to raise employees' awareness of environmental protection. Moreover, the Group encourages them to take concrete actions and joins hands with stakeholders to fulfil environmental obligations and build a sustainable future.

7.3 Response to climate change

As the impact of climate change becomes more and more significant globally, it has become increasingly common for countries and enterprises to proactively establish climate change risk management systems and take active measures in response to climate change. As a responsible corporate citizen, the Group keeps close attention to the climate change risks associated with the Group's business, evaluates related impact on the sustainability and stability of the Group's business, fully identifies the challenges and opportunities therein, and gets well prepared for the advent of climate crisis and the era of low carbon policies.

Among the physical risks of climate change, extreme climate risks such as rainstorms and typhoons may affect the stable and safe operations of the Group, bringing about potential asset losses and increasing operating costs. In order to reduce the corresponding business impact, the Group has developed an extreme weather response mechanism to enhance emergency response capabilities by improving the awareness of relevant parties on extreme weather prevention through method such as publicity and emergency drills.

In terms of climate change transition risk, climate change requires the Group to effectively manage its carbon emissions in the context of a low carbon economy to address the risk of potential policy changes and manage brand reputation. In response to the impact of climate change transition risks, the Group has developed and implemented the *Regulations of Managing Energy Conservation and Emission Reduction*, practised green office and publicity, and is committed to controlling its own carbon emissions. At the same time, the Group continues to strengthen green environmental protection publicity in business operations to raise the awareness of saving energy and reducing emissions among relevant parties.

8. Travel for Love, Learn for Dreams

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. We played an active part in public benefit activities, set up a care fund to help targeted groups of poor students, held public benefit competitions for students and teachers from outstanding normal colleges and universities to discover outstanding talents, and donated for the construction of the "Scholar Hope Primary School" to contribute to the society.

8.1 "Future Great Teachers" Education-Aid Project

In order to enhance the overall professional capacity of teachers, the Group launched the "Future Great Teachers" charity aid project, aiming to encourage college students to fully develop themselves and improve their professional capacities. As at the end of 2021, the Group made targeted donations to Hunan Shaoyang College through the Shenzhen Care Action Charity Fund — Shaoyang College Shenzhen Alumni Association Care Fund for three consecutive years to improve the teaching and learning construction of Shaoyang College.

This year, the Group and Shaoyang College jointly organised the third "Scholar Cup" Teaching Skills Competition for students from normal colleges and universities under the theme of "Future Great Teachers". A total of 64 students were awarded different grades of Dream Fund through the preliminary and final rounds. Through this event, the Group aimed to encourage students from normal colleges and universities to develop their moral and talent in an all-round manner, enhance their comprehensive professional capabilities and guide them to become the outstanding talents needed by the society.

Group photo of participants in "Future Great Teachers" education project

8.2 Contribution to community development

The Group adheres to the core value of "gratitude" and encourages employees to actively participate in public services. We carried out different types of community public benefit activities to support community construction and contribute to the harmonious development of the community.

"Happy Family" Public Benefit Activities

We pay attention to women's growth and have created a series of community public courses for women. The courses cover life skills such as illustration, tea tasting, wine tasting, yoga and baking, and aim to help women broaden their scope of friendship, balance life, career and family, and realise their personal values.

"Harmonious Community" Public Benefit Activities

In order to improve the quality of life of middle-aged and elderly people, the Group provides various types of activity venues for surrounding communities and social organisations, and organises cultural and recreational activities such as music, dancing, painting and calligraphy, chess and cards for the middle-aged and elderly, to enrich their cultural life and contribute to the construction of a harmonious community.

Appendix 2021 ESG Key Performance Data

Environmental Aspect

KPI		Unit	2021
Emissions	SO_2 emissions	kg	0.10
	Nitrogen oxides emissions	kg	4.22
	Particulate matter emissions	kg	0.31
Greenhouse gas emissions	Greenhouse gas emissions (Scope 1)	tCO_2 Equivalent	18.81
	Greenhouse gas emissions (Scope 2)	tCO_2 Equivalent	3,100.92
	Total greenhouse gas emissions	tCO_2 Equivalent	3,119.72
	Greenhouse gas emissions intensity	tCO_2 Equivalent/ thousand yuan revenue	0.005
Hazardous waste	Waste ink cartridges, toner cartridges	Tonne	0.29
Non-hazardous waste	Household waste	Tonne	74.06
Use of energy	Total energy consumption	MWh	3,767.45
	Direct energy consumption	MWh	61.32
	Indirect energy consumption	MWh	3,706.13
	Energy consumption intensity	MWh/thousand yuan revenue	0.006
	Total electricity consumption	MWh	3,706.13
	Petrol consumption	Litre	7,070.07
Water consumption	Water consumption	Cubic metre	25,693.78
	Water consumption intensity	Cubic metre/thousand yuan revenue	0.04

Description of environmental data and coefficients

1. The time span of environmental data is from 1 January 2021 to 31 December 2021; the data collection covers the Company's headquarters and teaching centres 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 were in reference to the *2019 Baseline Emission Factors of Regional Power Grids in China* issued by the Ministry of Ecology and Environment of the People's Republic of China 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 2021 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. Non-hazardous waste was office waste generated by the administrative offices.

5. 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		2021	
Total workforce by gender, employment type, age group and geographical region			
		Number of employees	**Proportion (%)**
By gender	Male	508	32.73%
	Female	1,044	67.27%
By employment type	Full-time	1,552	100.00%
By age	< 30 years old	1,128	72.68%
	31–40 years old	372	23.97%
	41–50 years old	42	2.71%
	> 50 years old	10	0.64%
By geographical region	Mainland China	1,551	99.94%
	Overseas and districts of Hong Kong, Macao and Taiwan	1	0.06%
Total Workforce		1,552	
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 gender	Male	60.04%	29.47
	Female	49.04%	23.76
By job level	Senior management	100.00%	49.00
	Mid-level management	100.00%	52.00
	General employees	46.93%	22.53

Number of suppliers		
Number of suppliers	South China	17

Customer service data	
Number of customer complaints (times)	114
Number of return visits (times)	228

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 98 to 167, comprise:

- the consolidated balance sheet as at 31 December 2021;
- 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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") 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 Profession Accountants (including International Independence Standards) issued by the International Ethics Standards Board of Accountants ("**IESBA Code**"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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Key Audit Matters

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

Key audit matter identified in our audit is 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 RMB831,725,000 for the year ended 31 December 2021 which was recognised proportionately over the relevant course schedule in which services were rendered. The portion of service fees received from students for the education services but not yet earned are recorded as contract liabilities. We focused our audit effort on revenue because of its financial significance to the Group's consolidated financial statements, as well as the risk of overstatement of revenue due to the large volume of transactions involved.	We performed the following procedures to assess the revenue recognition for the education services: • We obtained understanding of the key internal controls over the collection of the education service fees and recognition of revenue based on the operating system, evaluated and tested the effectiveness of the relevant system automated and manual controls; • We obtained and inspected the supporting documents for the education service fees received including the cash receipt records, student enrolment forms and attendance records on a sample basis; • We performed reconciliation between the total education service fees received and the total cash received according to the bank statements on a sample basis; • We performed site visit to the education centre on a sample basis for testing students' attendance records; • We selected education courses scheduled across the year end date on a sample basis and checked to the student enrolment records and the course schedules; recalculated the proportion of service fees recognised as revenue in accordance with relevant course schedule; and traced the related journal entries posting to the general ledger; • We performed specific cut-off procedures to test if the service fees recognised as revenue around the year-end are recorded in appropriate period; and • We performed analytical review of revenue on disaggregated basis and enquired the revenue trend by corroboration with management explanations, our industry knowledge and external market data. Based upon the procedures we performed above, we found that the revenue from education services are supported by available evidence.

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2021 RMB'000	2020 RMB'000
Revenue	5	831,725	749,089
Cost of sales	8	(516,704)	(488,552)
Gross profit		315,021	260,537
Selling expenses	8	(13,629)	(23,233)
Administrative expenses	8	(170,052)	(152,339)
Research and development expenses	8	(53,382)	(56,966)
Other income — net	6	22,520	35,170
Other (losses)/gains — net	7	(65,895)	23,062
Operating profit		34,583	86,231
Finance costs	10	(28,985)	(36,447)
Profit before income tax		5,598	49,784
Income tax expense	12	(32,610)	(846)
(Loss)/profit for the year		(27,012)	48,938
(Loss)/profit for the year is attributable to:			
— Equity holders of the Company		(26,611)	48,938
— Non-controlling interests		(401)	—
		(27,012)	48,938
(Loss)/profit for the year		(27,012)	48,938
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 (loss)/income for the year		(26,634)	48,938
Total comprehensive (loss)/income for the year is attributable to:			
— Equity holders of the Company		(26,233)	48,938
— Non-controlling interests		(401)	—
		(26,634)	48,938
(Loss)/earnings per share (expressed in RMB cents per share)			
— Basic	13	(4.83)	8.81
— Diluted	13	(4.83)	8.59

CONSOLIDATED BALANCE SHEET

	Notes	As at 31 December 2021 RMB'000	2020 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	14	54,369	170,333
Right-of-use assets	15	179,388	643,427
Investment properties	16	65,100	—
Intangible assets	17	2,800	2,857
Prepayments and other receivables	19	18,694	50,461
Deferred tax assets	30	12,721	36,064
Financial assets at fair value through profit or loss	20	24,129	—
Total non-current assets		357,201	903,142
Current assets			
Prepayments and other receivables	19	11,425	22,751
Financial assets at fair value through profit or loss	20	155,725	298,943
Cash and cash equivalents	21	236,041	442,586
Restricted Cash	21	176	—
Total current assets		403,367	764,280
Total assets		760,568	1,667,422
Equity			
Share capital	22	3,775	3,775
Share premium	25	82,698	295,908
Shares held for employee share scheme	23	—	(1,050)
Other reserves	25	33,293	66,361
Retained earnings		198,180	173,043
Capital and reserves attributable to equity holders of the Company		317,946	538,037
Non-controlling interests		(401)	—
Total equity		317,545	538,037
Liabilities			
Non-current liabilities			
Lease liabilities	15	119,592	484,628
Total non-current liabilities		119,592	484,628

CONSOLIDATED BALANCE SHEET

	Notes	As at 31 December 2021 RMB'000	2020 RMB'000
Current liabilities			
Contract liabilities	27	**176,251**	357,039
Lease liabilities	15	**32,804**	117,783
Trade and other payables	28	**80,941**	105,078
Current income tax liabilities		**3,435**	10,457
Borrowings	29	**30,000**	54,400
Total current liabilities		**323,431**	644,757
Total liabilities		**443,023**	1,129,385
Total equity and liabilities		**760,568**	1,667,422

The consolidated financial statements on pages 98 to 167 were approved by the Board of Directors on 30 March 2022 and were signed on its behalf.

Chen Qiyuan
Director

Qi Mingzhi
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
Balance at 1 January 2020		3,775	386,081	—	39,403	124,105	553,364
Profit for the year		—	—	—	—	48,938	48,938
Total comprehensive income for the year		3,775	386,081	—	39,403	173,043	602,302
Transactions with owners:							
Capital injection from shareholders							
Dividends paid	25, 26	—	(90,173)	—	—	—	(90,173)
Share based payments	24, 25	—	—	—	26,958	—	26,958
Acquisition of shares for employee share scheme	23	—	—	(1,050)	—	—	(1,050)
Balance at 31 December 2020		3,775	295,908	(1,050)	66,361	173,043	538,037

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Attributable to owners of Company							
		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-controlling 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)/profit for the year		—	—	—	—	(26,611)	(26,611)	(401)	(27,012)
Other comprehensive income		—	—	—	378	—	378	—	378
Total comprehensive income for the year		3,775	295,908	(1,050)	66,739	146,432	511,804	(401)	511,403
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 CASH FLOWS

	Notes	Year ended 31 December 2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Cash generated from operations	31(a)	108,518	290,184
Interest received		2,437	5,586
Interest paid		(1,878)	(5,591)
Income taxes paid		(16,290)	(18,729)
Net cash inflow from operating activities		92,787	271,450
Cash flows from investing activities			
Payments for property, plant and equipment, land use rights and intangible assets		(52,350)	(82,496)
Proceeds from disposal of property, plant and equipment and intangible assets	31(b)	4,562	252
Proceeds from term deposits with initial maturities over 3 months		—	35,304
Payments for purchase of financial assets at fair value through profit or loss	20	(2,622,212)	(2,676,875)
Proceeds from redemption of financial assets at fair value through profit or loss at maturity	20	2,717,109	2,856,199
Net cash inflow from investing activities		47,109	132,384
Cash flows from financing activities			
Acquisition of shares for employee share based payments	23	(52,942)	(1,050)
Exercise and transfer of shares held	24(b)	5,576	—
Payments on cancellation of share options	24(a)	(2,988)	—
Proceeds from borrowings		60,000	80,000
Repayment of borrowings		(84,400)	(86,975)
Dividends paid to shareholders	26	(167,630)	(90,173)
Principal elements of lease payments		(102,248)	(99,844)
Net cash outflow from financing activities		(344,632)	(198,042)
Net (decrease)/increase in cash and cash equivalents		(204,736)	205,792
Cash and cash equivalents at the beginning of the year		442,586	241,479
Effects of exchange rate changes on cash and cash equivalents		(1,809)	(4,685)
Cash and cash equivalents at the end of the year		236,041	442,586

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

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

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

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

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

The consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated.

The consolidated financial statements were approved for issue by the board of directors of the Company on 30 March 2022.

2. Summary of significant accounting policies

2.1 Basis of preparation and reorganisation

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

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

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

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.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation and reorganisation (Continued)

The Group will continue to implement 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 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 2021 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 2021, 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 2021. 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 2021:

- Interest Rate Benchmark Reform — Phase 2 — amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- COVID-19-Related Rent Concessions — Amendments to IFRS 16

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods, except for the Amendment to IFRS 16 set out above.

(b) New standards and interpretations not yet adopted

		Effective for annual periods beginning on or after
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Annual improvement project	Annual Improvements IFRS Standard 2018–2020	1 January 2022
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
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
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation and reorganisation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

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

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 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.

(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.

2. Summary of significant accounting policies (Continued)

2.2 Principles of consolidation (Continued)

2.2.1 Subsidiaries (Continued)

(a) Business combination (Continued)

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

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

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

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

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the consolidated 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. Summary of significant accounting policies (Continued)

2.2 Principles of consolidation (Continued)

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.

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. Summary of significant accounting policies (Continued)

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).

(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.

2. Summary of significant accounting policies (Continued)

2.4 Foreign currency translation (Continued)

(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.

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. Summary of significant accounting policies (Continued)

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.

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. Summary of significant accounting policies (Continued)

2.7 Intangible assets

Computer software

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

2.8 Research and development costs

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

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

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

2.9 Impairment of non-financial assets

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

2. Summary of significant accounting policies (Continued)

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets in the following categories:

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

- Those to be measured at amortised cost.

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

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

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

2.10.2 Recognition and derecognition

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

2.10.3 Measurement

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

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

2. Summary of significant accounting policies (Continued)

2.10 Financial assets (Continued)

2.10.3 Measurement (Continued)

Debt instruments

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

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

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.

2. Summary of significant accounting policies (Continued)

2.10 Financial assets (Continued)

2.10.3 Measurement (Continued)

Impairment

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

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

2.11 Offsetting financial instruments

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

2.12 Other receivables

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

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

2.13 Contract assets and liabilities

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

2.14 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. Summary of significant accounting policies (Continued)

2.15 Share capital and shares held for employee share scheme

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

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

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

2.16 Trade and other payables

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

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

2.17 Borrowings

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

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

2.18 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. Summary of significant accounting policies (Continued)

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.

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. Summary of significant accounting policies (Continued)

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.

(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.

2. Summary of significant accounting policies (Continued)

2.21 Provisions (Continued)

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.

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

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

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

2. Summary of significant accounting policies (Continued)

2.23 Revenue recognition (Continued)

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

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

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

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

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

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

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

2.24 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.

2. Summary of significant accounting policies (Continued)

2.25 Leases (Continued)

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Lease payments are allocated between principal and finance cost. The finance cost is charged to comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

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

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

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

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

2. Summary of significant accounting policies (Continued)

2.25 Leases (Continued)

- 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.

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 COVID19 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 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	
	2021	2020
	RMB'000	RMB'000
Assets		
USD	**3**	15,028
HKD	**1,727**	5,456
	1,730	20,484

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:

	2021		2020	
	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%	**(5%)**	5%	(5%)
	RMB'000	**RMB'000**	RMB'000	RMB'000
USD	**—**	**—**	(751)	751
HKD	**(86)**	**86**	(273)	273

(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 2021 and 2020, 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	
	2021	2020
	RMB'000	RMB'000
Floating rate		
Expiring within 1 year	**30,000**	54,400

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	
	2021	2020
	RMB'000	RMB'000
Interest rates — increase by 100 basis points	**(198)**	(384)
Interest rates — decrease by 100 basis points	**198**	384

(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 2021 and 2020, 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 2021 and 2020, 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 2021 and 2020 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 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
As at 31 December 2020					
Trade payables	3,363	—	—	—	3,363
Other payables	15,984	—	—	—	15,984
Borrowings	55,166	—	—	—	55,166
Lease liabilities	134,582	127,472	296,197	174,382	732,633
	209,095	127,472	296,197	174,382	807,146

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 2021 and 2020 were as follows:

2021	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Asset				
Financial assets at FVPL	—	—	179,854	179,854

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

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 2021 and 2020.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the years ended 31 December 2021 and 2020.

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 before income tax for the years ended 31 December 2021 and 2020 would have been approximately RMB15,290,000 higher/lower and RMB28,730,000 higher/lower, respectively.

4. Critical accounting estimates and judgements

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

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

(a) Structured Contracts

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

(b) Income taxes

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

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

(c) The discount rate determination for IFRS 16

In determining the discount rate, the Group is required to exercise considerable judgement in relation to determining the discount rate and to taking into account the nature of the underlying assets and the terms and conditions of the leases, at both the commencement date and the effective date of the modification.

5. Revenue and segment information

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

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

As a result of evaluation by CODM, the CODM considers that the Group is operated and managed as a single operating segment of after-school education services for the year ended 31 December 2021.

	2021 RMB'000	2020 RMB'000
Recognised over time		
— After-school education services	831,725	749,089

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

	2021 RMB'000	2020 RMB'000
Sub-lease (a)		
— Sub-lease income	3,853	9,376
— Sub-lease expense	(2,982)	(9,379)
Rental income from operating leases	2,293	—
Finance income	2,437	5,586
Government grants (b)	16,889	29,587
Others	30	—
	22,520	35,170

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

(b) Government grants mainly include VAT exemption. VAT exemption amounted to RMB15,259,000 (2020: RMB25,259,000) 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 extends the period of VAT exemption from calendar year 2020 to 2021.

7. Other (losses)/gains — net

	2021 RMB'000	2020 RMB'000
Fair value (losses)/gains on financial assets at FVPL	(24,192)	30,646
Lease modification (a)	42,271	2,258
Net losses on disposal of property, plant and equipment and intangible assets (Note 31(b))	(64,350)	(2,539)
Deposits losses	(10,949)	(1,687)
Compensation charges	(3,144)	(7)
Fair value losses on investment properties (Note 16)	(900)	—
Net foreign exchange losses	(1,809)	(4,685)
Others	(2,822)	(924)
	(65,895)	23,062

(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

	2021 RMB'000	2020 RMB'000
Employee benefit expenses (Note 9)	470,721	463,653
Depreciation and amortisation (Note 14, 15 and 17)	155,086	156,114
Teaching materials	24,009	25,913
Software usage fees	1,001	11,549
Property management expenses	13,590	11,915
Advertising and exhibition expenses	7,584	13,372
Utilities	8,964	9,874
Office expenses	6,730	8,677
Maintenance cost	7,452	5,688
Entertainment and activities expenses	1,425	4,052
Other taxes	5,021	4,026
Professional service fees	3,718	3,795
Travel and transportation	1,148	2,056
Auditors' remuneration		
— Audit services	1,923	1,906
— Non-audit services	693	694
Recruitment expenses	1,266	2,477
Renting expenses	3,027	1,182
Allowance for impairment	5,912	206
Impairment provisions on property, plant and equipment (Note 14)	24,681	—
Rent concession related to COVID-19 (Note 15(d))	(2,340)	(13,445)
Others	12,156	7,386
	753,767	721,090

9. Employee benefit expenses

(a) Employee benefit expenses are as follows:

	2021 RMB'000	2020 RMB'000
Wages, salaries and bonus	404,730	420,953
Defined contribution plan	14,675	5,095
Share options and share awarded scheme granted to employees	35,639	26,958
Termination benefits	4,095	534
Other social security costs and housing fund	11,582	10,113
	470,721	463,653

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2021 include nil (2020: Nil) director whose emoluments are reflected in the analysis shown in Note 34. The emoluments payable to the remaining 5 (2020: 5) individuals during the years ended 31 December 2021 and 2020 are as follows:

	2021 RMB'000	2020 RMB'000
Wages, salaries and bonus	4,260	4,857
Share options and share award scheme	2,184	2,790
Defined contribution plan	40	8
Other social security costs and housing fund	19	30
	6,503	7,685

(c) The emoluments fell within the following bands:

	Number of individuals for the year ended 31 December	
	2021	2020
Emolument band		
Nil – HK$1,000,000	3	2
HK$1,000,000 – HK$2,000,000	2	3

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

	2021 RMB'000	2020 RMB'000
Interest expenses on bank borrowings	1,911	5,591
Interest expenses on leasing liabilities (Note 15(b))	27,074	30,856
	28,985	36,447

11. Subsidiaries

The Group's principal subsidiaries at 31 December 2021 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 2021	Ownership interest held by the group 2020	Ownership interest held by non-controlling interests 2021	Ownership interest held by non-controlling interests 2020
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%	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%	100%	—	—
Shenzhen Fengye	The PRC/2 April 2018	Internet and software technology development and service/The PRC	RMB50,000,000/ RMB50,000,000	100%	100%	—	—
Shenzhen Scholar	The PRC/4 January 2012	Education service/The PRC	RMB20,000,000/ RMB20,000,000	100%	100%	—	—
Shenzhen Scholar Education and Training Centre (深圳市思考樂教育培訓中心)	The PRC/30 July 2014	Education service/The PRC	RMB1,000,000/ RMB1,000,000	100%	100%	—	—
Xiamen Scholar Education Service Co., Ltd. (廈門市思考樂教育服務有限公司)	The PRC/13 April 2016	Education service/The PRC	RMB1,000,000/ RMB1,000,000	100%	100%	—	—
Dongguan Scholar Education and Culture Development Co., Ltd. (東莞市思考樂教育文化發展有限公司)	The PRC/23 January 2017	Education service/The PRC	RMB1,000,000/ RMB1,000,000	100%	100%	—	—
Huizhou Scholar Education and Consultation Co., Ltd. (惠州市思考樂教育諮詢有限公司)	The PRC/23 November 2017	Education service/The PRC	RMB1,000,000/ RMB1,000,000	100%	100%	—	—
Huizhou Scholar Education Technology Co., Ltd. (惠州市思考樂教育科技有限公司)	The PRC/22 October 2018	Education service/The PRC	RMB1,000,000/ RMB1,000,000	100%	100%	—	—
Foshan Scholar Culture Co., Ltd. (佛山市思考樂文化有限公司)	The PRC/25 December 2017	Education service/The PRC	RMB1,000,000/ RMB1,000,000	100%	100%	—	—
Foshan Nanhai District Scholar Education and Training Centre Co., Ltd. (佛山市南海區思考樂教育培訓中心有限公司)	The PRC/20 August 2018	Education service/The PRC	RMB1,500,000/ RMB1,500,000	100%	100%	—	—
Dongguan Wanjiang Scholar Training Centre Co., Ltd. (東莞市萬江思考樂培訓中心有限公司)	The PRC/1 March 2018	Education service/The PRC	RMB150,000/ RMB150,000	100%	100%	—	—
Dongguan Humen Scholar Training Centre Co., Ltd. (東莞市虎門思考樂培訓中心有限公司)	The PRC/9 April 2018	Education service/The PRC	RMB100,000/ RMB100,000	100%	100%	—	—
Dongguan Dongcheng Scholar Training Centre Co., Ltd. (東莞市東城思考樂培訓中心有限公司)	The PRC/5 February 2018	Education service/The PRC	RMB100,000/ RMB100,000	100%	100%	—	—
Dongguan Guancheng Diwang Scholar Training Centre Co., Ltd. (東莞市莞城地王思考樂培訓中心有限公司)	The PRC/10 April 2018	Education service/The PRC	RMB100,000/ RMB100,000	100%	100%	—	—
Dongguan Dongcheng Dongtai Scholar Training Centre Co., Ltd. (東莞市東城東泰思考樂培訓中心有限公司)	The PRC/2 March 2018	Education service/The PRC	RMB100,000/ RMB100,000	100%	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 2021	Ownership interest held by the group 2020	Ownership interest held by non-controlling interests 2021	Ownership interest held by non-controlling interests 2020
Dongguan Chang'an Scholar Training Centre Co., Ltd. (東莞市長安思考樂培訓中心有限公司)	The PRC/21 September 2018	Education service/The PRC	RMB100,000/ RMB100,000	100%	100%	—	—
Foshan Chancheng Scholar Education and Training Centre Co., Ltd. (佛山市禪城區思考樂教育培訓中心)	The PRC/15 January 2019	Education service/The PRC	RMB1,000,000/ RMB1,000,000	100%	100%	—	—
Foshan Chancheng District Qifan Education and Training Centre Co., Ltd. (佛山市禪城區啟凡教育培訓中心)	The PRC/10 April 2019	Education service/The PRC	RMB300,000/ RMB300,000	100%	100%	—	—
Huizhou Huicheng District Scholar Education and Training Centre Co., Ltd. (惠州市惠城區思考樂教育培訓中心有限公司)	The PRC/19 April 2019	Education service/The PRC	RMB300,000/ RMB300,000	100%	100%	—	—
Huizhou Huicheng District Qifan Education and Training Centre Co., Ltd. (惠州市惠城區啟凡教育培訓中心有限公司)	The PRC/19 April 2019	Education service/The PRC	RMB300,000/ RMB300,000	100%	100%	—	—
Zhongshan Scholar Education and Consultation Co., Ltd. (中山市思考樂教育諮詢有限公司)	The PRC/14 August 2019	Education service/The PRC	RMB0/ RMB1,000,000	100%	100%	—	—
Jiangmen Scholar Education and Consultation Co., Ltd. (江門市思考樂教育諮詢有限公司)	The PRC/14 August 2019	Education service/The PRC	RMB1,000,000/ RMB1,000,000	100%	100%	—	—
Jiangmen Pengjiang District Qifan Education and Training Centre Co., Ltd. (江門市蓬江區啟凡教育培訓中心有限公司)	The PRC/18 June 2020	Education service/The PRC	RMB300,000/ RMB300,000	100%	100%	—	—
Jiangmen Pengjiang District Scholar Education and Training Centre Co., Ltd. (江門市蓬江區思考樂教育培訓中心有限公司)	The PRC/15 June 2020	Education service/The PRC	RMB1,500,000/ RMB1,500,000	100%	100%	—	—
Zhongshan Shiqi District Scholar Education and Training Centre Co., Ltd. (中山市石岐區思考樂教育培訓中心有限公司)	The PRC/4 June 2020	Education service/The PRC	RMB0/ RMB300,000	100%	100%	—	—
Zhongshan Shiqi District Xinyue Scholar Education and Training Centre Co., Ltd. (中山市石岐區新悅思考樂教育培訓中心有限公司)	The PRC/6 November 2020	Education service/The PRC	RMB0/ RMB300,000	100%	100%	—	—
Zhongshan Xi District Scholar Education and Training Centre Co., Ltd. (中山市西區思考樂教育培訓中心有限公司)	The PRC/27 September 2020	Education service/The PRC	RMB0/ RMB300,000	100%	100%	—	—
Guangzhou Scholar Education and Consultation Co., Ltd. (廣州市思考樂教育諮詢有限公司)	The PRC/19 December 2019	Education service/The PRC	RMB1,000,000/ RMB1,000,000	100%	100%	—	—
Ningbo Scholar Education Information Consulting Co., Ltd. (寧波市思考樂教育資訊諮詢有限公司)	The PRC/28 June 2020	Education service/The PRC	RMB400,000/ RMB1,000,000	100%	100%	—	—
Suzhou Scholar Culture and Technology Development Co., Ltd. (蘇州市思考樂文化科技發展有限公司)	The PRC/9 September 2020	Education service/The PRC	RMB500,000/ RMB1,000,000	100%	100%	—	—
Maoming Scholar Education and Consultation Co., Ltd. (茂名市思考樂教育諮詢有限公司)	The PRC/30 September 2020	Education service/The PRC	RMB300,000/ RMB1,000,000	100%	100%	—	—
Zhuhai Scholar Education and Consultation Co., Ltd. (珠海市思考樂教育諮詢有限公司)	The PRC/7 August 2020	Education service/The PRC	RMB300,000/ RMB1,000,000	100%	100%	—	—
Foshan Chancheng District Scholar Education and Training Centre Co., Ltd. (佛山市禪城區思考樂教育培訓中心有限公司)	The PRC/31 March 2020	Education service/The PRC	RMB300,000/ RMB300,000	100%	100%	—	—
Guangzhou Haizhu District Scholar Training Centre Co., Ltd. (廣州市海珠區思考樂培訓中心有限公司)	The PRC/8 December 2020	Education service/The PRC	RMB300,000/ RMB300,000	100%	100%	—	—
Huizhou Huicheng District Qifan Education Training Centre Co., Ltd., Shangpai Branch (惠州市惠城區啟凡教育培訓中心有限公司上排分公司)	The PRC/12 May 2020	Education service/The PRC	RMB300,000/ RMB300,000	100%	100%	—	—
Huizhou Huicheng District Scholar Education Training Centre Co., Ltd., Zhongkai Branch (惠州市惠城區思考樂教育培訓中心有限公司仲愷分公司)	The PRC/22 December 2020	Education service/The PRC	RMB300,000/ RMB300,000	100%	100%	—	—
Huizhou Huicheng District Scholar Education Training Centre Co., Ltd, Jiangbei Branch (惠州市惠城區思考樂教育培訓中心有限公司江北分公司)	The PRC/02 December 2020	Education service/The PRC	RMB300,000/ RMB300,000	100%	100%	—	—
Foshan Shunde District Daliang Scholar Education and Training Centre Co., Ltd. (佛山市順德區大良思考樂教育培訓中心有限公司)	The PRC/26 March 2020	Education service/The PRC	RMB300,000/ RMB300,000	100%	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 2021	2020	Ownership interest held by non-controlling interests 2021	2020
Heyuan Scholar Education and Consultation Co., Ltd. (河源市思考樂教育諮詢有限公司)	The PRC/25 September 2020	Education service/The PRC	RMB0/ RMB1,000,000	100%	100%	—	—
Huizhou Huicheng District Scholar Education Training Centre.Co., Ltd, Jinshan Hu Branch (惠州市惠城區思考樂教育培訓中心有限公司金山湖分公司)	The PRC/11 November 2020	Education service/The PRC	RMB300,000/ RMB300,000	100%	100%	—	—
Foshan Chancheng District Scholar Qifan Education Training Centre Co., Ltd. (佛山市禪城區思考樂啟凡教育培訓中心有限公司)	The PRC/29 July 2021	Education service/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 service/The PRC	RMB300,000/ RMB300,000	100%	—	—	—
Boluo County Luoyang Shangtang Scholar Education Training Centre Co., Ltd. (博羅縣羅陽上塘思考樂教育培訓中心有限公司)	The PRC/05 February 2021	Education service/The PRC	RMB300,000/ RMB300,000	100%	—	—	—
Huizhou Huiyang District Qifan Education Training Centre Co., Ltd. (惠州市惠陽區啟凡教育培訓中心有限公司)	The PRC/22 February 2021	Education service/The PRC	RMB300,000/ RMB300,000	100%	—	—	—
Jiangmen Xinhui District Scholar Education Training Co., Ltd. (江門市新會區思考樂教育培訓有限公司)	The PRC/17 March 2021	Education service/The PRC	RMB0/ RMB300,000	100%	—	—	—
Jiangmen Xinhui District Kuicheng Scholar Education Training Co., Ltd. (江門市新會區葵城思考樂教育培訓有限公司)	The PRC/26 February 2021	Education service/The PRC	RMB0/ RMB300,000	100%	—	—	—
Zhongshan East District Scholar Education Training Centre Co., Ltd. (中山市東區思考樂教育培訓中心有限公司)	The PRC/28 April 2021	Education service/The PRC	RMB0/ RMB300,000	100%	—	—	—
Zhongshan Daling Scholar Education Training Centre Co., Ltd. (中山市大嶺思考樂教育培訓中心有限公司)	The PRC/04 March 2021	Education service/The PRC	RMB0/ RMB300,000	100%	—	—	—
Zhongshan Xiaolan Town Scholar Education Training Centre Co., Ltd. (中山市小欖鎮思考樂教育培訓中心有限公司)	The PRC/10 March 2021	Education service/The PRC	RMB0/ RMB300,000	100%	—	—	—
Zhongshan Xiaolan Town Scholar Education Training Centre Co., Ltd. (中山市古鎮思考樂教育培訓中心有限公司)	The PRC/23 April 2021	Education service/The PRC	RMB0/ RMB300,000	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 service/The PRC	RMB300,000/ RMB300,000	100%	—	—	—
Guangzhou Panyu District Miaowei Scholar Education Training Centre Co., Ltd. (廣州市番禺區妙維思考樂培訓中心有限公司)	The PRC/28 April 2021	Education service/The PRC	RMB300,000/ RMB300,000	100%	—	—	—
Suzhou Miaowei Scholar Education Consultation Co., Ltd. (蘇州妙維思考樂教育諮詢有限公司)	The PRC/06 January 2021	Education service/The PRC	RMB0/ RMB1,000,000	100%	—	—	—
Suzhou Fengye Scholar Education Consultation Co., Ltd. (蘇州楓燁思考樂教育諮詢有限公司)	The PRC/20 January 2021	Education service/The PRC	RMB0/ RMB1,000,000	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 service/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 service/The PRC	RMB300,00/ RMB300,000	100%	—	—	—
Ningbo Yinzhou District Scholar Stationery Selling Co., Ltd. (寧波鄞州區思考樂文具銷售有限公司)	The PRC/18 February 2021	Education service/The PRC	RMB0/ RMB300,000	100%	—	—	—
Ningbo Yinzhou District Qifan Stationery Co., Ltd. (寧波市鄞州區啟凡文具有限公司)	The PRC/16 April 2021	Education service/The PRC	RMB300,000/ RMB300,000	100%	—	—	—
Suzhou San Shi Er Catering Management Co., Ltd. (蘇州市叁拾貳餐飲管理有限公司)	The PRC/13 October 2021	Catering/The PRC	RMB0/ RMB200,000	60%	—	40%	—
Shenzhen Zhibo Culture and Art Education Co., Ltd. (深圳市志博文化藝術培訓有限公司)	The PRC/19 July 2021	Education service/The PRC	RMB2,000,000/ RMB5,000,000	51%	—	49%	—
Guangdong Hongyuan Investment Co., Ltd. (廣東省弘遠投資有限公司)	The PRC/16 September 2021	Investment/The PRC	RMB20,000,000/ RMB50,000,000	100%	—	—	—

* The English names of companies established in the PRC are translation of their Chinese names at the best effort of the directors of the Company as they do not have official English names.

11. Subsidiaries (Continued)

The directors of the Company considered that the non-controlling interests in respect of the subsidiaries are not material to the Group, and therefore, no summarised financial information of the relevant subsidiaries is presented separately.

12. Income tax expense

	2021 RMB'000	2020 RMB'000
Current tax		
— Current tax on profits for the year	8,637	17,333
Deferred income tax		
— Increase/(decrease) in deferred income tax (Note 30)	23,973	(16,487)
Income tax expense	**32,610**	846

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:

	2021 RMB'000	2020 RMB'000
Profit before income tax:	5,598	49,784
Tax calculated at tax rates applicable to profit in the respective companies	1,252	12,145
Tax effects of:		
— Preferential tax policies (c)	2,671	(11,343)
— Expenses not deductible for tax purposes	421	64
— Research and development super deduction (d)	(4,512)	(5,242)
Previously unrecognised tax losses now recouped to reduce current tax expense	(5,222)	—
— Unrecognised tax losses	38,000	5,222
	32,610	846

(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 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 2021 is taken into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2020-2021 subject to a maximum reduction of $10,000 for each business (2020: a maximum reduction of $20,000 was granted for the year of assessment 2019-2020 and was taken into account in calculating the provision for 2020).The payments of dividends by these companies to their shareholders are not subject to any Hong Kong withholding tax.

(c) PRC Enterprise Income Tax ("EIT")

The income tax provision of the Group in respect of its operations in the PRC was calculated at the tax rate of 25% on the assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

Shenzhen Scholar has obtained its qualification as a "High and New Technology Enterprise" ("**HNTE**") in December 2020, and it is subject to a reduced preferential EIT rate of 15% for 3-year period from 2020 to 2022 according to the relevant PRC laws and regulations applicable to the HNTE.

(d) Research and development super deduction

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 175% of their research and development expenses since 2018 so incurred as tax deductible expenses when determining their assessable profits for that year.

13. (Loss)/earnings per share

(a) Basic (loss)/earnings per share

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

	2021	2020
(Loss)/earnings attributable to equity shareholders of the Company (in RMB thousands)	**(26,611)**	48,938
Weighted average number of ordinary shares in issue (thousand shares) (i)	**551,181**	555,700
Basic (loss)/earnings per share (expressed in RMB cents per share)	**(4.83)**	8.81

13. (Loss)/earnings per share (Continued)

(a) Basic (loss)/earnings per share (Continued)

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit for the year attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2021 and 2020.

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share adjusts the figures used in the determination of basic (loss)/earnings per share to take into account:

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	2021	2020
Diluted (loss)/earnings per share (expressed in RMB cents per share)	**(4.83)**	8.59

Weighted average number of shares used as the denominator

	2021	2020
Weighted average number of ordinary shares used as the denominator in calculating basic (loss)/earnings per share	**551,181,000**	555,700,000
Adjustments for calculation of diluted (loss)/earnings per share: Share options*	**—**	14,294,000
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted (loss)/earnings per share	**551,181,000**	569,994,000

* For the year ended 31 December 2021, the effect of the share options was anti-dilutive and therefore not included in the calculation of the diluted (loss)/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 2020					
Cost	69,520	17,820	117,781	2,299	207,420
Accumulated depreciation	(5,578)	(10,539)	(45,528)	(893)	(62,538)
Net book amount	63,942	7,281	72,253	1,406	144,882
Year ended 31 December 2020					
Opening net book amount	63,942	7,281	72,253	1,406	144,882
Additions	—	14,616	55,425	1,807	71,848
Disposals	—	(209)	(2,579)	(3)	(2,791)
Depreciation charge	(1,771)	(7,130)	(34,267)	(438)	(43,606)
Closing net book amount	62,171	14,558	90,832	2,772	170,333
As at 31 December 2020					
Cost	67,752	30,782	170,626	4,101	273,261
Accumulated depreciation	(5,581)	(16,224)	(79,794)	(1,329)	(102,928)
Net book amount	62,171	14,558	90,832	2,772	170,333
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	—	(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

14. Property, plant and equipment (Continued)

Depreciation expenses have been charged to comprehensive income as follows:

	2021 RMB'000	2020 RMB'000
Cost of sales	44,114	34,067
Administrative expenses	7,631	9,539
	51,745	43,606

15. Right-of-use assets and leases

(a) Amounts recognised in the consolidated balance sheet

	As at 31 December 2021 RMB'000	2020 RMB'000
Right-of-use assets*		
Land use rights **	59,043	87,675
Properties	120,345	555,752
	179,388	643,427
Lease liabilities		
Current	32,804	117,783
Non-current	119,592	484,628
	152,396	602,411

* Additions to the right-of-use assets during the year ended 31 December 2021 was RMB64,558,000 (for the year ended 31 December 2020: RMB254,546,000).

** 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

	2021 RMB'000	2020 RMB'000
Depreciation charge of right-of-use assets		
— Properties	100,499	109,428
— Land use rights	2,409	2,886
	102,908	112,314
Interest expense (included in finance costs)	27,074	30,856
Expense relating to short-term leases (included in administrative expenses and cost of sales)	3,027	1,182

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

For the year ended 31 December 2021, the cash outflows from financing activities for leases was RMB102,248,000 (for the year ended 31 December 2020: RMB99,844,000) and cash outflows from operating activities for short-term lease was RMB3,027,000 (for the year ended 31 December 2020: RMB1,182,000).

(d) Rent concessions related to COVID-19

For the year ended 31 December 2021, the rent concessions related to COVID-19 was RMB2,340,000 (for the year ended 31 December 2020: RMB13,445,000) (Note 8).

16. Investment properties

	2021 RMB'000	2020 RMB'000
Non-current assets at fair value		
Opening balance at 1 January	—	—
Transfer from property, plant and equipment	39,399	—
Transfer from land use right	26,223	—
Revaluation gains recognised in other comprehensive income	378	—
Fair value losses	(900)	—
Closing balance at 31 December	65,100	—

16. Investment properties (Continued)

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

	2021 RMB'000	2020 RMB'000
Rental income from operating leases	1,841	—
Fair value losses	(900)	—
	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 2021 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 2021.

(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 RMB48,800 (2020: Nil) per square metre.

17. Intangible assets

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

18. Financial instruments by category

	Financial assets at amortised cost RMB'000	Financial assets at FVPL RMB'000
As at 1 January 2020		
Other receivables	30,245	—
Financial assets at FVPL	—	447,621
Term deposits with original maturity over three months	35,304	—
Cash and cash equivalents	241,479	—
	307,028	447,621
As at 31 December 2020		
Other receivables	40,109	—
Financial assets at FVPL	—	298,943
Cash and cash equivalents	442,586	—
	482,695	298,943
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

	2021 RMB'000	2020 RMB'000
Financial liabilities at amortised cost		
Trade payables	**1,948**	3,363
Other payables	**25,015**	16,040
Borrowings	**30,000**	54,400
	56,963	73,803

19. Prepayments and other receivables

	2021 RMB'000	2020 RMB'000
Included in non-current assets		
Lease deposits	15,594	26,978
Prepayments for leasehold improvements	6,812	23,611
	22,406	50,589
Allowance for impairment (d)	(3,712)	(128)
	18,694	50,461
Included in current assets		
Amounts due from related parties (Note 33(d)(i))	1,009	1,493
Cash advances to employees (a)	1,152	962
Loans to employees (b)	3,086	3,420
Lease deposits	649	2,022
Prepayments (c)	2,965	8,205
Other receivables	4,970	6,727
	13,831	22,829
Allowance for impairment (d)	(2,406)	(78)
	11,425	22,751

As at 31 December 2021 and 2020 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 RMB6,118,000 (2020: RMB206,000).

20. Financial assets at fair value through profit or loss

Financial assets mandatorily measured at FVPL include the following:

	2021 RMB'000	2020 RMB'000
Non-current assets		
Unlisted securities	24,129	—
Current assets		
Unlisted securities	155,725	298,943
	179,854	298,943

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

	2021 RMB'000	2020 RMB'000
At the beginning of the year	298,943	447,621
Additions	2,622,212	2,676,875
Fair value (losses)/gains	(24,192)	30,646
Redemption on maturity	(2,717,109)	(2,856,199)
At the end of the year	179,854	298,943

(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 1.29% to 8.70% and 6.50% to 8.80% per annum for the years ended 31 December 2021 and 2020, 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 3 of the fair value hierarchy. The higher the expected rates of return, the higher of the fair value.

21. Bank balance and cash

(a) Cash and cash equivalents

	2021 RMB'000	2020 RMB'000
Cash and bank deposits	236,041	442,586

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

	2021 RMB'000	2020 RMB'000
RMB	234,311	422,102
US dollar	3	15,028
HKD	1,727	5,456
	236,041	442,586

(b) Restricted cash

As at 31 December 2021, restricted deposits held at banks of RMB176,000 (31 December 2020: Nil) 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 2020, 31 December 2020, 1 January 2021 and 31 December 2021	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

	2021 Shares	2021 RMB'000
Shares held for employee share scheme	—	—

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

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

The Group through its trustee, Smart Scholar Limited, acquired 7,182,000 Company's shares for the year ended 31 December 2021 (for the year ended 31 December 2020: 99,000). The total consideration paid to acquisition of these shares was HK$63,535,000 (equivalent to RMB52,942,000) (for the year ended 31 December 2020: HK$1,247,100 (equivalent to RMB1,050,000)), 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	2021 Number of options	Average exercise price per share option	2020 Number of options
As at 1 January	HK$7.5	27,785,000	HK$7.5	27,785,000
Granted during the year	—	—	—	—
Exercised during the year	—	—	—	—
Cancelled during the year	HK$7.5	(27,785,000)	—	—
As at 31 December	—	—	HK$7.5	27,785,000
Vested and exercisable at 31 December	—	—	—	—

Based on the fair value of the underlying ordinary share, the directors have used Binomial valuation model to determine the fair value of the share option as at the grant date. Key assumptions are set as below:

Risk-free interest rate	1.26%
Volatility	43.43%
Dividend yield	0.00%

The fair value for each of the share option as at the grant date was HK$2.6887.

Considering that the exercise price of options has been consistently high when compared with the prevailing market price of the share, which deters 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 compensates options holders with bonus instead.

For the year ended 31 December 2021, the total expenses recognised in the consolidated statement of comprehensive income for share options were approximately RMB33,697,000 (for the year ended 31 December 2020: RMB26,958,000).

For the year ended 31 December 2021, the cash outflow of payments on cancellation of share options was RMB2,988,000 (for the year ended 31 December 2020: Nil).

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.

Movement in the number of awarded shares for the years ended 31 December 2021 is as follows:

	Numbers of awarded shares 2021
At the beginning of the year	—
Granted	7,281,000
Lapsed/forfeited	—
Vested and transferred	(7,281,000)
At the end of the year	—
Vested but not transferred as at the end of the year	—

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 2021, the total expenses recognised in the consolidated statement of comprehensive income for share award scheme was approximately RMB1,942,000 (for the year ended 31 December 2020: Nil) and was included in staff costs.

For the year ended 31 December 2021, the cash inflow of share award scheme was HK$6,830,000 (equivalent to RMB5,576,000) (for the year ended 31 December 2020: Nil).

25. Share premium and other reserves

	Share premium RMB'000	Other reserves: Merger reserve (a) RMB'000	Other reserves: Capital reserves RMB'000	Other reserves: Share based compensation reserves RMB'000	Other reserves: Revaluation surplus RMB'000	Other reserves: Total RMB'000
Balance at 1 January 2020	386,081	(46,347)	79,011	6,739	—	39,403
Dividends paid to the Company's shareholders (Note 26)	(90,173)	—	—	—	—	—
Share based payments (Note 24)	—	—	—	26,958	—	26,958
Balance at 31 December 2020	295,908	(46,347)	79,011	33,697	—	66,361
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

(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.

(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

	2021 HKD'000	2020 HKD'000
Interim dividends paid per share: HK$0.10 (2020: HK$0.06)	55,570	33,342
Special dividends per share: HK$0.15 (2020: HK$Nil)	83,355	—
	138,925	33,342
Proposed final dividends per share: HK$Nil (2020: HK$0.12)	—	66,684
	—	66,684

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

The board does not recommend the payment of a final dividend for the year ended 31 December 2021 (for the year ended 31 December 2020: HK$0.12 per share).

27. Contract liabilities

	2021 RMB'000	2020 RMB'000
Deferred revenue — Education services	176,251	357,039

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:

	2021 RMB'000	2020 RMB'000
At the beginning of the year	357,039	283,356
Revenue recognised	(831,725)	(749,089)
Cash received from customers during the year	806,477	896,825
Cash refunded to customers during the year	(155,540)	(74,053)
At the end of the year	176,251	357,039

Due to the short-term nature of the related service, the entire contract liabilities balance at the year ended would be recognised into revenue in the next year. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts which have an original expected duration of 1 year or less is not disclosed.

28. Trade and other payables

	2021 RMB'000	2020 RMB'000
Current		
Trade payables (a)	1,948	3,363
Employee benefits payables	42,506	68,495
Other taxes payables	11,412	17,180
Interest payables	89	56
Lease payment in advance	60	—
Other payables	24,926	15,984
	80,941	105,078

(a) Trade payables are primarily related to the purchase of books and other teaching materials for education. The credit terms of trade payables granted to the Group are usually 3 months.

As at 31 December 2021 and 2020, the ageing analysis of trade payables based on the invoice date was as follows:

	2021 RMB'000	2020 RMB'000
3 months or less	723	2,493
3 to 6 months	993	607
6 months to 1 year	232	263
	1,948	3,363

29. Borrowings

	2021 RMB'000	2020 RMB'000
Current		
— Unsecured with guarantee		
Bank borrowings	30,000	54,400

For the years ended 31 December 2021 and 2020, bank borrowings bear effective interest rate of 3.89% and 4.60 % respectively. All the bank borrowings of the Group are denominated in RMB.

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

	2021 RMB'000	2020 RMB'000
Within 1 year	30,000	54,400

30. Deferred income tax

	2021 RMB'000	2020 RMB'000
Tax losses	**829**	20,101
Financial assets at FVPL	**5,769**	(1,338)
Lease liabilities	**4,215**	10,668
Accruals on wages, salaries and bonus	**—**	100
Share based payments	**291**	5,837
Fair value losses on investment properties	**(151)**	—
Others	**1,768**	696
	12,721	36,064

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 2020	11,101	(745)	5,295	2,284	1,010	—	632	19,577
Credited/(charged) to the consolidated statement of comprehensive income	9,000	(593)	5,373	(2,184)	4,827	—	64	16,487
As at 31 December 2020	20,101	(1,338)	10,668	100	5,837	—	696	36,064

	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**

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 2021 and 2020, the Group did not recognise deferred income tax assets of RMB38,000,000 (2020: RMB5,222,000) in respect of the tax losses amounting to RMB171,921,000 (2020: RMB20,888,000), as their recoverability is uncertain.

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

	2021 RMB'000	2020 RMB'000
2022	—	6,047
2023	—	6,162
2024	—	13,112
2025	—	52,519
2026	815	—
	815	77,840

As at 31 December 2021, unused tax losses of approximately RMB3,786,000 (2020: RMB3,866,000) 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 2021 and 2020, 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 RMB211,252,000 and RMB232,448,000, 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

	2021 RMB'000	2020 RMB'000
Profit before income tax	5,598	49,784
Adjustments for:		
Depreciation and amortisation	155,086	156,114
Net losses on disposal of property, plant and equipment and intangible assets	64,350	2,539
Net gains on disposal of right-of-use assets	(42,271)	(2,258)
Fair value losses/(gains) on financial assets at FVPL	24,192	(30,646)
Fair value losses on investment properties	900	—
Finance costs	28,985	36,447
Share based payments	35,639	26,958
Impairment provisions on property, plant and equipment	24,681	—
Restricted cash	(176)	—
Net exchange differences	1,809	4,685
Changes in working capital:		
Decrease/(increase) in prepayments and other receivables	50,858	(32,138)
(Decrease)/increase in trade and other payables	(60,345)	5,016
(Decrease)/increase in contract liabilities	(180,788)	73,683
Cash generated from operations	108,518	290,184

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

	2021 RMB'000	2020 RMB'000
Net book value (Note 14 and 17)	68,912	2,791
Net losses on disposal of property, plant and equipment and intangible assets (Note 7)	(64,350)	(2,539)
Proceeds from disposals	4,562	252

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

(c) Net cash reconciliation

	2021 RMB'000	2020 RMB'000
Cash and cash equivalents	236,041	442,586
Restricted cash	176	—
Financial assets at FVPL	179,854	298,943
Borrowings — repayable within one year	(30,000)	(54,400)
Net cash	386,071	687,129
Cash, restricted cash and financial assets at FVPL	416,071	741,529
Gross debt — variable interest rates	(30,000)	(54,400)
Net cash	386,071	687,129

	Other assets				Liabilities from financing activities		
	Cash and cash equivalents RMB'000	Term deposits with original maturity over 3 months RMB'000	Restricted cash RMB'000	Financial assets at FVPL RMB'000	Borrowings due within 1 year RMB'000	Borrowings due after 1 year RMB'000	Total RMB'000
As at 1 January 2020	241,479	35,304	—	447,621	(38,340)	(23,035)	663,029
Cash flows	201,107	(35,304)	—	(152,632)	(16,060)	23,035	20,146
Other non-cash movements	—	—	—	3,954	—	—	3,954
As at 31 December 2020	442,586	—	—	298,943	(54,400)	—	687,129
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

Note: For the year ended 31 December 2021, estimated fair value losses of RMB51,900,000 (for the year ended 31 December 2020: Nil) 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. 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:

	2021 RMB'000	2020 RMB'000
Within 1 year	3,464	160

33. Significant related party transactions

(a) Related party

The Group is controlled by the following entities:

Name	Type	Place of incorporation	Ownership interest 2021	2020
Sky Noon International Company Limited ("**Sky Noon**")	Ultimate and immediate parent entity	BVI	38.52%	38.52%
Magnificent Industrial Company Limited ("**Magnificent Industrial**")	Ultimate and immediate parent entity	BVI	24.84%	24.84%

Sky Noon and Magnificent Industrial are parties acting in concert in accordance with the decisions and directions of Mr. Chen Qiyuan since the concert parties became interested in and possessed voting rights in the Company according to the concert party agreement.

Parties are considered to be related if one party has the ability, directly and indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decision. Name and relationship with related parties are set out below:

Related parties	Relationship
China Resources Vanguard Co., Ltd.* (華潤萬家有限公司)	Related party
New Jiangcheng Department Store (Jiangmen) Co., Ltd.* (江門華潤萬家生活超市有限公司)	Related party
Vanguard Department Store (Guangzhou) Co., Ltd.* (華潤萬家生活超市(廣州)有限公司)	Related party
Vanguard Department Store (Zhuhai) Co., Ltd.* (華潤萬家生活超市(珠海)有限公司)	Related party
Shenzhen Vanguard Department Store Co., Ltd.* (深圳華潤萬家超級市場有限公司)	Related party

* 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.

33. Significant related party transactions (Continued)

(b) Key management personnel compensation (excluding directors)

	2021 RMB'000	2020 RMB'000
Wages, salaries and bonus	2,069	1,994
Share options and shares awarded	1,515	1,004
Defined contribution plan	68	7
Other social security costs and housing fund	33	26
	3,685	3,031

(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:

	2021 RMB'000	2020 RMB'000
China Resources Vanguard Co., Ltd.	2,823	3,248
Vanguard Department Store (Guangzhou) Co., Ltd.	1,328	902
New Jiangcheng Department Store (Jiangmen) Co., Ltd.	489	678
Shenzhen Vanguard Department Store Co., Ltd.	552	105
Vanguard Department Store (Zhuhai) Co., Ltd.	547	91
	5,739	5,024

33. Significant related party transactions (Continued)

(c) Significant transactions with related parties (Continued)

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

	2021 RMB'000	2020 RMB'000
China Resources Vanguard Co., Ltd.	796	1,094
Vanguard Department Store (Guangzhou) Co., Ltd.	515	380
New Jiangcheng Department Store (Jiangmen) Co., Ltd.	226	335
Shenzhen Vanguard Department Store Co., Ltd.	228	44
Vanguard Department Store (Zhuhai) Co., Ltd.	246	41
	2,011	1,894

(d) Balances with related parties

(i) Prepayment and other receivables

	2021 RMB'000	2020 RMB'000
China Resources Vanguard Co., Ltd.	482	734
Vanguard Department Store (Guangzhou) Co., Ltd.	322	316
New Jiangcheng Department Store (Jiangmen) Co., Ltd.	—	171
Vanguard Department Store (Zhuhai) Co., Ltd.	113	139
Shenzhen Vanguard Department Store Co., Ltd.	92	133
	1,009	1,493

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

33. Significant related party transactions (Continued)

(d) Balances with related parties (Continued)

(ii) Right-of-use assets

	2021 RMB'000	2020 RMB'000
China Resources Vanguard Co., Ltd.	4,352	14,388
Vanguard Department Store (Guangzhou) Co., Ltd.	—	9,591
New Jiangcheng Department Store (Jiangmen) Co., Ltd.	—	5,328
Shenzhen Vanguard Department Store Co., Ltd.	—	4,515
Vanguard Department Store (Zhuhai) Co., Ltd.	—	4,286
	4,352	38,108

(iii) Lease liabilities

	2021 RMB'000	2020 RMB'000
China Resources Vanguard Co., Ltd.	5,666	16,215
Vanguard Department Store (Guangzhou) Co., Ltd.	—	10,324
New Jiangcheng Department Store (Jiangmen) Co., Ltd.	—	5,955
Shenzhen Vanguard Department Store Co., Ltd.	—	4,665
Vanguard Department Store (Zhuhai) Co., Ltd.	—	4,419
	5,666	41,578

34. Benefits and interests of directors

The remuneration of each director of the Company paid/payable by the Group for the years ended 31 December 2021 and 2020 are set out as follows:

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

34. Benefits and interests of directors (Continued)

Year ended 31 December 2020:

Name	Director's fee RMB'000	Salaries RMB'000	Discretionary bonus RMB'000	Social security and housing fund RMB'000	Total RMB'000
Chairman:					
Mr. Chen Qiyuan	—	430	—	13	443
Executive directors:					
Mr. Chen Hongyu	—	343	—	11	354
Mr. Qi Mingzhi *(chief executive officer)*	—	359	—	13	372
Mr. Xu Chaoqiang	—	267	—	13	280
	—	1,399	—	50	1,449
Non-Executive director:					
Mr. Shen Jingwu *(vice chairman)*	—	—	—	—	—
Independent non-executive directors					
Dr. Huang Victor	—	213	—	—	213
Mr. Liu Jianhua	—	102	—	—	102
Mr. Yang Xuezhi	—	144	8	—	152
	—	459	8	—	467
	—	1,858	8	50	1,916

The remuneration of the executive directors of the Company shown above are for their services in relation to the management of the affairs of the Company and the Group.

Mr. Shen Jing Wu, the non-executive director of the Company, is not entitled to any remuneration.

The remuneration of the independent non-executive directors shown above are for their services as directors of the Company.

There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 December 2021 and 2020.

34. Benefits and interests of directors (Continued)

No retirement or termination benefits have been paid to the Company's directors for the years ended 31 December 2021 and 2020.

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 2021 and 2020.

No consideration was provided to third parties for making available directors' services during the years ended 31 December 2021 and 2020.

35. Contingencies

As at 31 December 2021, 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 (2020: Nil).

36. Comparative figures

Comparative figures have been reclassified to conform with current year's presentation, including the presentation of employee benefits expenses and five highest individuals on employee benefits expenses and key management personnel compensation (excluding directors) on significant transactions with related parties. These reclassifications have no impact on the Group's total equity as at 31 December 2021 and 2020, or on the Group's loss for the years ended 31 December 2021 and 2020.

37. Balance sheet and reserve movement of the Company

	Notes	As at 31 December 2021 RMB'000	2020 RMB'000
Assets			
Non-current assets			
Investment in a subsidiary		120,037	100,044
Prepayments and other receivables		59,214	239,048
Total non-current assets		179,251	339,092
Current assets			
Prepayments and other receivables		124	165
Cash and cash equivalents		6,954	45,461
Total current assets		7,078	45,626
Total assets		186,329	384,718
Liabilities			
Current liabilities			
Trade and other payables		135	164
Equity			
Share capital		3,775	3,775
Share premium	37(a)	79,757	295,908
Other reserves	37(a)	120,037	100,044
Accumulated losses		(17,375)	(15,173)
Total equity		186,194	384,554
Total equity and liabilities		186,329	384,718

The balance sheet of the Company was approved by the Board of Directors on 30 March 2022 and was signed on its behalf:

Chen Qiyuan
Director

Qi Mingzhi
Director

37. 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 2020	386,081	73,086
Dividends paid	(90,173)	—
Share based payments	—	26,958
At 31 December 2020	295,908	100,044
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)	—
Exercise of shares held	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 Operating Entities
"Hongde Education"	Shenzhen Hongde Education Technology Investment Consulting LP* (深圳市弘德教育科技投資諮詢合夥企業(有限合夥)), a limited partnership established in the PRC on 12 April 2017, the general partner of which is Mr. Chen Hongyu, an executive Director, and the limited partners of which are, among others, Mr. Chen Hongyu (18.1140%), Mr. Qi Mingzhi, an executive Director and the chief executive officer of the Company (10.0693%) and Mr. Xu Chaoqiang, an executive Director (17.9009%)
"HKD" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards
"Listing Date"	21 June 2019, being the date on which the Shares were listed on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Magnificent Industrial"	Magnificent Industrial Company Limited (鴻圖嘉業有限公司), a company incorporated in the BVI on 29 December 2017
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

DEFINITIONS

"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
"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.