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SCHOLAR EDUCATION GROUP

思考樂教育集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1769)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

HIGHLIGHTS

The Board is pleased to announce the consolidated results of the Group for the year ended 31 December 2019. These results have been reviewed by the Company's audit committee.

The Board recommended the payment of a final dividend of HK\$0.06 per Share for the year ended 31 December 2019 and a final special dividend of HK\$0.06 per Share to the Shareholders. The final dividend and the final special dividend are subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company to be held on or around 11 May 2020 and the final dividend and the final special dividend are expected to be payable on 29 May 2020 to the Shareholders whose names appear on the register of members of the Company on 20 May 2020.

	Year ended 31 December		
	2019	2018	Change
	RMB'000	RMB'000	
Revenue	711,422	493,115	44.3%
Gross profit	303,938	186,738	62.8%
Profit for the year from continuing operations	94,786	69,474	36.4%
Adjusted profit for the year from continuing operations ^(Note)	136,155	83,855	62.4%
	RMB cents	RMB cents	Change
Earnings per Share for continuing operations			
Basic	19.06	16.46	15.8%
Diluted	19.01	16.46	15.5%
Adjusted earnings per Share for continuing operations ^(Note)			
Basic	27.39	19.87	37.8%
Diluted	27.31	19.87	37.4%

Note:

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

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 December	
		2019	2018
		<i>RMB'000</i>	<i>RMB'000</i>
Continuing operations			
Revenue	6	711,422	493,115
Cost of sales	9	<u>(407,484)</u>	<u>(306,377)</u>
Gross profit		303,938	186,738
Selling expenses	9	(21,593)	(12,072)
Administrative expenses	9	(132,243)	(70,464)
Research and development expenses	9	(45,223)	(30,985)
Other income — net	7	8,289	3,541
Other gains — net	8	<u>18,723</u>	<u>8,987</u>
Operating profit		131,891	85,745
Finance costs	10	<u>(23,816)</u>	<u>(3,186)</u>
Profit before income tax		108,075	82,559
Income tax expense	11	<u>(13,289)</u>	<u>(13,085)</u>
Profit for the year from continuing operations		<u>94,786</u>	<u>69,474</u>
Discontinued operations			
Profit before income tax		—	762
Income tax expense	11	—	(518)
Gains on disposal of subsidiaries after income tax		<u>—</u>	<u>2,363</u>
Profit for the year from discontinued operations		<u>—</u>	<u>2,607</u>
Profit and total comprehensive income for the year		<u>94,786</u>	<u>72,081</u>

		Year ended 31 December	
		2019	2018
	Notes	RMB'000	RMB'000
Profit/(loss) and total comprehensive income attributable to:			
— Equity holders of the Company		94,786	72,214
— Non-controlling interests		<u>—</u>	<u>(133)</u>
		<u>94,786</u>	<u>72,081</u>
Profit for the year attributable to owners of the Company arises from:			
— Continuing operations		94,786	69,474
— Discontinued operations		<u>—</u>	<u>2,740</u>
		<u>94,786</u>	<u>72,214</u>
Earnings per Share (expressed in RMB per Share)			
— Continuing operations: Basic earnings per Share	12	19.06	16.46
— Discontinued operations: Basic earnings per Share	12	<u>—</u>	<u>0.65</u>
		<u>19.06</u>	<u>17.11</u>
— Continuing operations: Diluted earnings per Share	12	19.01	16.46
— Discontinued operations: Diluted earnings per Share	12	<u>—</u>	<u>0.65</u>
		<u>19.01</u>	<u>17.11</u>

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2019	2018
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets			
Non-current assets			
Property, plant and equipment		144,882	106,134
Land use rights	13(a)	—	39,352
Right-of-use assets	4, 13(a)	525,953	—
Intangible assets		996	1,076
Prepayments and other receivables		38,429	46,233
Deferred tax assets		19,577	13,478
Total non-current assets		729,837	206,273
Current assets			
Prepayments and other receivables		16,828	21,771
Financial assets at fair value through profit or loss		447,621	205,084
Term deposits with original maturity over three months		35,304	10,500
Cash and cash equivalents		241,479	37,200
Total current assets		741,232	274,555
Total assets		1,471,069	480,828
Equity			
Share capital	14	3,775	339
Share premium		386,081	52,897
Other reserves		39,403	32,664
Retained earnings		124,105	29,319
Total equity		553,364	115,219

		As at 31 December	
		2019	2018
	Notes	RMB'000	RMB'000
Liabilities			
Non-current liabilities			
Deferred operating lease liabilities		—	12,969
Borrowings		23,035	26,386
Lease liabilities	4, 13(a)	<u>359,763</u>	<u>—</u>
Total non-current liabilities		<u>382,798</u>	<u>39,355</u>
Current liabilities			
Contract liabilities		283,356	214,701
Lease liabilities	4, 13(a)	100,005	—
Trade and other payables	16	101,352	85,958
Current income tax liabilities		11,854	9,222
Borrowings		<u>38,340</u>	<u>16,373</u>
Total current liabilities		<u>534,907</u>	<u>326,254</u>
Total liabilities		<u>917,705</u>	<u>365,609</u>
Total equity and liabilities		<u>1,471,069</u>	<u>480,828</u>

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

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

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

The Company’s ordinary shares (the “Shares”) have been listed on The Stock Exchange of Hong Kong Limited since 21 June 2019 (the “Listing”).

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

2. 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.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with the consolidated financial statements of the Group as set out in Appendix I to the prospectus of the Company dated 12 June 2019, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

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

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

The Group had to change its accounting policies as a result of the adoption of IFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in Note 4.1. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

4. CHANGES IN ACCOUNTING POLICIES

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

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

4.1 Adjustments recognised on adoption of IFRS 16

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

(i) *Practical expedients applied*

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

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

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

(ii) *Measurement of lease liabilities*

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

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

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

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

(iii) Impact on earnings before interest, tax, depreciation and amortisation (“EBITDA”)

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

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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.

There have been no changes in the risk management function since 31 December 2018 or in any risk management policies since 31 December 2018.

5.2 Liquidity risk

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

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

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

5.3 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).

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

2019	Level 1	Level 2	Level 3	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Asset				
Financial assets at FVPL	<u>—</u>	<u>—</u>	<u>447,621</u>	<u>447,621</u>
2018	Level 1	Level 2	Level 3	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Asset				
Financial assets at FVPL	<u>—</u>	<u>—</u>	<u>205,084</u>	<u>205,084</u>

Specific valuation techniques used to value financial instruments include:

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

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

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

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.

6. REVENUE, SEGMENT INFORMATION

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

As a result of evaluation by the chief operating decision makers ("CODM") of the Company, the CODM considers that the Group is operated and managed as a single operating segment of after-school education services for the year ended 31 December 2019.

The Group offered overseas test preparation services through Shenzhen America Education and Training Co., Ltd. (深圳市阿美睿卡教育培訓有限公司) ("Shenzhen America") and personalised tutoring services through Shenzhen Unique Education and Technology Development Co., Ltd. (深圳市優教優學教育科技發展有限公司) ("Shenzhen Unique"), and these two segments were disposed of in 2018 and are classified as discontinued operations.

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

7. OTHER INCOME — NET

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Sub-lease (a)		
— Sub-lease income	12,790	14,482
— Sub-lease expense	(11,497)	(12,368)
Finance income	4,468	111
Government grants	<u>2,528</u>	<u>1,316</u>
	<u>8,289</u>	<u>3,541</u>

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

8. OTHER GAINS — NET

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Fair value gains on financial assets at FVPL	15,441	10,516
Net losses on disposal of property, plant and equipment and intangible assets	(911)	(1,059)
Net foreign exchange gains	4,137	—
Others	<u>56</u>	<u>(470)</u>
	<u>18,723</u>	<u>8,987</u>

9. EXPENSES BY NATURE

	2019 RMB'000	2018 RMB'000
Employee benefit expenses	380,295	257,916
Depreciation and amortisation	110,069	21,555
Listing expenses (i)	25,837	14,381
Teaching materials	19,709	13,552
Property management expenses	9,474	6,843
Advertising and exhibition expenses	10,387	6,282
Utilities	7,525	5,131
Office expenses	6,678	6,219
Maintenance cost	4,832	3,308
Entertainment and activities expenses	6,113	2,396
Other taxes	4,179	2,007
Professional service fees	2,128	973
Travel and transportation	2,129	1,245
Auditor's remuneration		
— Audit services	1,496	9
— Non audit services	683	—
Recruitment expenses	1,689	810
Rental expenses (ii)	—	71,239
Others	13,320	6,032
	606,543	419,898

- (i) Listing expenses mainly include lawyers' fees, reporting accountant's fee, sponsor's fee and other related costs associated with the Listing. The total expenditure related to the Listing was RMB76,598,000, out of which RMB40,218,000 was recorded as administrative expenses (for the year ended 31 December 2019: RMB25,837,000; for the year ended 31 December 2018: RMB14,381,000) and RMB36,380,000 was recorded as a deduction against the share premium pursuant to the Listing.
- (ii) On adoption of IFRS 16, the Group recognised right-of-use assets in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

10. FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interest expenses on bank borrowings	3,064	3,186
Interest expenses on leasing liabilities	<u>20,752</u>	<u>—</u>
	<u>23,816</u>	<u>3,186</u>

11. INCOME TAX EXPENSE

	2019 RMB'000	2018 RMB'000
Current tax		
— Current tax on profits for the year	19,388	18,484
Deferred income tax		
— Increase in deferred income tax	<u>(6,099)</u>	<u>(4,881)</u>
Income tax expense	<u>13,289</u>	<u>13,603</u>
Income tax expense is attributable to:		
— Continuing operations	13,289	13,085
— Discontinued operations	<u>—</u>	<u>518</u>
	<u>13,289</u>	<u>13,603</u>

12. EARNINGS PER SHARE

(a) Basic earnings per share

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

	2019	2018
Earnings attributable to shareholders of the Company (in RMB thousands)		
— Continuing operations	94,786	69,474
— Discontinued operations	—	2,740
	<u>94,786</u>	<u>72,214</u>
Weighted average number of ordinary shares in issue (thousand shares) (i)	497,186	421,980
Basic earnings per share (expressed in RMB cents per share)		
— Continuing operations	19.06	16.46
— Discontinued operations	—	0.65
	<u>19.06</u>	<u>17.11</u>

- (i) Basic earnings per share is calculated by dividing the profit for the year attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2019 and 2018. The weighted average number of ordinary shares has been retrospectively adjusted for the effects of the share split and capitalisation issue as disclosed in Note 14(c) and Note 14(e) on the assumption that the share split and capitalisation issue had been in effect on each beginning date of the earliest period reported.

(b) Diluted earnings per share

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

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

	2019	2018
Diluted earnings per share (expressed in RMB cents per share)		
— Continuing operations	19.01	16.46
— Discontinued operations	—	0.65
	<u>19.01</u>	<u>17.11</u>

Weighted average number of shares used as the denominator

	2019	2018
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	497,185,000	421,980,000
Adjustments for calculation of diluted earnings per share: Share options	<u>1,320,000</u>	<u>—</u>
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<u><u>498,505,000</u></u>	<u><u>421,980,000</u></u>

13. RIGHT-OF-USE ASSETS AND LEASE

(a) Amount recognised in the consolidated balance sheet

	31 December 2019 RMB'000	1 January 2019* RMB'000
Right-of-use assets		
Land use rights**	90,561	39,352
Properties	<u>435,392</u>	<u>296,276</u>
	<u><u>525,953</u></u>	<u><u>335,628</u></u>
Lease liabilities		
Current	100,005	71,944
Non-current	<u>359,763</u>	<u>230,734</u>
	<u><u>459,768</u></u>	<u><u>302,678</u></u>

* In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as “finance leases” under IAS 17. The assets were presented in property, plant and equipment and the liabilities as part of the Group’s borrowings. For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to Note 4.1.

** The Group has land lease arrangement with mainland China government. The prepaid land lease rights was recorded in land use rights and reclassified as right-of-use assets on adoption of IFRS 16.

As at 31 December 2019, the Group’s land use rights with net book amounts of RMB37,543,000 (31 December 2018: RMB28,308,000) were pledged to a bank to secure certain banking borrowings of the Group.

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

	2019 RMB'000
Depreciation charge of right-of-use assets	
— Properties	79,233
— Land use rights	<u>1,620</u>
	<u>80,853</u>
Finance costs on leases	<u><u>20,752</u></u>

For the year ended 31 December 2019, the cash outflows from financing activities for leases was RMB82,716,000.

14. SHARE CAPITAL

	Authorised			Issued		
	Number of ordinary shares	Nominal value		Number of ordinary shares	Nominal value	
USD		RMB	USD		RMB	
Balance at 1 January 2018	—	—	—	—	—	—
Ordinary shares issued upon incorporation (a)	50,000	50,000	314,410	50,000	50,000	314,410
Issue of new ordinary shares (b)	3,831	3,831	24,091	3,831	3,831	24,091
As at 31 December 2018	53,831	53,831	338,501	53,831	53,831	338,501
Balance at 1 January 2019	53,831	53,831	338,501	53,831	53,831	338,501
Effect of share subdivision (c)	53,777,219	—	—	53,777,219	—	—
Increase in authorised share capital (d)	946,168,950	946,169	6,522,132	—	—	—
Issue of shares pursuant to the Capitalisation Issue (e)	—	—	—	376,968,950	376,969	2,581,181
Issue of shares pursuant to the Listing (f)	—	—	—	124,900,000	124,900	855,215
As at 31 December 2019	1,000,000,000	1,000,000	6,860,633	555,700,000	555,700	3,774,897

(a) The Company was incorporated in the Cayman Islands on 7 February 2018 with authorised and issued share capital of US\$50,000 divided into 50,000 ordinary shares of US\$1 each.

- (b) On 16 April 2018, a written resolution was passed by the Company's shareholder for issuing a total of 3,831 new shares at a par value of US\$1 each to CRE Glory Company Limited (華創煜耀有限公司, "CREG"). Upon completion, the total issued share capital of the Company was US\$53,831 divided into 53,831 shares of US\$1 each. Capital contribution by CREG amounting to RMB106,751,825 was received and RMB24,091 and RMB106,727,734 were recorded as share capital and share premium of the Company respectively.
- (c) On 3 June 2019, the Company subdivided each of its issued ordinary share of a par value of US\$1.00 into 1,000 shares of US\$0.001 each. Upon the subdivision, the authorised share capital of the Company was US\$53,831.05 divided into 53,831,050 Shares of US\$0.001 each. Earnings per share amounts presented in the financial statements have been revised on a retrospective basis to reflect the effect of the share split. The par value per share and the share numbers in the other notes to the financial statements have not been retrospectively revised.
- (d) On 12 June 2019, the authorised share capital of the Company was increased from 53,831,050 Shares of US\$0.001 each to 1,000,000,000 Shares of US\$0.001 each, by the creation of an additional 946,168,950 Shares, ranking *pari passu* in all respects with the existing Shares.
- (e) Pursuant to the written resolution passed by the shareholders on 10 June 2019 and conditional upon the share premium account of the Company being credited as a result of the Listing, the Directors were authorised to allot and issue a total of 376,968,950 Shares, credited as fully-paid, at par by way of capitalisation for the sum of RMB376,968,950 standing to the credit of the share premium account of the Company (the "Capitalisation Issue").
- (f) On 21 June 2019, the Company issued 124,900,000 Shares of US\$0.001 each at a price of HK\$3.68 per Share pursuant to the initial public offering and Listing of the Shares on the Main Board of the Stock Exchange.
- (g) Immediately following completion of the Capitalisation Issue and the Listing, the authorised share capital of the Company US\$1,000,000 was divided into 1,000,000,000 shares, of which 555,700,000 shares were issued fully paid or credited as fully paid, and 444,300,000 shares remained unissued.

15. DIVIDENDS

	2019 RMB'000	2018 RMB'000
Dividends declared and paid before the Listing	—	53,831
Interim dividend paid per Share: HK\$0.02	11,114	—
Interim special dividend per Share: HK\$0.04	22,228	—
	<u>33,342</u>	<u>53,831</u>
Proposed final dividend per Share: HK\$0.06 (2018: Nil)	33,342	—
Proposed final special dividend per Share: HK\$0.06 (2018: Nil)	33,342	—
	<u>66,684</u>	<u>—</u>

For the year ended 31 December 2019, the Company declared and paid the interim dividends and interim special dividends amounting to HK\$11,114,000 (equivalent to RMB10,017,000) and HK\$22,228,000 (equivalent to RMB20,034,000) respectively (for the year ended 31 December 2018: HK\$53,831,000).

A final dividend in respect of the year ended 31 December 2019 of HK\$0.06 per Share, amounting to HK\$33,342,000, and a final special dividend of HK\$0.06 per Share amounting to HK\$33,342,000, are to be proposed at the annual general meeting of the Company held on or around 11 May 2020.

16. TRADE AND OTHER PAYABLES

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Non-current		
Deferred operating lease liabilities	<u>—</u>	<u>12,969</u>
Current		
Trade payables (a)	3,244	618
Amounts due to related parties — trade	—	2,035
Employee benefits payables	72,823	60,929
Other taxes payables	12,670	4,922
Interest payables	56	55
Deferred operating lease liabilities	—	2,380
Listing related expenses payables	3,421	5,256
Other payables	<u>9,138</u>	<u>9,763</u>
	<u>101,352</u>	<u>85,958</u>

- (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 three months.

As at 31 December 2019 and 2018, the aging analysis of trade payables based on the invoice date was as follows:

	2019 RMB'000	2018 RMB'000
3 months or less	2,186	1,409
3 to 6 months	676	967
6 months to 1 year	<u>382</u>	<u>277</u>
	<u>3,244</u>	<u>2,653</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Results

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

Business Overview

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

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

Prospects

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

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

Meanwhile, our “Dual-teacher classroom” combining online live broadcast of lectures given by our renowned teachers and simultaneous offline support by our tutors to ensure students have the best-in-class interactive learning experience, was put into service in the autumn of 2019. We plan

to expand this business to cities with huge market potentials and relatively mild competition, and it is expected that the operation mode of the Group shall give us a competitive edge in second- and third-tier cities.

2. *Accelerating the growth of the online business*

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

3. *Increasing investment in research and development*

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

4. *All-round employee incentive plans*

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

Financial review

1. Revenue

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

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

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

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

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

2. *Cost of Sales*

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

3. *Gross Profit and Gross Profit Margin*

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

4. *Selling Expenses*

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

5. *Administrative Expenses*

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

6. *Research and Development Expenses*

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

7. *Other Income — Net*

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

8. *Other Gains — Net*

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

9. *Finance Costs*

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

10. *Profit before Income Tax*

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

11. *Income Tax Expenses*

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

12. *Profit for the Year from Continuing Operations*

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

Adjusted profit from continuing operations

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

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

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

Liquidity, Financial Resources and Capital Structure

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

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

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

Treasury management policy

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

and operating cash requirements. The personnel of the treasury department of the Group are required to strictly follow the approved monthly investment plans to execute the Group's treasury management policy.

Foreign exchange exposure

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

Contingent liabilities

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

Pledge of assets

As at 31 December 2019 and 2018, bank borrowings of RMB61,375,000 and RMB29,559,000, respectively were secured by the property, plant and equipment and right-of-use assets for lands of the Group, net book value of which amounted to RMB80,233,000 (for property, plant and equipment: RMB42,690,000; for right-of-use assets for lands: RMB37,543,000) and 70,140,000 (for property, plant and equipment: RMB41,832,000; for land use rights: RMB28,308,000), respectively.

Employees and Remuneration Policies

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

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

Declaration of Final Dividend and Final Special Dividend

The Board recommended the payment of a final dividend of HK\$0.06 per Share for the year ended 31 December 2019 and a final special dividend of HK\$0.06 per Share to the Shareholders. The final dividend and the final special dividend are subject to the approval of the Shareholders at the

forthcoming annual general meeting of the Company to be held on or around 11 May 2020 and the final dividend and the final special dividend are expected to be payable on 29 May 2020 to the Shareholders whose names appear on the register of members of the Company on 20 May 2020.

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

Subsequent events

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 Shareholders and to enhance corporate value and accountability.

1. Compliance with the CG Code on corporate governance practices

From the Listing Date to 31 December 2019, 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.

2. Compliance with the Model Code for securities transactions by Directors

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

Specific enquiry has been made of all the Directors and the relevant employees and they have confirmed that they had complied with the Model Code from the Listing Date to 31 December 2019.

3. Audit Committee

The audit committee of the Board comprises three independent non-executive Directors, namely, Mr. Huang Victor (chairman of the audit committee), Dr. Liu Jianhua and Mr. Yang Xuezhi. The audit committee of the Board 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 2019 of the Group.

4. Purchase, sale or redemption of the Company's listed securities

Neither the Company nor any of its subsidiaries or consolidated affiliated entities purchased, sold or redeemed any listed securities of the Company from the Listing Date to 31 December 2019.

5. Use of proceeds from global offering

On the Listing Date, the Shares were listed on the Main Board of the Stock Exchange by way of global offering. The net proceeds from the global offering (the "IPO Proceeds") were approximately HK\$450.1 million, which are intended to be applied in the manner as set out in the Company's prospectus dated 12 June 2019.

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

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

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standard on Review Engagements or International Standards on Assurance Engagements issued by the International Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

PUBLICATION OF THE FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This final results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at <http://www.skledu.com>. The annual report of the Group for the year ended 31 December 2019 will be published on the aforesaid websites and will be dispatched to the Shareholders in due course.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions have the following meanings:

“Board”	the board of Directors
“CG Code”	Corporate Governance Code contained in Appendix 14 to the Listing Rules
“Company”, “we” or “us”	Scholar Education Group, an exempted company incorporated in the Cayman Islands with limited liability 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 2019
“Director(s)”	the directors of the Company
“Greater Bay Area”	Guangdong-Hong Kong-Macau Greater Bay Area
“Group”	the Company with its subsidiaries and consolidated affiliated entities
“IFRS”	International Financial Reporting Standards
“Listing Date”	21 June 2019, being the date of when 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

“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board
SCHOLAR EDUCATION GROUP
CHEN QIYUAN
Chairman and Executive Director

Hong Kong, 18 March 2020

As at the date of this announcement, the Board comprises:

Executive Directors

Mr. Chen Qiyuan (*chairman*)

Mr. Chen Hongyu

Mr. Qi Mingzhi (*chief executive officer*)

Mr. Xu Chaoqiang

Independent non-executive Directors

Mr. Huang Victor

Dr. Liu Jianhua

Mr. Yang Xuezhi

Non-executive Director

Mr. Shen Jing Wu (*vice chairman*)

This announcement contains forward-looking statements relating to the business outlook, estimates of financial performance, forecast business plans and growth strategies of the Group. These forward-looking statements are based on information currently available to the Group and are stated herein on the basis of the outlook at the time of this announcement. They are based on certain expectations, assumptions and premises, some of which are subjective or beyond control of the Group. These forward-looking statements may prove to be incorrect and may not be realised in the future. Underlying these forward-looking statements are a large number of risks and uncertainties. In light of the risks and uncertainties, the inclusion of forward-looking statements in this announcement should not be regarded as representations by the Board or the Company that the plans and objectives will be achieved. Furthermore, this announcement also contains statements based on the Group’s management accounts, which have not been audited by the Group’s auditor. Shareholders and potential investors should therefore not place undue reliance on such statements.