思考乐教育
SCHOLAR EDUCATION

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 2020

HIGHLIGHTS

The Board is pleased to announce the consolidated results of the Group for the year ended 31 December 2020. These results have been reviewed by the Company's audit committee.

The Board recommended the payment of a final dividend of HK$0.12 per Share for the year ended 31 December 2020. The final dividend is subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company to be held on or around 18 May 2021 and the final dividend is expected to be payable on 4 June 2021 to the Shareholders whose names appear on the register of members of the Company on 26 May 2021.

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2020	2019	Change
	RMB'000	*RMB'000*	
Revenue	**749,089**	711,422	5.3%
Gross profit	**260,537**	303,938	(14.3)%
Profit for the year	**48,938**	94,786	(48.4)%
Adjusted profit for the year *(Note)*	**96,806**	136,155	(28.9)%

Earnings per Share

	For the year ended 31 December		
	2020	2019	Change
	RMB cents	*RMB cents*	
Basic	**8.81**	19.06	(53.8)%
Diluted	**8.59**	19.01	(54.8)%
Adjusted earnings *(Note)*			
Basic	**17.42**	27.39	(36.4)%
Diluted	**16.98**	27.31	(37.8)%

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 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 for the years presented to the most directly comparable financial measure calculated and presented in accordance with IFRS:

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2020 RMB'000	2019 RMB'000
Revenue	5	**749,089**	711,422
Cost of sales	8	**(488,552)**	(407,484)
Gross profit		**260,537**	303,938
Selling expenses	8	**(23,233)**	(21,593)
Administrative expenses	8	**(152,339)**	(132,243)
Research and development expenses	8	**(56,966)**	(45,223)
Other income — net	6	**35,170**	8,289
Other gains — net	7	**23,062**	18,723
Operating profit		**86,231**	131,891
Finance costs	9	**(36,447)**	(23,816)
Profit before income tax		**49,784**	108,075
Income tax expense	10	**(846)**	(13,289)
Profit for the year		**48,938**	94,786
Profit for the year attributable to:			
— Equity holders of the Company		**48,938**	94,786
— Non-controlling interests		**—**	—
		48,938	94,786
Earnings per share (expressed in RMB cents per share)			
— Basic	11	**8.81**	19.06
— Diluted	11	**8.59**	19.01

CONSOLIDATED BALANCE SHEET

	Notes	As at 31 December 2020 RMB'000	2019 RMB'000
Assets			
Non-current assets			
Property, plant and equipment		**170,333**	144,882
Right-of-use assets	*12*	**643,427**	525,953
Intangible assets		**2,857**	996
Prepayments and other receivables		**50,461**	38,429
Deferred tax assets		**36,064**	19,577
Total non-current assets		**903,142**	729,837
Current assets			
Prepayments and other receivables		**22,751**	16,828
Financial assets at fair value through profit or loss		**298,943**	447,621
Term deposits with original maturity over three months		**—**	35,304
Cash and cash equivalents		**442,586**	241,479
Total current assets		**764,280**	741,232
Total assets		**1,667,422**	1,471,069
Equity			
Share capital	*13*	**3,775**	3,775
Share premium		**295,908**	386,081
Shares held for employee share scheme		**(1,050)**	—
Other reserves		**66,361**	39,403
Retained earnings		**173,043**	124,105
Total equity		**538,037**	553,364

		As at 31 December	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
Liabilities			
Non-current liabilities			
Borrowings		**—**	23,035
Lease liabilities		**484,628**	359,763
Total non-current liabilities		**484,628**	382,798
Current liabilities			
Contract liabilities		**357,039**	283,356
Lease liabilities		**117,783**	100,005
Trade and other payables	*15*	**105,078**	101,352
Current income tax liabilities		**10,457**	11,854
Borrowings		**54,400**	38,340
Total current liabilities		**644,757**	534,907
Total liabilities		**1,129,385**	917,705
Total equity and liabilities		**1,667,422**	1,471,069

1. GENERAL INFORMATION

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

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

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

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

The consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated. The consolidated financial statements were approved for issue by the board of directors of the Company on 31 March 2021.

2. 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. ACCOUNTING POLICY

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material — Amendments to IAS 1 and IAS 8
- Definition of a Business — Amendments to IFRS 3
- Interest Rate Benchmark Reform — Amendments to IFRS 9, IAS 39 and IFRS 7

- Revised Conceptual Framework for Financial Reporting
- COVID-19-Related Rent Concessions — Amendments to IFRS 16

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

(b) New standards and interpretations not yet adopted

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(c) Change in accounting policy

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

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

4. FINANCIAL RISK MANAGEMENT

4.1 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. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise.

4.2 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 that the Group is not exposed to significant liquidity risk.

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

	within one year *RMB'000*	**one to two years** *RMB'000*	**two to five years** *RMB'000*	**over five years** *RMB'000*	**Total** *RMB'000*
As at 31 December 2020					
Trade payables	**3,363**	**—**	**—**	**—**	**3,363**
Other payables	**15,984**	**—**	**—**	**—**	**15,984**
Borrowings	**55,166**	**—**	**—**	**—**	**55,166**
Lease liabilities	**134,582**	**127,472**	**296,197**	**174,382**	**732,633**
	209,095	**127,472**	**296,197**	**174,382**	**807,146**
As at 31 December 2019					
Trade payables	3,244	—	—	—	3,244
Other payables	12,559	—	—	—	12,559
Borrowings	40,479	4,530	13,588	8,302	66,899
Lease liabilities	111,684	110,190	269,115	60,853	551,842
	167,966	114,720	282,703	69,155	634,544

4.3 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 2020 and 2019 were as follows:

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

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

Specific valuation techniques used to value financial instruments include:

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

There were no changes in valuation techniques during the years ended 31 December 2020 and 2019.

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

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

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

If the fair values of financial assets at FVPL held by the Group had been 1% higher/lower, the profit before income tax for the years ended 31 December 2020 and 2019 would have been approximately RMB2,873,000 higher/lower and RMB4,507,000 higher/lower, respectively.

5. REVENUE AND SEGMENT INFORMATION

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 chief operating decision makers ("**CODM**"), the CODM considers that the Group is operated and managed as a single operating segment of after-school education services for the year ended 31 December 2020.

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

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

6. OTHER INCOME — NET

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

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

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

7. OTHER GAINS — NET

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

8. EXPENSES BY NATURE

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

9. FINANCE COSTS

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

10. INCOME TAX EXPENSE

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

11. EARNINGS PER SHARE

(a) Basic earnings per share

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

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

(i) Basic earnings per share is calculated by dividing the profit for the year attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2020 and 2019. The weighted average number of ordinary shares has been retrospectively adjusted for the effects of the share split and capitalisation issue as disclosed in Note 13 (a) and 13(c) on the assumption that the share split and capitalisation issue had been in effect on each beginning date of the earliest period reported.

(b) Diluted earnings per share

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

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

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

Weighted average number of shares used as the denominator

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

12. RIGHT-OF-USE ASSETS AND LEASES

(a) Amount recognised in the consolidated balance sheet

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

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

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

As at 31 December 2020, the net book amount of Group's right-of-use for lands pledged to a bank to secure certain banking borrowings was nil (As at 31 December 2019: RMB37,543,000).

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

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

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

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

(d) Rent concessions related to COVID-19

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

13. SHARE CAPITAL

	Authorised			Issued		
	Number of ordinary shares	Nominal value		Number of ordinary shares	Nominal value	
		USD	*RMB*		*USD*	*RMB*
Balance at 1 January 2019	53,831	53,831	338,501	53,831	53,831	338,501
Effect of share subdivision (a)	53,777,219	—	—	53,777,219	—	—
Increase in authorised share capital (b)	946,168,950	946,169	6,522,132	—	—	—
Issue of shares pursuant to the Capitalisation Issue (c)	—	—	—	376,968,950	376,969	2,581,181
Issue of shares pursuant to the Listing (d)	—	—	—	124,900,000	124,900	855,215
As at 31 December 2019	1,000,000,000	1,000,000	6,860,633	555,700,000	555,700	3,774,897
Balance at 1 January 2020 and 31 December 2020	1,000,000,000	1,000,000	6,860,633	555,700,000	555,700	3,774,897

(a) On 3 June 2019, the Company subdivided each of its issued ordinary share of a par value of US$1.00 into 1,000 shares of US$0.001 each. Upon the subdivision, the authorised share capital of the Company was US$53,831.05 divided into 53,831,050 shares of US$0.001 each. Earnings per share amounts presented in the financial statements have been revised on a retrospective basis to reflect the effect of the share split. The par value per share and the share numbers in the other notes to the financial statements have not been retrospectively revised.

(b) On 12 June 2019, the authorised share capital of the Company was increased from 53,831,050 shares of US$0.001 each to 1,000,000,000 shares of US$0.001 each, by the creation of an additional 946,168,950 shares, ranking *pari passu* in all respects with the existing shares.

(c) Pursuant to the written resolution passed by the shareholders on 10 June 2019 and conditional upon the share premium account of the Company being credited as a result of the Listing, the Directors were authorised to allot and issue a total of 376,968,950 shares, credited as fully-paid, at par by way of capitalisation for the sum of RMB376,968,950 standing to the credit of the share premium account of the Company (the "**Capitalisation Issue**").

(d) On 21 June 2019, the Company issued 124,900,000 shares of US$0.001 each at a price of HK$3.68 per share pursuant to the initial public offering and Listing of the Company's shares on the Main Board of the Stock Exchange.

(e) Immediately following completion of the Capitalisation Issue and the Listing, the authorised share capital of the Company US$1,000,000 was divided into 1,000,000,000 shares, of which 555,700,000 shares were issued fully paid or credited as fully paid, and 444,300,000 shares remained unissued.

14. DIVIDENDS

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

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

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

15. TRADE AND OTHER PAYABLES

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

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

As at 31 December 2020 and 2019, the ageing analysis of trade payables based on the invoice date was as follows:

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

MANAGEMENT DISCUSSION AND ANALYSIS

Results and Business Overview

As one of the top five K12 after-school education service providers in Guangdong Province, the Group continued to expand its strategic network in the Greater Bay Area, Jiangsu Province and Zhejiang Province, so as to expand its market share and bring better returns to its shareholders.

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

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

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

Future Prospects and Development Strategies

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

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

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

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

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

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

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

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

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

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

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

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

4. *To increase investment in teaching and research*

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

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

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

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

5. *To set up comprehensive teacher training bases*

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

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

6. *An employee incentive scheme with the characteristics of Scholar*

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

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

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

Financial review

1. *Revenue*

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

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

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

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

2. *Cost of sales*

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

3. *Gross profit and gross profit margin*

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

4. *Selling expenses*

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

5. *Administrative expenses*

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

6. *Research and development expenses*

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

7. *Other income — net*

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

8. *Other gains — net*

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

9. *Finance costs*

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

10. *Profit before income tax*

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

11. *Income tax expenses*

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

12. *Profit for the year*

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

Adjusted profit for the year

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

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

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

Notes:

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

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

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

Liquidity, Financial Resources and Capital Structure

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

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

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

Treasury Management Policy

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

Foreign Exchange Exposure

The majority of the Group's revenue and expenditures are denominated in RMB. Since the net proceeds from the global offering are denominated in HKD, most of the cash and bank deposits of the Group as at 31 December 2019 and 2020 were denominated in USD and HKD. The Group currently does not have any foreign currency hedging policies. The management will continue to monitor the Group's foreign exchange risk exposure and consider adopting prudent measures as appropriate.

Contingencies

As at 31 December 2020, the Group did not have material contingent liabilities, guarantees or litigations or claims of material importance, pending or threatened against any member of the Group (2019: nil).

Pledge of Assets

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

Employees and Remuneration Policies

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

The Group employed a total work force of 4,574 employees as at 31 December 2020 (2019: 3,510 employees). The Group's remuneration policies are in line with the prevailing market practices and are determined on the basis of performance and experience of the individual concerned. The Group has been constantly reviewing staff remuneration package to ensure it is competitive in the market.

Declaration of Final Dividend

The Board recommended the payment of a final dividend of HK$0.12 per Share for the year ended 31 December 2020 to the Shareholders. The final dividend is subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company to be held on or around 18 May 2021 and the final dividend is expected to be payable on 4 June 2021 to the Shareholders whose names appear on the register of members of the Company on 26 May 2021.

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

Subsequent events

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

Pre-emptive Rights

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

Public Float

Based on the information publicly available to the Company, the Company continues to meet the prescribed public float under the Listing Rules.

SCOPE OF WORK ON THIS ANNUAL RESULTS ANNOUNCEMENT BY AUDITOR

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 2020 as set out in this annual results announcement have been agreed by the Group's auditor, Messrs. PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards 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 Messrs. PricewaterhouseCoopers on this annual results announcement.

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 the Shareholders and to enhance corporate value and accountability.

1. Compliance with the CG Code on Corporate Governance Practices

For the year ended 31 December 2020, the Company had complied with all applicable code provisions set out in the CG Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the CG Code, and maintain a high standard of corporate governance practices.

2. Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules 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 for the year ended 31 December 2020.

3. Audit Committee

The Company has established an audit committee with written terms of reference in accordance with the Listing Rules and the CG Code. The primary duties of the audit committee are to review and supervise the financial reporting, risk management and internal controls system of the Group, review the fairness of the connected transactions of the Company and to advise the Board. The audit committee comprises three independent non-executive Directors, namely, Mr. Huang Victor, Dr. Liu Jianhua and Mr. Yang Xuezhi. Mr. Huang Victor is the chairman of the audit committee.

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 2020 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 for the year ended 31 December 2020.

5. Use of Net Proceeds from Global Offering

On 21 June 2019, 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.

As at 31 December 2020, the Group had utilised the IPO Proceeds in the manner as set out in the table below:

		Net proceeds from Global Offering	Utilisation as at 31 December 2020	Unutilised amount
	%		*HK$'million*	
Expanding its learning centre network in the Greater Bay Area	50%	225.1	143.8	81.3
Improving its teaching quality	30%	135.0	95.2	39.8
Renovating the facilities of its learning centres and purchasing teaching equipment	20%	90.0	40.8	49.2
Total	100%	450.1	279.8	170.3

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at **http://www.hkexnews.hk** and the website of the Company at **http://www.skledu.com**. The annual report of the Company for the year ended 31 December 2020 will be published on the aforesaid websites and will be despatched 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"	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 in 2019
"Director(s)"	the director(s) 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 Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers
"PRC"	the People's Republic of China excluding, for the purpose of this announcement, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
"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, 31 March 2021

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

Non-executive Director
Mr. Shen Jing Wu *(vice chairman)*

Independent non-executive Directors
Mr. Huang Victor
Dr. Liu Jianhua
Mr. Yang Xuezhi

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.