思考乐教育
SCHOLAR EDUCATION

ANNUAL REPORT 2023

思考樂教育集團
SCHOLAR EDUCATION GROUP

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

CONTENTS

CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Non-executive Director

Mr. Shen Jing Wu *(Vice Chairman)*

Independent Non-executive Directors

Mr. Huang Victor
Mr. Yang Xuezhi
Dr. Liu Jianhua (retired on 19 May 2023)
Ms. Yim Ka Man (appointed on 19 May 2023)

Audit Committee

Mr. Huang Victor *(Chairman)*
Mr. Yang Xuezhi
Dr. Liu Jianhua (retired on 19 May 2023)
Ms. Yim Ka Man (appointed on 19 May 2023)

Remuneration Committee

Dr. Liu Jianhua *(Chairman)*
(retired on 19 May 2023)
Ms. Yim Ka Man *(Chairman)*
(appointed on 19 May 2023)
Mr. Chen Qiyuan
Mr. Huang Victor

Nomination Committee

Mr. Chen Qiyuan *(Chairman)*
Mr. Huang Victor
Dr. Liu Jianhua (retired on 19 May 2023)
Ms. Yim Ka Man (appointed on 19 May 2023)

Strategic Development Committee

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

Authorised Representatives

Mr. Qi Mingzhi
Mr. So Wai Hang

Company Secretary

Mr. So Wai Hang

Legal Advisers

As to Hong Kong law:
White & Case
16/F, York House, The Landmark
15 Queen's Road Central, Central
Hong Kong

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

Auditor

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central
Hong Kong

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Headquarters and Principal Place of Business in the PRC

Rooms 401–410, 4th Floor, Yunfeng Garden
29 Youyi Road, Jianan Community
Nanhu Street, Luohu District
Shenzhen, PRC

Principal Place of Business in Hong Kong

Unit 02, 3/F, Austin Plaza
No. 83 Austin Road
Kowloon
Hong Kong

Principal Share Registrar and Transfer Office

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Banks

China Merchants Bank Co., Ltd.
Shenzhen Cuizhu Branch
1st Floor, Jade Starry Sky
No. 1056 Cuizhu Road
Luohu District, Shenzhen
PRC

Industrial Bank Co., Ltd.
Shenzhen Meilin Branch
1st Floor, Huamaoyuan
Zhongkang Road, Shangmelin
Futian District, Shenzhen
PRC

Agricultural Bank of China Limited
Shenzhen Jinfu Branch
1st Floor, Jinfu Building
No. 1010 Cuizhu Road
Luohu District, Shenzhen
PRC

Company's Website

http://www.skledu.com

Stock Code

1769

Date of Listing

21 June 2019

CORPORATE PROFILE

Scholar Education Group is a leading private education service provider in South China.

Our educational philosophy is to “focus on academic excellence to enable our students to achieve their aspirations” (博學精教，成就學生). We are committed to providing high-quality tutoring education to students through a student-oriented teaching approach. All of our classes are delivered in small class settings, typically consisting of no more than 20 students per class.

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

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

We have also explored new opportunities and launched our educational tour business and international courses. The Group believes that the new business initiatives will broaden the revenue base of the Group and contribute to its long-term development.

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

FINANCIAL HIGHLIGHTS

	For the year ended 31 December			
	2023	2022	Change	Percentage change
	RMB'000	RMB'000	RMB'000	
Revenue	**570,614**	402,082	168,532	41.9%
Gross profit	**238,551**	138,692	99,859	72.0%
Profit for the year attributable to equity holders	**85,988**	54,411	31,577	58.0%
Non-IFRS measure:				
Adjusted profit for the year attributable to equity holders *(Note 1)*	**107,999**	54,411	53,588	98.5%

Earnings per Share

	RMB cents	RMB cents	RMB cents	
Basic	**15.58**	9.79	5.79	59.1%
Diluted	**15.42**	9.79	5.63	57.5%
Non-IFRS measure:				
Adjusted earnings per Share *(Note 2)*				
Basic	**19.56**	9.79	9.77	99.8%
Diluted	**19.37**	9.79	9.58	97.9%

Note 1: Adjusted profit for the year attributable to equity holders of the Group is defined as its profit for the year attributable to equity holders after adjusting for those items which were not indicative of the Company's operating performances, namely the share option benefit expenses of approximately RMB8.1 million (2022: nil) and net loss from the live commerce business of approximately RMB13.9 million (2022: nil), for the year ended 31 December 2023. Please refer to "Management Discussion and Analysis — Non-IFRS Measures" for further details.

Note 2: Adjusted earnings per share of the Group is defined as earnings per share calculated by using adjusted profit for the year attributable to equity holders of the Group . Please refer to "Management Discussion and Analysis — Non-IFRS Measures" for further details.

CHAIRMAN'S STATEMENT

To: Shareholders

On behalf of the Board, I am pleased to present this annual report of the Group for the year ended 31 December 2023.

Business overview

The principal business of the Group had remained profitable and the Group recorded an operating profit of RMB122.6 million for the year ended 31 December 2023. The Group has strived to promote business transformation, and has launched non-academic literacy programmes since autumn 2021, including science literacy, Le Xue and Guo Xue (樂學國學), logic training, Miaowei international literacy (妙維國際素養) and other courses, which have shown promising results. During the year ended 31 December 2023, the Group's revenue from literacy programmes increased to RMB518.9 million from RMB369.8 million, and its tutoring hours increased to 5,973,028 hours from 4,282,148 hours, as compared to last year. Our literacy programmes have gained a high level of recognition from students and parents as they placed more emphasis on training children's ability to take initiatives and enhancing their deep thinking skills to achieve their overall development through the integration of learning and thinking. During the year ended 31 December 2023, the Group's total revenue had increased to RMB570.6 million, representing an increase of 41.9% as compared to last year. For the year ended 31 December 2023, the Group's net profit for the year attributable to equity holders increased by 58.0% from RMB54.4 million for the year ended 31 December 2022 to RMB86.0 million for the year ended 31 December 2023. It was mainly attributable to (i) an increase in total tutoring hours, which in turn contributed to an increase in revenue, (ii) the Group's continued efforts in improving operation efficiency, and (iii) fair value gain on financial assets (as opposed to fair value loss recorded in the last year).

The net profit attributable to equity holders for the year ended 31 December 2023 has factored in share option benefit expenses of approximately RMB8.1 million (last year: nil) and net loss from the live commerce business of RMB13.9 million (last year: nil), and no significant expenses related to the live commerce business are expected to be incurred in 2024 as the live commerce business had ceased by the end of 2023. Excluding the share option benefit expenses and net loss from the live commerce business, the Group record an adjusted net profit attributable to equity holders of RMB108.0 million, which is a remarkable increase of 98.5% as compared to the adjusted net profit attributable to equity holders of RMB54.4 million last year.

Future Prospects and Development Strategies

The Group has been exploring new business opportunities and launched the educational tour business and international courses during the year ended 31 December 2023. The Group believes that the new business initiatives will broaden the revenue base of the Group and contribute to its long-term development.

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

Going forward, we will strive to promote the diversified development of the Group and utilise our brand influence and reputation, as well as the extensive management experience and industry knowledge of the management team, to actively explore new business opportunities in different fields, expand the revenue base and maximise returns for the shareholders of the Company. In addition, we will continue to employ stringent cost control measures to maintain a sound cash flow of the Company. We will also develop technology to continuously enhance the quality of our services and operational efficiency to support the long-term development of the Group.

Acknowledgement

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

Chen Qiyuan
Chairman

Hong Kong, 28 March 2024

FINANCIAL SUMMARY

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

	Year ended 31 December				
	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Revenue	**570,614**	402,082	831,725	749,089	711,422
Cost of sales	**332,063**	263,390	516,704	488,552	407,484
Gross profit	**238,551**	138,692	315,021	260,537	303,938
Operating profit	**122,632**	49,013	34,583	86,231	131,891
Profit before income tax	**116,749**	42,310	5,598	49,784	108,075
Profit/(loss) for the year attributable to equity holders	**85,988**	54,411	(26,611)	48,938	94,786

	As at 31 December				
	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Non-current assets	**536,110**	322,292	357,201	903,142	729,837
Current assets	**497,105**	432,633	403,367	764,280	741,232
Total assets	**1,033,215**	754,925	760,568	1,667,422	1,471,069
Total equity	**453,350**	371,402	317,545	538,037	553,364
Non-current liabilities	**129,112**	82,764	119,592	484,628	382,798
Current liabilities	**450,753**	300,759	323,431	644,757	534,907
Total liabilities	**579,865**	383,523	443,023	1,129,385	917,705
Total equity and liabilities	**1,033,215**	754,925	760,568	1,667,422	1,471,069

Financial Review

1. Revenue

	Year ended 31 December		Percentage Change
	2023 RMB'000	2022 RMB'000	
Non-academic literacy programme and others	**518,860**	369,795	40.3%
Academic education programme	**51,754**	32,287	60.3%
Total	**570,614**	402,082	41.9%

The following table sets forth the student enrollments and tutoring hours delivered by types of education services for the years indicated based on the Group's internal records:

	Year ended 31 December				Percentage Change	
	2023		2022			
	Student enrollments	**Tutoring hours**	Student enrollments	Tutoring hours		
Non-academic literacy programme	**239,020**	**5,973,028**	173,016	4,282,148	38.1%	39.5%
Tutoring programme	**23,162**	**580,010**	14,765	363,240	56.9%	59.7%
Total	**262,182**	**6,553,038**	187,781	4,645,388	39.6%	41.1%

The Group's revenue increased by 41.9% from RMB402.1 million for the year ended 31 December 2022 to RMB570.6 million for the year ended 31 December 2023. This increase was primarily due to increases in the total student enrolments and tutoring hours, which was primarily because of the increase of the total number of the Group's learning centres for the year ended 31 December 2023.

2. Cost of sales

The Group's cost of sales increased by 26.1% from RMB263.4 million for the year ended 31 December 2022 to RMB332.1 million for the year ended 31 December 2023. This increase was primarily due to (i) increases in teacher compensation and teaching materials primarily attributable to the increase in revenue and (ii) and increase in property management fee as a result of the increase of the total number of the Group's learning centres for the year ended 31 December 2023.

3. Gross profit and gross profit margin

As a result of the foregoing, the gross profit of the Group increased by 72.0% from RMB138.7 million for the year ended 31 December 2022 to RMB238.6 million for the year ended 31 December 2023. The gross profit margin of the Group increased from 34.5% for the year ended 31 December 2022 to 41.8% for the year ended 31 December 2023.

4. Selling expenses

The selling expenses of the Group increased by 144.2% from RMB4.7 million for the year ended 31 December 2022 to RMB11.4 million for the year ended 31 December 2023. The increase was primarily due to the increases in advertising and exhibition expenses and customer service personnel expenses relating to live commerce business activities. The live commerce business had ceased by the end of 2023 and no significant relevant expenses are expected to be incurred in 2024.

5. Administrative expenses

The administrative expenses of the Group increased by 48.7% from RMB82.4 million for the year ended 31 December 2022 to RMB122.6 million for the year ended 31 December 2023. This increase was mainly due to the increases in administrative personnel expenses and office expenses.

6. Research and development expenses

The research and development expenses of the Group decreased by 7.5% from RMB16.2 million for the year ended 31 December 2022 to RMB15.0 million for the year ended 31 December 2023. The decrease was primarily due to the decrease in research and development personnel expenses.

7. Other income — net

The other net income of the Group increased by 10.3% from RMB10.6 million for the year ended 31 December 2022 to RMB11.7 million for the year ended 31 December 2023. The increase was primarily due to (i) an increase in sales of goods of RMB1.6 million and (ii) an increase of RMB3.5 million in finance income. The increase was partially offset by a decrease of RMB3.2 million in government grant.

8. Other gains — net

The other net gains of the Group increased by 603.4% from RMB3.0 million for the year ended 31 December 2022 to RMB21.4 million for the year ended 31 December 2023, primarily attributable to the fair value gain on financial assets at fair value through profit or loss of RMB19.7 million (2022: fair value loss of RMB1.6 million). The increase was partially offset by the decrease of RMB5.7 million in lease modification and decrease of RMB3.0 million in gains on disposal of a subsidiary.

9. Finance costs

The finance costs of the Group decreased by 12.2% from RMB6.7 million for the year ended 31 December 2022 to RMB5.9 million for the year ended 31 December 2023, primarily due to the decreases in interest expenses on lease liabilities and borrowings.

10. Profit before income tax

As a result of the foregoing, the profit before income tax of the Group increased by 175.9% from RMB42.3 million for the year ended 31 December 2022 to RMB116.7 million for the year ended 31 December 2023.

11. Income tax (expense)/credit

The Group recorded an income tax expense of RMB32.2 million for year ended 31 December 2023 as compared to income tax credit of RMB11.5 million for the year ended 31 December 2022. The income tax expense was primarily due to the increase in assessable profit for the year ended 31 December 2023.

12. Profit for the year attributable to equity holders

As a result of the foregoing, the Group's profit for the year attributable to equity holders increased by 58.0% from RMB54.4 million for the year ended 31 December 2022 to RMB86.0 million for the year ended 31 December 2023.

Adjusted profit for the year attributable to equity holders

Non-IFRS Measures

To supplement the Group's consolidated financial statements that are presented in accordance with IFRS, the Company also uses adjusted profit for the year attributable to equity holders and adjusted earnings per Share as additional financial measures. The Company presents these financial measure because they are 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 measures provide 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. Such non-IFRS measure has limitations as an analytical tool, and Shareholders and investors of the Company should not consider it in isolation from, or as substitute for the analysis of, the Company's results of operations or financial condition as reported under IFRS.

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

	Year ended 31 December		Percentage
	2023	2022	Change
	RMB'000	RMB'000	
Profit for the year attributable to equity holders	**85,988**	54,411	58.0%
Add:			
Share option benefit expenses (Note 1)	**8,125**	—	N/A
Net loss from the live commerce business (Note 2)	**13,886**	—	N/A
Adjusted profit for the year attributable to equity holders	**107,999**	54,411	98.5%

Notes:

(1) Share option benefit expenses: These expenses were incurred in connection with the share options granted to the employees of the Group on 6 February 2023, 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) Net loss from the live commerce business: These losses were incurred in connection with the live commerce business for the year ended 31 December 2023 and no significant expenses related to the live commerce business are expected to be incurred in 2024 as the live commerce business had ceased by the end of 2023.

Adjusted earnings per Share

The following table reconciles the Group's adjusted earnings per Share presented to the most directly comparable financial measure calculated and presented in accordance with IFRS:

(a) Adjusted basic earnings per share

Adjusted basic earnings per share is calculated by dividing the adjusted earnings for the year by the weighted average number of ordinary shares in issue for the year.

	2023	2022
Adjusted earnings attributable to equity shareholders of the Company (in RMB thousands)	**107,999**	54,411
Weighted average number of ordinary shares in issue (thousand shares) (i)	**552,033**	555,700
Adjusted basic earnings per share (expressed in RMB cents per share)	**19.56**	9.79

(i) Adjusted basic earnings per share is calculated by dividing the adjusted 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 2023 and 2022.

(b) Adjusted diluted earnings per share

Adjusted diluted earnings per share adjusts the figures used in the determination of adjusted 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.

	2023	2022
Adjusted diluted earnings per share (expressed in RMB cents per share)	**19.37**	9.79

Weighted average number of shares used as the denominator:

	2023	2022
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**552,033,000**	555,700,000
Adjustments for calculation of adjusted diluted earnings per share: Share options	**5,653,000**	–
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating adjusted diluted earnings per share	**557,686,000**	555,700,000

Five Year Financial summary

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

Liquidity, Financial Resources and Capital Structure

The total equity of the Group as at 31 December 2023 was RMB453.4 million (2022: RMB371.4 million). The Group generally finances its operation with internally generated cash flows. As at 31 December 2023, the Group's cash and cash equivalents and term deposits increased by 21.2% from RMB298.7 million as at 31 December 2022 to RMB362.0 million. The increase in cash and cash equivalents for the year ended 31 December 2023 was primarily attributable to the net cash inflow from operating activities. As at 31 December 2023, the current assets of the Group amounted to RMB497.1 million (2022: RMB432.6 million), including RMB111.7 million (2022: RMB117.3 million) in financial assets at fair value through profit or loss and other financial assets at amortised cost, and RMB364.9 million (2022: RMB298.8 million) in bank balances, term deposits, and restricted cash, and other current assets of RMB20.5 million (2022: RMB16.6 million). The current liabilities of the Group amounted to RMB450.8 million (2022: RMB300.8 million), of which RMB276.3 million (2022: RMB181.5 million) are contract liabilities, RMB50.9 million (2022: RMB34.2 million) in lease liabilities, and RMB123.5 million (2022: RMB85.1 million) are other payables and accruals. The Group did not have bank borrowings as at 31 December 2023 and 2022. The gearing ratio of the Group as at 31 December 2023 and 2022 was 0%, based on the interest bearing bank borrowings and the equity attributable to the Shareholders. As at 31 December 2023, the Group had net current assets of RMB46.4 million (2022: RMB131.9 million).

Treasury Management Policy

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

Foreign Exchange Exposure

The majority of the Group's revenue and expenditures are denominated in RMB. Most of the cash and bank deposits of the Group as at 31 December 2023 and 2022 were denominated in RMB. The Group currently does not have any foreign currency hedging policies. The management will continue to monitor the Group's foreign exchange risk exposure and consider adopting prudent measures as appropriate.

Material Acquisitions and Disposals and Significant Investment

Save as disclosed in this annual report, there was no significant investment held, material acquisition and disposal of subsidiaries, associates and joint ventures by the Company for the year ended 31 December 2023. The Group will endeavour to keep abreast of the changing market conditions and proactively identify investment opportunities with a view to broadening its revenue base and enhancing its future financial performance and profitability. The Directors are confident in the future growth of the Company. As at 31 December 2023, none of the investments held by the Group were direct equity investments in any investee company nor individually exceeds 5% of the total assets of the Group as at 31 December 2023.

Save as disclosed in this annual report, the Group did not have any plans for significant investments as at 31 December 2023.

Contingencies

As at 31 December 2023, 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 (2022: nil).

Pledge of Assets

The Group did not have any pledge of assets as at 31 December 2023 and 2022.

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 2,319 employees as at 31 December 2023 (2022: 1,350 employees). The Group's remuneration policies are in line with the prevailing market practices and are determined on the basis of performance and experience of the individual concerned. The Group has been constantly reviewing staff remuneration package to ensure it is competitive in the market.

Recent Development in the Applicable Laws and Regulations in the PRC

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

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

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

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

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

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

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

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

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

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

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

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

13. On 23 August 2023, the Ministry of Education issued the "Interim Measures for Administrative Punishment for After-School Tutoring" (《校外培訓行政處罰暫行辦法》), which came into effect on 15 October 2023. The measures support the provisions of the administrative penalties on the after-school tutoring institutions in violation of laws and regulations and the relevant provisions of the relevant departments of the State Council in the prices, charging and pre-fee funds, etc. The "Interim Measures for Administrative Punishment for After-School Tutoring" (《校外培訓行政處罰暫行辦法》) stipulates that the following situations constitute illegal after-school tutoring, and the relevant natural persons, legal persons or other institutions conducting such activities may be subject to a variety of administrative penalties, such as orders to rectify or stop the tutoring, refunding, revocation of operating approvals, warnings, criticisms and fines: (i) Any natural person, legal person or other institutions that conduct after-school tutoring without obtaining the necessary private school licence and meet a number of conditions, including the existence of a dedicated training venue for offline training, a specific website or application for online training with more than two trainers and an appropriate organisational structure and division of labour; (ii) Any natural person, legal person or other institutions that do not meet the above conditions and have not obtained a licence to operate a private school is disguised as carrying out a number of after-school tutoring of disciplines; (iii) Any after-school tutoring institution conducts training beyond the scope of its licence; (iv) Any after-school tutoring institution conducts training in violation of laws, administrative regulations and relevant state provisions; (v) Any after-school tutoring institution is disorganised; and (vi) Any after-school tutoring institution organises or participates in the organisation of unauthorised social competitions for preschoolers, primary and secondary school students over the age of 3.

14. On 18 December 2023, the General Office of the Ministry of Education issued the "Notice on the Remediation of After-School Tutoring in 2024 Winter Vocation" (《關於做好2024年寒假期間校外培訓治理有關工作的通知》). In order to further consolidate the effectiveness of the governance of after-school tutoring, strictly prevent the invisible variation of discipline-based training, strengthen the supervision of non-discipline-based training, and reduce the burden of after-school tutoring for primary and secondary school students, the following notice is made: (I) Making special deployment while considering political standing. (II) Strengthening supervision and law enforcement by investigating training violations. (III) Carrying out a comprehensive investigation to prevent safety risks. (IV) Focusing on key categories and strengthening the supervision of training for art examination. (V) Promoting a comprehensive implementation to policy. (VI) Doing a good job of publicity and guidance to create a good holiday atmosphere.

15. On 8 February 2024, the Ministry of Education issued the "Announcement on the Public Consultation on the Regulations on the Administration of After-School Tutoring (Draft for Comments)" (《關於〈校外培訓管理條例(徵求意見稿)〉公開徵求意見的公告》). In order to regulate and improve the quality of after-school tutoring, cater for diversified education on culture, and promote the healthy growth of the younger generations, the Ministry of Education, on the basis of centralised governance practices and in-depth research in recent years, has studied and formed the "Regulations on the Administration of After-School Tutoring (Draft for Comments)", which is open to public consultation. The Draft, containing twenty articles, emphasises the promotion of the standardisation and legalisation of the governance of after-school tutoring, and makes it clear that in order to carry out after-school tutoring, corresponding licences should be obtained in accordance with the law, and the conditions of legal persons should be fulfilled, and the after-school tutoring institutions for disciplines at the stage of compulsory education should be registered as non-profit-making legal persons; Teaching and research staff of discipline-based after-school tutoring institutions should obtain teaching qualifications, and teaching and research staff of non-discipline-based after-school tutoring institutions should obtain appropriate professional qualifications; In-service teachers, research staff in kindergartens, primary and secondary schools are not allowed to engage in after-school tutoring; They are not allowed to take advantage of national legal holidays, rest days, and winter and summer vacations to organise discipline-based training for the compulsory education stage. The Draft also states that after-school tutoring institutions shall not organise or participate in the organisation of level examinations or competitions for primary and secondary school students and pre-school children between the ages of 3 and 6, and shall not publish the academic results and rankings of recipients; Kindergartens, primary and secondary schools may not use participation in after-school tutoring or the results of training as a basis for enrollment; For after-school tutoring targeting students at the compulsory education stage should implement government-guided price management formulated by the provincial people's government in accordance with the law, and other after-school tutoring fees should be reported to the approving authority for record; After-school tutoring institutions that charges pre-fee should include such fee in the supervision.

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

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

Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (for the year ended 31 December 2022: nil).

Subsequent events

Purchase of Shares pursuant to the Share Award Scheme

During the period from 1 January 2024 to 22 January 2024 (both days inclusive), the trustee of the Group's Share Award Scheme bought a total of 170,000 Shares of the Company from the market at a total consideration of HK$388,000 (equivalent to RMB308,000) which are currently held for the purpose of satisfying share awards that may be granted under the Share Award Scheme.

During the period from 1 January 2024 to 19 January 2024 (both days inclusive), the Company bought back a total of 438,000 Shares of the Company from the market at a total consideration of HK$997,000 (equivalent to RMB906,000) which are currently held for the purpose of cancellation.

Share Scheme

Immediately upon the adoption of the Share Scheme on 27 February 2024, the Share Option Scheme was terminated and the Company will not grant any further options under the Share Option Scheme thereafter, provided that any granted and unexercised options made under the Share Option Scheme immediately before its termination shall continue to be valid and exercisable in accordance with the terms of the grant and the rules of the Share Option Scheme. As of 28 March 2024, the total number of Shares available for future grant under the scheme mandate limit of Share Scheme were 38,899,000 Shares, and grant to service providers is subject to the service provider sublimit of 5,557,000 Shares. For further details, please refer to the circular of the Company dated 6 February 2024 and the announcements of the Company dated 28 February 2024 and 5 March 2024.

Save as disclosed above, there were no significant events affecting the Group after 31 December 2023.

Directors

Executive Directors

Mr. Chen Qiyuan (陳啟遠), aged 41, founder of the Group, was appointed as a Director on 7 February 2018 and the chairman of the Board on 16 April 2018, respectively. He was re-designated as an executive Director on 20 December 2018. He is responsible for the overall formulation, guidance of business strategy and development of the Group.

Mr. Chen has over 13 years of experience in tutoring business. From 2008 to 2012, Mr. Chen had been in preparation for the establishment of the Group. He has been the general manager of Shenzhen Scholar since 2012. Prior to founding the Group, he worked at Shenzhen Bond Cultural Development Co., Ltd* (深圳市邦德文化發展有限公司) from December 2005 to July 2008.

Mr. Chen graduated from Shaoyang University (邵陽學院) in Shaoyang, Hunan Province, the PRC in June 2006 with a bachelor's degree of science. He received a master of business administration at Peking University Shenzhen Graduate School in July 2022. Mr. Chen obtained the qualification of a middle school senior teacher granted by Shaoyang Department of Education in July 2006. He was awarded the "Outstanding Person in Private Education in 2015" (2015民辦教育風雲人物) by Southern Metropolis Daily (南方都市報). He also completed the Hong Kong Youth Leadership National Studies Workshop organised by the Chinese Academy of Governance in December 2018. Further, he completed the Oxford-Visiting Study Programme organised by the Mansfield College, University of Oxford as a visiting scholar from Peking University HSBC Business School in March 2018. He currently serves as the deputy chairman of the Guangdong Elementary Mathematical Society. Mr. Chen has been appointed as the visiting professor at Lingnan Normal University (嶺南師範學院) in March 2021. Mr. Chen has also been appointed as the committee member of the Fifth Shenzhen Municipal People's Congress in May 2021.

Mr. Qi Mingzhi (齊明智), aged 39, who had joined the Group in June 2012, was appointed as a Director and chief executive officer on 16 April 2018 and 8 December 2018 respectively. He was re-designated as an executive Director on 20 December 2018. Mr. Qi is in charge of the Group's overall management and operation, contributing towards the overall strategic planning and realisation of the business objectives of the Group.

Mr. Qi has over 11 years of experience in tutoring business. He was the subject co-ordinator of science of Shenzhen Scholar since September 2012 and was promoted to the head of teaching and education in April 2013. In September 2014, he became the deputy chief of Scholar Centre and also the chief of Shenzhen Cuizhu learning centre. He was further promoted to serve as the deputy chief operating officer of the Shenzhen Scholar and the principal of the middle school division of Shenzhen Scholar in July 2015. He has been serving as the chief operating officer and the executive general manager of Shenzhen Scholar since September 2016.

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

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

Ms. Li Ailing (李愛玲), aged 41, joined the Group in July 2013, and was appointed as a vice general manager of the Group on 8 December 2018. From January 2021, Ms. Li is primary responsible for the cost control, organic growth and realisation of business objectives of the Group's high school segment operations. Ms. Li has over 15 years of experience in tutoring business. Prior to joining the Company, Ms. Li worked in Shenzhen Bond Cultural Development Co., Ltd* (深圳市邦德文化發展有限公司) from January 2007 to June 2013. Ms. Li graduated from the Harbin University of Science and Technology (哈爾濱理工大學), Harbin, Heilongjiang Province, the PRC in July 2006 with a bachelor's degree of engineering.

Ms. Leng Xin Lan (冷新蘭), aged 38, joined the Group in May 2010, and was appointed as the director of training and development of the Group in 2017. Ms. Leng's main responsibilities are building the teacher and executive training system, improving teacher's teaching standard and morality, improving executive's management ability, continuously cultivating excellent management reserve for the Group to meet the talent demand. Ms. Leng has over 14 years of experience in tutoring business. Prior to joining the Company, Ms. Leng worked in Shenzhen Bond Cultural Development Co., Ltd* (深圳市邦德文化發展有限公司) from February 2008 to April 2010. Ms. Leng graduated from the Southwest University (西南大學), Chongqing, the PRC in July 2008 with a bachelor's degree

Non-executive Director

Mr. Shen Jing Wu (沈敬武), aged 54, who had joined the Group in April 2018, was appointed as a Director and the vice chairman of the Board on 16 April 2018 and re-designated as a non-executive Director on 20 December 2018. Mr. Shen is responsible for providing the Group with advice on business strategy and development.

Mr. Shen has a wealth of experiences in management and investment. He has been the chief executive officer of CRE Alliance (Hong Kong) Company Limited since July 2017. Mr. Shen joined HPEF Capital Partners Limited (formerly known as HSBC Private Equity (Asia) Limited and Headland Capital Partners Limited) in January 2005. He was then promoted to the Head of the Greater China investment team in 2006 and left the company in June 2016 with his last position as Senior Partner, Head of Greater China. Prior to that, he worked at a company focusing on venture capital investments. From 1998 to 2002, he worked at Shanghai Industrial Holdings Limited, managing the company's venture capital investments. He also worked at Bain & Company in Hong Kong from January 1993 to June 1995, Boston, the United States from July 1995 to August 1995 and San Francisco, the United States from August 1997 to August 1998 with his last position as consultant.

Mr. Shen received a bachelor's degree of science in economics from the Wharton School, University of Pennsylvania, graduating summa cum laude in May 1992 and a master of business administration from Stanford University in June 1997.

Independent Non-executive Directors

Mr. Huang Victor (黃偉德), aged 52, was appointed as an independent non-executive Director with effect from 11 June 2019. Mr. Huang has over 30 years of experience in professional accounting, capital market and merger and acquisition. Mr. Huang joined PricewaterhouseCoopers Hong Kong in January 1993 and was admitted to partnership in July 2005. He left PricewaterhouseCoopers Hong Kong in July 2014. From July 2014 to August 2017, he was a partner of KPMG in Hong Kong.

Mr. Huang is currently an independent non-executive director of (i) Qingdao Haier Biomedical Co., Ltd. (青島海爾生物醫療股份有限公司) (stock code: 688139.SH), a company listed on the Sci-Tech Innovation Board of the Shanghai Stock Exchange; (ii) ManpowerGroup Greater China Limited (萬寶盛華大中華有限公司) (stock code: 2180), a company listed on the Stock Exchange; (iii) Topsports International Holdings Limited (滔搏國際控股有限公司) (stock code: 6110), a company listed on the Stock Exchange; (iv) New Times Energy Corporation Limited (新時代有限公司) (stock code: 166), a company listed on the Stock Exchange; (v) COSCO SHIPPING Energy Transportation Co Ltd (中遠海運能源運輸股份有限公司) (stock code: 1138), a company listed on the Stock Exchange; (vi) Shandong Hi-Speed New Energy Group Limited (山高新能源集團有限公司) (stock code: 1250), a company listed on the Stock Exchange; and (vii) Giordano International Limited (佐丹奴國際有限公司) (stock code: 709), a company listed on the Stock Exchange.

Mr. Huang was also an independent non-executive director of (i) Trinity Limited (利邦控股有限公司) (stock code: 891), a company listed on the Stock Exchange, from 20 December 2018 to 31 December 2020; (ii) China Bright Culture Group (煜盛文化集團) (stock code: 1859), a company listed on the Stock Exchange, from 3 February 2020 to 27 November 2020; (iii) Evergrande Property Services Group Limited (恒大物業服務有限公司) (stock code: 6666), a company listed on the Stock Exchange, from 13 November 2020 to 19 November 2021; and (iv) Laobaixing Pharmacy Chain Joint Stock Company (老百姓大藥房連鎖股份有限公司) (stock code: 603883.SH), a company listed on the Shanghai Stock Exchange, from 25 February 2021 to 23 February 2024.

Mr. Huang is a member of the Hong Kong Institute of Certified Public Accountants and the Hong Kong Independent Non-Executive Director Association. He is also a Certified Independent Non-executive Director by the Shanghai Stock Exchange.

Mr. Huang received a bachelor's degree of arts from the University of California, Los Angeles in September 1992.

Mr. Yang Xuezhi (楊學枝), aged 76, was appointed as an independent non-executive Director with effect from 11 June 2019. He is responsible for providing independent opinion and judgment to the Board.

Mr. Yang has over 50 years of experience in the education industry. He worked in Hebei Hejiapingzhen High School and Fuzhou No. 24 Middle School with his last position as the vice principal for 25 years.

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

Mr. Yang graduated from Wuhan University, Hubei Province, the PRC with a bachelor's degree of mathematics in July 1970. He obtained the qualification of a middle school senior teacher in August 1996 from the Fuzhou municipal education bureau and the qualification of a special grade teacher in September 2002 from the people's government of Fujian Province, the PRC.

Ms. Yim Ka Man (嚴加敏), aged 44, has over 16 years of experience in external audit, management accounting, operations management, internal control review, ESG reporting and enterprise risk assessment. She has been the Head of Risk Advisory Services at Mazars CPA Limited ("**Mazars**"), an international audit, tax and advisory firm, in Hong Kong since April 2021. Prior to joining Mazars, she worked at BDO Risk Advisory from March 2014 to May 2015 as manager, and at Baker Tilly Hong Kong — Risk Advisory from May 2015 to April 2021, with her last position as director. Prior to that, she has worked at various international accounting firms, where she was responsible for supervising auditors in a number of systems reviews and audit assignments for both listed companies, large private enterprises and listing applicants, and she has also worked at the internal audit departments of Miramar Group, a renowned hospitality group, and Hang Lung Properties, a leading property developer in Hong Kong. Ms. Yim is currently an independent non-executive director of APT Satellite Holdings Limited (亞太衛星控股有限公司) (stock code: 1045), a company listed on the Stock Exchange.

Ms. Yim is a member of CPA Australia and the Hong Kong Institute of Certified Public Accountants. Ms. Yim received a Master of Laws (International and Commercial Law) degree from the University of Greenwich, the United Kingdom in November 2020 and a Bachelor of Business (Accounting and Banking & Finance) degree from Monash University, Australia in July 2002.

Senior Management

Mr. So Wai Hang (蘇偉恒), aged 44, has been the chief financial officer and company secretary of the Group since January 2019. He is responsible for the financial management, investor relations and company secretarial matters of the Group.

Mr. So has over 22 years of experience in professional accounting and auditing. Prior to joining the Group, Mr. So worked for PricewaterhouseCoopers and was mainly responsible for leading and managing various teams of professionals to provide audit and assurance assignments, capital market transactions and advisory projects to clients including listed companies and multinational companies.

Mr. So is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He is also a member of the CPA Australia and the Chartered Institute of Management Accountants. Mr. So is a Chartered Global Management Accountant and a Certified Internal Auditor registered with the Institute of Internal Auditors. Mr. So currently serves as a director of a subsidiary of the Company.

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

Mr. Hua Ribao (花日寶), aged 45, who had joined the Group in November 2016, and was appointed as a financial controller of the Group on 4 January 2017. He is responsible for the financial management of the Group.

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

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

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

DIRECTORS' REPORT

The Directors present their report together with the audited consolidated financial statements for the year ended 31 December 2023.

Global Offering

The Company was incorporated in the Cayman Islands on 7 February 2018 as an exempted company with limited liability under the Companies Law. The Shares became listed on the Main Board of the Stock Exchange on 21 June 2019.

Details of the Shares issued during the year ended 31 December 2023 are set out in Note 23 to the consolidated financial statements.

Principal Activities

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

Financial Results

The revenue and profit attributable to the owners of the Company for the year ended 31 December 2023 were approximately RMB570.6 million and RMB86.0 million, respectively. Of such revenue, approximately 91.2% was derived from non-academic literacy programmes and others; and approximately 8.8% was derived from tutoring programmes. For details, please see the audited consolidated statement of comprehensive income set out on page 106 of this annual report.

Business Review

A fair review of the Group's business during the year ended 31 December 2023, which includes an analysis of the Group's performance during the year using financial key performance indicators, an indication of likely future developments in the Group's business, a discussion of the principal risks and uncertainties faced by the Group, a discussion on the Group's environmental policies and performance, details regarding the Group's compliance with the relevant laws and regulations that have a significant impact on the Group, and the Group's key relationships with stakeholders as required under Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) are set out in "Chairman's Statement", "Management Discussion and Analysis", "Corporate Governance Report" and "Environmental, Social and Governance Report" in this annual report.

Outlook

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

Major Customers and Suppliers

The customers of the Group are primarily its students. For the year ended 31 December 2023, the percentage of revenue attributable to the Group's five largest customers combined was less than 30% of the Group's revenue.

The suppliers of the Group primarily comprise book suppliers, teaching equipment vendors, human resources services providers, equipment and materials vendors. For the year ended 31 December 2023, the percentage of purchases attributable to the Group's five largest suppliers combined were less than 30% of the Group's cost of revenue.

None of the Directors, their associates or any Shareholder that, to the knowledge of the Directors, owns more than 5% of the Company's share capital had an interest in the Group's major customers or suppliers.

Tax Relief

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Shares.

Environmental Policies and Performance

The Group is highly aware of the importance of environmental protection and has not noted any material non-compliance with any relevant laws and regulations in relation to various aspects of its business, including health and safety, workplace conditions, employment and the environment. The Group has implemented environmental protection measures and encouraged its members of staff to be environmentally friendly at work by consuming the electricity and paper according to actual needs, so as to reduce energy consumption and minimise unnecessary waste. The Company is not aware of any environment-related violations during the year ended 31 December 2023.

For details of the Company's environmental policies and performance, and the relations with employees, customers and suppliers, please see the Environmental, Social and Governance Report of the Company for the year ended 31 December 2023 on pages 69 to 100 of this annual report.

Compliance with Relevant Laws and Regulations

During the year ended 31 December 2023, the Group was not aware of material non-compliance with the relevant laws and regulations that have a significant impact on the business and operations of the Group.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2023 are set out in Note 14 to the consolidated financial statements.

Share Capital

Details of the movements in the share capital of the Company during the year ended 31 December 2023 are set out in Note 23 to the consolidated financial statements.

Distributable Reserves of the Company

Details of the movements in reserves of the Company during the year ended 31 December 2023 are set out in Note 26 to the consolidated financial statements.

As at 31 December 2023, the Company's reserves available for distribution to the Shareholders consisted of share premium of approximately RMB79.8 million (2022: RMB79.8 million). Under the Companies Law and subject to the Articles of Association, the share premium account may be applied by the Company for paying distributions or dividend if, after such distributions or dividend is paid, the Company will be able to pay off its debts as they fall due in the ordinary course of business.

Taxation

Details of the tax position of the Company during the year ended 31 December 2023 are set forth in Note 12 to the consolidated financial statements.

Bank Borrowings

As at 31 December 2023 and 2022, the Group did not have bank borrowings.

Directors

The Directors during the year and up to the date of this annual report were as follows:

Executive Directors

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

Non-executive Director

Mr. Shen Jing Wu *(Vice Chairman)*

Independent non-executive Directors

Mr. Huang Victor
Mr. Yang Xuezhi
Dr. Liu Jianhua (retired on 19 May 2023)
Ms. Yim Ka Man (appointed on 19 May 2023)

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

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

Biographical Details of Directors and Senior Management

Biographical details of the Directors and the senior management of the Group as at the date of this annual report are set out on pages 21 to 25 in "Directors and Senior Management" in this annual report.

Independence of the Independent Non-Executive Directors

The Company has received, from each of the independent non-executive Directors, a confirmation of her/his independence pursuant to Rule 3.13 of the Listing Rules. Based on such confirmations, the Company considers that all the independent non-executive Directors are independent.

Directors' Service Contracts

Each of the executive Directors has entered into a service contract with the Company for an initial fixed term of three years and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

The non-executive Director has entered into a letter of appointment with the Company for an initial fixed term of one year and will continue thereafter until terminated by not less than three months' notice in writing served by the non-executive Director on the Company or with immediate effect following the notice in writing served by the Company on the non-executive Director.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for an initial fixed term of one year and will continue thereafter until terminated by not less than three months' notice in writing served by the independent non-executive Director to the Company or with immediate effect following the notice in writing served by the Company to the independent non-executive Director.

None of the Directors who is proposed for re-election at the AGM has or is proposed to have a service contract with the Company or any of its subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

Emolument Policy

A remuneration committee has been set up for reviewing the Company's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Company's operating results, individual performance of the Directors and senior management and comparable market practices.

Details of the emoluments of the Directors and those of the five highest paid individuals of the Group for the year ended 31 December 2023 are set out in Note 9(b) to the consolidated financial statements.

For the year ended 31 December 2023, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived or agreed to waive any emoluments for the year ended 31 December 2023.

The Company has also adopted the Share Option Scheme as incentive for Directors and eligible employees. Details of the Share Option Scheme are set out in "Share Option Scheme" in this annual report.

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

Directors' Interests in Transactions, Arrangements or Material Contracts

Save as disclosed in this annual report, no Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Company to which the Company or any of its subsidiaries, PRC Operating Entities or fellow subsidiaries was a party during the year.

Rights and Interests of Directors and Controlling Shareholders on Competing Business

A deed of non-competition dated 3 June 2019 (the "**Deed of Non-competition**") was entered into among the Company and the controlling shareholders of the Company, namely Mr. Chen Qiyuan, Sky Noon and Magnificent Industrial, according to which the controlling shareholders have jointly and severally and irrevocably undertaken that they would not participate or be interested or engaged in or hold any business which is or may be in competition with the business of the member of the Group from time to time.

The controlling shareholders of the Company, namely Mr. Chen Qiyuan, Sky Noon and Magnificent Industrial, have confirmed their compliance with the Deed of Non-competition during the year ended 31 December 2023.

The independent non-executive Directors have reviewed the Deed of Non-competition and assessed whether the controlling shareholders of the Company had abided by the non-competition undertaking. The independent non-executive Directors confirmed that the controlling shareholders had not been in breach of the Deed of Non-competition during the year ended 31 December 2023.

As at 31 December 2023, none of the Directors or their associates had any competing interests in the businesses which competed or are likely to compete with the Company or its subsidiaries or PRC Operating Entities, either directly or indirectly.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2023.

Material Contracts

Save as disclosed in this annual report, none of the Company or any of its subsidiaries or PRC Operating Entities entered into any material contracts with the controlling shareholders or any of their subsidiaries other than the Company, nor was there any material contracts between the Company or any of its subsidiaries and the controlling shareholders or any of their subsidiaries other than the Company in relation to provision of services during the year ended 31 December 2023.

Change in Information in Respect of Directors

Save as disclosed in this annual report, there was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules for the year ended 31 December 2023.

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

As at 31 December 2023, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(a) Long positions in the Company

Name of Directors	Capacity/Nature of Interest	Number of Shares held	Approximate percentage of interest in the Company[1]
Mr. Chen Qiyuan[1]	Interest in a controlled corporation	219,395,000	39.48%
Mr. Qi Mingzhi	Beneficial owner	12,818,000	2.31%

Note:

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

(b) Long positions in Shenzhen Scholar

Name of Directors	Capacity/Nature of Interest	Amount of registered capital (RMB)	Approximate percentage of equity interest[1]
Mr. Chen Qiyuan[1]	Mr. Chen Qiyuan	7,800,000	39%

Save as disclosed above, as at 31 December 2023, none of the Directors or the chief executives of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors Rights to Acquire Shares or Debentures

Save as disclosed in this annual report, at no time during the year ended 31 December 2023 was the Company or any of its subsidiaries, PRC Operating Entities or fellow subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 was granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2023, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholders	Capacity/Nature of Interest	Number of Shares held	Approximate percentage of interest in the Company
Sky Noon[(1)]	Beneficial owner	219,395,000	39.48%
Yu Xi International[(1)]	Interest in a controlled corporation	219,395,000	39.48%

Note:

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

Save as disclosed above, as at 31 December 2023, the Directors were not aware of any persons (who were not Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

During the year ended 31 December 2023, the Group had two share-based incentive schemes in effect, namely the Share Option Scheme and the Share Award Scheme.

Share Option Scheme

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

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

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

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

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

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

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

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

			Number of share options				
Name/class of grantees	**Date granted**	**Exercise price per Share**	**As at 1 January 2023**	**Granted during the year**	**Exercised during the year**	**Lapsed/ cancelled during the year**	**Outstanding as at 31 December 2023**
Employees of the Group	6 February 2023	HK$1.62	—	27,785,000 (Note 1)	—	—	27,785,000
Total			—	27,785,000 (Note 1)	—	—	27,785,000

Note:

(1) On 6 February 2023, the Company granted share options (the "Share Options") to the grantees under the Share Option Scheme, which will entitle them to subscribe for an aggregate of 27,785,000 new Shares. Subject to the fulfilment of the relevant vesting conditions (including performance criteria and duration of employment with the Group) as determined by the Board, the Share Options will vest in three tranches: (i) 33% to be vested within fifteen (15) days after the date of publication of the annual results announcement of the Company for the year ending 31 December 2023 on the website of the Stock Exchange, provided that the vesting period shall be no less than 12 months as set out in Rule 17.03F of the Listing Rules; (ii) 33% to be vested within fifteen (15) days after the date of publication of the annual results announcement of the Company for the year ending 31 December 2024 on the website of the Stock Exchange; and (iii) the remaining 34% to be vested within fifteen (15) days after the date of publication of the annual results announcement of the Company for the year ending 31 December 2025 on the website of the Stock Exchange. Options that have vested may be exercised at any time for a period of two years from the vesting date. All outstanding or unexercised Options shall lapse after 15 April 2028.

The value of the Share Options granted is HK$0.81 to HK$1.01 per option, based on the Trinomial tree valuation model. The significant inputs into the model were share price of HK$1.53 as at the grant date, the exercise price shown above, standard deviation of expected share price returns of 86.32%, expected life of options of two years, expected zero dividend payout rate and annual risk-free interest rate of 3.29% to 3.57%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices of comparable companies. The trinomial model is developed to estimate the fair value of European share options. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

The Share Option Scheme was terminated on 27 February 2024 immediately upon the adoption of the Share Scheme and the Company will not grant any further options under the Share Option Scheme thereafter, provided that any granted and unexercised options made under the Share Option Scheme immediately before its termination shall continue to be valid and exercisable in accordance with the terms of the grant and the Share Option Scheme Rules. For further details, please refer to "Subsequent Events — Share Scheme" in this annual report.

Share Award Scheme

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

Duration

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

Purpose and objectives

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

Administration

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

Operation

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

Scheme limit

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

Award of awarded shares

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

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

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

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

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

Vesting of Awarded Share

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

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

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

Disqualification of Selected Participant

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

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

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

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

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

Lapse of Award

(1) Total Lapse

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

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

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

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

(2) Partial Lapse

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

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

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

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

Restrictions

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

Alteration of the Share Award Scheme

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

Voting Rights

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

Termination

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

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

Share Purchase pursuant to the Share Award Scheme

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

As at the date of this annual report, the Trustee purchased a total number of 10,567,000 Shares on the market. No Share Awards were granted or vested under the Share Award Scheme during the year ended 31 December 2023.

The Company will continue to closely monitor market conditions and its trading share price and instruct the Trustee to undertake share repurchase for the purpose of the Share Award Scheme as and when appropriate. As at the date of this annual report, nil Shares were held by the Trustee. The Board will constantly review and determine at its absolute discretion such number of awarded Shares to be awarded to the Selected Participants under the Share Award Scheme with such vesting conditions as the Board may deem appropriate.

Share Scheme

Immediately upon the adoption of the Share Scheme on 27 February 2024, the Share Option Scheme was terminated and the Company will not grant any further options under the Share Option Scheme thereafter, provided that any granted and unexercised options made under the Share Option Scheme immediately before its termination shall continue to be valid and exercisable in accordance with the terms of the grant and the rules of the Share Option Scheme.

Details of the options to subscribe for Shares pursuant to the Share Scheme are set out below:

			Number of options			
Name/class of Grantee	**Date grant**	**Exercise price per share (HK$)**	**Granted (Note 1)**	**Exercised**	**Lapsed/ Cancelled**	**Outstanding as at 28 March 2024**
Employees of the Group	28 February 2024	4.48	16,671,000	—	—	16,671,000

Note 1: The Share Scheme was adopted on 27 February 2024 and the options are granted thereunder after the reporting period. For further details of the vesting schedule, performance targets and exercise period of the options granted, please refer to the announcements of the Company dated 28 February 2024 and 5 March 2024.

As of 28 March 2024, the total number of Shares available for future grant under the scheme mandate limit of Share Scheme were 38,899,000 Shares, and grant to service providers is subject to the service provider sublimit of 5,557,000 Shares. For further details, please refer to the circular of the Company dated 6 February 2024 and the announcements of the Company dated 28 February 2024 and 5 March 2024.

Equity-linked Agreements

During the year ended 31 December 2023, save as disclosed in this annual report, no equity-linked agreement was entered into by or subsisted in the Company, and there was no provision to enter into any agreement which will or may result in the Company issuing shares.

Continuing Connected Transactions

In addition to the related party transactions disclosed in Note 33 to the consolidated financial statements, details of continuing connected transactions ("**CCTs**") of the Group as defined under the Listing Rules, which are required to be disclosed in accordance with the requirements of Chapter 14A of the Listing Rules, are summarised below:

Continuing connected transactions

We have entered into a number of continuing agreements and arrangements with our connected persons in our ordinary and usual course of business, which constitute continuing connected transactions under the Listing Rules. We set out below details of the continuing connected transactions for the Group:

1. Structured Contracts

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

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

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

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

The independent non-executive Directors have also reviewed the transactions under the Structured Contracts and have confirmed that (i) the transactions under the Structured Contracts carried out during the year ended 31 December 2023 had been entered into in accordance with the relevant provisions of the Structured Contracts, had been operated so that the profit generated by the PRC Operating Entities had been substantially retained by the Group; (ii) no dividends or other distributions have been made by the PRC Operating Entities to the holders of its interest which are not otherwise subsequently assigned or transferred to the Group; and (iii) the Structured Contracts are fair and reasonable, or advantageous, so far as the Group is concerned and in the interests of the Shareholders as a whole.

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

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

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

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

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

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

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

Structured Contracts

Background of the Structured Contracts

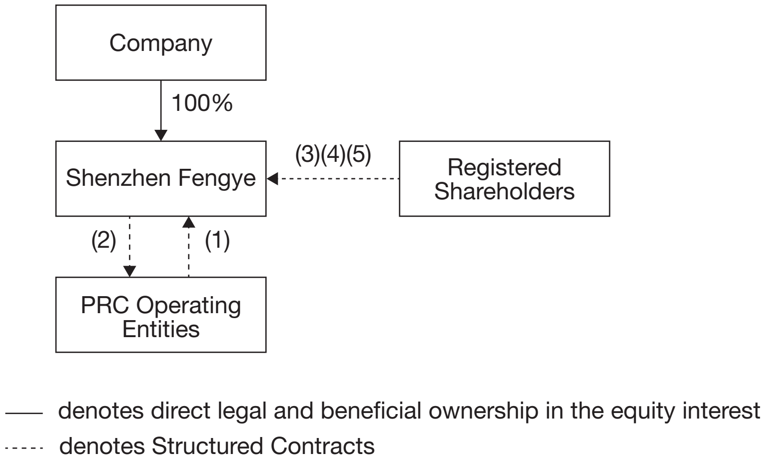
The following summarised generally the status of the Structured Contracts adopted by the Group given the PRC legal restriction imposed on the shareholding structure over the business the Group. For further details of the Structured Contracts, please refer to "**Structured Contracts**" in the Prospectus.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

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

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

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

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



Notes:

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

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

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

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

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

Summary of the material terms of the Structured Contracts

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

(1) Exclusive Corporate Operation and Business Process Consultancy Service Agreement

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

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

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

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

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

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

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

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

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

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

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

(e) providing technical consulting services;

(f) providing technical training;

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

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

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

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

(3) Exclusive Call Option Agreement

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

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

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

(4) Shareholders' Voting Rights Entrustment Agreement

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

(5) Equity Pledge Agreement

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

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

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

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

(6) Shareholders' Powers of Attorney

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

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

(7) Spousal Undertaking

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

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

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

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

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

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

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

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

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

The main business activities of the PRC Operating Entities are the provision of after-school education services through non-academic literacy programme and academic preparation programme in the PRC.

According to the Structured Contracts, the Group obtains control over and derives the economic benefits from the PRC Operating Entities. The table below sets out the financial contribution of the PRC Operating Entities to the Group:

	Revenue for the year ended 31 December 2023	Net profit for the year ended 31 December 2023	Total assets as at 31 December 2023
PRC Operating Entities	100.0%	105%	99%

Revenue and assets involved in the Structured Contracts

The table below sets out (i) the revenue for the year ended 31 December 2023; and (ii) the total assets in relation to the PRC Operating Entities as at 31 December 2023, which would be consolidated into the Group's financial statements pursuant to the Structured Contracts:

	Revenue RMB'000	Total assets RMB'000
PRC Operating Entities	570,614	1,021,739

Unwinding of the Structured Contracts

Shenzhen Fengye has undertaken that, if the PRC regulatory environment changes and all of the Qualification Requirement, the Foreign Ownership Restriction and the Foreign Control Restriction are removed (and assuming there are no other change in the relevant PRC laws and regulations), it will exercise the Equity Call Option in full to acquire all of the interest in the PRC Operating Entities and unwind the Structured Contracts accordingly. For further details, please see "Structured Contracts — Summary of the material terms of the Structured Contracts — (3) Exclusive Call Option Agreement" in this annual report and "Structured Contracts — Termination of the Structured Contracts" in the Prospectus.

As at the date of this annual report, there has not been any unwinding of any Structured Contracts, nor has there been any failure to unwind any Structured Contracts when the restrictions that led to the adoption of the Structured Contracts are removed.

Plan to comply with the Qualification Requirement

According to the consultation with the Relevant Education Authorities (as defined in the Prospectus), they will not accept an application for converting the PRC Operating Entities or the entities to be newly established or invested by the Group into Sino-foreign joint venture entities at this stage and in the foreseeable future. Although it is not possible for the Relevant Education Authorities to accept the Group's application for converting any of the PRC Operating Entities into Sino-foreign joint venture entities due to a lack of implementation measures or guidance at the current stage, the Group has taken specific steps with a view to demonstrating compliance with the Qualification Requirement. The Group is in the process of preparing the launch of a tutorial centre in Hong Kong, which has already obtained a certificate of registration from the Education Bureau in Hong Kong and is currently identifying and recruiting suitable teachers and other relevant staff and the Group continues to evaluate the optimal timing and feasibility of the launch. The Company is of the view that the foregoing steps are meaningful endeavours that are reasonable and appropriate to comply with the Qualification Requirement.

Overall performance and compliance with the Structured Contracts

The Group has adopted the following measures to ensure the effective operation of the Group with the implementation of the Structured Contracts and its compliance with the Structured Contracts:

(a) major issues arising from the implementation and compliance with the Structured Contracts or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;

(b) the Board will review the overall performance of and compliance with the Structured Contracts at least once a year;

(c) the Company will disclose the overall performance and compliance with the Structured Contracts in its annual and interim reports to update the Shareholders and potential investors;

(d) the Company and the Directors undertake to provide periodic updates in the Company's annual and interim reports regarding the Qualification Requirement and the Group's status of compliance with the Foreign Investment Law and its accompanying explanatory notes and the latest development of the Foreign Investment Law and its accompanying explanatory notes;

(e) the Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board in reviewing the implementation of the Structured Contracts, the legal compliance of Shenzhen Fengye and the PRC Operating Entities to deal with specific issues or matters arising from the Structured Contracts; and

(f) the Company will disclose, as soon as reasonably practicable (i) any updates of changes to the Foreign Investment Law that will materially and adversely affect the Company as and when they occur; and (ii) a clear description and analysis of the Foreign Investment Law as implemented, specific measures taken by the Group to fully comply with the Foreign Investment Law supported by a PRC legal opinion and any material impact of the Foreign Investment Law on the Group's operations and financial position of the Group.

In addition, notwithstanding that the executive Director, Mr. Chen Qiyuan, is also a Registered Shareholder, the Company believes that the Directors are able to perform their roles in the Group independently and the Group is capable of managing its business independently under the following measures:

(a) the decision-making mechanism of the Board as set out in the Articles of Association includes provisions to avoid conflict of interest by providing, among other things, that in the event of conflict of interest in such contract or arrangement which is material, a Director shall declare the nature of his interest at the earliest meeting of the Board at which it is practicable for him to do so, and if he is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum;

(b) each of the Directors is aware of his fiduciary duties as a Director which requires, among other things, that he acts for the benefits and in the best interests of the Group;

(c) the Company has appointed three independent non-executive Directors, comprising over one-third of the Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of the Company and the Shareholders as a whole; and

(d) the Company will disclose in its announcements, circulars, annual and interim reports in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by the Board (including independent non-executive Directors) relating to any business or interest of each Director and his associates that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

The Group will continue to implement such measures before the Structured Contracts are unwound, with an aim to further enhance its control over the PRC Operating Entities. The Company is not aware of any non-performance of the Structured Contracts or non-compliance with such aforementioned measures as at the date of this annual report. As advised by the Group's PRC legal counsel, the Structured Contracts were legally enforceable and did not violate existing PRC laws and regulations for the year ended 31 December 2023 and up to the date of this report.

Material Changes

Save as disclosed above, as at the date of this annual report, there are no material changes in the Structured Contracts and/or the circumstances under which the Structured Contracts were adopted.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2023, the Company repurchased a total of 330,000 Shares at an aggregate consideration of HK$289,360 on the Stock Exchange, all of which were repurchased in November 2023 at the highest price of HK$0.93 per Share and the lowest price of HK$0.86 per Share. All such repurchased Shares have yet to be cancelled. The Directors considered that such repurchases would enhance the earnings per share and increase the net asset value per share attributable to the Shareholders.

The Trustee also made share purchase on the Stock Exchange pursuant to the Share Award Scheme Rules and the Trust Deed. During the year ended 31 December 2023, the Trustee purchased a total number of 10,397,000 Shares on the Stock Exchange. No Share Awards were granted or vested under the Scheme during the year ended 31 December 2023. Please refer to "Share Award Scheme — Share Purchase pursuant to the Share Award Scheme" for further details.

Save as disclosed above, 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 2023.

Pre-emptive Rights

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

Related Party Transactions

Details of the significant related party transactions entered into by the Group during the year ended 31 December 2023 are set out in Note 34 to the consolidated financial statements. To the best knowledge of the Directors, save for the transactions set out in the section headed "Connected Transactions and Continuing Connected Transactions" in this annual report, none of these related party transactions constitutes connected transactions that need to be disclosed under the Listing Rules.

Donations

During the year ended 31 December 2023, no charitable and other donations made by the Group (2022: nil).

Debentures Issued

During the year ended 31 December 2023, no issuance of debentures was made by the Company.

Significant Legal Proceedings

During the year ended 31 December 2023, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatening against the Company.

Permitted Indemnity Provision

Under the Articles of Association, every Director or other officers of the Company acting in relation to any of the affairs of the Company shall be entitled to be indemnified against all actions, costs, charges, losses, damages and expenses which he may incur or sustain in or about the execution of his duties in his office; and be indemnified and secured harmless out of the assets of the Company; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty.

The Company has arranged for appropriate insurance cover in respect of legal action against its Directors and officers.

Retirement and Employee Benefits Scheme

Details of the retirement and employee benefits scheme of the Company are set out in Note 39.17 to the consolidated financial statements.

Corporate Governance

The Company is committed to maintaining high standards of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 51 to 68 of this annual report.

Public Float

Based on information publicly available to the Company and to the best knowledge of the Directors, the Company continues to meet the prescribed public float under the Listing Rules, and at least 25% of the Company's total issued shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, were held by the public at all times during the year ended 31 December 2023 and as at 16 April 2024, being the latest practicable date prior to the printing of this annual report.

Audit Committee

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed risk management, internal control and financial reporting matters with management including a review of the consolidated financial statements and annual results for the year ended 31 December 2023 of the Group.

Auditor

PricewaterhouseCoopers was appointed as the Auditor during the year ended 31 December 2023. The accompanying financial statements prepared in accordance with IFRSs have been audited by PricewaterhouseCoopers.

PricewaterhouseCoopers shall retire at the AGM and, being eligible, will offer itself for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as Auditor will be proposed at the AGM.

By Order of the Board
Scholar Education Group

Chen Qiyuan
Chairman of the Board and Executive Director

Qi Mingzhi
Executive Director and Chief Executive Officer

Hong Kong, 28 March 2024

Corporate Governance Practices

The Board is committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as its own code of corporate governance. For the year ended 31 December 2023, the Company had complied with all applicable code provisions set out in the CG Code and Corporate Governance Report contained in Appendix C1 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.

Board Responsibilities

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

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

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

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

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

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

Board Composition

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

Executive Directors

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

Non-executive Director

Mr. Shen Jing Wu *(Vice Chairman)*

Independent non-executive Directors

Mr. Huang Victor
Mr. Yang Xuezhi
Dr. Liu Jianhua (retired on 19 May 2023)
Ms. Yim Ka Man (appointed on 19 May 2023)

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

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

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

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

Board Diversity Policy

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

The Board comprises eight members, including four executive Directors, one non-executive Director and three independent non-executive Directors. The Directors have a balanced mix of experiences, including management and strategic development, finance and investment and accounting experiences in addition to education business. Furthermore, the Directors have a wide range of age, ranging from 38 years old to 76 years old. The Board also has a good mix of new and experienced Directors that all the four executive Directors joined the Group in 2012 and 2013, who have valuable knowledge and insights of the Group's business over the years, while the other four Directors are expected to bring in fresh ideas and new perspectives to the Group. The Board believes that based on the existing business model of the Group, the meritocracy of the Directors and with three female representation on the Board, the existing board composition satisfies the principles under the Board Diversity Policy. The Company has also taken, and will continue to take steps to promote gender diversity at all levels of the Company, including but without limitation at the Board and senior management levels. The Company will invest more resources in training female managers with the aim of promoting them to the senior management or directorship of the Company. For example, the Company will provide them with more leadership training and provide pregnant female staff with support with a view to ensuring they have similar career prospects with their male counterparts.

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

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

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

Mechanism to Ensure Independent Views

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

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

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

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

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

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

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

Induction and Continuous Professional Development

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

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

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

Appointment and Re-election of Directors

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

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

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

Board Meetings

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

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

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

Pursuant to code provision C.5.1 of the CG Code, the Board is expected to meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals.

During the year ended 31 December 2023, sixteen Board meetings were held. The attendance of each Director at the Board meetings is set out in the table below:

Directors	**Attended/Eligible to attend**
Executive Directors	
Mr. Chen Qiyuan	16/16
Mr. Qi Mingzhi	16/16
Ms. Li Ailing	16/16
Ms. Leng Xinlan	16/16
Non-Executive Director	
Mr. Shen Jing Wu	16/16
Independent Non-Executive Directors	
Mr. Huang Victor	16/16
Mr. Yang Xuezhi	16/16
Dr. Liu Jianhua (retired on 19 May 2023)	7/7
Ms. Yim Ka Man (appointed on 19 May 2023)	9/9

Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions to regulate all dealings by Directors and relevant employees of securities in the Company and other matters covered by the Model Code. Having made specific enquiries of all the Directors, each of the Directors has confirmed that she/he had complied with the Model Code during the year.

For the past year, the Company has also adopted its own code of conduct regarding employees' securities transactions on terms no less exacting than the standard set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

Delegation by the Board

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and consult with the Company's senior management independently.

The daily management, administration and operation of the Company are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval must be obtained from the Board prior to any significant transactions entered into by the management.

Corporate Governance Function

The Board recognises that corporate governance should be the collective responsibility of the Directors, which includes:

(a) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(b) to review and monitor the training and continuous professional development of the Directors and senior management;

(c) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors;

(d) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board and report to the Board on such matters;

(e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report; and

(f) to review and monitor the Company's compliance with the Company's whistleblowing policy.

Board Committees

Audit Committee

The Audit Committee comprises three members, namely Mr. Huang Victor (chairman), Mr. Yang Xuezhi and Ms. Yim Ka Man, all of whom are independent non-executive Directors.

The principal duties of the Audit Committee include the following:

(a) to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, and by satisfying themselves as to the effectiveness of the internal controls of the Group and as to the adequacy of the external and internal audits;

(b) to assure that appropriate accounting principles and reporting practices are followed;

(c) to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the authorised independent auditors (the "**External Auditors**"), and to approve the remuneration and terms of engagement of the External Auditors, and any questions of its resignation or dismissal;

(d) to serve as a focal point for communication between other directors, the External Auditors and the internal auditors or any person responsible for the internal audit department of the Group (the "**Internal Audit Department**") as regards their duties relating to financial and other reporting, internal controls, external and the Internal Audit Department and such other matters as the Board determines from time to time;

(e) to review and monitor the External Auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the External Auditors the nature and scope of the audit and reporting obligations before the audit commences, and ensure co-ordination where more than one audit firm is involved. Procedures to review and monitor the independence of the External Auditors may include:

    (i) to consider all relationships between the Group and the External Auditors (including non-audit services);

    (ii) to obtain from the External Auditors annually, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including current regulations of rotation of audit partners and staff; and

    (iii) to meet with the External Auditors, at least annually, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the External Auditors may wish to raise;

(f) to develop and implement policy on engaging the External Auditors to supply non-audit services;

(g) to monitor integrity of the Company's financial statements, annual report and accounts, half-year report and, if prepared for publication, quarterly reports (including directors' report, chairman's statement and management discussion and analysis), and to review significant financial reporting judgments contained in them;

(h) regarding (g) above:

  (i) members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the External Auditors; and

  (ii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts. It should give due consideration to any matters that have been raised by the Company's staff responsible for accounting and financial reporting function, the compliance officer of the Company or External Auditors;

(i) to review audit and control related corporate representations made to External Auditors, Internal Audit Department and to the Shareholders;

(j) to review with External Auditors and Internal Audit Department, the Group's management, the adequacy of the Group's policies and procedures regarding internal controls (including financial, operational and compliance controls) and any statement by the Directors to be included in the annual accounts prior to endorsement by the Board;

(k) to review the Company's financial controls, and unless expressly addressed by a separate board risk committee, or by the Board itself, to review the Company's risk management and internal control systems;

(l) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financing reporting function;

(m) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

(n) to ensure co-ordination between the Internal Audit Department and External Auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness; and

(o) to review the Group's financial and accounting policies and practices.

Code provision D.3.3(e)(i) of the CG Code provides that the terms of reference of the Audit Committee shall have the terms that the members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet at least twice a year with the Auditor. The Company has included such terms in relevant terms of reference, and thus complied with the code provision D.3.3(e)(i) of the CG Code during the year ended 31 December 2023.

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

During the year and up to the date of this report, five meetings of the Audit Committee were held to discuss and consider, among other things, the following matters:

- reviewing the consolidated audited financial statements, final results announcement and the 2023 annual report for the year ended 31 December 2023, and submitting it to the Board for approval;

- reviewing the consolidated unaudited financial statements, interim results announcement and the 2023 interim report for the six months ended 30 June 2023, and submitting it to the Board for approval;

- reviewing the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function), risk management systems and processes and the re-appointment of the Auditor. The Board has not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of the Auditor; and

- discussing the audit plan for the year ended 31 December 2023 with the Auditor.

Attendance of each member of the Audit Committee member during the year and up to the date of this report is set out in the table below:

Directors	**Attended/Eligible to attend**
Mr. Huang Victor *(Chairman)*	5/5
Mr. Yang Xuezhi	5/5
Dr. Liu Jianhua (retired on 19 May 2023)	1/1
Ms. Yim Ka Man (appointed on 19 May 2023)	4/4

Nomination Committee

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

The principal duties of the Nomination Committee include the following:

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

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

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

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

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

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

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

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

Directors	Attended/Eligible to attend
Mr. Chen Qiyuan *(Chairman)*	1/1
Mr. Huang Victor	1/1
Dr. Liu Jianhua (retired on 19 May 2023)	1/1
Ms. Yim Ka Man (appointed on 19 May 2023)	0/0

Policy on Directors' nomination

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

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

   (i) reputation for integrity;

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

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

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

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

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

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

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

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

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

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

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

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

Remuneration Committee

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

The principal duties of the Remuneration Committee include the following:

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

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

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

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

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

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

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

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

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

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

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

Directors	Attended/Eligible to attend
Dr. Liu Jianhua *(Chairman)* (retired on 19 May 2023)	1/1
Ms. Yim Ka Man *(Chairman)* (appointed on 19 May 2023)	0/0
Mr. Huang Victor	1/1
Mr. Chen Qiyuan	1/1

Remuneration of Directors and Senior Management

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

Remuneration band (HK$)	Number of individual
Nil–HK$1,000,000	8
HK$1,000,001–HK$2,000,000	2

Strategic Development Committee

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

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

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

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

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

General Meeting

For the year ended 31 December 2023, no extraordinary general meeting and one annual general meeting of the Company were held. The attendance record of the directors is set out in the table below:

Directors	Attended/Eligible to attend
Executive Directors	
Mr. Chen Qiyuan	1/1
Mr. Qi Mingzhi	1/1
Ms. Li Ailing	1/1
Ms. Leng Xinlan	1/1
Non-Executive Director	
Mr. Shen Jing Wu	1/1
Independent Non-Executive Directors	
Mr. Huang Victor	1/1
Mr. Yang Xuezhi	1/1
Dr. Liu Jianhua (retired on 19 May 2023)	1/1
Ms. Yim Ka Man (appointed on 19 May 2023)	0/0

Directors' Responsibilities for Financial Reporting in Respect of Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2023, which give a true and fair view of the affairs of the Company and of the Company's results and cash flows.

The management has provided the Board with such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on Company's performance, positions and prospects.

The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

The statement by the Auditor regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 103 to 105 of this annual report.

Risk management and Internal Control

Sound and effective systems of risk management and internal control are designed to achieve the Group's strategic objectives and safeguard Shareholders' investments and the Group's assets. Such systems are designed to manage rather than eliminate the risk of failure to achieve strategic objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board acknowledges its responsibility to establish, maintain and review the effectiveness of the Group's risk management and internal control systems, where management is responsible for the design and implementation of the risk management and internal control systems to manage risk. With the support from the Audit Committee, the Board monitors the Group's risk exposures, oversees the actions of management and monitors the overall effectiveness of the risk management and internal control systems on an ongoing basis. Policies and procedures form the basis and set forth the control standards required for functioning of the Group's business entities. These policies and procedures covered various aspects, including operations, finance and accounting, human resources, regulatory and compliance, delegation of authority, etc..

Four steps of the enterprise-wide risk assessment:

An annual enterprise-wide risk assessment has been performed to evaluate the nature and extent of the risks to which the Group is willing to take in achieving its strategic objectives. During the risk assessment process, the Group has identified a number of key risks that may impact the Group's strategic objectives in responding to the changes in the business and external environment. These risks are prioritised according to the likelihood of their occurrence and the significance of their impact on the business of the Group.

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

- the management, together with the Internal Audit Department, monitored and reviewed the risk management and internal control systems on an ongoing basis and reported to the Audit Committee regarding the status of the systems;
- the management periodically followed up and reviewed the implementation status of the risk management measures, controls and response plan to address the major risks identified so as to make sure that there is sufficient attention, oversight and response to all major risks identified;
- the management reviewed the risk management and internal control systems periodically to identify process and control deficiencies, and designed and implemented corrective actions to address such deficiencies; and
- the management ensured appropriate control procedures are in place.

Internal Audit

The Group has established the Internal Audit Department, which reports directly to the Audit Committee. The Internal Audit Department is independent from operation management and has full access to data required in performing internal audit reviews. Internal audits are conducted according to the internal audit plan approved by the Audit Committee to review our major operational, financial, compliance and risk management controls. During the process of the internal audits, the Internal Audit Department will identify internal control deficiencies and weaknesses and proposed recommendations for improvements. Internal audit findings and control deficiencies are communicated to internal audit team and the management, who is responsible for ensuring the deficiencies are rectified within a reasonable period. A follow-up review is also performed to ensure the remedial actions are implemented.

Review of Risk Management and Internal Control Systems

The Board is responsible for maintaining an adequate risk management and internal control systems to safeguard Shareholders' investments and Group's assets. For the year ended 31 December 2023, the Board, along with the Audit Committee, had conducted a comprehensive review of the Company's risk management and internal control systems. The review covered the fiscal year of 2023 and all material controls, including operational, financial and compliance controls, and considered the changes in the nature and extent of significant risks as well as the Company's ability to respond to changes in its business and the external environment. The Board considers that the Company has complied with the risk management and internal control provisions of the CG Code, and considers such systems are effective and sufficient. The Board has also reviewed the resources of accounting, internal audit and financial reporting functions, staff qualifications and experience, training programmes and related budgets, as well as procedures related to financial reporting and compliance with the Listing Rules, and considered them effective and sufficient.

Inside Information

The Group is aware of its obligation under relevant sections of the SFO and Listing Rules. During the year ended 31 December 2023, the Company had implemented procedures had internal controls for the handling and dissemination of inside information, including:

- having its own procedures in place to preserve the confidentiality of price-sensitive and/or inside information relating to the Group;

- communicating such procedures to all Directors, senior management and relevant employees who are likely to have access to price-sensitive and/or inside information, and reminding them from time to time that they are required to comply with such procedures; and

- conducting its affairs with close regard to the disclosure requirement under the Listing Rules and the related guidance.

Dividend Policy

The Board has adopted a dividend policy. This policy aims to safeguard the interests of the Shareholders whilst preserving the Group's liquidity for its business development. The Board has complete discretion on whether to pay a dividend, subject to the Shareholders' approval, where applicable. The Company's ability to pay dividends will depend upon, among others, the Group's results of operations, cash flow, capital requirements, general financial condition, contractual restrictions, future prospects and other factors that the Board deems relevant. As the Company is a holding company, its ability to declare and pay dividends will depend on receipt of sufficient funds from its subsidiaries and PRC Operating Entities, which are established in the PRC. The subsidiaries in the PRC and the PRC Operating Entities must comply with their respective constitutional documents and the laws and regulations of the PRC in declaring and distributing returns to their shareholders. The Company's future declarations of dividends may or may not reflect its historical declarations of dividends and will be at the absolute discretion of the Board.

Auditor's Remuneration

The remuneration for the audit and non-audit services provided by PricewaterhouseCoopers, the Auditor to the Company, and other auditors for the year ended 31 December 2023 was approximately as follows:

Type of Services	**Amount** (RMB'000)
Audit services	
— PricewaterhouseCoopers	1,830
— Other auditors	42
	1,872
Non-audit services related to interim review, tax and other services	
— PricewaterhouseCoopers	915
Total	2,787

Company Secretary

Mr. So Wai Hang is the company secretary of the Group. His biographical details are set out in "Directors and Senior Management" in this annual report.

For the year ended 31 December 2023, Mr. So has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

Communication with Shareholders and Investor Relations

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

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

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

Shareholders' Rights

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

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

Convening of extraordinary general meeting and putting forward proposals

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

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

Enquiries to the Board

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

Change in Constitutional Documents

The Company adopted the amended and restated memorandum and articles of association on 3 June 2019, which have been effective from the Listing Date. On 19 May 2023, the Company passed a special resolution to approve and adopt the second amended and restated memorandum of association and articles of association of the Company in substitution for, and to the exclusion of, the existing memorandum of association and articles of association of the Company.

1. About the Report

1.1 Scope

This report is the report on Environment, Society and Governance (ESG) of the Scholar Education Group (We, the "Group"). This report presents the environmental and social responsibilities performance of the Group and its subsidiaries and covers the period from 1 January 2023 to 31 December 2023.

1.2 Preparation Principles

This report is prepared in accordance with the principles of materiality, quantitative, balance and consistency defined in the *Environmental, Social and Governance Reporting Guide* (hereafter referred to as the "ESG Reporting Guidelines") as set out in Appendix C2 to the Listing Rules.

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

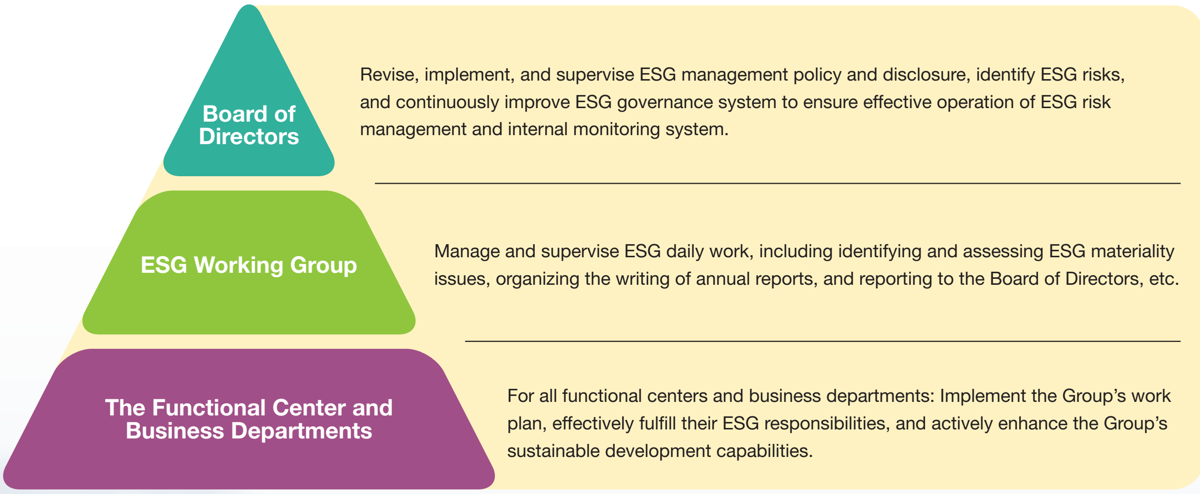
1.3 Data Source

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

2. ESG Management

Upholding the education philosophy of "focusing on academic excellence to enable our students to achieve their aspirations", we continue to provide high-quality educational resources and services, and consider social responsibility as an important component of corporate development.

Through in-depth research on educational methods that conform to cognitive laws, we strive to cultivate interdisciplinary talents with learning and practical ability, social responsibility and global vision. We are aware of the significance of education for individuals and society. We will continue to endeavour to integrate social responsibility into our corporate development planning and daily management, so as to make greater contribution to the promotion of sustainable social development.



We have established a three-tier ESG governance structure to ensure that ESG work is fully emphasised and effectively implemented within the Group. As the highest responsible and decision-making body of ESG, the Group's Board of Directors is responsible for the Group's ESG management policies, strategies and information disclosures, and plays an important role in management and supervision. The ESG Working Group consists of the senior management and the Group's Internal Audit and Supervision Department, which is responsible for monitoring the implementation of the ESG work, guaranteeing that the measures are effectively implemented, and continually optimising the ESG management system. Each functional centre and business departments are responsible for implementing the Group's ESG work plan and taking on their ESG responsibilities.

3. Stakeholder Communication and Materiality Assessment

Maintaining continuous communication with stakeholders is an important step for the Group to enhance ESG quality and effect. We have established a mechanism and diversified channels to communicate with stakeholders such as investors, employees, students, parents, suppliers, the government and the public to learn more about stakeholders' expectations and appeals for the Group. By doing so, we are able to provide timely and effective feedback and constantly review and reflect on the ESG impacts of the Group's business developments in order to evaluate and plan the Group's sustainability efforts and create a better future with various stakeholders while enhancing the Group's sustainability capabilities.

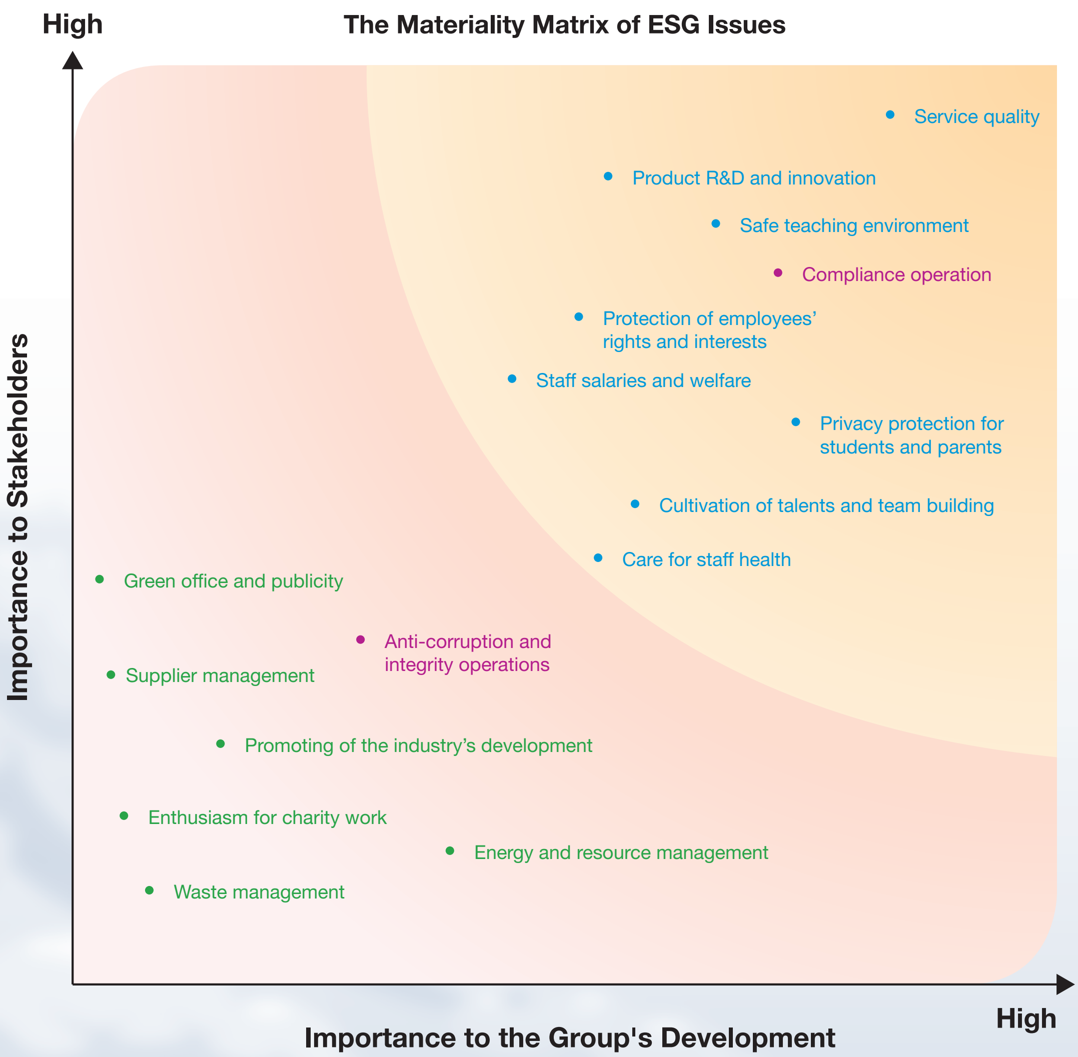
3.1 Communication Mechanism of Stakeholders

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

3.2 Materiality assessment of ESG issues

During the reporting period, we combined the company's business development, industry characteristics and national policy environment with the expectations of stakeholders, developed the list of ESG issues, and engaged third-party consultants to assist in reviewing and checking the list. Through stakeholder communication and industry analysis, we ranked the importance of ESG issues for the year and formed a materiality matrix of ESG issues as the basis for the Group's ESG focus and disclosure.

The materiality matrix of the Group's ESG issues for 2023 is as follows:



Environmental Issues	Social Issues	Governance Issues
1 Green office and publicity	4 Service quality	15 Compliance operation
2 Energy and Resource Management	5 Product development and innovation	16 Anti-corruption and integrity management
3 Waste management	6 Safe campus environment	
	7 Employee rights protection	
	8 Employee compensation and benefits	
	9 Privacy protection for students and parents	
	10 Talent training and team building	
	11 Care for staff health	
	12 Supplier management	
	13 Promote industry development	
	14 Be enthusiastic about social welfare	

According to the results of materiality assessment of this year, the Group's stakeholders regarded service quality, product development and innovation, safe teaching environment as the prior ESG issues. We will improve the Group's ESG work plan with reference to the above results. In this report, we expound on the core ESG issues and present the specific measures and achievements of those issues so that stakeholders can fully learn about the efforts and progress we have made in ESG.

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

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

The Group strictly complies with the policy principles, such as *Guidelines to Ease the Burden of Excessive Homework and Off-campus Tutoring for Students Undergoing Compulsory Education* ("Double Reduction Opinions") and *Guidelines for the Identification of Subjects and Non-Subject Categories in Guangdong Primary and Secondary School Training Programs* ("Guidelines for the Identification of Subjects and Non-Subject Categories"). In 2023, we focused on non-academic literacy courses, encouraging students to develop integrally in "morality, intelligence, stature, aesthetic and labor", Meanwhile, we fully supported them in broadening their perspectives, finding pleasure in learning, and improving their comprehensive cultural literacy and intrinsic drives. This effort further embodies our commitment to implementing the fundamental task of establishing moral education. As of December 31, 2023, the Group had established partnerships with five universities, including Guilin University of Electronic Technology, Guangxi Normal University, Nanchang University, Hubei Normal University, and Lingnan Normal University.

4.1 Product Quality and Innovation

As a leading non-government-funded education service provider in South China, the Group complies with the *Education Law of the People's Republic of China* and other laws and regulations, formulates and implements internal rules and regulations such as *Accountability Mechanism for Violations of Teaching Quality, Teaching Services and Teaching Order*, so that promotes the implementation of the new teaching system in compliance with laws and regulations and further improves teaching management ability.

By integrating quality educational resources and strengthening the development and innovation of our curriculum system, in 2023, the Group continued to optimize the management of literacy courses, standardized course content, and improved course quality to make every effort to ensure the high-quality development of the Group's educational products and services. In the process of course design and upgrade, the Group attaches great importance to the comprehensive development of youth and children, focusing on cultivating students' logical thinking skills, hands-on practical skills, cognitive skills and communication skills, etc. Below are the key initiatives for product innovations taken by the Group this year:

Product Updating and Iterating	• The Group set up a professional R&D team to rapidly update and iterate products according to market demands. After we deep into students' growth rules and literacy needs, we upgrade course design and teaching materials, and also launch special literacy books.
Product Development and Innovation	• The Group has developed curriculum products that meet the national requirements of Education Department of Guangdong for non-academic off-campus training content to further ensure product compliance and comprehensively guarantee product quality; • In 2023, the Group meticulously developed and innovated story-based extensive reading materials, translating technical and complex scientific terminology into engaging and applicable language. This approach not only demystifies the complexity of science but also enhances its accessibility and relatability for children, nurturing expansive thinking.
Product Content and Design	• In 2023, the Group conducted a comprehensive update of its products, focusing on aesthetics and user experience to align with user needs and market trends. The enhancements included a redesigned content layout and the introduction of fresh colors for the printing paper, substantially enhancing the overall reading experience for our users; • The Group has highlighted key points in each chapter through a fluid layout, making the content more logical and streamlined, thus establishing a distinctive style and improving the user's reading experience; • The Group actively seeks user feedback and has revamped the content according to user input to guarantee the content's quality.

Product Quality and Assurance	•	While emphasizing the diversity of products, the Group adheres to a zero-tolerance attitude towards errors and implements strict standards and testing procedures. The self-developed teaching materials of the Group go through three major controls every quarter from research and development to the final draft. The Group Research and training Center has set up the main person in charge of each literacy course, and at least two teachers are assigned to each course to assist in the research and development of self-developed teaching materials. The first trial is completed by the main person in charge of each course and the course members; The second trial shall be completed by all teachers at the front line. The third trial shall be completed and finalized by the principal of the course. All staff are involved in quality control, layer by layer, to ensure the stability and reliability of literacy teaching materials.
Digital Transformation of Products	•	In order to further enhance students' listening experience and help teachers enrich their teaching forms, the Group actively conducts auxiliary teaching through the information platform. This year, we used "Cloud Platform" and "E-Classroom" cloud platform to store literacy teaching materials, class demonstration materials, etc., forming the Group's teaching resource library.
Enhancement of Customer Satisfaction	•	The Group regularly holds teaching competitions, and randomly selects teachers to listen to and score the courses, and then, evaluate and select the best courses, therefore encouraging the further improvement of teaching quality;
	•	The Group actively strengthens the contact with parents by regularly organizing telephone visits to parents, and irregularly learning about the real situation of students in school;
	•	The Group routinely carries out both online and offline satisfaction surveys to gather feedback from students and parents. This enables the prompt identification of any issues and fosters continuous enhancements in the quality of the Group's products and services

The Group continuously enhances its proprietary literacy programs through extensive market research and data-driven insights. This has resulted in the creation and introduction of a diverse range of new literacy-centered course offerings., including *Scientific Literacy*, *Logical Thinking Training*, and *Miaowei International*.

Scholar liberal teaching products

In 2023, the Group remained dedicated to stimulating students' interest in learning, enhancing their endogenous driving force from the following perspectives, "morality, intelligence, stature, aesthetic and labor", which empower students to establish a strong foundation across both the humanities and the sciences. To this end, we have developed a range of integrated and innovative courses which were designed to impart knowledge while fostering an appreciation of global humanities and scientific perspectives. At the same time, we have also organized a variety of engaging and interactive events, such as the "Miaowei Talent Show" and the "Blackboard Writing Competition", which enrich students' educational experiences and cultural understanding. Thereby, improving the overall quality of instruction. In the future, we will help our students to broaden their perspectives by continuously provide students with more solid cultural nourishment through a variety of courses.

Scholar Innovative Courses

The Miaowei Divison of the Group Hosted the 7th Miaowei Talent Show in 2023

In 2023, the Group hosted the Miaowei International English Talent Show, featuring a diverse range of English language skills such as recitation, singing, voice acting, and speaking. The event aimed to advance the understanding that English learning transcends exam preparation, encompassing immersive cultural education. It sought to expand children's perspectives and cultivate a passion for learning English. The competition, which included preliminary, semifinal, and final rounds, attracted over 1,200 student participants and received an overwhelmingly positive response.

4.2 Customer Service Quality

Adhering to the principle of "Focusing on Teaching and Delivering Excellent Service", the Group offers superior educational products by deeply understanding user needs via multiple channels and enhancing the customer experience. Upholding and protecting customers' legal rights and interests, we actively listen to their feedback and respond promptly, continuously providing value to our users. The Group continually enforces the internal systems and procedures, such as the *Complaint Guide* to establish and improve a comprehensive system for managing customer relationships. The group customer service team standardized response and handling of relevant customer complaints according to the incident handling principles, processes and objectives specified in the work guide. This approach ensures standardized responses and effective management of related customer complaints. At the same time, the Group follows up the results of customer complaints through the return visit mechanism to ensure that complaints are handled in a timely and effective manner. In addition, the Group is also dedicated to offering regular training for customer service personnel, designed to enhance their service quality, therefore improving service quality and customer satisfaction.

The Group is committed to enhancing the frequency of communication between teachers and customers. We have developed a mini program, specifically for communicating with parents. This mini program can synchronize the learning situation of parents and students in real time, and collect parents' ratings of teachers to protect the quality of services and parents' rights and interests. In addition, we also have a specific assessment program for small programs, including communication frequency and quality. This enhances the group's service awareness and customer satisfaction, and effectively enhance customer stickiness.

In 2023, due to the increase in the number of campuses, the Group handled a total of 45 complaints and suggestions on cost problems and curriculum settings, all of which were promptly and effectively handled.

To reduce the number of complaints, we plan to offer supplementary training in communication skills, speaking abilities, and consumer psychology. Simultaneously, we are committed to further develop our teacher teams and rigorously adhere to the Group's standards for instructional services.

Scholar "School-Family" mini-app

This tool is a platform for teachers, parents and students to connect and interact with each other. Teachers will send students' class status and learning progress on the platform in real time. Parents can check their children's learning status and give grades to the teachers at any time, so as to ensure that parents can know the class results in real time and give timely feedback on the teachers' teaching results. Those collected information will be use by us to improve our service quality and customer satisfactions.

In 2023, the Group continued to refine the refund process, expanding on its commitment to paperless operations. The stage for customer-initiated "refund information entry" was streamlined, and the refund approval process was optimized to significantly reduce processing time. These improvements have significantly enhanced the customer experience.

4.3 Safe Campus Environment

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

The Group strictly abides by the laws and regulations, including the Fire Service Law of the People's Republic of China and the *Code for Fire Protection Design of Buildings*, the *Law of the People's Republic of China on the Protection of Minors*, formulated the *Campus Standardized Inspection Manual of Scholar Education Group* , and strictly implements the *Fire Safety Responsibility System, the Standardized Operation Manual for Teaching Centers*, the *Safety Management System of Scholar Education Group*, etc, and compliant with the *Group Safety Management System* to implement safety management. Adhering to the "three musts in three managements"[1] principle, we strictly enforce all safety policies. Following the principle of "responsibility lies with the person in charge", we implement campus safety assessment and reward and punishment mechanism, and consider campus safety as one of the key work to be delivered in the Group. While conducting routine monthly safety inspections and require immediate corrective actions for any identified issues, we also regularly hold safety training sessions and drills to improve the emergency response capabilities of both students and staff. This year, the Group has conducted a total of 22 fire drills, notching up a record of no safety-related accidents reported.

1 "Three musts in three managements" encapsulates the fundamental principle that safety must be an integral part of managing businesses, industries, and production and operations.

4.3.1 Campus Safety Standards

The Group continues to improve the safety management system and measures of the campus, strengthen the publicity of safety knowledge, improve the safety awareness of students, parents and employees, and build a safety and health culture of the campus.

This year, in accordance with the *Safety Management System* and Fire Safety Education and Training System, the Group strictly supervised the safety management organization structure and work responsibilities of each campus, continuously improved emergency management measures, and also established a safety standardization evaluation reward and punishment mechanism on campus presentation. The campuses and individuals who implement the safety work in place will be rewarded.

Safety training is a vital component of the Group's safety efforts. The training has well covered in new employee onboarding training and key position employee safety education training. This year, in order to ensure the full implementation of relevant safety education and emergency plan education, we conducted a variety of training and achieved 100% coverage of trained employees.

In this year, the Group's campus safety management work mainly includes the following aspects:

- Optimize annual safety management plans.
- Supervise and implement safety work operation procedures.
- Increase capital investment on safety management.
- Organize daily inspection and rectification work, daily publicity, education and training, as well as emergency implementation and drills for emergencies.

4.3.2 Off-campus Security Management

The Group emphasizes the safety management of study trips and ensures the safety and well-being of students and faculty through the following measures:

- Carefully evaluating the destinations for study tours and strictly avoiding those deemed high-risk.
- Guaranteeing lead teachers are fully familiar with the itinerary, strictly adhere to the pre-determined route, and prohibit students from leaving the group without proper authorizations.
- Standardizing the supervision of students' daily dietary and housing arrangements, and strictly following the established schedule to promote healthy living habits among the students.
- Controlling the amount of money students carry and strictly prohibiting excessive expenditures.

4.3.3 Safety Inspection

This year, the Group actively implemented the policy of "safety first, prevention first", we have clarified specific measures for safety inspections to ensure the effective implementations of fire safety work, therefore ensuring safety management equipment is complete and reliable. we established the *Safety Management Inspection System* of the Group, conducting inspections and rectifications for potential safety hazards. The Group's central office and individual campuses routinely conduct fire safety inspections, looking for potential hazards related to fire safety, electricity, machinery, hazardous chemicals, and the physical environment, logging these findings. "Inspection personnels" are responsible for the follow-up rectification and follow-up. In 2023, the Group carried out a grand total of 451 specialized inspections focusing on fire safety and security, and all identified hazards related to these areas have been addressed and resolved.

Conduct regular safety inspections monthly.

A total of 451 specialized inspections for safety and fire safety were conducted this year, and all identified fire safety and security hazards were rectified.

Conduct daily inspections of campus fire facilities and form inspection logs.

A total of 32 safety hazards were identified, and all have been rectified and closed loop managed.

5. Build Elite Teams to Move Forward Together

Adhering to the talent development concept of "taking employees as fundament, cultivating employees with work, training employees with opportunities", the Group firmly believes that employees are the cornerstone of our sustainable growth, quality products, and enduring services. The Group constantly improves the talent management mechanism, provides employees with a fair just, and harmonious workplace atmosphere, and establishes comprehensive rights protection process and an ideal career development system. Therefore, stimulating employees 'potentials and move side-by-side with them.

5.1 Protection of Employees' Rights and Interests

The Group strictly abides by the *Labor Law of the People's Republic of China*, the *Special Provisions for Labor Protection of Female Workers*, the *Regulations Prohibiting the Use of Child Labor* and other relevant laws and regulations. According to them, we formulate and implement internal human resource management policies, including the *Cadre Management System, the Compensation Adjustment Control System* and *Employee Handbook* to provide employees with equal opportunities and fair salaries, and to protect their labor rights and interests. As of December 31, 2023, the Group employed a total of 2,319 staff (compared to 1,350 workers in 2022), with 36% male and 64% female employees. This included 2,126 teachers and 193 functional personnel.

5.1.1 Compensation and Promotion Management

The Group adheres to the salary management principle of "setting salary according to position and distributing profit according to contribution", formulates the *Salary Adjustment Control System*, which stipulates the categories and range of salary adjustment to ensure that employees are given fair equitable, and market-competitive opportunities for salary adjustment. To foster the shared growth of our employees and the Group, we offer enhanced incentives to those who excel in their work, demonstrate innovation, and are top performers. This strategy aims to inspire the ongoing development of our employees.

The Group has instituted performance evaluation criteria using A/B/C/D grading scales and provides supplementary compensation incentives to employees based on the overall annual performance coefficient of their department. The breakdown of grade levels is as follows:

Class	A Class	B Class	C Class	D Class
Definition	**Exceeding Target**	**Meeting Target**	**Average**	**General**
	The performance aligned with the planned objectives and targets, notching significant progress in the annual work.	The performance generally aligned with the planned objectives and targets, yielding satisfactory results in the annual work.	The performance was in line with the planned objectives and targets, with notable achievements in the annual work.	The actual performance fall slightly short of the targeted goals, leaving room for enhancement.

The Group continuously refines its internal systems, including the *Cadre Management System*. Adhering to principles of "Character First, Ability Based" and "Capable People Go Up, Mediocre People Go Down, and People Make the Best of Their Abilities", we has established a comprehensive talent selection and evaluation mechanism. This mechanism along with a cadre management and discipline inspection center to standardize behavior and foster self-discipline. At the same time, this mechanism clearly define the reserve, promotion, assessment, transfer, elimination conditions and processes of cadres, and effectively promote the systematic and standardized process of cadre management of the Group. Furthermore, in order to encourage employees who perform outstandingly and have extraordinary contribution to the Group or new employees have potential, the Group has set up a "promotion channel", whereby employees who meet the relevant promotion requirements can be promoted after special approval.

5.1.2 Employee Welfare and Care

By taking people-centric approach in mind, the Group provides not only legally mandated benefits but also a range of welfare and protection measures. We standardize the welfare mechanism in the internal management system such as the *Management Measures for the Political Commissar System of Employee Relationships at Teaching Centers*, implement employee assistance measures, help employees in need, create a good working environment for employees, infect employees with warmth, unite employees with warmth, and stimulate employees' dedication. We regularly hold various corporate cultural activities, including year-end celebrations, employee travel, regular group building, etc., and prepare gifts and festive food for employees on major holidays such as Teachers' Day and Spring Festival.

Employees are a crucial asset to the Group's growth, and their occupational health is of paramount importance to us. We have developed a range of management systems to ensure comprehensive health protection for our staff. To enhance the oversight and care of employees' occupational health, we consistently apply the *Political Commissar System of Employee Relationships of the Group*, and have instituted a three-tiered health management framework. This framework standardizes reporting for health issues and keeps a close watch on employees' health. Moreover, we have also established an employee welfare fund to offer support to staffs who are in situations of significant health challenges or accidents. In addition, we have acquired commercial medical supplementary insurance for all our employees, thereby guaranteeing them enhanced medical coverage in the event of significant illnesses or accidental injuries.

Furthermore, we organize a wide array of sport clubs and competitions throughout the year, including basketball, badminton, table tennis and etc. We also promote daily exercise among employees through large-scale sports events, focusing on enhancing their overall physical fitness.

Scholar Education Group Autumn Sports Festival

5.1.3 Improve Employee Communication

The Group actively seeks and values employee feedback, fostering open and equitable communication among staff members as well as between managers and their teams. We adhere to the principle of "prevention first, intervention as needed", and have established diverse communication channels to foster a harmonious labor relations environment. In 2023, the Group engaged with employees via the following channels:

1 Service
The school principal's office has established a specialized service desk to address employee inquiries, complaints, and suggestions.

2 Forum
The campus conducts regular meetings, where employees are encouraged to share suggestions and provide advice to district leadership.

3 Work Conference
The Group has various types of summary and exchange meetings from time to time, where employees can exchange work content and share their experience and work experience.

4 Exchange Meeting
The Group has instituted a comprehensive employee relationship and political work system, which organizes periodic exchange meetings and a variety of cultural and recreational events.

5 Care and Communication
Human resources staffs routinely visit our campuses to offer support and facilitate communication. This enables campus employees to engage directly with personnel from the headquarters.

Furthermore, we strictly prohibit any form of unfair treatment towards employees. To facilitate reporting, we offer a streamlined and confidential formal appeal process, encouraging staff to voice any grievances regarding unfair treatment. We treat all employees with equality, eradicating all forms of discrimination and unfair treatment, and fostering a fair, equitable, and transparent work environment for our staff.

5.1.4 Employment Management

The Group adheres to the principle of equal employment and does not allow unlawful discrimination or harassment based on race, race, religion, sex, age, national origin or any other factor. For the employed employees, we sign and manage labor contracts according to law, pay “five insurances and one fund” and serious illness insurance for employees on time, pay overtime, ensure that employees enjoy statutory holidays, sick leave, marriage leave, maternity leave and other paid holidays according to law, and provide equal opportunities for employees to compete in recruitment, promotion, training and other aspects.

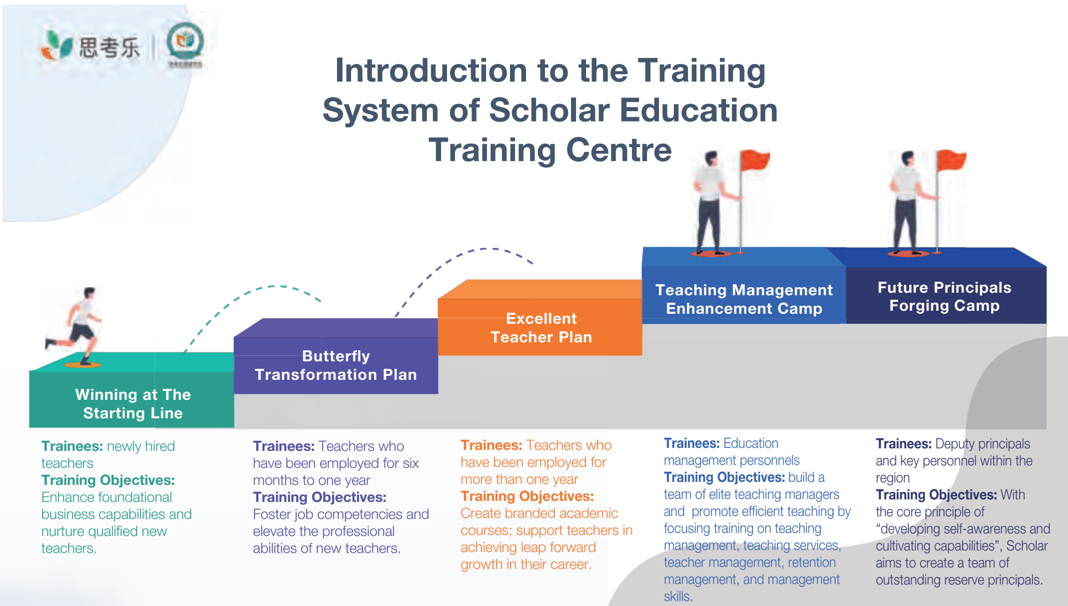
This year, in response to the “Double Reduction Opinion” policy, we have intensified our transformation efforts and elevated the qualifications required for new hires. To improve the quality of teacher talent recruitment and standardize the recruitment process and hiring standards, we have formulated documents such as the *Scholar Education Group Human Resources Recruitment Center Interview Standardization Process Plan* and the *Scholar Education Junior Teacher Interview and Employment Standards*. These documents meet the Group’s development needs for hiring personnel, expand the teacher and staff team, and continuously strengthen the teaching staff’s capabilities and standards.

The Group rigorously implements the state’s *Provisions on Prohibition of Child Labor*, upholds the SA8000 standard, and rigorously verifies the age of all applicants during the recruitment process to entirely prevent the employment of child labor. At the same time, we offer comprehensive training and support for new hires to gain a thorough understanding of the issues surrounding child labor and forced labor, thereby safeguarding and securing the legal rights and benefits of our employees. In this year, the Group has not had any cases of using child labor or forced labor.

5.2 Constant Improvement of the Talent Development Mechanism

The Group firmly believes that talent is the key factor to drive business and services, attaches great importance to the career development channels and prospects of employees, and continuously improves the “Training Academy” system to provide employees at all levels with diverse and broad opportunities for further study.

In 2023, the Group provides training programs of "Win at the Starting Point", "Change Plan", "Excellent Teacher Plan", "Teaching Management Improvement Camp" and "Future Principal Training Camp", respectively for new teachers, teachers with six months to one year of service, teachers with more than one year of service, teaching managers, vice principals and key training personnel in the regions. These programs effectively help new employees to quickly familiarize themselves with the work content, and help middle management cadres to further improve their team management ability and strategy execution ability.



Introduction to Scholar Academy's Training System

Case: Scholar 2023 Future Principal Training Camp

In 2023, the Group will provide a half-year "Future Principal Training Camp" training program for the vice presidents of the campus and key training personnel of the region, providing the necessary literacy and skills training for the reserve of principal positions. As of December 31, 2023, the "Future Principal Training Camp" program has completed 30 people, of which 7 people have entered the principal certification period at the time of completion.

6. Legal Operation and Sustainable Development

Adhering to the business philosophy of "compliant operation and sustainable development", the Group strictly abides by applicable laws and regulations for the Group's business development, constantly improves its risk management and internal control mechanism, and is committed to safeguarding the legitimate rights and interests of the Group's stakeholders and promoting the Group's sustainable development.

6.1 Customer Privacy Protection

The Group adheres to laws and regulations, including the *Personal Information Protection Law of the People's Republic of China*, and has implemented internal policies, such as the *Network Security Management System* and the *Information System Account Management System*. We prioritize the security of system and user data, maintain a robust security framework, and define clear compliance standards for handling customer personal information, including collection, storage, use, processing, transmission, sharing, disclosure, and deletion. We strive to mitigate the risk of customer privacy breaches to the maximum extent possible.

We have implemented a range of security measures to safeguard customer personal information. This includes stringent oversight of access permissions for employee information system accounts, with permissions tailored to individual roles to ensure that only authorized personnel have access to relevant data within their assigned parameters. To guarantee compliance of employee system account permissions, the Group's audit and supervision center, in partnership with the Information Center, carries out periodic centralized reviews of account access rights and promptly eliminates any unnecessary accounts. The group's Information Center periodically checks the operating environment and status of the system and application software to prevent information security risks such as viruses and hacker attacks. In addition, we continue to promote the importance of data and privacy protection to our employees to enhance their awareness of information protection and confidentiality.

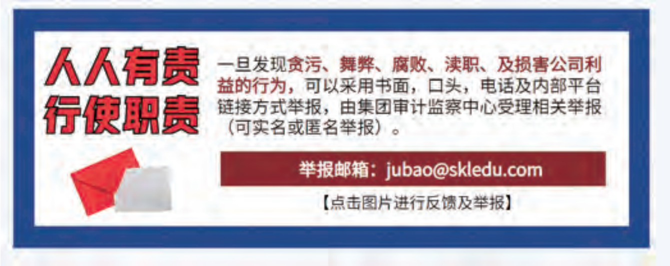
Key Initiatives for Customer Privacy and Information Security Management in 2023:	
Network	• Deploy firewall and intrusion detection systems at the network egress, and strictly control the ports that provide external services. Deploy a full-traffic monitoring system on the network to prevent network attacks.
Data Center	• On the level of physical security, accessment control system is set up in the equipment room to restrict visitors, and monitoring cameras are equipped to ensure the safety of equipment in the equipment room. • On the environment monitoring level, the equipment room is equipped with an environmental monitoring system to monitor environmental factors such as temperature, humidity, and smoke in real time to ensure that the equipment room environment is in proper condition. • In terms of power assurance, the data center is fitted with an Uninterruptible Power Supply (UPS) to guarantee continuous operation of the database even in the event of power outages.

Key Initiatives for Customer Privacy and Information Security Management in 2023:		
Maintenance	•	Periodically conduct inspections of hardware devices to guarantee the proper functioning of equipment.
	•	Periodically back up the database and establish contingency recovery plans to facilitate swift restoration in the event of data loss.
	•	Update database system and related software in a timely manner and patch security loopholes.
	•	Develop a comprehensive fault management process to expediently respond to unforeseen hardware or software issues, thereby safeguarding against disruptions to routine business operations.
Authorization	•	By defining system permissions through job roles, relevant personnel can only access data within the scope of their permissions. For example, in a CRM system, from the vertical dimension (city, region, branch school) and horizontal dimension (such as courses), relevant personnel can only access data within the scope of their permissions

6.2 Operate with Integrity and Trust

The Group recognizes that upholding the bedrock of integrity and honesty is essential for the Group to secure sustainable growth. In strict compliance with the relevant state laws and regulations such as Anti-*corruption Law of the People's Republic of China, Anti-money Laundering Law of the People's Republic of China*, the Group formulates *the Accountability Management Regulation*. This regulations help the Group to establish guidelines for red and yellow line behaviors and accountability principles, clarify its principle of zero tolerance on illegal practices, and emphasizes the Group's needs for employees to maintain professional ethics and conduct at all times.

The Group attaches great importance to the supervision and management of cadres. In this year, the Cadre Discipline Supervision Committee was set up to exercise independent supervision power, and a punishment system of both supervision and inspection was established to carry out regular supervision of cadres. In addition, the Cadre Discipline Supervision Commission carries out monthly red line discipline inspections in various cities and regions, and regularly carries out rolling inspections of cadres' attendance discipline every week, timely discovering and correcting problems in the cadre team, and promoting the healthy development of enterprises.



Group Reporting Email

The Group set up a report mailbox for online publicity, and the audit and supervision Center is responsible for the processing of report information. After receiving the report information, the audit and Supervision Center immediately starts the investigation procedure, verifies the content of the report, ensures that the facts are clear and the evidence is solid, and notifies the investigation results within the group. We put an end to any violation of rules and discipline, regardless of the rank of the staff involved, we will not tolerate.

The Group requires the company's management to sign a commitment letter related to anti-corruption, promising to strictly abide by national laws and regulations and company rules and regulations, do not accept any form of gift or commercial bribery, and establish correct values and codes of conduct for all employees. In addition, through training and daily work meetings, we constantly promote and emphasize the anti-corruption requirements to all employees, ensure that every employee is aware of the seriousness of corruption, and actively create a clean and honest atmosphere. All department heads and campus heads earnestly perform their duties of daily supervision and inspection, pay close attention to possible corruption risks in the operation process, report them and take appropriate measures to avoid and deal with them, timely discover and correct violations, and prevent the breeding and spread of corruption. During the reporting period, the Group did not have any litigation cases related to corruption.

6.3 Compliance Publicity and Promotion

The Group strictly abides by the *Advertising Law of the People's Republic of China*, the *Notice on the Control of Off-campus Training Advertisements* and other relevant laws and regulations to regulate the promotion of literacy courses. We ensure that we do not publish off-campus training advertisements in mainstream media, online platforms, public places and other Spaces, and actively implement The State Council's "Double Reduction" work targets and out-of-school training advertising control measures.

6.4 Protect Intellectual Property Rights

The Group attaches great importance to intellectual property protection, strictly follows the *Intellectual Property Law of the People's Republic of China* and other laws and regulations, formulates and implements the I*ntellectual Property Management System,* standardizes intellectual property confidentiality and centralized management of intellectual property files, encourages employees to establish intellectual property awareness, respects originality, and strictly cracks down on any form of infringement.

We set up full-time staff responsible for the preservation of intellectual property certificates, strictly restrict the borrowing of intellectual property certificates, and establish intellectual property ledger details to record the ownership, status and changes of each intellectual property. At the same time, we develop an annual inspection follow-up table to regularly track and update the annual inspection of intellectual property certificates to ensure the security of the Group's intellectual property rights, and in the course of innovation activities, search and evaluate the novelty of the proposed patent application to determine the feasibility of the patent application and its effective protection scope. In addition, we provide intellectual property management training to strengthen employees' intellectual property protection awareness and management capabilities. In 2023, the Group acquired 4 software Copyrights, 15 trademark rights and 3 patents.

The Group's textbook resources are centrally stored in the teaching cloud platform, and the platform account is uniformly set and managed by the senior high school research and training Center and the Institute of Education and Science. The Group has formulated a code of confidentiality for the use of electronic copies of teaching materials, which stipulates that teaching materials are only allowed to browse and print, electronic copies are strictly prohibited to leak. The teaching cloud platform is only allowed to be used by employees and account sharing is prohibited. All employees of the Group are required to undertake confidentiality obligations, and the Group will use legal means to pursue individuals who leak confidential documents and teaching accounts to the end. In 2023, there were no intellectual property breaches.

6.5. Standardize Supplier Management

The Group has formulated and implemented the *Procurement Management System* and the *Supplier Management System* to clarify the responsibilities of each department of the procurement chain, specific procurement procedures and methods, and supplier management requirements, etc., so that to ensure the standardization and efficiency of procurement activities. During the reporting period, the materials procured by the Group were primarily teaching material printings, office supplies, electronic products, and spray-painting products. To foster the green evolution and sustainable advancement of our supply chain, we not only pay attention to the quality of our suppliers, but also pay attention to their performance in environmental protection and social responsibility. In 2023, the Group cooperated with a total of 21 suppliers.

To ensure the stability and sustainability of the supply chain, the Group has developed a strict supplier access mechanism. During the supplier admission stage, the Procurement Center collects various information about potential suppliers and makes an initial judgment on whether they meet the Group's entry criteria. In the supplier evaluation stage, the Procurement Center, together with the Finance Center and other departments, set up a professional review team to evaluate the supplier's qualification certificate, product quality, environmental and social responsibility performance. After passing the assessment, suppliers will enter the supplier access approval process. Only suppliers who pass the approval can enter the qualified supplier database of the group.

In the supplier assessment stage, the Group's Procurement Center, in collaboration with the Finance Center and other relevant departments, evaluates the supplier's supply quality, the response speed and professionalism of on-site services, the completeness and timeliness of after-sales support, and the compliance with business ethics. Based on the assessment results, suppliers with excellent performance will be included in the high-quality supplier database, while suppliers with unqualified performance will be suspended to ensure the overall quality of the supply chain.

The Group is acutely conscious of the critical role a green supply chain plays in fostering sustainable development. As such, we consistently apply principles of green environmental stewardship and lawful operations in overseeing our supply chain activities. In pursuit of this goal, we integrate assessments of suppliers' environmental management systems and ethical operations into our supplier onboarding and evaluation protocols. The Group prioritizes partnerships with suppliers who have earned ISO 14001 certification for their environmental management systems. This ensures that the purchased products and services adhere to green environmental standards and mitigate their environmental impact. Simultaneously, we prioritize the selection of energy-efficient and eco-friendly products for procurement, including LED lighting, computers bearing national energy-saving labels, and recycled paper, thereby contributing to energy savings and carbon emission reduction.

The Group attaches great importance to clean procurement and has developed a sound clean procurement system and process to ensure the fairness, transparency and integrity of procurement activities. In order to strengthen the sense of self-discipline of employees, we require all personnel of the procurement center to sign the *Self-discipline Agreement*, which clearly stipulates the code of conduct of employees in the procurement process, including but not limited to not accepting bribes, kickbacks or other improper benefits from suppliers. If we find employees violate the *Self-Discipline Agreement*, we will immediately launch an investigation procedure. Once verified, we have the right to unilaterally terminate the labor contract and seriously deal with the employee involved.

7. Environmental Protection Operation and Green First

The Group stays committed to green development and strictly complies with relevant laws and regulations such as the *Environmental Protection Law of the People's Republic of China*. In this way, an internal regulation of *Management Regulation on Energy Conservation and Emission Reduction* is formulated to integrate energy conservation and consumption reduction actions into daily operation of enterprises. We actively respond to the national green and low-carbon development strategies and contribute to the three major aspects of energy conservation and emission reduction, water conservation, and waste emission reduction. There is no mass manufacturing involved in our principal business, therefore, no pollutant discharge is produced. During the reporting period, the Group did not incur any environmental violations or environmental administrative penalties with significant impact.

7.1 Resources Usage and Compliant Emissions

The Group's consumption of resources is mainly resulted from teaching centers and office areas, including electricity and water, office paper, fuel for official vehicles, etc. Electricity used in teaching centers and office areas comes from the regional grid and water is completely taken from the municipal water supply system. We actively respond to the national call for energy conservation and emission reduction, adopting a series of measures including internal publicity activities. Through the promotion in internal groups and morning meetings, employee's awareness of energy conservation are enhanced. In addition, the Group's operation center carries out inspections and scores each center including whether to implement energy-saving measures into the key deduction items, encouraging employees to integrate energy-saving concepts into their daily work.

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

In 2023, the Group paid more attention to the collection and collation of environmental data, and continued to promote the quantification, normalization and standardized management of environmental performance. We collected environmental key performance data in accordance with the requirements of the ESG reporting guidelines of the Hong Kong Stock Exchange. For details, please refer to Appendix 2023 ESG Key Performance Data. We will continue our efforts to contribute to the realization of green, low-carbon and sustainable development

7.2 Green Operation and Low-carbon Office

The Group sets clear targets for energy conservation and consumption reduction, and reduces energy consumption and pollutant emissions in operations through technological transformation, equipment upgrading and other measures. We give priority to environmentally friendly and energy-saving products and services in procurement, and promote suppliers to participate in the construction of green supply chain. At the same time, we strengthen the training of employees' environmental awareness and green skills, improve the awareness and ability of all employees to participate in green operation and energy saving. The Group's Operation Center regularly monitors and evaluates the implementation of green operations, energy conservation, and consumption reduction plans to take corresponding improvement measures in time in case of finding problems.

During this year, the Group promoted circular economy to reduce, recycle and harmlessly treat the waste, cutting down material consumption and pollution emissions in production and carrying out waste recovery. To this end, we take environmental measures such as better electrical appliances, strict control of energy consumption, standardized management of supplies, paperless advocation, and low-carbon transportation. The specific measures are as follows:

Energy Consumption Reduction

- Give priority to energy-efficient lighting and electrical appliances;
- Add the phenomenon of long bright lighting and long dripping tap into department assessment;
- Set air conditioning temperature at 25°C, require employees to turn off all equipment such as lights and air conditioners after work, and set relevant checks.

Office Resource Saving

- Promote paperless office and send all documents online except necessary documents;
- Use double-sided printing and prefer grayscale printing to decrease overall monthly cost by 5%;
- Cancel the production of paper items such as campus points cards;
- Improve the service life of campus items and remind users to operate correctly. Avoid behaviors that reduce the service life of electrical appliances such as power off immediately after the use of projector and dry burning of water dispensers;
- Reduce overall annual expenses for office supplies by 10% year on year.

Resource Recovery

- Clean and reuse the outer packaging of bottled water for reception;
- Recycle printed paper and make drafts on the back side;
- Work with suppliers to recycle ink cartridges and other materials to reduce the environmental impact of waste;
- Put strict requirements on cleaning companies to ensure the implementation of garbage sorting and recycling.

Low-carbon Transportation

- Implement the *Official Vehicle Management Regulation*, tighten official vehicles management in the whole process, reduce the use of official vehicles, and encourage employees to take public transportation in a low-carbon way.

Through the above measures, the Group actively promotes water saving, electricity saving, paper and ink saving measures in the office area, constantly cultivates employees' awareness of energy saving and emission reduction, and practices a low-carbon lifestyle. We encourage our employees to do their best to achieve the sustainable development goals and create a green future.

7.3 Response to Climate Change Risks

The Group feels responsible for society and makes efforts to integrate the national energy conservation and emission reduction initiatives into its daily business activities. At the same time, we are constantly aware of the climate change risks associated with our business, which could pose both challenges and opportunities to the sustainability and stability of our business. Therefore, we conduct risk assessments to fully identify and respond all possible climate change risks. We disclose the climate change risks and opportunities and their strategies across the four pillars of governance, strategy, risk management, indicators and targets, with a view to maintaining a steady pace in a changing environment.

Governance

The Group is fully aware of the significant impact of climate change on sustainable business operations and continues to improve ESG management mechanism. As the highest decision-making body of ESG, the Group's Board of Directors identifies and monitors ESG-related risks and opportunities, and discusses and deliberates on the Group's long-term development strategy and decisions on ESG issues.

Strategy

The Group continues to strengthen the construction of the safety management system to fully protect personal safety of employees and students. At the same time, we regularly carry out safety inspections and fire emergency drills, and comprehensively improve employees' emergency response to natural disasters and emergencies, ensuring personal and property safety of employees and students. At the same time, the Group actively implements energy conservation and emission reduction initiatives, and integrates the concept of green operation into all aspects of campus management.

Risk Management

The Group establishes a risk management structure and a process of risk identification, assessment and management to focus on the impact of emerging risks on the Group's business. At the same time, the Group has identified and assessed future climate change risks that will make a significant impact on business to develop corresponding mitigation measures.

Climate-related Risk Transition Risk		
Risk Type	**Risk Description**	**Solution**
Policy Risk	The government may introduce more stringent carbon emission restrictions or tax measures in the future, resulting in the increase of operating costs to achieve carbon emission reduction and improve enterprise social responsibility.	• Timely and accurately interpret relevant policies, and respond to policy changes rapidly to ensure compliance operations.

Climate-related Risk

Transition Risk

Risk Type	Risk Description	Solution
Market and Reputation Risk	The Group's competitiveness and reputation may be reduced due to the increased focus of stakeholders on sustainability indicators.	• Continuously optimize ESG management system and governance strategy, timely disclose ESG related information, and actively communicate with stakeholders.
Transition Risk	The Group may increase human and financial costs in the process of adopting low-carbon transition equipment and technologies.	• Update equipment and technology under the premise of reasonable risk assessment based on business suitability and necessity.

Physical Risk

Risk Type	Risk Description	Solution
Extreme Weather	Frequent extreme weather (high temperatures, hurricanes, heavy rains, floods, extreme cold, etc.) can affect workplace operations, employee and student safety, and service delivery, resulting in reduced production capacity and operating income.	• Develop emergency response mechanism for extreme weather to ensure rapid and effective response to emergencies. • Strive to improve the awareness of extreme weather prevention and emergency response capacity of relevant parties in the daily business work.
Energy and Resource Waste	The waste of power, water and other resources caused by careless daily operations may increase the Group's operating financial costs and unnecessary greenhouse gas emissions.	• Formulate *Regulation on Energy Conservation and Emission Reduction* and encourage the implementation of green office to effectively save the resources and reduce carbon emissions. • Implement the work style of green office and actively carry out environmental awareness teaching.

Climate-related Opportunities		
Opportunity type	**Opportunity Description**	**Solution**
Resource Utilization	Stakeholders' continuous attention to climate change improves the Group's awareness of enterprise social responsibility, decreases long-term operating costs through the adoption of green equipment and facilities, and promotes green operations.	• Prioritize the purchase and use of equipment with energy-saving labels to further reduce carbon emissions in the daily operation. • Standardize the decoration materials and engineering design scheme strictly to ensure that ESG factors are taken into account and the win-win situation of the environment and society is fully guaranteed.

Indicators and Targets

The Group is committed to national sustainable development and actively responds to the "30-60 Carbon Neutral and Carbon Peak" strategy. We continuously pay attention to greenhouse gas emission data, earnestly monitor, manage, and disclose data, actively advocate green transportation for employees and customers, and promote green environmental protection in daily operations to reduce unnecessary greenhouse gas emissions and waste generation.

8. Enthusiasm in Charity Work for Better Future

The Group is fully aware of the power and value of education and actively carries out public welfare activities in education, hoping to light up the future of more people and contribute to social progress and development. We actively hold online public live streaming and lectures for parents, providing service for students and parents to spread scientific parenting and education concepts and help students make decisions on school selections.

8.1 Public Live Streaming for Children's Enrolment

In order to meet the needs of students and parents, the Group actively innovates service forms, and holds a number of live online lectures, including the trend of literacy education, the latest policy refining, and the experience sharing of outstanding students, etc., to provide students with systematic and comprehensive learning support. A total of 56 online lectures were held by the Group this year, attracting a total of 150,220 viewers.

8.2 Public Training to Teach Lifetime Knowledge

In order to effectively solve the problems of parents in improving their children's comprehensive English ability, the Group has actively cooperated with schools to carry out a series of special lectures on comprehensive English literacy for parents, covering key issues such as analysis of children's learning types, core elements of improving English literacy, and how to improve children's comprehensive literacy through English learning. Through the simple explanation of popular science and case analysis, it aims to help parents better understand their children's learning needs and master scientific education methods.

Site of training activities

Appendix 2023 ESG Key Performance Data

Environmental Aspect

KPI		Unit	2023
Emissions	SO_2 emission	Kg	0.10
	Nitrogen oxides emissions	Kg	4.56
	Particulate matter emissions	Kg	0.34
Greenhouse Gas Emission	Greenhouse gas emissions (Scope 1)	tCO_2 Equivalent	18.02
	Greenhouse gas emissions (Scope 2)	tCO_2 Equivalent	1,147.42
	Total greenhouse gas emissions	tCO_2 Equivalent	1,165.44
	Greenhouse gas emissions intensity	tCO_2 Equivalent/ thousand yuan revenue	0.002
Hazardous Waste	Waste ink cartridges, toner cartridges	Tonne	0.00
Non-hazardous Waste	Household waste	Tonne	97.17
Use of Energy	Total energy consumption	MWh	1,939.48
	Direct Energy consumption	MWh	58.78
	Indirect Energy consumption	MWh	1,880.70
	Energy consumption intensity	MWh/thousand yuan revenue	0.003
	Total electricity consumption	MWh	1,880.70
	Petrol consumption	Litre	6,776.33
Water Consumption	Water consumption	Cubic metre	14,030.90
	Water consumption intensity	Cubic meter/thousand yuan revenue	0.02
Office Paper Consumption	Office paper consumption	Kg	69,420.00

Description of environmental data and coefficients

1. The time span of environmental data is from 1 January 2023 to 31 December 2023; the data collection covers the Company's headquarters and teaching centers in Shenzhen.

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

3. The types of energy consumed by the Group in 2023 included fuel for official vehicles and purchased electricity. The data sources were the payment bills for relevant expenses and the administrative statistics ledger; the energy consumption coefficient was in reference to the conversion factors provided by the International Energy Agency and the national *GB/T2589-2008 General Principles for Calculation of the Comprehensive Energy Consumption*.

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

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

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

Social Aspect

KPI		2023	
Total Workforce by Gender, Employment Type, Age, Group and Geographical Region			
		Number of employees	**Proportion (%)**
By Gender	Male	824	35.53%
	Female	1,495	64.47%
By Employee Types	Full-time	2,135	92.07%
By Age	< 30 years old	1,854	79.95%
	31–40 years old	410	17.68%
	41–50 years old	45	1.94%
	> 50 years old	10	0.43%
By Job Level	Middle and Senior Management	415	17.90%
	General Staff	1,904	82.10%
By Geographical Region	Mainland China	2,316	99.87%
	Overseas and districts of Hong Kong, Macao and Taiwan	3	0.13%
Total Workforce		2,319	
Health and Safety			
Number of Work-related Fatalities in the Last 3 Years;		0	
Lost Days due to Work Injury		0	

KPI		2023	
The Percentage of Employees Trained and Average Training Hours Completed Per Employee by Gender and Employee Category			
		The Percentage of Employee Trained	**Average Training Hours Completed Per Employee**
By Job Function	Teacher	92%	37.44
	Others[4]	8%	42.88
By Gender	By Gender	33%	69.44
	Female[5]	67%	30.40

KPI		2023
Employee Turnover Rate by Gender, Age, Group and Geographical Region		
By Gender	Male	25.23%
	Female	21.56%
By Age Group	< 30 years old	24.85%
	31–40 years old	15.29%
	41–50 years old	4.26%
	> 50 years old	0.00%
By Geographical Region	Mainland China	22.93%
	Overseas and District of Hong Kong, Macao and Taiwan	0.00%
Number of Suppliers		
Number of Suppliers	South China	21
Customer Service Data		
Number of Customer Complaints (Times)		45
Rate of Complaint Handling (%)		100%

Description of social data and calculation formula

1. The time span of social data is from 1 January 2023 to 31 December 2023; the data collection covers the Company's headquarters and teaching centers in Shenzhen.

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

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

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

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

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

羅兵咸永道

To the Shareholders of Scholar Education Group
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Scholar Education Group (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 106 to 176, comprise:

- the consolidated balance sheet as at 31 December 2023;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("**IESBA Code**"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Key Audit Matters

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

The key audit matter identified in our audit is related to revenue recognition.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition Refer to Note 5 to the consolidated financial statements. The Group provides education services and typically collects service fees from students in advance prior to the beginning of each academic term. Revenue from the provision of education services amounted to approximately RMB570,614,000 for the year ended 31 December 2023 which was recognised proportionately over the relevant course schedule in which services were rendered. The portion of service fees received from students for the education services but not yet earned are recorded as contract liabilities. We focused our audit effort on revenue because of its financial significance to the Group's consolidated financial statements, as well as the risk of overstatement of revenue due to the large volume of transactions involved.	We performed the following procedures to assess the revenue recognition for the education services: • We understood, evaluated and tested of the key internal controls over the collection of the education service fees and recognition of revenue on a sample basis and assessed the inherent risk of material misstatement by considering the degree of inherent risk factors; • We obtained and inspected the supporting documents for the education service fees received including the cash receipt records, student enrolment forms and attendance records on a sample basis; • We performed reconciliation between the total education service fees received and the total cash received according to the bank statements on a sample basis; • We performed site visit to the education centre on a sample basis for testing students' attendance records; • We selected education courses scheduled across the year end date on a sample basis and checked to the student enrolment records and the course schedules to test if the service fees recognised as revenue around the year-end are recorded in appropriate period; and • We performed analytical review of revenue on disaggregated basis and enquired the revenue trend by corroboration with management explanations, our industry knowledge and external market data. Based upon the procedures we performed above, we found that the revenue from education services are supported by available evidence.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2023 RMB'000	2022 RMB'000
Revenue	5	**570,614**	402,082
Cost of sales	8	**(332,063)**	(263,390)
Gross profit		**238,551**	138,692
Selling expenses	8	**(11,437)**	(4,684)
Administrative expenses	8	**(122,586)**	(82,412)
Research and development expenses	8	**(15,021)**	(16,244)
Other income — net	6	**11,714**	10,617
Other gains — net	7	**21,411**	3,044
Operating profit		**122,632**	49,013
Finance costs	10	**(5,883)**	(6,703)
Profit before income tax		**116,749**	42,310
Income tax (expense)/credit	12	**(32,236)**	11,547
Profit for the year		**84,513**	53,857
Profit and total comprehensive income for the year is attributable to:			
— Equity holders of the Company		**85,988**	54,411
— Non-controlling interests		**(1,475)**	(554)
		84,513	53,857
Earnings per share (expressed in RMB cents per share)			
— Basic	13	**15.58**	9.79
— Diluted	13	**15.42**	9.79

CONSOLIDATED BALANCE SHEET

	Notes	As at 31 December 2023 RMB'000	2022 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	14	**55,781**	37,678
Right-of-use assets	15	**200,586**	135,895
Investment properties	16	**81,335**	82,375
Intangible assets	17	**11,601**	2,454
Prepayments and other receivables	20	**19,082**	10,931
Deferred tax assets	30	**23,956**	20,264
Financial assets at fair value through profit or loss	21	**47,769**	32,695
Other financial assets at amortised cost	19	**96,000**	—
Total non-current assets		**536,110**	322,292
Current assets			
Prepayments and other receivables	20	**20,507**	16,566
Financial assets at fair value through profit or loss	21	**101,651**	117,295
Other financial assets at amortised cost	19	**10,000**	—
Term deposits with original maturity over 3 months	22	**105,504**	—
Cash and cash equivalents	22	**256,476**	298,737
Restricted Cash	22	**2,967**	35
Total current assets		**497,105**	432,633
Total assets		**1,033,215**	754,925
Equity			
Share capital	23	**3,775**	3,775
Share premium	26	**82,698**	82,698
Shares held for employee share scheme	24	**(12,496)**	—
Treasury shares		**(266)**	—
Other reserves	26	**42,535**	32,338
Retained earnings		**338,579**	252,591
Capital and reserves attributable to equity holders of the Company		**454,825**	371,402
Non-controlling interests		**(1,475)**	—
Total equity		**453,350**	371,402

CONSOLIDATED BALANCE SHEET

		As at 31 December	
	Notes	**2023**	2022
		RMB'000	RMB'000
Liabilities			
Non-current liabilities			
Lease liabilities	15	**124,186**	82,764
Deferred tax liabilities	30	**4,926**	—
Total non-current liabilities		**129,112**	82,764
Current liabilities			
Contract liabilities	28	**276,316**	181,524
Lease liabilities	15	**50,899**	34,169
Trade and other payables	29	**94,192**	83,431
Current income tax liabilities		**29,346**	1,635
Total current liabilities		**450,753**	300,759
Total liabilities		**579,865**	383,523
Total equity and liabilities		**1,033,215**	754,925

The consolidated financial statements on pages 106 to 176 were approved by the Board of Directors on 28 March 2024 and were signed on its behalf.

Director *Director*

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Attributable to owners of Company								
		Share capital RMB'000	Share premium RMB'000	Share held for share Scheme RMB'000	Treasury shares RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2023		3,775	82,698	–	–	32,338	252,591	371,402	–	371,402
Profit/(loss) for the year		–	–	–	–	–	85,988	85,988	(1,475)	84,513
Total comprehensive income for the year		–	–	–	–	–	85,988	85,988	(1,475)	84,513
Transactions with owners in their capacity as owners:										
Acquisition of shares for employee share scheme	24	–	–	(12,496)	–	–	–	(12,496)	–	(12,496)
Buy-back of shares		–	–	–	(266)	–	–	(266)	–	(266)
Share based payments	25	–	–	–	–	10,197	–	10,197	–	10,197
Balance at 31 December 2023		3,775	82,698	(12,496)	(266)	42,535	338,579	454,825	(1,475)	453,350

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December 2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Cash generated from operations	31(a)	**206,633**	125,908
Interest received		**1,881**	476
Interest paid		**—**	(446)
Income taxes paid		**(3,291)**	(186)
Net cash inflow from operating activities		**205,223**	125,752
Cash flows from investing activities			
Payments for property, plant and equipment, land use rights and intangible assets		**(36,086)**	(7,943)
Proceeds from disposals of property, plant and equipment and intangible assets	31(b)	**109**	497
Payments for term deposits with initial maturities over 3 months		**(105,504)**	—
Payments for purchase of other financial assets at amortised cost		**(106,000)**	—
Payments for purchase of financial assets at fair value through profit or loss	21	**(1,577,172)**	(1,281,042)
Proceeds from redemption of financial assets at fair value through profit or loss	21	**1,638,504**	1,307,181
Net cash (outflow)/inflow from investing activities		**(186,149)**	18,693
Cash flows from financing activities			
Acquisition of shares under employee share scheme	24	**(12,496)**	—
Buy-back of shares		**(266)**	—
Exercise and transfer of shares held		**—**	1,145
Payments on cancellation of share options		**—**	(12,657)
Repayment of borrowings		**—**	(30,000)
Principal elements of lease payments	15(c)	**(49,329)**	(40,557)
Net cash outflow from financing activities		**(62,091)**	(82,069)
Net (decrease)/increase in cash and cash equivalents		**(43,017)**	62,376
Cash and cash equivalents at the beginning of the year	22	**298,737**	236,041
Effects of exchange rate changes on cash and cash equivalents		**756**	320
Cash and cash equivalents at the end of the year	22	**256,476**	298,737

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

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

The Company is an investment holding company. The Company and its subsidiaries and PRC Consolidated Affiliated Entities (as defined below) (collectively referred to as the "**Group**") are principally engaged in the provision of private education services in the People's Republic of China (the "**PRC**" or "**China**").

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

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

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

The consolidated financial statements were approved for issue by the Board of Directors of the Company on 28 March 2024.

2. Basis of preparation and changes in accounting policies

2.1 Basis of preparation and reorganisation

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

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

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

2. Basis of preparation and changes in accounting policies (Continued)

2.1 Basis of preparation and reorganisation (Continued)

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The Group will continue to implement measures before the Structured Contracts are unwound, with an aim to further enhance its control over the PRC Consolidated Affiliated Entities. The Company is not aware of any non-performance of the Structured Contracts or non-compliance with such aforementioned measures as at the date of this report. As advised by the Group's PRC legal counsel, the Group did not violate existing PRC laws and regulations and the Structured Contracts are legally enforceable for the year ended 31 December 2023 and up to the date of this report. The directors will continue to closely monitor the development of laws and regulations and will make further appropriate adjustment of its business model whenever needed to ensure comply with the new relevant policies. Based on cashflow projections for a period of not less than 12 months after 31 December 2023, the directors are in the opinion that the Group's available source of funds is sufficient to fulfil its financial obligations as when fall due in the coming twelve months from 31 December 2023. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

2.2 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

The Group has applied the following new and amended standards for its annual reporting period commencing 1 January 2023:

- IFRS 17 Insurance Contracts;
- Definition of Accounting Estimates — amendments to IAS 8;
- International Tax Reform — Pillar Two Model Rules — amendments to IAS 12;
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction — amendments to IAS 12; and
- Disclosure of Accounting Policies — Amendments to IAS 1 and IFRS Practice Statement 2.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2. Basis of preparation and changes in accounting policies (Continued)

2.2 Changes in accounting policies and disclosures (Continued)

(b) New standards and interpretations not yet adopted

		Effective for annual periods beginning on or after
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to IFRS 16	Lease liability on sale and leaseback	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements	1 January 2024
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

Certain amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group. These amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. Financial risk management

3.1 Financial risk factors

(a) Market risk

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise.

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The functional currency of the Company is RMB whereas functional currency of the subsidiaries operate in the PRC is RMB. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and tries to minimise these exposures through natural hedges, wherever possible and may enter into forward foreign exchange contracts, when necessary.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

The Group operates mainly in the PRC with most of the transactions settled in RMB and is exposed to foreign currency risks arising from various currency exposures, mainly with respect to HKD and US dollar ("**USD**"). The Group currently has not entered into any foreign currency hedging and will only consider for hedging of significant foreign exchange risk.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective balance sheet dates are as follows:

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Assets		
USD	**3**	3
HKD	**7,351**	1,810
	7,354	1,813

If RMB had strengthened/weakened by 5% against the relevant foreign currencies, with all other variable held constant, the profit before income tax would increase/decrease as follows:

	2023		2022	
	Increase/(decrease) in profit before income tax if exchanges rates change by		Increase/(decrease) in profit before income tax if exchanges rates change by	
	5% RMB'000	**–5% RMB'000**	5% RMB'000	–5% RMB'000
HKD	**(368)**	**368**	(91)	91

(ii) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Credit risk (Continued)

The credit risk of the Group's financial assets, which mainly comprise cash and cash equivalents, term deposits with original maturity over 3 months, trade and other receivables, arises from potential default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

All of the Group's amounts due from related parties have no collateral. The Group assessed the credit quality of the counterparties by taking into account their financial position, credit history, forward looking information and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any.

As at 31 December 2023 and 2022, substantially all of the Group's bank deposits were deposited with major financial institutions incorporated in the PRC, which management believes are of high-credit-quality without significant credit risk.

Other receivables

Other receivables at the end of each reporting period were mainly lease deposits and loans to employees. The directors of the Group consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the year. To assess whether there is a significant increase in credit risk the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- Actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the company's ability to meet its obligations;

- Actual or expected significant changes in the operating results of the company;

- Significant changes in the expected performance and behaviour of the company, including changes in the payment status of the third party.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment/repayable demanded.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Credit risk (Continued)

Other receivables (Continued)

A default on a financial asset is when the counterparty fails to make contractual payments/ repayable demanded within 90 days of when they fail due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categories a loan or receivable for write off when a debtor fails to make contractual payments/ repayable demanded greater than 365 days past due. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in comprehensive income.

The Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. Over the term of the financial assets, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of debtors and adjusts for forward looking macroeconomic data.

As at 31 December 2023 and 2022, management considers other receivables as low credit risk as counterparties have a strong capacity to meet its contractual cash flow obligations in the near term. The Group has assessed that the expected credit losses for these receivables are immaterial under the 12 months expected losses method. Thus, the loss allowance provision recognised during the years ended 31 December 2023 and 2022 for these balances is not material.

(b) Liquidity risk

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

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

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Liquidity risk (Continued)

	within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	over 5 years RMB'000	Total RMB'000
As at 31 December 2023					
Trade payables	**2,967**	**–**	**–**	**–**	**2,967**
Other payables	**14,195**	**–**	**–**	**–**	**14,195**
Lease liabilities	**58,478**	**49,960**	**83,099**	**137,617**	**329,154**
	75,640	**49,960**	**83,099**	**137,617**	**346,316**
As at 31 December 2022					
Trade payables	1,281	–	–	–	1,281
Other payables	11,042	–	–	–	11,042
Lease liabilities	37,138	29,928	35,393	100,219	202,678
	49,461	29,928	35,393	100,219	215,001

3.2 Capital management

The Group's objectives when managing capital are to

- Safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders; and

- Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital by regularly reviewing the capital structure. In the opinion of the directors of the company, the Group's capital risk is low.

3. Financial risk management (Continued)

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities, which already incorporate the market's assumptions with respect to changes in economic climate such as rising interest rates and inflation, as well as changes due to ESG risk (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 or ESG risk gives rise to a significant unobservable adjustment) (Level 3).

See Note 21 for disclosure of the financial assets at FVPL.

Financial instruments at fair value as at 31 December 2023 and 2022 were as follows:

2023	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Asset				
Wealth management products	**—**	**—**	**98,672**	**98,672**
Listed equity investments in Mainland China	**2,979**	**—**	**—**	**2,979**
Unlisted equity investments in Mainland China	**—**	**—**	**47,769**	**47,769**
	2,979	**—**	**146,441**	**149,420**

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

3. Financial risk management (Continued)

3.3 Fair value estimation (Continued)

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 2023 and 2022.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the years ended 31 December 2023 and 2022.

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

The valuation of the level 3 instruments mainly included financial assets at FVPL. As these instruments are not traded in an active market, their fair values are estimated by discounting the cash flows approach with reference to the price quoted by the relevant financial institution. Major assumptions used in the valuation of financial assets at FVPL is presented in Note 21.

If the fair values of financial assets at FVPL held by the Group had been 10% higher/lower, the profit after income tax for the years ended 31 December 2023 and 2022 would have been approximately RMB11,207,000 higher/lower and RMB12,422,000 higher/lower, respectively.

4. Critical accounting estimates and judgements

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

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

(a) Fair value of financial assets

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

4. Critical accounting estimates and judgements (Continued)

(b) Structured Contracts

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

(c) Income taxes

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

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

(d) The discount rate determination for IFRS 16

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

4. Critical accounting estimates and judgements (Continued)

(e) Goodwill impairment

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2023 reporting period, the recoverable amount of cash-generating units (CGUs) was determined based on value in use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated in Note 17. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

Details of impairment charge, key assumptions and impact of possible changes in key assumptions are disclosed in Note 17.

5. Revenue and segment information

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

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

As a result of evaluation by CODM, the CODM considers that the Group is operated and managed as a single operating segment of private education services for the year ended 31 December 2023.

	2023 **RMB'000**	2022 RMB'000
Recognised over time		
— Private education services and others	**570,614**	402,082

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.

(i) Accounting policies of revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods and rendering of services in the ordinary course of the Group's activities.

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

5. Revenue and segment information (Continued)

(i) Accounting policies of revenue recognition (Continued)

Control of the goods or services is transferred over time if the Group's performance:

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

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

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

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

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

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

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

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

6. Other income — net

	2023 RMB'000	2022 RMB'000
Sub-lease — net (a)	**646**	1,180
Rental income from operating leases	**2,689**	3,022
Goods sales	**2,794**	1,154
Finance income	**3,999**	476
Government grants	**1,586**	4,785
	11,714	10,617

(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.

7. Other gains — net

	2023 RMB'000	2022 RMB'000
Fair value gains/(losses) on financial assets at FVPL	**19,747**	(1,610)
Fair value losses on investment properties (Note 16)	**(1,040)**	(1,380)
Gains on disposal of a subsidiary	**—**	3,006
Lease modification	**560**	6,301
Net losses on disposals of property, plant and equipment and intangible assets (Note 31(b))	**(40)**	(2,114)
Deposits losses	**(280)**	(1,137)
Compensation charges	**(604)**	(520)
Net foreign exchange gains	**756**	320
Others	**2,312**	178
	21,411	3,044

8. Expenses by nature

	2023 RMB'000	2022 RMB'000
Employee benefit expenses (Note 9)	**335,583**	260,826
Depreciation and amortisation (Note 14, 15 and 17)	**56,189**	56,837
Advertising and exhibition expenses	**9,199**	3,256
Renting expenses	**8,925**	5,189
Teaching materials	**8,234**	7,538
Property management expenses	**8,230**	6,435
Professional service fees	**5,406**	3,767
Allowance for impairment	**4,833**	(398)
Office expenses	**4,600**	2,723
Utilities	**4,540**	3,369
Maintenance cost	**4,239**	3,426
Other taxes	**3,964**	2,930
Travel and transportation	**2,873**	421
Entertainment and activities expenses	**2,181**	587
Auditors' remuneration		
— Audit services	**1,872**	1,892
— Non-audit services	**915**	951
Recruitment expenses	**883**	250
Rent concession related to COVID-19 (Note 15(d))	**—**	(1,310)
Others	**18,441**	8,041
	481,107	366,730

9. Employee benefit expenses

(a) Employee benefit expenses are as follows:

	2023 RMB'000	2022 RMB'000
Wages, salaries and bonus	**304,206**	240,599
Defined contribution plan	**8,662**	5,601
Share options	**10,197**	—
Termination benefits	**1,535**	7,786
Other social security costs and housing fund	**10,983**	6,840
	335,583	260,826

9. Employee benefit expenses (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2023 include 1 (2022: 1) director whose emoluments are reflected in the analysis shown in Note 35. The emoluments payable to the remaining 4 (2022: 4) individuals during the year ended 31 December 2023 and 2022 are as follows:

	2023 RMB'000	2022 RMB'000
Wages, salaries and bonus	**1,377**	3,840
Share options	**4,692**	—
Defined contribution plan	**47**	31
Other social security costs and housing fund	**76**	35
	6,192	3,906

(c) The emoluments fell within the following bands:

	Number of individuals for the year ended 31 December	
	2023	2022
Emolument band		
Nil – HK$1,000,000	**—**	—
HK$1,000,000 – HK$2,000,000	**4**	4

During the year, none of the five highest paid individuals waived or has agreed to waive any emoluments, and none of the five highest paid individuals received emoluments from the Group as inducement to join or upon joining the Group, or as compensation for loss of office.

10. Finance costs

	2023 RMB'000	2022 RMB'000
Interest expenses on bank borrowings	**—**	357
Interest expenses on lease liabilities (Note 15(b))	**5,883**	6,346
	5,883	6,703

11. Subsidiaries

The Group's principal subsidiaries at 31 December 2023 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Company name	Place and date of incorporation/ establishment	Principal activities and place of operation	Issued and paid-in capital/ registered capital	Ownership interest held by the Group
Directly interest by the Company				
Guang Long Pentium International Co., Ltd. (廣隆奔騰國際有限公司)	Hong Kong/ 2 February 2018	Investment holding/ Hong Kong	HK$ 0/ HK$10,000	100%
Indirectly interest by the Company				
Youshine International Co., Ltd. (煜耀國際有限公司)	Hong Kong/ 15 January 2018	Investment holding/ Hong Kong	HK$10,000/ HK$10,000	100%
Shenzhen Fengye	The PRC/ 2 April 2018	Internet and software technology development and services/The PRC	RMB50,000,000/ RMB50,000,000	100%
Shenzhen Scholar	The PRC/ 4 January 2012	Education services/ The PRC	RMB20,000,000/ RMB20,000,000	100%
Shenzhen Scholar Education and Training Centre (深圳市思考樂教育培訓中心)	The PRC/ 30 July 2014	Education services/ The PRC	RMB1,000,000/ RMB1,000,000	100%
Foshan Scholar Culture Co., Ltd. (佛山市思考樂文化有限公司)	The PRC/ 25 December 2017	Education services/ The PRC	RMB1,000,000/ RMB1,000,000	100%
Foshan Chancheng Scholar Education and Training Centre Co., Ltd. (佛山市禪城區思考樂教育培訓中心)	The PRC/ 15 January 2019	Education services/ The PRC	RMB1,000,000/ RMB1,000,000	100%
Foshan Chancheng District Qifan Education and Training Centre Co., Ltd. (佛山市禪城區啟凡教育培訓中心)	The PRC/ 10 April 2019	Education services/ The PRC	RMB300,000/ RMB300,000	100%
Guangzhou Scholar Education and Consultation Co., Ltd. (廣州市思考樂教育諮詢有限公司)	The PRC/ 19 December 2019	Education services/ The PRC	RMB1,000,000/ RMB1,000,000	100%
Suzhou Scholar Culture and Technology Development Co., Ltd. (蘇州市思考樂文化科技發展有限公司)	The PRC/ 9 September 2020	Education services/ The PRC	RMB500,000/ RMB1,000,000	100%
Zhuhai Scholar Education and Consultation Co., Ltd. (珠海市思考樂教育諮詢有限公司)	The PRC/ 7 August 2020	Education services/ The PRC	RMB300,000/ RMB1,000,000	100%
Zhuhai Scholar Education Training Centre Co.,Ltd. (珠海市思考樂教育培訓中心有限公司)	The PRC/ 08 February 2021	Education services/ The PRC	RMB300,000/ RMB300,000	100%
Guangdong Hongyuan Investment Co.,Ltd. (廣東省弘遠投資有限公司)	The PRC/ 16 September 2021	Investment/ The PRC	RMB50,000,000/ RMB50,000,000	100%
Shenzhen Lexiang Jiapin E-commerce Co., Ltd. (深圳市樂享佳品電子商務有限公司)	The PRC/ 19 May 2022	E-commerce/ The PRC	RMB1,000,000/ RMB1,000,000	100%
Shenzhen Scholar Go E-Commerce Co., Ltd. (深圳市思考樂購電子商務有限公司)	The PRC/ 29 June 2022	E-commerce/ The PRC	RMB0/ RMB500,000	100%
Shenzhen Lele Youxuan E-commerce Co., Ltd. (深圳市樂樂優選電子商務有限公司)	The PRC/ 29 June 2022	E-commerce/ The PRC	RMB0/ RMB500,000	100%
Shenzhen Sile Jingxuan E-Commerce Co., Ltd. (深圳市思樂精選電子商務有限公司)	The PRC/ 18 July 2022	E-commerce/ The PRC	RMB0/ RMB500,000	100%
Shenzhen Scholar Yanxuan Intelligent Technology Co., Ltd. (深圳市思考樂嚴選智能科技有限公司)	The PRC/ 19 July 2022	E-commerce/ The PRC	RMB0/ RMB500,000	100%
Scholar E-commerce (Shenzhen) Co., Ltd. (思考樂電子商務(深圳)有限公司)	The PRC/ 13 March 2023	E-commerce/ The PRC	RMB1,000,000/ RMB1,000,000	100%

11. Subsidiaries (Continued)

Company name	Place and date of incorporation/ establishment	Principal activities and place of operation	Issued and paid-in capital/ registered capital	Ownership interest held by the Group
Hangzhou Scholar Zhenxuan E-commerce Co., Ltd. (杭州思考樂甄選電子商務有限公司)	The PRC/ 30 March 2023	E-commerce/ The PRC	RMB700,000/ RMB1,000,000	70%
Hangzhou Lehang E-commerce Co., Ltd. (杭州樂航電子商務有限公司)	The PRC/ 19 April 2023	E-commerce/ The PRC	RMB900,000/ RMB1,000,000	100%
Shenzhen Sikaoli Education Technology Co., Ltd. (深圳市思考力教育技術有限公司)	The PRC/ 21 October 2022	Education service/ The PRC	RMB0/ RMB1,000,000	100%
Shenzhen Xinsikao Consulting Service Co., Ltd. (深圳市新思考咨詢服務有限公司)	The PRC/ 24 October 2022	Education service/ The PRC	RMB0/ RMB1,000,000	100%
Shenzhen Lesikao Enterprise Consulting Management Co., Ltd. (深圳市樂思考企業咨詢管理有限公司)	The PRC/ 25 October 2022	Education service/ The PRC	RMB0/ RMB1,000,000	100%
Shenzhen Xinsixue Information Consulting Service Co., Ltd. (深圳市新思學信息咨詢服務有限公司)	The PRC/ 25 October 2022	Education service/ The PRC	RMB0/ RMB1,000,000	100%
Shenzhen Miaowei International Cultural Education Consulting Co., Ltd. (深圳市妙維國際文化教育咨詢有限公司)	The PRC/ 23 November 2023	Education service/ The PRC	RMB2,200,000/ RMB5,000,000	55%
Shenzhen Yantian District Xinsikao Education Training Center Co., Ltd. (深圳市鹽田區新思考教育培訓中心有限公司)	The PRC/ 15 December 2023	Education service/ The PRC	RMB0/ RMB100,000	100%

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

12. Income tax expense/(credit)

	2023 RMB'000	2022 RMB'000
Current tax		
— Current tax on profits for the year	31,002	(4,004)
Deferred income tax		
— Increase/(decrease) in deferred income tax (Note 30)	1,234	(7,543)
Income tax expense/(credit)	32,236	(11,547)

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

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profit of the consolidated entities were as follows:

	2023 RMB'000	2022 RMB'000
Profit before income tax:	**116,749**	42,310
Tax calculated at tax rates applicable to profit in the respective companies	**31,693**	9,013
Tax effects of:		
— Preferential tax policies (c)	**(13,889)**	4,560
— Expenses not deductible for tax purposes	**76**	48
— Research and development super deduction (d)	**(2,850)**	(1,820)
— Adjustment for current tax of prior periods	**(764)**	(7,233)
— Previously unrecognised tax losses now recouped to reduce current tax expense	**—**	(20,885)
— Previously recognised tax losses now used to increase deferred tax expense	**12,098**	1,531
— Unrecognised tax losses	**4,172**	3,239
— Withholding income tax	**1,700**	—
	32,236	(11,547)

(a) Cayman Islands corporate income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) Hong Kong profits tax

Under the current Hong Kong Inland Revenue Ordinance, the subsidiaries in Hong Kong are subject to profits tax at the rate of 8.25% on assessable profits up to HK$2,000,000, and 16.5% on any part of assessable profits over HK$2,000,000.

The provision for Hong Kong Profits Tax for 2023 is taken into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2022-2023 subject to a maximum reduction of HK$6,000 for each business (2022: a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2021-2022 subject to a maximum reduction of HK$10,000 for each business).

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

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

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

Shenzhen Scholar has obtained its qualification as a "High and New Technology Enterprise" ("**HNTE**") in December 2020, and it is subject to a reduced preferential EIT rate of 15% for 3-year period from 2020 to 2022 according to the relevant PRC laws and regulations applicable to the HNTE. The effective corporate tax rate increases to 25% beginning from 1 January 2023 when the three-year preferential tax exemption expired.

(d) Research and development super deduction

According to relevant laws and regulations promulgated by the State Administration of Tax of the PRC effective from 1 October 2022 onwards, enterprises engaging in research and development activities are entitled to claim 200%(2022: 200%) of their qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the year ("**Super Deduction**"). The Group has made its best estimate for the Super Deduction to be claimed in ascertaining the assessable profits for the year ended 31 December 2023.

(e) Withholding income tax

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding income tax.

As at 31 December 2023, deferred income tax liabilities of approximately RMB73,395,000 (as at 31 December 2022: RMB38,088,000) had not been recognised for the withholding tax that would be payable on the unremitted earnings of approximately RMB313,355,000 (as at 31 December 2022: RMB255,291,000) of certain subsidiaries in the PRC as these earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to their overseas holding companies in the foreseeable future based on management's estimation on the Group's overseas funding requirements.

See Note 39.16 for the other accounting policies relevant to current and deferred income tax.

13. Earnings per share

(a) Basic earnings per share

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

	2023	2022
Earnings attributable to equity shareholders of the Company (in RMB thousands)	85,988	54,411
Weighted average number of ordinary shares in issue (thousand shares) (i)	552,033	555,700
Basic earnings per share (expressed in RMB cents per share)	15.58	9.79

(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 2023 and 2022.

(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.

	2023	2022
Diluted earnings per share (expressed in RMB cents per share)	15.42	9.79

Weighted average number of shares used as the denominator:

	2023	2022
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	552,033,000	555,700,000
Adjustments for calculation of diluted earnings per share:		
Share options	5,653,000	–
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	557,686,000	555,700,000

14. Property, plant and equipment

	Buildings RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Total RMB'000
As at 1 January 2022					
Cost	68,195	23,960	167,917	3,759	263,831
Accumulated depreciation and impairment provisions	(6,485)	(20,115)	(141,554)	(1,909)	(170,063)
Transfer to investment properties	(39,399)	—	—	—	(39,399)
Net book amount	22,311	3,845	26,363	1,850	54,369
Year ended 31 December 2022					
Opening net book amount	22,311	3,845	26,363	1,850	54,369
Additions	—	281	2,390	—	2,671
Transfer to investment properties	(4,597)	—	—	—	(4,597)
Disposals	—	(356)	(2,203)	—	(2,559)
Depreciation charge	(309)	(2,185)	(9,252)	(460)	(12,206)
Closing net book amount	17,405	1,585	17,298	1,390	37,678
As at 31 December 2022					
Cost	19,350	16,866	168,103	3,759	208,078
Accumulated depreciation and impairment provisions	(1,945)	(15,281)	(150,805)	(2,369)	(170,400)
Net book amount	17,405	1,585	17,298	1,390	37,678

14. Property, plant and equipment (Continued)

	Buildings RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Assets under construction RMB'000	Total RMB'000
Year ended 31 December 2023						
Opening net book amount	17,405	1,585	17,298	1,390	–	37,678
Additions	–	5,232	16,572	950	12,029	34,783
Acquisition of subsidiaries	–	158	742	–	–	900
Disposals	–	(149)	–	–	–	(149)
Depreciation charge	(281)	(2,090)	(14,576)	(484)	–	(17,431)
Closing net book amount	17,124	4,736	20,036	1,856	12,029	55,781
As at 31 December 2023						
Cost	19,350	21,442	185,417	4,709	12,029	242,947
Accumulated depreciation and impairment provisions	(2,226)	(16,706)	(165,381)	(2,853)	–	(187,166)
Net book amount	17,124	4,736	20,036	1,856	12,029	55,781

Depreciation expenses have been charged to comprehensive income as follows:

	2023 RMB'000	2022 RMB'000
Cost of sales	**14,188**	8,789
Administrative expenses	**3,243**	3,417
	17,431	12,206

(a) Provision for impairment

According to the accounting policies stated in Note 39.8, the Group performed impairment testing on property, plant and equipment with impairment indicators, and no further impairment change was made during the year ended 31 December 2023.

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

15. Right-of-use assets and leases

(a) Amounts recognised in the consolidated balance sheet

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Right-of-use assets*		
Land use rights	**43,594**	45,300
Properties	**156,992**	90,595
	200,586	135,895
Lease liabilities		
Current	**50,899**	34,169
Non-current	**124,186**	82,764
	175,085	116,933

* Additions to the right-of-use assets during the year ended 31 December 2023 was RMB125,012,000 (for the year ended 31 December 2022: RMB33,746,000).

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

	2023 RMB'000	2022 RMB'000
Depreciation charge of right-of-use assets		
— Properties	**36,667**	42,482
— Land use rights	**1,706**	1,800
	38,373	44,282
Interest expense (included in finance costs)	**5,883**	6,346
Expense relating to short-term leases (included in administrative expenses and cost of sales)	**8,925**	5,189

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

For the year ended 31 December 2023, the cash outflows from financing activities for leases was RMB49,329,000 (for the year ended 31 December 2022: RMB40,557,000) and cash outflows from operating activities for short-term lease was RMB8,925,000 (for the year ended 31 December 2022: RMB5,189,000).

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

(d) Rent concessions related to COVID-19

For the year ended 31 December 2023, the rent concessions related to COVID-19 was nil (for the year ended 31 December 2022: RMB1,310,000) (Note 8).

(e) Accounting policies of leases

The Group is a lessee of certain teaching centres. Rental contracts are typically made for fixed periods of 1 to 12 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

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

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

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and

- makes adjustments specific to the lease, eg term, country, currency and security.

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

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in comprehensive income. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

See Note 39.21 for the other accounting policies relevant to leases.

16. Investment properties

	2023 RMB'000	2022 RMB'000
Non-current assets at fair value		
Opening balance at 1 January	**82,375**	65,100
Additions	**—**	2,115
Transfer from property, plant and equipment	**—**	4,597
Transfer from land use right	**—**	11,943
Fair value losses	**(1,040)**	(1,380)
Closing balance at 31 December	**81,335**	82,375

Amounts recognised in the consolidated statement of comprehensive income

	2023 RMB'000	2022 RMB'000
Rental income from operating leases	**2,689**	3,022
Fair value losses	**(1,040)**	(1,380)
	1,649	1,642

(a) Measuring investment property at fair value

Investment properties, principally freehold office buildings, are held for long-term rental yields and are not occupied by the Group. They are carried at fair value. Changes in fair values are presented in profit or loss as part of other gains.

(b) Presenting cash flows

The Group classifies cash outflows to acquire or construct investment property as investing and rental inflows as operating cash flows.

(c) Leasing arrangements

The investment properties are leased to tenants under operating leases with rentals payable monthly. Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

16. Investment properties (Continued)

(d) Valuation processes of the Group

The valuation of the Group's investment properties was performed by the valuers. The fair value of the Group's investment properties as at 31 December 2023 was determined based on comparison approach with reference to the recent market transaction price. The Group's investment properties, which comprised office buildings in the PRC, were valued at fair value and measured by using significant unobservable inputs (Level 3) for the twelve months ended 31 December 2023.

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

(e) Valuation technique

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

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

The significant unobservable input used is the unit price, which is RMB47,665 (2022: RMB48,100) per square metre for Excellence Meilin Center Square, RMB14,200 (2022: RMB14,600) per square metre for Yunfeng Garden and RMB9,349 (2022: RMB9,349) per square metre for Danxia Villa.

17. Intangible assets

	Goodwill RMB'000	Computer software RMB'000	Total RMB'000
Year ended 31 December 2022			
Opening net book amount	—	2,800	2,800
Additions	—	55	55
Disposals	—	(52)	(52)
Amortisation charge	—	(349)	(349)
Closing net book amount	—	2,454	2,454
As at 31 December 2022			
Cost	—	3,604	3,604
Accumulated amortisation	—	(1,150)	(1,150)
Net book amount	—	2,454	2,454
Year ended 31 December 2023			
Opening net book amount	—	2,454	2,454
Additions	—	500	500
Acquisition of subsidiaries (Note 33)	9,032	—	9,032
Amortisation charge	—	(385)	(385)
Closing net book amount	9,032	2,569	11,601
As at 31 December 2023			
Cost	9,032	4,104	13,136
Accumulated amortisation and impairment	—	(1,535)	(1,535)
Net book amount	9,032	2,569	11,601

17. Intangible assets (Continued)

(a) Impairment tests for goodwill

The goodwill amounting to RMB9,032,000 arises from the Group's acquisition of Shenzhen Lesikao Enterprise Consulting Management Co., Ltd. ("**Lesikao**"), Shenzhen Sikaoli Education Technology Co., Ltd., Shenzhen Xinsikao Consulting Service Co., Ltd. ("**Xinsikao**"), and Shenzhen Xinsixue Information Consulting Service Co., Ltd. ("**Xinsixue**") (collectively, the "**Acquiree**") was determined at the date of acquisition on 1 July 2023, being the difference between the purchase considerations and the fair value of net identifiable assets of the Acquiree. Goodwill has been allocated to the CGUs of the Acquiree for impairment testing.

The valuation of the Group's goodwill impairment was performed by the valuers. The recoverable amount of a CGU is determined based on the higher of its fair value less cost of disposal and value-in-use, which is calculated using discounted cash flows based on five-year financial projections plus a terminal value related to cash flows beyond the projection period extrapolated at an estimated terminal growth rate of 3.00%. Management determined a forecast period based on expected development trend of the Acquiree with industry experience. The discount rate used is pre-tax and reflects specific risks relating to the relevant industry.

The key assumptions used for value-in-use calculation for 2023 are as follows:

	2023
Revenue growth rate during the forecast period	3.00%–40.00%
EBITDA margin during the forecast period	(49.95%)–25.04%
Terminal growth rate	3.00%
Pre-tax discount rate	17.31%–18.51%
Recoverable amount of the CGUs exceeding its carrying amount (RMB'000)	108,721

EBITDA margin equals to earnings before interest, taxes, depreciation and amortisation divided by total revenue.

The recoverable amount of these CGUs would equal its carrying amount if the key assumptions were to change as follows:

	2023	
	From	To
Revenue growth rate (% annual growth rate)	3.00%–40.00%	(9.09%)–34.65%
EBITDA margin (%)	(49.95%)–25.04%	(59.67%)–7.24%
Pre-tax discount rate (%)	17.31%–18.51%	31.14%–N/A*

* Regarding Lesikao, Xinsikao and Xinsixue, the sensitivity test for discount rate is not applicable, given the relative large amount of excess assets and the future positive cashflow. No matter how large is the discount rate, the recoverable amount will not be equal to the carrying amount.

Management has considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the CGUs to exceed its recoverable amount.

18. Financial instruments by category

	Financial assets at amortised cost RMB'000	Financial assets at FVPL RMB'000
As at 1 January 2022		
Other receivables	25,451	—
Financial assets at FVPL	—	179,854
Cash and cash equivalents	236,041	—
Restricted cash	176	—
	261,668	179,854
As at 31 December 2022		
Other receivables	24,483	—
Financial assets at FVPL	—	149,990
Cash and cash equivalents	298,737	—
Restricted cash	35	—
	323,255	149,990
As at 31 December 2023		
Other receivables	**33,601**	**—**
Financial assets at FVPL	**—**	**149,420**
Other financial assets at amortised cost	**106,000**	**—**
Term deposits with original maturity over 3 months	**105,504**	**—**
Cash and cash equivalents	**256,476**	**—**
Restricted cash	**2,967**	**—**
	504,548	**149,420**

	2023 RMB'000	2022 RMB'000
Financial liabilities at amortised cost		
Trade payables	**2,967**	1,281
Other payables	**14,195**	11,042
Lease liabilities	**175,085**	116,933
	192,247	129,256

19. Other financial assets at amortised cost

Other financial assets at amortised cost include the following debt investments:

	2023		
	Current RMB'000	Non-current RMB'000	Total RMB'000
Certificates of deposits	10,000	96,000	106,000

(a) Certificates of deposits are the Group's bank deposits deposited with major financial institutions incorporated in the PRC, denominated in RMB, with expected interest rate ranging from 3.10% to 3.55% per annum for the year ended 31 December 2023. These certificate of deposits only can be assigned to other parties instead of redeemed before the maturity date in any circumstances, and are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Therefore, they are measured as financial assets at amortised cost.

(b) Impairment and risk exposure

Note 3.1 sets out information about the impairment of financial assets and the Group's exposure to credit risk.

All of the financial assets at amortised cost are denominated in RMB units. As a result, there is no exposure to foreign currency risk. There is also no exposure to price risk as the investments will be held to maturity.

20. Prepayments and other receivables

	2023 RMB'000	2022 RMB'000
Included in non-current assets		
Lease deposits	13,453	13,636
Prepayments for fund management fees	1,396	273
Prepayments for leasehold improvements	1,130	327
Interest receivables	2,256	—
Loans to employees (b)	1,039	—
	19,274	14,236
Allowance for impairment (d)	(192)	(3,305)
	19,082	10,931
Included in current assets		
Cash advances to employees (a)	1,539	2,724
Loans to employees (b)	3,734	3,450
Lease deposits	3,979	479
Prepayments (c)	3,462	2,414
Lease receivables	4,118	3,821
Interest receivables	833	—
Other receivables	5,269	6,093
	22,934	18,981
Allowance for impairment (d)	(2,427)	(2,415)
	20,507	16,566

As at 31 December 2023 and 2022 there were no significant balances that are past due.

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

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

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

(d) The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all other receivables. The loss allowance for other receivables as at 31 December 2023 was RMB2,619,000 (as at 31 December 2022: RMB5,720,000).

21. Financial assets at fair value through profit or loss

Financial assets mandatorily measured at FVPL include the following:

	2023 RMB'000	2022 RMB'000
Non-current assets		
Listed equity investments in Mainland China	—	2,065
Unlisted equity investments in Mainland China (c)	47,769	30,630
	47,769	32,695
Current assets		
Listed equity investments in Mainland China	2,979	—
Wealth management products	98,672	117,295
	101,651	117,295
	149,420	149,990

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

	2023 RMB'000	2022 RMB'000
At the beginning of the year	149,990	179,854
Additions	1,577,172	1,281,042
Fair value gains/(losses)	19,747	(1,610)
Other additions (d)	41,015	—
Other less	—	(2,115)
Redemption on maturity	(1,638,504)	(1,307,181)
At the end of the year	149,420	149,990

(a) The short-term investments measured at fair value through profit or loss are wealth management products, denominated in RMB, with expected rates of returns ranging from 0.10% to 1.85% and 5.60% to 9.10% per annum for the years ended 31 December 2023 and 2022, respectively. The returns on all these wealth management products are not guaranteed, and as a result their contractual cash flows do not qualify solely as payments of principal and interest. Therefore, they are measured at fair value through profit or loss.

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

21. Financial assets at fair value through profit or loss (Continued)

(c) As at 31 December 2023, the Group holds certain investment funds with fair value of RMB47,769,000 (as at 31 December 2022: RMB27,000,000) which are managed by the general partner while the Group participated in the funds as a limited partner. Those funds are mainly engaged in the business of investment management. Management considered that the Group has neither significant influence nor joint control over the fund and therefore it is classified as financial assets at FVPL.

(d) During the year ended 31 December 2023, as the original operator of the Acquiree could no longer fulfill its commitments to its existing students, the Group took up the relevant contracts, which resulted in the recognition of contract liabilities of RMB69,128,000 (Note 28 and 33). The addition mainly represents the settlement received from the original operator as a result of the fulfilment of the original operator's commitment by the Group.

See Note 39.9 for the remaining relevant accounting policies.

22. Bank balance and cash

(a) Cash and cash equivalents

	2023 RMB'000	2022 RMB'000
Cash and bank deposits	**361,980**	298,737
Less: Term deposits with original maturity over 3 months	**(105,504)**	—
Cash and bank deposits	**256,476**	298,737

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

	2023 RMB'000	2022 RMB'000
RMB	**354,626**	296,924
US dollar	**3**	3
HKD	**7,351**	1,810
	361,980	298,737

(b) Restricted cash

As at 31 December 2023, restricted deposits held at banks of RMB2,967,000 (31 December 2022: RMB35,000) were mainly denominated in RMB.

23. Share capital

	Authorised			Issued		
	Number of ordinary shares	Nominal value		Number of ordinary shares	Nominal value	
		USD	RMB		USD	RMB
Balance at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	1,000,000,000	1,000,000	6,860,633	555,700,000	555,700	3,774,897

24. Shares held for employee share scheme

	2023 Shares	2023 RMB'000
Shares held for employee share scheme	**10,397,000**	**12,496**

The Group through its trustee, Kastle Limited, acquired a total of 10,397,000 of the Company's shares for the year ended 31 December 2023 (for the year ended 31 December 2022: nil). The total consideration paid to acquisition of these shares was HK$13,647,000 (equivalent to RMB12,496,000), which has been presented as a deduction from equity attributable to owners of the Company. These shares are held by the trustee for the purpose of granting share award under the Company's employee share award scheme.

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

	Number of shares	RMB'000
Balance as at 1 January 2022 and 31 December 2022	—	—
Opening balance as at 1 January 2023	—	—
Acquisition of shares by the trustee	10,397,000	12,496
Balance as at 31 December 2023	10,397,000	12,496

25. Share based payments

(a) Share Option Scheme

On 6 February 2023, the shareholders of the Company approved the adoption of a share option scheme (the "**Share Option Scheme**"). The Share Option Scheme is designed to provide long-term incentives for staff to deliver long-term shareholder returns. Share based compensation expenses are recognised over the options' respective vesting period starting from the grant date.

Movements of the share options are set out below:

	Average exercise price per share option	**2023 Number of options**	Average exercise price per share option	2022 Number of options
As at 1 January	–	–	–	–
Granted during the year	**HK$1.62**	**27,785,000**	–	–
Exercised during the year	–	–	–	–
Forfeited during the year	–	–	–	–
As at 31 December	**HK$1.62**	**27,785,000**	–	–
Vested and exercisable at 31 December	–	–	–	–

No options were expired during the year.

Share options outstanding at the end of the year have the following expiry period and exercise prices:

Grant Date	**Expiry period**	**Exercise price**	**Share options 31 December 2023**
6 February 2023	Options that have vested may be exercised at any time for a period of two years from the vesting date. All outstanding or unexercised Options shall lapse after 15 April 2028.	HK$1.62	27,785,000

25. Share based payments (Continued)

(a) Share Option Scheme (Continued)

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

	Tranche 1	Tranche 2	Tranche 3
Risk-free interest rate	3.57%	3.42%	3.29%
Volatility	86.32%	86.32%	86.32%
Dividend yield	0.00%	0.00%	0.00%
Vesting Date	11 April 2024	11 April 2025	14 April 2026

The fair value for each of the share option as at the grant date was as follow:

	Tranche 1	Tranche 2	Tranche 3
No. of share options	9,169,050	9,169,050	9,446,900
Fair value as at the grant date	HK$0.8070	HK$0.9191	HK$1.0107

For the year ended 31 December 2023, the total expenses recognised in the consolidated statement of comprehensive income for share options was approximately RMB10,197,000 (for the year ended 31 December 2022: nil) and were included in employee benefit expenses.

(b) Share award scheme

The Company has adopted a share award scheme (the "**Share Award Scheme**") as of 28 December 2020. The vesting period of the awarded shares is determined by the Board.

26. Share premium and other reserves

		Other reserves				
	Share premium RMB'000	Merger reserve(a) RMB'000	Capital reserves RMB'000	Share based compensation reserves RMB'000	Revaluation surplus RMB'000	Total RMB'000
Balance at 1 January 2022	82,698	(46,347)	79,011	251	378	33,293
Transactions with non-controlling interests	–	–	(955)	–	–	(955)
Balance at 31 December 2022	82,698	(46,347)	78,056	251	378	32,338
Balance at 1 January 2023	82,698	(46,347)	78,056	251	378	32,338
Share based payments	–	–	–	10,197	–	10,197
Balance at 31 December 2023	82,698	(46,347)	78,056	10,448	378	42,535

(a) Merger reserve represents the excess of the net asset value over the paid-up capital of Shenzhen Scholar which was acquired by the Company pursuant to the Reorganisation.

(b) In accordance with the Companies Laws of the PRC and the stipulated provisions of the articles of association of subsidiaries with limited liabilities in the PRC, appropriation of net profits (after offsetting accumulated losses from prior years) should be made by these companies to their respective Statutory Surplus Reserve Funds and the Discretionary Reserve Funds before distributions are made to the owners. The percentage of appropriation to Statutory Surplus Reserve Fund is 10%. The amount to be transferred to the Discretionary Reserve Fund is determined by the equity owners of these companies. When the balance of the Statutory Surplus Reserve Fund reaches 50% of the registered capital, such transfer needs not to be made. Both the Statutory Surplus Reserve Fund and Discretionary Reserves Fund can be capitalised as capital of an enterprise, provided that the remaining Statutory Surplus Reserve Fund shall not be less than 25% of the registered paid in capital.

Pursuant to the laws applicable to China's Foreign Investment Enterprises, the Company's subsidiary that is a foreign investment enterprise in China has to make appropriations from its after-tax profit (as determined under PRC GAAP) to reserve funds including (1) general reserve fund, (2) enterprise expansion fund and (3) staff bonus and welfare fund. The appropriation to the general reserve fund must be at least 10% of the after tax profits calculated in accordance with PRC GAAP.

Appropriation is not required if the reserve fund has reached 50% of the registered capital of the respective company. Appropriations to the other two reserve funds are at the company's discretion.

27. Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (for the year ended 31 December 2022: nil).

28. Contract liabilities

	2023 RMB'000	2022 RMB'000
Deferred revenue — Education services	**276,316**	181,524

Contract liability represents the advance considerations received from the students for contracts for education services, which revenue will be recognised when the performance obligation was satisfied through services rendered.

Changes in contract liabilities during the year are as follows:

	2023 RMB'000	2022 RMB'000
At the beginning of the year	**181,524**	176,251
Revenue recognised	**(570,614)**	(402,082)
Cash received from customers during the year	**652,734**	461,809
Other additions (Note 21(d))	**69,128**	—
Cash refunded to customers during the year	**(56,456)**	(54,454)
At the end of the year	**276,316**	181,524

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

29. Trade and other payables

	2023 RMB'000	2022 RMB'000
Current		
Trade payables (a)	2,967	1,281
Employee benefits payables	61,236	57,141
Other taxes payables	15,794	13,927
Lease payment in advance	—	40
Other payables	14,195	11,042
	94,192	83,431

(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 2023 and 2022, the aging analysis of trade payables based on the invoice date was as follows:

	2023 RMB'000	2022 RMB'000
3 months or less	792	1,233
3 to 6 months	477	—
6 months to 1 year	1,698	48
	2,967	1,281

30. Deferred income tax

(a) Deferred tax assets

The balance comprises temporary differences attributable to:

	2023 RMB'000	2022 RMB'000
Tax losses	4,947	9,971
Financial assets at FVPL	9,946	6,638
Lease liabilities	41,657	22,631
Share based payments	2,072	—
Others	933	1,443
Total deferred tax assets	59,555	40,683
Set-off of deferred tax liabilities pursuant to set-off provisions	(35,599)	(20,419)
Net deferred tax assets	23,956	20,264

30. Deferred income tax (Continued)

(a) Deferred tax assets (Continued)

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

	Lease liabilities RMB'000	Tax losses RMB'000	Financial assets at FVPL RMB'000	Share based payments RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2022	30,561	829	5,769	291	1,768	39,218
(Charged)/credited to the consolidated statement of comprehensive income	(7,930)	9,142	869	(291)	(325)	1,465
As at 31 December 2022	22,631	9,971	6,638	—	1,443	40,683
(Charged)/credited to the consolidated statement of comprehensive income	19,026	(5,024)	3,308	2,072	(510)	18,872
As at 31 December 2023	41,657	4,947	9,946	2,072	933	59,555

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profit is probable. As at 31 December 2023 and 2022, the Group did not recognise deferred income tax assets of RMB4,172,000 (2022: RMB3,239,000) in respect of the tax losses amounting to RMB17,245,000 (2022: RMB13,653,000), as their recoverability is uncertain.

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

	2023 RMB'000	2022 RMB'000
2024	**—**	—
2025	**—**	—
2026	**—**	—
2027	**1,770**	1,770
2028	**15,601**	—
	17,371	1,770

As at 31 December 2023, unused tax losses of approximately RMB7,512,000 (2022: RMB5,837,000) was incurred by Youshine International Co., Ltd. The losses can be carried forward and has no expiry date.

30. Deferred income tax (Continued)

(b) Deferred tax liabilities

The balance comprises temporary differences attributable to:

	2023 RMB'000	2022 RMB'000
Right-of-use assets	39,183	20,150
Fair value on IP	820	269
Interest receivables	522	—
Total deferred tax liabilities	40,525	20,419
Set-off of deferred tax liabilities pursuant to set-off provisions	(35,599)	(20,419)
Net deferred tax liabilities	4,926	—

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

	Right-of-use assets RMB'000	**Investment properties** RMB'000	**Interest receivables** RMB'000	**Total** RMB'000
As at 1 January 2022	26,346	151	—	26,497
(Credited)/charged to the consolidated statement of comprehensive income	(6,196)	118	—	(6,078)
As at 31 December 2022	20,150	269	—	20,419
(Credited)/charged to the consolidated statement of comprehensive income	19,033	551	522	20,106
As at 31 December 2023	39,183	820	522	40,525

According to PRC corporate income tax law, distribution of profits earned by PRC companies is subject to withholding tax of 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas incorporated immediate holding companies.

As at 31 December 2023 and 2022, the undistributed earnings of the Group's PRC subsidiaries not yet remitted to holding companies incorporated outside of the PRC, for which no deferred income tax liability had been provided, were approximately RMB313,355,000 and RMB255,291,000, respectively. For this unrecognised amount, the Group is able to control the timing of distributions from subsidiaries and is not expected to distribute these profits in the foreseeable future.

31. Notes to the consolidated statement of cash flows

(a) Cash generated from operations

	2023 RMB'000	2022 RMB'000
Profit before income tax	**116,749**	42,310
Adjustments for:		
Depreciation and amortisation	**56,189**	56,837
Net losses on disposals of property, plant and equipment and intangible assets	**40**	2,114
Net gains on disposals of right-of-use assets	**(1,077)**	(3,562)
Gains on disposal of a subsidiary	**—**	(3,006)
Fair value (gains)/losses on financial assets at FVPL	**(19,747)**	1,610
Finance income on other financial assets at amortised cost	**(2,118)**	—
Fair value losses on investment properties	**1,040**	1,380
Finance costs	**5,883**	6,703
Share based payments	**10,197**	—
Restricted cash	**(2,932)**	141
Net exchange differences	**(756)**	(320)
Changes in working capital:		
Increase in prepayments and other receivables	**(47,612)**	(4,915)
(Decrease)/increase in trade and other payables, lease liabilities and current income tax payables	**(4,015)**	21,343
Increase in contract liabilities	**94,792**	5,273
Cash generated from operations	**206,633**	125,908

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

	2023 RMB'000	2022 RMB'000
Net book value (Note 14 and 17)	**149**	2,611
Net losses on disposals of property, plant and equipment and intangible assets (Note 7)	**(40)**	(2,114)
Proceeds from disposals	**109**	497

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

(c) Non-cash transactions

Significant non-cash investing and financing activities include the following:

	2023 RMB'000	2022 RMB'000
Additions to the right-of-use assets (Note 15)	**125,012**	33,746
Additions to the investment properties (Note 16)	**—**	2,115
Transfer from property, plant and equipment and right-of-use assets to investment properties (Note 16)	**—**	16,540

(d) Net cash reconciliation

	2023 RMB'000	2022 RMB'000
Cash and cash equivalents	**256,476**	298,737
Lease liabilities	**(175,085)**	(116,933)
Net cash	**81,391**	181,804
Gross debt — fixed interest rates	**(175,085)**	(116,933)
Less: cash and cash equivalents	**256,476**	298,737
Net cash	**81,391**	181,804

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

(d) Net cash reconciliation (Continued)

	Other assets	Liabilities from financing activities		
	Cash and cash equivalents	Borrowings due within 1 year	Leases	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2022	236,041	(30,000)	(152,396)	53,645
Cash flows	62,376	30,000	40,557	132,933
Foreign exchange adjustments	320	—	—	320
New leases	—	—	(33,746)	(33,746)
Interest expense	—	—	(6,346)	(6,346)
Termination of lease contracts and lease modification	—	—	34,998	34,998
As at 31 December 2022	298,737	—	(116,933)	181,804
Cash flows	(43,017)	—	49,329	6,312
Foreign exchange adjustments	756	—	—	756
New leases	—	—	(125,012)	(125,012)
Interest expense	—	—	(5,883)	(5,883)
Termination of lease contracts and lease modification	—	—	23,414	23,414
As at 31 December 2023	256,476	—	(175,085)	81,391

32. Commitments

(a) Non-cancellable operating leases

The Group leases various teaching centres under non-cancellable operating leases expiring within 2 to 20 years, the majority of lease agreements are renewable at the end of the lease period at market rate. Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2023	2022
	RMB'000	RMB'000
Within 1 year	**3,755**	1,540

33. Business combination

(a) Summary of acquisition

On 1 July 2023, the Group acquired education business of the Acquiree, some education services centres developing in Shenzhen. As the original operator would fulfill its commitments to existing students under contracts as of 1 July 2023, the Group did not recognise contract liabilities and corresponding assets of the Acquiree.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	2023 RMB'000
Purchase consideration:	
Cash payable	–
Total purchase consideration	–

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value RMB'000
Prepayments and other receivables	3,615
Property, plant and equipment	900
Trade and other payables	(13,547)
Net identifiable assets acquired	(9,032)
Add: goodwill	9,032
Net assets acquired	–

The goodwill is attributable to the workforce and synergies expected to arise after the Group's acquisition of the Education Business. It will not be deductible for tax purposes.

There were no acquisitions in the year ended 31 December 2022.

(i) Revenue and profit contribution

The acquired business contributed revenues of RMB51,525,000 and net loss of RMB15,314,000 to the Group for the period from 1 July to 31 December 2023.

If the acquisition had occurred on 1 January 2023, consolidated pro-forma revenue and loss for the year ended 31 December 2023 would have been RMB582,587,000 and RMB77,094,000 respectively. These amounts have been calculated using the subsidiaries' results.

34. Significant related party transactions

(a) Related party

The Group is controlled by the following entities as at 31 December 2023:

Name	Type	Place of incorporation	Ownership interest
Sky Noon International Company Limited ("**Sky Noon**")	Ultimate and immediate parent entity	BVI	39.48%

Parties are considered to be related if one party has the ability, directly and indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decision.

(b) Key management personnel compensation (excluding directors)

	2023 RMB'000	2022 RMB'000
Wages, salaries and bonus	**1,640**	1,322
Defined contribution plan	**30**	28
Other social security costs and housing fund	**20**	15
	1,690	1,365

35. Benefits and interests of directors

The remuneration of each director of the Company paid/payable by the Group for the years ended 31 December 2023 and 2022 are set out as follows:

Year ended 31 December 2023:

Name	Director's fee RMB'000	Salaries RMB'000	Discretionary bonus RMB'000	Social security and housing fund RMB'000	Total RMB'000
Chairman:					
Mr. Chen Qiyuan	–	1,265	398	36	1,699
Executive directors:					
Mr. Qi Mingzhi *(chief executive officer)*	–	345	144	36	525
Ms. Li Ailing	–	457	48	36	541
Ms. Leng Xinlan	–	367	47	36	450
	–	2,434	637	144	3,215
Non-Executive director:					
Mr. Shen Jingwu *(vice chairman)*	–	–	–	–	–
Independent non-executive directors					
Dr. Huang Victor	–	216	–	–	216
Mr. Liu Jianhua	–	39	–	–	39
Mr. Yang Xuezhi	–	144	–	–	144
Ms. Yim Ka Man	–	102	–	–	102
	–	501	–	–	501
	–	2,935	637	144	3,716

35. Benefits and interests of directors (Continued)

Year ended 31 December 2022:

Name	Director's fee	Salaries	Discretionary bonus	Social security and housing fund	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman:					
Mr. Chen Qiyuan	–	472	650	29	1,151
Executive directors:					
Mr. Chen Hongyu	–	42	–	12	54
Mr. Qi Mingzhi *(chief executive officer)*	–	428	300	29	757
Mr. Xu Chaoqiang	–	80	–	12	92
Ms. Li Ailing	–	267	380	15	662
Ms. Leng Xinlan	–	228	140	15	383
	–	1,517	1,470	112	3,099
Non-Executive director:					
Mr. Shen Jingwu *(vice chairman)*	–	–	–	–	–
Independent non-executive directors					
Dr. Huang Victor	–	206	–	–	206
Mr. Liu Jianhua	–	102	–	–	102
Mr. Yang Xuezhi	–	144	–	–	144
	–	452	–	–	452
	–	1,969	1,470	112	3,551

The remuneration of the executive directors of the Company shown above are for their services in relation to the management of the affairs of the Company and the Group. On 19 May 2023, the Board announced that Mr. Liu Jianhua would retire by rotation and Ms. Yim Ka Man have been appointed as independent non-executive director.

35. Benefits and interests of directors (Continued)

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

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

There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 December 2023 and 2022.

No retirement or termination benefits have been paid to the Company's directors for the years ended 31 December 2023 and 2022.

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during the years ended 31 December 2023 and 2022.

No consideration was provided to third parties for making available directors' services during the years ended 31 December 2023 and 2022.

36. Contingencies

As at 31 December 2023, 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 (2022: nil).

37. Subsequent events

During the period from 1 January 2024 to 22 January 2024 (both days inclusive), the trustee of the Group's share award scheme bought a total of 170,000 ordinary shares of the Company from the market at a total consideration of HK$388,000 (equivalent to RMB308,000) which are currently held for the purpose of satisfying share awards that may be granted under the share award scheme.

During the period from 1 January 2024 to 19 January 2024 (both days inclusive), the Company bought back a total of 438,000 ordinary shares of the Company from the market at a total consideration of HK$997,000 (equivalent to RMB906,000) which are currently held for the purpose of cancellation.

Immediately upon the adoption of the Share Scheme on 27 February 2024, the Share Option Scheme was terminated and the Company will not grant any further options under the Share Option Scheme thereafter, provided that any granted and unexercised options made under the Share Option Scheme immediately before its termination shall continue to be valid and exercisable in accordance with the terms of the grant and the Share Option Scheme Rules.

38. Balance sheet and reserve movement of the Company

	Notes	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Assets			
Non-current assets			
Investment in a subsidiary		130,234	120,037
Prepayments and other receivables		56,678	58,569
Total non-current assets		186,912	178,606
Current assets			
Prepayments and other receivables		—	136
Cash and cash equivalents		8,107	6,717
Total current assets		8,107	6,853
Total assets		195,019	185,459
Liabilities			
Current liabilities			
Trade and other payables		326	150
Equity			
Share capital		3,775	3,775
Share premium	38(a)	79,757	79,757
Treasury shares		(266)	—
Other reserves	38(a)	130,234	120,037
Accumulated losses		(18,807)	(18,260)
Total equity		194,693	185,309
Total equity and liabilities		195,019	185,459

The balance sheet of the Company was approved by the Board of Directors on 28 March 2024 and was signed on its behalf:

Director *Director*

38. Balance sheet and reserve movement of the Company (Continued)

Note (a) Reserve movement of the Company

	Share premium RMB'000	Other reserves RMB'000
At 1 January 2022 and at 31 December 2022	79,757	120,037
At 1 January 2023	79,757	120,037
Share based payments	—	10,197
At 31 December 2023	79,757	130,234

39. Summary of other potentially material accounting policies

39.1 Principles of consolidation

39.1.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (Note 39.2).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

39.1.2 Associates

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

39.1.3 Joint arrangements

Under IFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

39. Summary of other potentially material accounting policies (Continued)

39.1 Principles of consolidation (Continued)

39.1.4 Equity method

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

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

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 39.8.

39.1.5 Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

39. Summary of other potentially material accounting policies (Continued)

39.2 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity.

Over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

39. Summary of other potentially material accounting policies (Continued)

39.3 Segment reporting

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

39.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("**the functional currency**"). The functional currency of the Company is RMB. The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. As the major operations of the Group are within the PRC, the Group determined to present its consolidated financial statements in RMB (unless otherwise stated).

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in comprehensive income. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in comprehensive income as part of the fair value gain or loss and translation differences on non-monetary assets such as equity instrument measured at fair value through other comprehensive income (FVOCI) are recognised in other comprehensive income.

39. Summary of other potentially material accounting policies (Continued)

39.4 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- Income and expenses for consolidated statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

39.5 Property, plant and equipment

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

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

39. Summary of other potentially material accounting policies (Continued)

39.5 Property, plant and equipment (Continued)

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in comprehensive income. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

39.6 Intangible assets

(a) Computer software

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

(b) Goodwill

Goodwill is measured as described in Note 39.2. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

39. Summary of other potentially material accounting policies (Continued)

39.7 Research and development costs

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

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

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

39.8 Impairment of non-financial assets

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

39. Summary of other potentially material accounting policies (Continued)

39.9 Financial assets

39.9.1 Classification

The Group classifies its financial assets in the following categories:

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

- Those to be measured at amortised cost.

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

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

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

39.9.2 Recognition and derecognition

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

39.9.3 Measurement

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

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

39. Summary of other potentially material accounting policies (Continued)

39.9 Financial assets (Continued)

39.9.3 Measurement (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

There are three measurement categories into which the Group classifies its debt instruments:

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

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to comprehensive income and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated statement of comprehensive income.

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

39. Summary of other potentially material accounting policies (Continued)

39.9 Financial assets (Continued)

39.9.3 Measurement (Continued)

Equity instruments

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

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

Impairment

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

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

39.10 Offsetting financial instruments

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

39.11 Other receivables

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

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

39. Summary of other potentially material accounting policies (Continued)

39.12 Contract assets and liabilities

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

39.13 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

39.14 Share capital and shares held for employee share scheme

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

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

39.15 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 3 months of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

39. Summary of other potentially material accounting policies (Continued)

39.16 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable comprehensive income and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

39. Summary of other potentially material accounting policies (Continued)

39.17 Employee benefits

(a) Pension obligations

The Group only operates defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post- retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(b) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. Termination benefits are recognised by the Group (i) when the Group can no longer withdraw the offer of those benefits; and (ii) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

39.18 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

39. Summary of other potentially material accounting policies (Continued)

39.18 Provisions (Continued)

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

39.19 Share based payments

The Group operates share option schemes and share award schemes under which the Group receives services from its employees in exchange of equity instruments (including share options and awarded shares) of the Group to acquire the shares of the Company at specified exercise prices. The fair value of the services received in exchange for the grant of the equity instruments to acquire the shares of the Company is recognised as an expense in comprehensive income with a corresponding increase in share based compensation reserve under equity.

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

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options and awarded shares that are expected to vest. It recognises the impact of the revision to original estimates, if any, in comprehensive income, with a corresponding adjustment to equity.

When the options are exercised, the proceeds received net of any directly attributable transaction costs are credited to share capital.

39.20 Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

39. Summary of other potentially material accounting policies (Continued)

39.21 Leases

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

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

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

Lease payments are allocated between principal and finance cost. The finance cost is charged to comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Entity-specific details about the Group's leasing policy are provided in Note 15.

39.22 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

39.23 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

DEFINITIONS

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

"Adoption Date"	28 December 2020, being the date on which the Scheme Rules are adopted by the Board for the establishment of the Scheme
"AGM"	the forthcoming annual general meeting of the Company to be held on 14 May 2024
"Articles of Association"	the second amended and restated articles of association of the Company adopted on 19 May 2023
"Audit Committee"	the audit committee of the Company
"Auditor"	PricewaterhouseCoopers, the external auditor of the Company
"Award"	an award of Shares by the Board to a Selected Participant pursuant to the Scheme Rules
"Awarded Share(s)"	in respect of a Selected Participant, such number of Shares determined by the Board and granted to such Selected Participant pursuant to the Scheme Rules
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961), as consolidated and revised of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Company", "we" or "us"	Scholar Education Group, a company incorporated in the Cayman Islands on 7 February 2018
"COVID-19"	the infectious respiratory disease caused by the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) that was first identified in 2019
"Director(s)"	the director(s) of the Company
"Eligible Participant"	any employee (whether full time or part time) of any member of the Group, in each case, in the sole and absolute discretion of the Board, who have contributed or will contribute to the growth and development of the Group

DEFINITIONS

"Excluded Participant"	(i) at the time of the proposed grant of an Award, any connected person of the Company; or (ii) any Eligible Participant who is resident in a place where the award of the Awarded Shares and/or the vesting and transfer of the Awarded Shares pursuant to the terms of the Scheme is not permitted under the laws and regulations of such place or where in the view of the Board or the Trustee (as the case may be), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such Eligible Participant
"Group"	the Company with its subsidiaries and PRC consolidated affiliated entities
"Hongde Education"	Shenzhen Hongde Education Technology Investment Consulting LP* (深圳市弘德教育科技投資諮詢合夥企業(有限合夥)), a limited partnership established in the PRC on 12 April 2017, the general partner of which is Mr. Chen Hongyu, an executive Director, and the limited partners of which are, among others, Mr. Chen Hongyu (18.1140%), Mr. Qi Mingzhi, an executive Director and the chief executive officer of the Company (10.0693%) and Mr. Xu Chaoqiang, an executive Director (17.9009%)
"HKD" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards, as issued by the International Accounting Standards Board
"Listing Date"	21 June 2019, being the date on which the Shares were listed on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Magnificent Industrial"	Magnificent Industrial Company Limited (鴻圖嘉業有限公司), a company incorporated in the BVI on 29 December 2017
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"Opinions on Double Reduction"	the Opinions on Further Easing the Workload of Students in Compulsory Education and Burden of After-School Tutoring (《關於進一步減輕義務教育階段學生作業負擔和校外培訓負擔的意見》) published by the General office of the Chinese Communist Party and the General Office of the State Council of the PRC in July 2021

"PRC" or "China"	the People's Republic of China, excluding, for the purposes of this annual report only, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"PRC Operating Entities"	Shenzhen Scholar and its subsidiaries from time to time, each of which is an affiliated entity of the Company
"Prospectus"	the prospectus of the Company dated 12 June 2019 in connection with the global offering of the Shares
"Registered Shareholders"	the shareholders of Shenzhen Scholar, namely Mr. Chen Qiyuan the chairman of the Board, an executive Director and a controlling shareholder of the Company, Hongde Education, Xuanyang Investment, Ms. Chen Meiqin, an independent third party of the Company
"Returned Shares"	such Awarded Shares or the related income which are not vested and/or are forfeited in accordance with the terms of the Share Award Scheme or such Shares being deemed to be Returned Shares in accordance with the terms of the Share Award Scheme and the Trust Deed
"RMB"	Renminbi yuan, the lawful currency of the PRC
"Selected Participant(s)"	Eligible Participant(s) selected by the Board pursuant to the Share Award Scheme Rules for participating in the Share Award Scheme
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Award Scheme"	the share award scheme of the Company adopted by the Board on 28 December 2020 constituted by the Share Award Scheme Rules
" Share Award Scheme Rules"	the rules relating to the Share Award Scheme, as approved and adopted by the Board on the Adoption Date in its present form or as amended from time to time
"Share(s)"	ordinary share(s) of US$0.001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Share Option Scheme"	the post-IPO share option scheme approved and adopted by the Company on 3 June 2019
"Share Option Scheme Rules"	the rules relating to the Share Option Scheme in its present form or as amended from time to time

"Share Scheme"	the share scheme of the Company approved by the Shareholders on 27 February 2024
"Shenzhen Fengye"	Fengye (Shenzhen) Technology Co., Ltd.* (楓燁(深圳)科技有限公司), a company established in the PRC on 2 April 2018 and a subsidiary of the Company
"Shenzhen Scholar"	Shenzhen Scholar Culture and Education Technology and Development Co., Ltd.* (深圳市思考樂文化教育科技發展有限公司), a company established in the PRC on 4 January 2012 and one of the PRC Operating Entities
"Sky Noon"	Sky Noon International Company Limited (天晟國際有限公司), a company incorporated in the BVI on 29 December 2017
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Structured Contracts"	a series of agreements entered into between or among Shenzhen Fengye, the PRC Operating Entities and/or the Registered Shareholders in connection with the control of the PRC Operating Entities by the Group, details of which are set out in "Structured contracts" in this annual report and "Structured Contracts" in the Prospectus
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"Trust"	the trust constituted by the Trust Deed
"Trust Deed"	a trust deed dated 28 December 2020 and entered into between the Company as settlor and the Trustee as trustee (as restated, supplemented and amended from time to time)
"Trustee"	Kastle Limited, and any additional or replacement trustees, being the trustee or trustees for the time being declared in the Trust Deed
"United States"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"USD" or "US$"	United States dollars, the lawful currency of the United States
"Vesting Date"	in respect of a Selected Participant, the date on which his or her entitlement to the Awarded Shares is vested in such Selected Participant in accordance with the Scheme Rules

"Xuanyang Investment"	Shenzhen Xuanyang Jiuzhou Investment Consulting LP* (深圳市軒揚九州投資諮詢合夥企業(有限合夥)), a limited partnership established in the PRC which is owned as to 19.99% by Mr. Chen Qiyuan, the chairman of the Board, an executive Director and a controlling shareholder of the Company, and 80.01% by Ms. Chen Yunlei, the spouse of Mr. Chen Qiyuan
"Yu Xi International"	Yu Xi International Company Limited (語汐國際有限公司), a company incorporated in the BVI on 29 April 2019

* The English transliteration of the PRC addresses and the names of the PRC entities in this annual report, where indicated, is included for information only, and should not be regarded as the official English addresses or names.

SCHEDULE OF PRINCIPAL INVESTMENT PROPERTIES

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