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思考乐教育
SCHOLAR
EDUCATION

SCHOLAR EDUCATION GROUP

思考樂教育集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1769)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

HIGHLIGHTS

The Board is pleased to announce the consolidated results of the Group for the year ended 31 December 2023. These results have been reviewed by the Company's audit committee.

FINANCIAL HIGHLIGHTS

	For the year ended 31 December			Percentage change
	2023 RMB'000	2022 RMB'000	Change 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%
<i>Non-IFRS measure:</i>				
Adjusted profit for the year attributable to equity holders (Note 1)	<u>107,999</u>	<u>54,411</u>	<u>53,588</u>	<u>98.5%</u>
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%
<i>Non-IFRS measure:</i>				
Adjusted earnings per Share (Note 2)				
Basic	19.56	9.79	9.77	99.8%
Diluted	<u>19.37</u>	<u>9.79</u>	<u>9.58</u>	<u>97.9%</u>

Note 1: The Company defined the adjusted profit for the year attributable to equity holders as its profit for the year attributable to equity holders after adjusting for those items which were not indicative of the Company's core operating performances, mainly including 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.

Note 2: The Company defined the adjusted earnings per share as earnings per share calculated by using adjusted profit for the year attributable to equity holders of the Group.

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 measures 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. The use of such non-IFRS measures have limitations as an analytical tool, and Shareholders and investors of the Company should not consider them 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 Change
	2023	2022	
	<i>RMB'000</i>	RMB'000	
Profit for the year attributable to equity holders	85,988	54,411	58.0%
Add:			
Share option benefit expenses (<i>Note 1</i>)	8,125	—	N/A
Net loss from the live commerce business (<i>Note 2</i>)	13,886	—	N/A
Adjusted profit for the year attributable to equity holders	<u>107,999</u>	<u>54,411</u>	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 are expected to be incurred in 2024 as the live commerce business was 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 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)	<u>107,999</u>	<u>54,411</u>
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)	<u>19.56</u>	<u>9.79</u>

- (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)	<u>19.37</u>	<u>9.79</u>
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	<u>5,653,000</u>	<u>—</u>
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating adjusted diluted earnings per share	<u>557,686,000</u>	<u>555,700,000</u>

MANAGEMENT DISCUSSION AND ANALYSIS

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 are expected to be incurred in 2024 as the live commerce business was 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 for 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 consolidate the development of "Le Xue" (樂學), one of the Group's brands, which comprises of liberal education in respect of art, sports, painting, performance art, calligraphy, scientific literacy, Guo Xue (國學), logic training and international literacy with a view to fulfilling various needs of students and encouraging students to develop their hobbies and talents. By

providing them with quality services, children can achieve a balanced development in the five aspects of “ethics, intellect, physique, aesthetics and hard-work” and enjoy a healthy and all-rounded development.

We will strive to promote the diversified development of the Group throughout all aspects in the future, 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.

Financial review

1. Revenue

	Year ended 31 December		Percentage Change
	2023	2022	
	RMB'000	RMB'000	
Non-academic literacy programme and others	518,860	369,795	40.3%
Academic education programme	<u>51,754</u>	<u>32,287</u>	60.3%
Total	<u>570,614</u>	<u>402,082</u>	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	<u>23,162</u>	<u>580,010</u>	<u>14,765</u>	<u>363,240</u>	56.9%	59.7%
Total	<u>262,182</u>	<u>6,553,038</u>	<u>187,781</u>	<u>4,645,388</u>	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 enrollments 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 was 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 an increase in fair value gains on financial assets at fair value through profit or loss of RMB21.4 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.

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 announcement, 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 announcement, the Group did not have any plans for significant investments as at 31 December 2023.

Contingenies

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.

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

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. For further details, please refer to the circular of the Company dated 6 February 2024.

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

Public Float

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

SCOPE OF WORK ON THIS ANNUAL RESULTS ANNOUNCEMENT BY AUDITOR

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this annual results announcement have been agreed by the Group's auditor, Messrs. PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. PricewaterhouseCoopers on this annual results announcement.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 December	
		2023	2022
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	5	570,614	402,082
Cost of sales	8	<u>(332,063)</u>	<u>(263,390)</u>
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	<u>21,411</u>	<u>3,044</u>
Operating profit		122,632	49,013
Finance costs	9	<u>(5,883)</u>	<u>(6,703)</u>
Profit before income tax		116,749	42,310
Income tax (expense)/credit	10	<u>(32,236)</u>	<u>11,547</u>
Profit for the year		<u>84,513</u>	<u>53,857</u>
Profit and total comprehensive income for the year is attributable to:			
— Equity holders of the Company		85,988	54,411
— Non-controlling interests		<u>(1,475)</u>	<u>(554)</u>
		<u>84,513</u>	<u>53,857</u>
Earnings per share (expressed in RMB cents per share)			
— Basic	11	<u>15.58</u>	<u>9.79</u>
— Diluted	11	<u>15.42</u>	<u>9.79</u>

CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	As at 31 December	
		2023	2022
		<i>RMB'000</i>	<i>RMB'000</i>
Assets			
Non-current assets			
Property, plant and equipment		55,781	37,678
Right-of-use assets	12	200,586	135,895
Investment properties		81,335	82,375
Intangible assets		11,601	2,454
Prepayments and other receivables		19,082	10,931
Deferred tax assets		23,956	20,264
Financial assets at fair value through profit or loss		47,769	32,695
Other financial assets at amortised cost		96,000	—
Total non-current assets		536,110	322,292
Current assets			
Prepayments and other receivables		20,507	16,566
Financial assets at fair value through profit or loss		101,651	117,295
Other financial assets at amortised cost		10,000	—
Term deposits with original maturity over 3 months		105,504	—
Cash and cash equivalents		256,476	298,737
Restricted cash		2,967	35
Total current assets		497,105	432,633
Total assets		1,033,215	754,925
Equity			
Share capital	13	3,775	3,775
Share premium		82,698	82,698
Shares held for employee share scheme		(12,496)	—
Treasury shares		(266)	—
Other reserves		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

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

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 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.

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 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.

3. ACCOUNTING POLICIES

(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.

(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.

4. FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

4.2 Liquidity risk

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

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

	within 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	<u>58,478</u>	<u>49,960</u>	<u>83,099</u>	<u>137,617</u>	<u>329,154</u>
	<u>75,640</u>	<u>49,960</u>	<u>83,099</u>	<u>137,617</u>	<u>346,316</u>
As at 31 December 2022					
Trade payables	1,281	—	—	—	1,281
Other payables	11,042	—	—	—	11,042
Lease liabilities	<u>37,138</u>	<u>29,928</u>	<u>35,393</u>	<u>100,219</u>	<u>202,678</u>
	<u>49,461</u>	<u>29,928</u>	<u>35,393</u>	<u>100,219</u>	<u>215,001</u>

4.3 Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities, 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).

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

2023	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
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
	<u>2,979</u>	<u>—</u>	<u>146,441</u>	<u>149,420</u>
2022	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
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
	<u>2,065</u>	<u>—</u>	<u>147,925</u>	<u>149,990</u>

Specific valuation techniques used to value financial instruments include:

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

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

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 <i>RMB'000</i>	2022 <i>RMB'000</i>
Recognised over time		
— Private education services and others	<u>570,614</u>	<u>402,082</u>

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

6. OTHER INCOME — NET

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
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	<u>1,586</u>	<u>4,785</u>
	<u>11,714</u>	<u>10,617</u>

(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 <i>RMB'000</i>	2022 <i>RMB'000</i>
Fair value gains/(losses) on financial assets at FVPL	19,747	(1,610)
Fair value losses on investment properties	(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	(40)	(2,114)
Deposits losses	(280)	(1,137)
Compensation charges	(604)	(520)
Net foreign exchange gains	756	320
Others	2,312	178
	<u>21,411</u>	<u>3,044</u>

8. EXPENSES BY NATURE

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Employee benefit expenses	335,583	260,826
Depreciation and amortisation	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	—	(1,310)
Others	18,441	8,041
	<u>481,107</u>	<u>366,730</u>

9. FINANCE COSTS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest expenses on bank borrowings	—	357
Interest expenses on lease liabilities	<u>5,883</u>	<u>6,346</u>
	<u><u>5,883</u></u>	<u><u>6,703</u></u>

10. INCOME TAX EXPENSE/(CREDIT)

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

11. 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)	<u>85,988</u>	<u>54,411</u>
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)	<u><u>15.58</u></u>	<u><u>9.79</u></u>

(i) Basic earnings per share is calculated by dividing the profit for the year attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 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)	<u>15.42</u>	<u>9.79</u>

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	<u>5,653,000</u>	<u>—</u>
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<u>557,686,000</u>	<u>555,700,000</u>

12. RIGHT-OF-USE ASSETS AND LEASES

(a) Amounts recognised in the consolidated balance sheet

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

* 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	<u>1,706</u>	<u>1,800</u>
	<u>38,373</u>	<u>44,282</u>
Interest expense (included in finance costs)	5,883	6,346
Expense relating to short-term leases (included in administrative expenses and cost of sales)	<u>8,925</u>	<u>5,189</u>

(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).

(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).

13. SHARE CAPITAL

	Authorised			Issued		
	Number of ordinary shares	Nominal value		Number of ordinary shares	Nominal value	
		USD	RMB		USD	RMB
Balance at 1 January 2022,						
31 December 2022,						
1 January 2023 and						
31 December 2023	<u>1,000,000,000</u>	<u>1,000,000</u>	<u>6,860,633</u>	<u>555,700,000</u>	<u>555,700</u>	<u>3,774,897</u>

14. 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).

15. TRADE AND OTHER PAYABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
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	<u>14,195</u>	<u>11,042</u>
	<u><u>94,192</u></u>	<u><u>83,431</u></u>

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

As at 31 December 2023 and 2022, the aging analysis of trade payables based on the invoice date was as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
3 months or less	792	1,233
3 to 6 months	477	—
6 months to 1 year	<u>1,698</u>	<u>48</u>
	<u><u>2,967</u></u>	<u><u>1,281</u></u>

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Board is committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of the Shareholders and to enhance corporate value and accountability.

1. Compliance with the CG Code on Corporate Governance Practices

For the year ended 31 December 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.

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

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its own securities dealing code to regulate all dealings by Directors and relevant employees of securities in the Company and other matters covered by the Model Code. Specific enquiry has been made of all the Directors and the relevant employees and they have confirmed that they had complied with the Model Code for the year ended 31 December 2023.

3. Audit Committee

The Company has established an audit committee with written terms of reference in accordance with the Listing Rules and the CG Code. The primary duties of the audit committee are to review and supervise the financial reporting, risk management and internal controls system of the Group, review the fairness of the connected transactions of the Company and to advise the Board. The audit committee comprises three independent non-executive Directors, namely, Mr. Huang Victor, Mr. Yang Xuezhi and Ms. Yim Ka Man. Mr. Huang Victor is the chairman of the audit committee. The audit committee of the Board has reviewed the accounting principles and practices adopted by the Group and discussed risk management, internal control and financial reporting matters with management including a review of the consolidated financial statements and annual results for the year ended 31 December 2023 of the Group.

4. Purchase, Sale or Redemption of the Company's 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 are 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 Share Award Scheme during the year ended 31 December 2023.

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.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at <http://www.skledu.com>. The annual report of the Group for the year ended 31 December 2023 will be published on the aforesaid websites and will be dispatched to the Company's shareholders in due course.

DEFINITIONS

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

“Board”	the board of Directors
“CG Code”	Corporate Governance Code contained in Appendix C1 to the Listing Rules
“Company”	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
“Group”	the Company with its subsidiaries and consolidated affiliated entities
“IFRS”	International Financial Reporting Standards
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules

“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 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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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

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

Hong Kong, 28 March 2024

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

Executive Directors

Mr. Chen Qiyuan (*chairman*)

Mr. Qi Mingzhi (*chief executive officer*)

Ms. Li Ailing

Ms. Leng Xinlan

Independent Non-executive Directors

Mr. Huang Victor

Mr. Yang Xuezhi

Ms. Yim Ka Man

Non-executive Director

Mr. Shen Jing Wu (*vice chairman*)

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