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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

HIGHLIGHTS

The Board is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 30 June 2024. These interim results are unaudited but have been reviewed by the Company's audit committee and the Company's independent auditor, PricewaterhouseCoopers.

FINANCIAL HIGHLIGHTS

	Unaudited For the six months ended 30 June			Percentage change
	2024 RMB'000	2023 RMB'000	Change RMB'000	
Revenue	399,113	251,323	147,790	58.8%
Operating profit	113,819	49,656	64,163	129.2%
Profit for the period attributable to owners	82,652	42,938	39,714	92.5%
<i>Non-IFRS measure:</i>				
Adjusted profit for the period attributable to owners (Note 1)	93,542	46,511	47,031	101.1%
Earnings per Share				
	<i>RMB cents</i>	<i>RMB cents</i>	<i>RMB cents</i>	
Basic	15.21	7.73	7.48	96.8%
Diluted	14.76	7.66	7.10	92.7%
<i>Non-IFRS measure:</i>				
Adjusted earnings per Share (Note 2)				
Basic	17.21	8.37	8.84	105.6%
Diluted	16.71	8.29	8.42	101.6%

Note 1: The Company defined its adjusted profit attributable to owners as its profit for the period attributable to owners after adjusting for those items which were not indicative of the Company's operating performances, mainly including the share option benefit expenses of approximately RMB10.9 million (six months ended 30 June 2023: RMB3.6 million) for the six months ended 30 June 2024.

Note 2: The Company defines the adjusted earnings per share as earnings per share calculated by using adjusted profit for the period attributable to owners of the Company.

Adjusted profit for the period attributable to owners

Non-IFRS Measures

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

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

	Unaudited		Percentage Change
	For the six months ended		
	30 June		
	2024	2023	
	RMB'000	RMB'000	
Profit for the period attributable to owners	82,652	42,938	92.5%
Add:			
Share option benefit expenses (<i>Note 1</i>)	<u>10,890</u>	<u>3,573</u>	204.8%
Adjusted profit for the period attributable to owners	<u>93,542</u>	<u>46,511</u>	101.1%

Note:

- (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 and 28 February 2024, 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.

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 attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited	
	For the six months ended	
	30 June	
	2024	2023
Adjusted earnings attributable to owners of the Company (in RMB thousands)	<u>93,542</u>	<u>46,511</u>
Weighted average number of ordinary shares in issue (thousand shares) (i)	543,391	555,515
Adjusted basic earnings per share (expressed in RMB cents per share)	<u>17.21</u>	<u>8.37</u>

- (i) Adjusted basic earnings per share is calculated by dividing the adjusted profit for the period attributable to the owners of the Company by the weighted average number of ordinary shares in issue for the six months ended 30 June 2024 and 2023.

(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.

	For the six months ended 30 June	
	2024	2023
Adjusted diluted earnings per share (expressed in RMB cents per share)	<u>16.71</u>	<u>8.29</u>
<i>Weighted average number of shares used as the denominator:</i>		
	For the six months ended 30 June	
	2024	2023
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	543,391,000	555,700,000
Adjustments for calculation of diluted earnings per share:		
Share options	<u>16,551,000</u>	<u>5,349,000</u>
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating adjusted diluted earnings per share	<u>559,942,000</u>	<u>560,864,000</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business overview

The principal business of the Group had remained profitable and the Group recorded an operating profit of RMB113.8 million for the six months ended 30 June 2024. 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 six months ended 30 June 2024, the Group's revenue from literacy programmes increased to RMB366.5 million from RMB232.2 million, and its tutoring hours increased to 4,202,896 hours from 2,675,300 hours, as compared to the same period 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 six months ended 30 June 2024, the Group's total revenue had increased to RMB399.1 million, representing an increase of 58.8% as compared to the same period last year. For the six months ended 30 June 2024, the Group recorded a net profit attributable to owners of RMB82.7 million, as compared to a net profit attributable to owners of RMB42.9 million for the six months ended 30 June 2023. It was mainly attributable to (i) an increase in total tutoring hours, which in turn contributed to an increase in revenue and (ii) the Group's continued efforts in improving operation efficiency.

Future prospects and development strategies

The Group has launched our educational tour business and international courses since July 2023. The Group believes these business initiatives has broadened and will continue to 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.

Going forward, we will strive to promote a 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

The Group's revenue increased by 58.8% from RMB251.3 million for the six months ended 30 June 2023 to RMB399.1 million for the six months ended 30 June 2024. This increase was primarily due to increases in the total student enrolments and tutoring hours for the six months ended 30 June 2024.

The following table sets forth the Group's revenue for the periods indicated based on the Group's internal records:

	Unaudited		Change
	Six months ended 30 June 2024	Six months ended 30 June 2023	
	RMB'000	RMB'000	
Non-academic literary programme and others	366,525	232,216	57.8%
Tutoring programme	<u>32,588</u>	<u>19,107</u>	70.6%
Total	<u>399,113</u>	<u>251,323</u>	58.8%

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

	Six months ended 30 June 2024		Six months ended 30 June 2023		Change	
	Student enrolments	Tutoring hours	Student enrolments	Tutoring hours	Student enrolments	Tutoring hours
Non-academic literary programme	169,739	4,202,896	107,908	2,675,300	57.3%	57.1%
Tutoring programme	<u>14,666</u>	<u>361,356</u>	<u>8,622</u>	<u>212,300</u>	70.1%	70.2%
Total	<u>184,405</u>	<u>4,564,252</u>	<u>116,530</u>	<u>2,887,600</u>	58.2%	58.1%

2. *Cost of sales*

The cost of sales of the Group increased by 50.7% from RMB147.3 million for the six months ended 30 June 2023 to RMB222.0 million for the six months ended 30 June 2024. This increase was primarily due to an increase in teacher compensation and amortisation of right-of-use assets, primarily contributed by the increase of the total number of the Group's learning centres as a result of the expansion of the Group's learning centre network and growth of the Group's business. Due to improvement in operating efficiency, the increase in cost of sales was lower than the increase in revenue for the six months ended 30 June 2024.

3. *Gross profit and gross profit margin*

As a result of the foregoing, the gross profit of the Group increased by 70.2% from RMB104.1 million for the six months ended 30 June 2023 to RMB177.1 million for the six months ended 30 June 2024. The gross profit margin of the Group increased from 41.4% for the six months ended 30 June 2023 to 44.4% for the six months ended 30 June 2024.

4. *Selling expenses*

The selling expenses of the Group increased by 26.6% from RMB5.1 million for the six months ended 30 June 2023 to RMB6.5 million for the six months ended 30 June 2024. The increase was primarily due to the increase in student activities expenses.

5. *Administrative expenses*

The administrative expenses of the Group increased by 11.5% from RMB50.4 million for the six months ended 30 June 2023 to RMB56.2 million for the six months ended 30 June 2024. This increase was mainly due to the increase in administrative personnel expenses. The increase was partially offset by a decrease in allowance for impairment.

6. *Research and development expenses*

The research and development expenses of the Group increased by 21.3% from RMB8.7 million for the six months ended 30 June 2023 to RMB10.6 million for the six months ended 30 June 2024. The increase was primarily due to an increase in research and development personnel expenses.

7. *Other income*

The other net income of the Group increased by 56.2% from RMB4.1 million for the six months ended 30 June 2023 to RMB6.5 million for the six months ended 30 June 2024. This increase was primarily due to increase in finance income of RMB3.9 million. The increase was partially offset by a decrease of RMB1.1 million in government grant.

8. *Other gains — net*

The other net gains of the Group decreased by 38.9% from RMB5.7 million for the six months ended 30 June 2023 to RMB3.5 million for the six months ended 30 June 2024. The decrease was primarily due to the net foreign exchange losses of RMB0.5 million recorded for the six months ended 30 June 2024 (for the six months ended 30 June 2023: net exchange gains of RMB1.0 million). The decrease was partially offset by an increase in lease modification of RMB1.3 million.

9. *Finance costs*

The finance costs of the Group increased by 73.6% from RMB2.8 million for the six months ended 30 June 2023 to RMB4.8 million for the six months ended 30 June 2024, primarily due to the increases in interest expenses on lease liabilities and borrowings.

10. *Profit before income tax*

As a result of the foregoing, the profit before tax of the Group increased by 132.5% from RMB46.9 million for the six months ended 30 June 2023 to RMB109.0 million for the six months ended 30 June 2024.

11. *Income tax expense*

The income tax expense of the Group increased by 506.8% from RMB4.4 million for the six months ended 30 June 2023 to RMB26.8 million for the six months ended 30 June 2024. The increase was primarily due to the increase in assessable profit.

12. *Profit for the period attributable to owners*

As a result of the foregoing, the profit for the period attributable to owners of the Group increased by 92.5% from RMB42.9 million for the six months ended 30 June 2023 to RMB82.7 million for the six months ended 30 June 2024.

Liquidity, financial resources and capital structure

The total equity of the Group as at 30 June 2024 was RMB532.1 million (31 December 2023: RMB453.4 million). The Group generally financed its operations with internally generated cash flows. As at 30 June 2024, the Group's cash and cash equivalents increased by 7.7% from RMB256.5 million as at 31 December 2023 to RMB276.2 million. As at 30 June 2024, the current assets of the Group amounted to RMB470.0 million (31 December 2023: RMB497.1 million), including RMB278.4 million (31 December 2023: RMB364.9 million) in bank balances and cash, RMB65.6 million (31 December 2023: RMB10.0 million) in other financial assets at amortised cost, RMB77.4 million (31 December 2023: RMB101.7 million) in financial assets at fair value through profit or loss, and other current assets of RMB48.6 million (31 December 2023: RMB20.5 million). As at 30 June 2024, the current liabilities of the Group amounted to RMB459.3 million (31 December 2023: RMB450.8 million), of which RMB248.9 million (31 December 2023: RMB276.3 million) were contract liabilities, RMB70.4 million (31 December 2023: RMB50.9 million) were lease liabilities and RMB109.9 million (31 December 2023: RMB123.5 million) were other payables and accruals. As at 30 June 2024, the Group had RMB30.0 million (31 December 2023: nil) bank borrowings, all of which were variable rate borrowings, denominated in RMB and wholly repayable within one year. The Group's gearing ratio as at 30 June 2024 was 5.6% (31 December 2023: 0%), based on the bank borrowings divided by the equity attributable to the shareholders. As at 30 June 2024, the Group had net current assets of RMB10.8 million (31 December 2023: RMB46.4 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 30 June 2024 were denominated in RMB and HK\$. The Group currently does not have any foreign currency hedging policies. The management will continue to monitor the Group's foreign exchange risk exposure and consider adopting prudent measures as appropriate.

Material acquisitions and disposals and significant investment

There was no significant investment held, material acquisition and disposal of subsidiaries, associates and joint ventures by the Company for the six months ended 30 June 2024. 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. Save as disclosed in this interim results announcement, 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 30 June 2024.

Save as disclosed in this interim results announcement, the Group did not have any plans for significant investments as at 30 June 2024.

Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: nil).

Contingent liabilities

As at 30 June 2024, 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 (31 December 2023: nil).

Pledge of assets

The Group did not have any material pledge of assets as at 30 June 2024 and 31 December 2023.

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 workforce of 2,603 employees as at 30 June 2024 (31 December 2023: 2,319 employees). The Group's remuneration policies are in line with the prevailing market practices and are determined on the basis of performance and experience of the individual. The Group has been constantly reviewing staff remuneration package to ensure it is competitive in the market.

Subsequent events

During the period from 3 July 2024 to 15 July 2024 (both days inclusive), the Trustee of the Company's Share Award Scheme bought a total of 1,540,000 ordinary shares of the Company from the market at a total consideration of HK\$6,977,000 (equivalent to RMB6,370,000) which are currently held for the purpose of satisfying share awards that may be granted under the Share Award Scheme.

On 10 July 2024, 9,169,050 share options granted and vested pursuant to the Share Option Scheme were exercised at an exercise price of HK\$1.62 per share. Accordingly, 9,169,050 new Shares have been issued and allotted in July 2024.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
		2024	2023
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	5	399,113	251,323
Cost of sales	8	<u>(221,975)</u>	<u>(147,265)</u>
Gross profit		177,138	104,058
Selling expenses	8	(6,498)	(5,133)
Administrative expenses	8	(56,213)	(50,420)
Research and development expenses	8	(10,557)	(8,701)
Other income	6	6,456	4,134
Other gains — net	7	<u>3,493</u>	<u>5,718</u>
Operating profit		113,819	49,656
Finance costs	9	<u>(4,816)</u>	<u>(2,774)</u>
Profit before income tax		109,003	46,882
Income tax expense	10	<u>(26,748)</u>	<u>(4,408)</u>
Profit for the period		<u>82,255</u>	<u>42,474</u>
Profit and total comprehensive income attributable to:			
— Owners of the Company		82,652	42,938
— Non-controlling interests		<u>(397)</u>	<u>(464)</u>
		<u>82,255</u>	<u>42,474</u>
Earnings per share (expressed in RMB cents per share)			
— Basic	11	<u>15.21</u>	<u>7.73</u>
— Diluted	11	<u>14.76</u>	<u>7.66</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited As at 30 June 2024 RMB'000	Audited As at 31 December 2023 RMB'000
	<i>Notes</i>		
Assets			
Non-current assets			
Property, plant and equipment		83,471	55,781
Right-of-use assets	12	305,437	200,586
Investment properties		94,368	81,335
Intangible assets		11,402	11,601
Deferred tax assets		29,289	23,956
Prepayments and other receivables		23,431	19,082
Financial assets at fair value through profit or loss		47,319	47,769
Other financial assets at amortised cost		99,749	96,000
Total non-current assets		694,466	536,110
Current assets			
Prepayments and other receivables		48,608	20,507
Other financial assets at amortised cost		65,615	10,000
Financial assets at fair value through profit or loss		77,437	101,651
Term deposits with original maturity over 3 months		—	105,504
Restricted cash		2,200	2,967
Cash and cash equivalents		276,163	256,476
Total current assets		470,023	497,105
Total assets		1,164,489	1,033,215
Equity			
Share capital	13	3,775	3,775
Share premium		82,698	82,698
Shares held for employee share scheme		(27,864)	(12,496)
Treasury shares		(2,366)	(266)
Other reserves		55,188	42,535
Retained earnings		421,231	338,579
Capital and reserves attributable to owners of the Company		532,662	454,825
Non-controlling interests		(595)	(1,475)
Total equity		532,067	453,350

		Unaudited	Audited
		As at	As at
		30 June	31 December
		2024	2023
	<i>Notes</i>	RMB'000	RMB'000
Liabilities			
Non-current liabilities			
Lease liabilities		165,117	124,186
Deferred tax liabilities		8,046	4,926
		<u>173,163</u>	<u>129,112</u>
Total non-current liabilities			
Current liabilities			
Contract liabilities		248,940	276,316
Trade and other payables	<i>15</i>	65,658	94,192
Current income tax liabilities		44,256	29,346
Borrowings		30,000	—
Lease liabilities		70,405	50,899
		<u>459,259</u>	<u>450,753</u>
Total current liabilities			
Total liabilities			
		<u>632,422</u>	<u>579,865</u>
Total equity and liabilities			
		<u>1,164,489</u>	<u>1,033,215</u>

NOTES TO THE INTERIM CONDENSED 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 (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”).

This interim condensed consolidated financial information is presented in Renminbi (RMB) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

This interim condensed consolidated financial information was approved for issue by the board of directors of the Company on 15 August 2024 and has not been audited.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six-month reporting period ended 30 June 2024 has been prepared in accordance with International Accounting Standard (“ISA”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“IASB”).

This interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim condensed consolidated financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2023 (“2023 Financial Statements”) which have been prepared in accordance with IFRS Accounting Standards (“IFRSs”).

The Group will continue to implement measures before the Structured Contracts are unwound, with an aim to further enhance its control over the PRC Operating Entities. The Company is not aware of any non-performance of the Structured Contracts or non-compliance with such aforementioned measures as at the date of this Report. As advised by the Group’s PRC legal counsel, the structured contracts are legally enforceable and the Group did not violate existing PRC laws and regulations for the six months ended 30 June 2024 and up to the date of this announcement. 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 compliance with the new relevant policies. Based on cashflow projections for a period of not less than 12 months after 30 June 2024, the Directors are in the opinion that the Group’s available source of funds is sufficient to fulfil its financial obligations as and when fall due in the coming twelve months from 30 June 2024. The Group therefore continues to adopt the going concern basis in preparing its interim condensed consolidated financial information.

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the 2023 Financial Statements, as described in those annual consolidated financial statements, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

The adoption of new and amended standards and interpretation as described below.

		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 in a sales and Leaseback	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	1 January 2024

The adoption of new and amended standards and interpretation did not have material impact on the interim condensed consolidated financial information.

(b) New standards, amendments to standards and interpretations not yet adopted

		Effective for annual periods beginning on or after
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
Amendments to IFRS 9 and IFRS 7	Financial Instruments Standards	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
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 new accounting standards and interpretations have been published that are not mandatory for the six months ended 30 June 2024 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group 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 and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise such unpredictability.

This interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2023 Financial Statements.

There have been no material changes in the risk management function or in any risk management policies since 31 December 2023.

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 each reporting year).

	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 30 June 2024					
Trade payables	3,204	—	—	—	3,204
Other payables	13,876	—	—	—	13,876
Borrowings	30,769	—	—	—	30,769
Lease liabilities	<u>79,307</u>	<u>67,505</u>	<u>104,282</u>	<u>43,333</u>	<u>294,427</u>
	<u>127,156</u>	<u>67,505</u>	<u>104,282</u>	<u>43,333</u>	<u>342,276</u>
	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>

4.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2024 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Financial instruments at fair value as at 30 June 2024 were as follows:

	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	—	9,185	65,907	75,092
Listed equity investments in Mainland China	2,345	—	—	2,345
Unlisted equity investments in Mainland China	—	—	47,319	47,319
	<u>2,345</u>	<u>9,185</u>	<u>113,226</u>	<u>124,756</u>

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

	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>

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; and
- A combination of observable and unobservable inputs, including discount rate for lack of marketability, market multiples, etc.

There were no changes in valuation techniques during the period.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the six months ended 30 June 2024.

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 is estimated by using various applicable valuation techniques, including discounting the cash flows approach with reference to the quoted price by the financial institution and market approach etc.

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 six months ended 30 June 2024.

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Recognised over time		
— Private education services and others	<u>399,113</u>	<u>251,323</u>

The Group has a large number of customers, and no single customer is accounted for more than 10% of the Group's total revenue during the period (for the six months ended 30 June 2023: nil).

6. OTHER INCOME

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Sub-lease — net (a)	166	354
Rental income from operating leases	1,226	1,467
Finance income	4,645	792
Government grants	419	1,521
	<u>6,456</u>	<u>4,134</u>

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

7. OTHER GAINS — NET

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Fair value gains on financial assets at FVPL	3,491	3,669
Lease modification	1,601	279
Net gains/(losses) on disposal of property, plant and equipment	41	(20)
Deposits losses	(361)	(226)
Compensation charges	(444)	(115)
Fair value losses on investment properties	(620)	(400)
Net foreign exchange (losses)/gains	(501)	980
Others	286	1,551
	<u>3,493</u>	<u>5,718</u>

8. EXPENSES BY NATURE

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Employee benefit expenses	219,650	147,712
Depreciation and amortisation	36,153	28,441
Property management expense	6,372	3,081
Teaching materials	5,346	3,689
Advertising and exhibition expense	4,247	4,247
Maintenance cost	2,870	1,569
Professional service fees	2,393	3,336
Office expenses	2,321	2,827
Utilities	2,028	1,370
Other taxes	1,721	1,192
Auditor's remuneration	650	650
Allowance for impairment	398	3,794
Operating expenses	—	1,376
Others	11,094	8,235
	<u>295,243</u>	<u>211,519</u>

9. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Finance expenses		
— Interest expense on borrowings	350	—
— Interest expense on leasing liabilities	4,466	2,774
	<u>4,816</u>	<u>2,774</u>

10. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Current tax		
— Current tax on profit for the period	28,961	3,830
Deferred income tax		
— (decrease)/increase in deferred income tax	(2,213)	578
Income tax expense	<u>26,748</u>	<u>4,408</u>

11. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share are calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the Period.

	Six months ended 30 June	
	2024	2023
Earnings attributable to owners of the Company (in RMB thousands)	<u>82,652</u>	<u>42,938</u>
Weighted average number of ordinary shares in issue (thousand shares)	543,391	555,515
Basic earnings per share (expressed in RMB cents per share)	<u>15.21</u>	<u>7.73</u>

(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.

	Six months ended 30 June	
	2024	2023
Diluted earnings per share (expressed in RMB cents per share)	<u>14.76</u>	<u>7.66</u>

Weighted average number of shares used as the denominator

	Six months ended 30 June	
	2024	2023
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	543,391,000	555,515,000
Adjustments for calculation of diluted earnings per share: Share options	<u>16,551,000</u>	<u>5,349,000</u>
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<u>559,942,000</u>	<u>560,864,000</u>

12. RIGHT OF USE ASSETS AND LEASES

(a) Amounts recognised in the interim condensed consolidated balance sheet

	As at 30 June 2024 <i>RMB'000</i>	As at 31 December 2023 <i>RMB'000</i>
Right-of-use assets		
Land use rights	74,067	43,594
Properties	<u>231,370</u>	<u>156,992</u>
	<u><u>305,437</u></u>	<u><u>200,586</u></u>
Lease liabilities		
Current	70,405	50,899
Non-current	<u>165,117</u>	<u>124,186</u>
	<u><u>235,522</u></u>	<u><u>175,085</u></u>

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

	Six months ended 30 June	
	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Depreciation charge of right-of-use assets		
— Properties	26,881	21,292
— Land use rights	<u>993</u>	<u>949</u>
	<u><u>27,874</u></u>	<u><u>22,241</u></u>
Finance costs on leases	<u><u>4,466</u></u>	<u><u>2,774</u></u>

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

For the six months ended 30 June 2024, the cash outflows from financing activities for leases were RMB31,962,000 (for the six months ended 30 June 2023: RMB21,504,000) and cash outflows from operating activities for short-term lease was RMB4,225,000 (for the six months ended 30 June 2023: RMB2,793,000).

13. SHARE CAPITAL

	Authorised			Issued		
	Number of ordinary shares	Nominal value		Number of ordinary shares	Nominal value	
		USD	RMB		USD	RMB
As at 1 January 2024 and 30 June 2024 and 1 January 2023 and 30 June 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 an interim dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: nil).

15. TRADE AND OTHER PAYABLES

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Current		
Trade payables (a)	3,204	2,967
Employee benefits payables	33,674	61,236
Other taxes payables	14,904	15,794
Leasehold improvement payables	4,213	2,250
Interest payables	99	—
Other payables	<u>9,564</u>	<u>11,945</u>
	<u>65,658</u>	<u>94,192</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.

The aging analysis of trade payables based on the invoice date was as follows:

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
3 months or less	337	792
3 to 6 months	2,844	477
6 months to 1 year	<u>23</u>	<u>1,698</u>
	<u>3,204</u>	<u>2,967</u>

16. SUBSEQUENT EVENTS

During the period from 3 July 2024 to 15 July 2024 (both days inclusive), the trustee of the Company's share award scheme bought a total of 1,540,000 ordinary shares of the Company from the market at a total consideration of HK\$6,977,000 (equivalent to RMB6,370,000) which are currently held for the purpose of satisfying share awards that may be granted under the share award scheme.

On 10 July 2024, 9,169,050 share options granted and vested pursuant to the share option scheme were exercised at an exercise price of HK\$1.62 per share. Accordingly, 9,169,050 new shares have been issued and allotted in July 2024.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

1. Compliance with the CG Code on corporate governance practices

For the six months ended 30 June 2024, the Company has 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 six months ended 30 June 2024.

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 has reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2024 and this interim results announcement and has met with the independent auditor, PricewaterhouseCoopers, who has reviewed the interim financial information in accordance with International Standard on Review Engagements 2410. The audit committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with the senior management members of the Group.

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

During the six months ended 30 June 2024, the Company repurchased a total of 758,000 Shares at an aggregate consideration of HK\$2,312,730 on the Stock Exchange, at the highest price of HK\$4.34 per Share on 25 April 2024 and the lowest price of HK\$2.17 per Share on 19 January 2024. As at 30 June 2024, a total of 1,088,000 Shares repurchased the Company 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.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This 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 interim report of the Group for the six months ended 30 June 2024 will be published on the aforesaid websites and will be despatched 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, an exempted company incorporated in the Cayman Islands with limited liability on 7 February 2018
“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 contained 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(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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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, 15 August 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

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 Company’s independent auditor. Shareholders and potential investors should therefore not place undue reliance on such statements.