思考乐教育

SCHOLAR EDUCATION GROUP

思考樂教育集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1769)

PROFIT WARNING

This announcement is made by Scholar Education Group (the "**Company**", together with its subsidiaries, the "**Group**") pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong).

The board of directors of the Company (the "**Board**") wishes to inform the shareholders and potential investors of the Company that, based on the preliminary review and analysis of the consolidated management accounts of the Group for the year ended 31 December 2020 and other information currently available to the Board, the Board expects that the Group will record a net profit of between RMB48 million and RMB55 million (for the year ended 31 December 2019: RMB94.8 million). Excluding the share option benefit expenses, effect on the adoption of IFRS 16 — Leases and the non-recurring listing expenses, the Group expects to record an adjusted net profit of not less than RMB80 million (for the year ended 31 December 2019: RMB136.2 million).

The Board is of the view that such decrease was primarily attributable to the following:

(i) due to the impact of COVID-19, the Group offered special discounts and other favourable terms and arrangements to students, which led to a decrease of approximately 10% in the average tuition fee per tutoring hour as compared with that in the year ended 31 December 2019 and, in turn, resulted in a decrease in gross profit; and

(ii) as the learning centres commenced operations in 2019 and 2020 were still ramping up in 2020, the revenue generated from such learning centres was relatively limited, whereas the direct operating costs, including the staff costs and benefits, amortisation, depreciation, utilities and property management expenses, had remained fixed at a high level relative to revenue generated, which in turn resulted in a decrease in gross profit.

Nevertheless, the Board noted that the following factors mitigated the above negative impact:

(i) amid the impact of COVID-19, the Group successfully converted offline courses to online classes within a short period of time; and

(ii) the Group continued to increase strategic operation in Guangdong-Hong Kong-Macau Greater Bay Area, Zhejiang Province and Jiangsu Province to enhance its long-term profitability. The learning centres under the Group's operation increased from 100 in 2019 to 152 in 2020, and the total tutoring hours the Group delivered increased by approximately 28% in the second half of 2020, as compared with that in the same period of 2019.

The above factors have partially offset the effect of the decrease in the average tuition fee per tutoring hour. The Board expects that the Group will record an increase in revenue of approximately 5% for the year ended 31 December 2020.

As at the date of this announcement, the number of students enrolled for the winter terms that began in January 2021 increased by approximately 40%, as compared with that in the same period of 2020. The Board is confident that the operations and financial performance of the Group will improve considerably in 2021.

The information contained in this announcement is based on the preliminary review and assessment by the management of the unaudited management accounts of the Group that have not been reviewed by the Company's audit committee or the independent auditors and are subject to finalisation and necessary adjustments (if any).

The Board expects that the annual results announcement of the Group for the year ended 31 December 2020 will be published in March 2021 and the corresponding 2020 annual report will be published subsequently in accordance with the requirements of the Listing Rules.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 15 January 2021

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

Executive Directors
Mr. Chen Qiyuan *(chairman)*
Mr. Chen Hongyu
Mr. Qi Mingzhi *(chief executive officer)*
Mr. Xu Chaoqiang

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

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