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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

HIGHLIGHTS

The Board is pleased to announce the consolidated results of the Group for the year ended 31 December 2021. These results have been reviewed by the Company's audit committee.

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		Percentage
	2021	2020	change
	RMB'000	*RMB'000*	
Revenue	**831,725**	749,089	11.0%
Gross profit	**315,021**	260,537	20.9%
(Loss)/profit for the year attributable to equity holders	**(26,611)**	48,938	(154.4)%
Adjusted profit for the year attributable to equity holders *(Note)*	**23,933**	96,806	(75.3)%

(Loss)/earnings per Share

			Percentage
	RMB cents	RMB cents	change
Basic	**(4.83)**	8.81	(154.8)%
Diluted	**(4.83)**	8.59	(156.2)%
Adjusted earnings per Share *(Note)*			
Basic	**4.34**	17.42	(75.1)%
Diluted	**4.29**	16.98	(74.7)%

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

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

	Year ended 31 December		Percentage
	2021	2020	Change
	RMB'000	*RMB'000*	
(Loss)/profit for the year attributable to equity holders	**(26,611)**	48,938	(154.4)%
Add:			
Share option benefit expenses	**39,243**	26,958	45.6%
Effect on the adoption of IFRS 16 — Leases	**11,301**	20,910	(46.0)%
Adjusted profit for the year attributable to equity holders	**23,933**	96,806	(75.3)%

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
Revenue	*5*	**831,725**	749,089
Cost of sales	*8*	**(516,704)**	(488,552)
Gross profit		**315,021**	260,537
Selling expenses	*8*	**(13,629)**	(23,233)
Administrative expenses	*8*	**(170,052)**	(152,339)
Research and development expenses	*8*	**(53,382)**	(56,966)
Other income — net	*6*	**22,520**	35,170
Other (losses)/gains — net	*7*	**(65,895)**	23,062
Operating profit		**34,583**	86,231
Finance costs	*9*	**(28,985)**	(36,447)
Profit before income tax		**5,598**	49,784
Income tax expense	*10*	**(32,610)**	(846)
(Loss)/profit for the year		**(27,012)**	48,938
(Loss)/profit for the year is attributable to:			
— Equity holders of the Company		**(26,611)**	48,938
— Non-controlling interests		**(401)**	—
		(27,012)	48,938
(Loss)/profit for the year		**(27,012)**	48,938
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation gains on investment properties upon transfer from property, plant and equipment		**378**	—
Total comprehensive (loss)/income for the year		**(26,634)**	48,938

		Year ended 31 December	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
Total comprehensive (loss)/income for the year is attributable to:			
— Equity holders of the Company		**(26,233)**	48,938
— Non-controlling interests		**(401)**	—
		(26,634)	48,938
(Loss)/earnings per share (expressed in RMB cents per share)			
— Basic	*11*	**(4.83)**	8.81
— Diluted	*11*	**(4.83)**	8.59

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
Assets			
Non-current assets			
Property, plant and equipment		**54,369**	170,333
Right-of-use assets	*12*	**179,388**	643,427
Investment properties		**65,100**	—
Intangible assets		**2,800**	2,857
Prepayments and other receivables		**18,694**	50,461
Deferred tax assets		**12,721**	36,064
Financial assets at fair value through profit or loss		**24,129**	—
Total non-current assets		**357,201**	903,142
Current assets			
Prepayments and other receivables		**11,425**	22,751
Financial assets at fair value through profit or loss		**155,725**	298,943
Cash and cash equivalents		**236,041**	442,586
Restricted Cash		**176**	—
Total current assets		**403,367**	764,280
Total assets		**760,568**	1,667,422
Equity			
Share capital	*13*	**3,775**	3,775
Share premium		**82,698**	295,908
Shares held for employee share scheme		**—**	(1,050)
Other reserves		**33,293**	66,361
Retained earnings		**198,180**	173,043
Capital and reserves attributable to equity holders of the Company		**317,946**	538,037
Non-controlling interests		**(401)**	—
Total equity		**317,545**	538,037

		As at 31 December	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
Liabilities			
Non-current liabilities			
Lease liabilities		**119,592**	484,628
Total non-current liabilities		**119,592**	484,628
Current liabilities			
Contract liabilities		**176,251**	357,039
Lease liabilities		**32,804**	117,783
Trade and other payables	*15*	**80,941**	105,078
Current income tax liabilities		**3,435**	10,457
Borrowings		**30,000**	54,400
Total current liabilities		**323,431**	644,757
Total liabilities		**443,023**	1,129,385
Total equity and liabilities		**760,568**	1,667,422

1. GENERAL INFORMATION

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

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

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

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

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

The consolidated financial statements were approved for issue by the board of directors of the Company on 30 March 2022.

2. BASIS OF PREPARATION AND REORGANISATION

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

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

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

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 Group did not violate existing PRC laws and regulations and the Structured Contracts are legally enforceable for the year ended 31 December 2021 and up to the date of this Report. The Directors will continue to closely monitor the development of law 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 2021, 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 2021. 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 standards and amendments for the first time for their annual reporting period commencing 1 January 2021:

- Interest Rate Benchmark Reform — Phase 2 — amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

- COVID-19-Related Rent Concessions — Amendments to IFRS 16

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

(b) New standards and interpretations not yet adopted

		Effective for annual periods beginning on or after
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Annual improvement project	Annual Improvements IFRS Standard 2018–2020	1 January 2022
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IFRS 17	Insurance Contracts	1 January 2023
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards, 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 and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise.

4.2 Liquidity risk

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

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

	within 1 year	**1 to 2 years**	**2 to 5 years**	**over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2021					
Trade payables	**1,948**	**—**	**—**	**—**	**1,948**
Other payables	**24,926**	**—**	**—**	**—**	**24,926**
Borrowings	**30,397**	**—**	**—**	**—**	**30,397**
Lease liabilities	**36,217**	**38,614**	**66,774**	**69,602**	**211,207**
	93,488	**38,614**	**66,774**	**69,602**	**268,478**
As at 31 December 2020					
Trade payables	3,363	—	—	—	3,363
Other payables	15,984	—	—	—	15,984
Borrowings	55,166	—	—	—	55,166
Lease liabilities	134,582	127,472	296,197	174,382	732,633
	209,095	127,472	296,197	174,382	807,146

4.3 Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Financial instruments at fair value as at 31 December 2021 and 2020 were as follows:

2021	**Level 1**	**Level 2**	**Level 3**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Asset				
Financial assets at FVPL	**—**	**—**	**179,854**	**179,854**

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

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 2021 and 2020.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the years ended 31 December 2021 and 2020.

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

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

The short-term investments measured at fair value through profit or loss are wealth management products, denominated in RMB, with expected rates of returns ranging from 1.29% to 8.70% and 6.50% to 8.80% per annum for the years ended 31 December 2021 and 2020, respectively. The principal and returns on all these wealth management products are not guaranteed, and as a result their contractual cash flows do not qualify solely as payments of principal and interest. Therefore, they are measured at fair value through profit or loss.

The fair value is based on cash flow discounted using the expected return based on management judgement and are within level 3 of the fair value hierarchy. The higher the expected rates of return, the higher of the fair value.

If the fair values of financial assets at FVPL held by the Group had been 10% higher/lower, the profit before income tax for the years ended 31 December 2021 and 2020 would have been approximately RMB15,290,000 higher/lower and RMB28,730,000 higher/lower, respectively.

5. REVENUE AND SEGMENT INFORMATION

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

As a result of evaluation by chief operating decision makers ("**CODM**"), the CODM considers that the Group is operated and managed as a single operating segment of after-school education services for the year ended 31 December 2021.

	2021	2020
	RMB'000	*RMB'000*
Recognised over time		
— After-school education services	**831,725**	749,089

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

	2021	2020
	RMB'000	*RMB'000*
Sub-lease (a)		
— Sub-lease income	**3,853**	9,376
— Sub-lease expense	**(2,982)**	(9,379)
Rental income from operating leases	**2,293**	—
Finance income	**2,437**	5,586
Government grants (b)	**16,889**	29,587
Others	**30**	—
	22,520	35,170

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

(b) Government grants mainly include VAT exemption. VAT exemption amounted to RMB15,259,000 (2020: RMB25,259,000) was recognised in the consolidated statement of comprehensive income due to the VAT exemption caused by COVID-19 pandemic, since Cai Shui [2020] No.8 extends the period of VAT exemption from calendar year 2020 to 2021.

7. OTHER (LOSSES)/GAINS — NET

	2021	2020
	RMB'000	*RMB'000*
Fair value (losses)/gains on financial assets at FVPL	**(24,192)**	30,646
Lease modification (a)	**42,271**	2,258
Net losses on disposal of property, plant and equipment and intangible assets	**(64,350)**	(2,539)
Deposits losses	**(10,949)**	(1,687)
Compensation charges	**(3,144)**	(7)
Fair value losses on investment properties	**(900)**	—
Net foreign exchange losses	**(1,809)**	(4,685)
Others	**(2,822)**	(924)
	(65,895)	23,062

(a) Based on the principles set out in the "Opinion on Further Easing the Workload of Students in Compulsory Education and Burden of After-school Tutoring" published by the General Office of the Chinese Communist Party and the General Office of the State Council of the PRC ("**Opinions on Double Reduction**") in July 2021, the Group ceased operating certain learning centres that do not meet the key operating parameters as originally envisaged.

8. EXPENSES BY NATURE

	2021	2020
	RMB'000	*RMB'000*
Employee benefit expenses	**470,721**	463,653
Depreciation and amortisation	**155,086**	156,114
Teaching materials	**24,009**	25,913
Software usage fees	**1,001**	11,549
Property management expenses	**13,590**	11,915
Advertising and exhibition expenses	**7,584**	13,372
Utilities	**8,964**	9,874
Office expenses	**6,730**	8,677
Maintenance cost	**7,452**	5,688
Entertainment and activities expenses	**1,425**	4,052
Other taxes	**5,021**	4,026
Professional service fees	**3,718**	3,795
Travel and transportation	**1,148**	2,056
Auditors' remuneration		
— Audit services	**1,923**	1,906
— Non-audit services	**693**	694
Recruitment expenses	**1,266**	2,477
Renting expenses	**3,027**	1,182
Allowance for impairment	**5,912**	206
Impairment provisions on property, plant and equipment	**24,681**	—
Rent concession related to COVID-19	**(2,340)**	(13,445)
Others	**12,156**	7,386
	753,767	721,090

9. FINANCE COSTS

	2021	2020
	RMB'000	*RMB'000*
Interest expenses on bank borrowings	**1,911**	5,591
Interest expenses on leasing liabilities	**27,074**	30,856
	28,985	36,447

10. INCOME TAX EXPENSES

	2021	2020
	RMB'000	*RMB'000*
Current tax		
— Current tax on profits for the year	**8,637**	17,333
Deferred income tax		
— Increase/(decrease) in deferred income tax	**23,973**	(16,487)
Income tax expense	**32,610**	846

11. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

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

	2021	2020
(Loss)/earnings attributable to equity shareholders of the Company (in RMB thousands)	**(26,611)**	48,938
Weighted average number of ordinary shares in issue (thousand shares) (i)	**551,181**	555,700
Basic (loss)/earnings per share (expressed in RMB cents per share)	**(4.83)**	8.81

Basic (loss)/earnings per share is calculated by dividing the (loss)/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 2021 and 2020.

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share adjusts the figures used in the determination of basic (loss)/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.

	2021	2020
Diluted (loss)/earnings per share (expressed in RMB cents per share)	**(4.83)**	8.59

Weighted average number of shares used as the denominator

	2021	2020
Weighted average number of ordinary shares used as the denominator in calculating basic (loss)/earnings per share	**551,181,000**	555,700,000
Adjustments for calculation of diluted (loss)/earnings per share:		
Share options*	**—**	14,294,000
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted (loss)/earnings per share	**551,181,000**	569,994,000

* For the year ended 31 December 2021, the effect of the share options was anti-dilutive and therefore not included in the calculation of the diluted (loss)/earnings per share.

12. RIGHT-OF-USE ASSETS AND LEASES

(a) Amounts recognised in the consolidated balance sheet

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Right-of-use assets*		
Land use rights**	**59,043**	87,675
Properties	**120,345**	555,752
	179,388	643,427
Lease liabilities		
Current	**32,804**	117,783
Non-current	**119,592**	484,628
	152,396	602,411

* Additions to the right-of-use assets during the year ended 31 December 2021 was RMB64,558,000 (For the year ended 31 December 2020: RMB254,546,000).

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

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

	2021	2020
	RMB'000	*RMB'000*
Depreciation charge of right-of-use assets		
— Properties	**100,499**	109,428
— Land use rights	**2,409**	2,886
	102,908	112,314
Interest expense (included in finance costs)	**27,074**	30,856
Expense relating to short-term leases (included in administrative expenses and cost of sales)	**3,027**	1,182

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

For the year ended 31 December 2021, the cash outflows from financing activities for leases was RMB102,248,000 (For the year ended 31 December 2020: RMB99,844,000) and cash outflows from operating activities for short-term lease was RMB3,027,000 (For the year ended 31 December 2020: RMB1,182,000).

(d) Rent concessions related to COVID-19

For the year ended 31 December 2021, the rent concessions related to COVID-19 was RMB2,340,000 (For the year ended 31 December 2020: RMB13,445,000) (Note 8).

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 2020, 31 December 2020, 1 January 2021 and 31 December 2021	1,000,000,000	1,000,000	6,860,633	555,700,000	555,700	3,774,897

14. DIVIDENDS

	2021	2020
	HKD'000	*HKD'000*
Interim dividends paid per share: HK$0.10 (2020: HK$0.06)	**55,570**	33,342
Special dividends per share: HK$0.15 (2020: HK$Nil)	**83,355**	—
	138,925	33,342
Proposed final dividends per share: HK$Nil (2020: HK$0.12)	**—**	66,684
	—	66,684

For the year ended 31 December 2021, the Company declared and paid the final dividends amounting to HK$66,684,000 (equivalent to RMB54,918,000), the interim dividends amounting to HK$55,570,000 (equivalent to RMB45,812,000) and special dividends amounting to HK$83,355,000 (equivalent to RMB68,151,000). (For the year ended 31 December 2020: the Company declared and paid the final dividends amounting to HK$66,684,000 (equivalent to RMB61,149,000), the interim dividends amounting to HK$33,342,000 (equivalent to RMB29,024,000) and nil special dividends).

The board does not recommend the payment of a final dividend for the year ended 31 December 2021 (For the year ended 31 December 2020: HK$0.12 per share).

15. TRADE AND OTHER PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Current		
Trade payables (a)	**1,948**	3,363
Employee benefits payables	**42,506**	68,495
Other taxes payables	**11,412**	17,180
Interest payables	**89**	56
Lease payment in advance	**60**	—
Other payables	**24,926**	15,984
	80,941	105,078

(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 2021 and 2020, the ageing analysis of trade payables based on the invoice date was as follows:

	2021	2020
	RMB'000	*RMB'000*
3 months or less	**723**	2,493
3 to 6 months	**993**	607
6 months to 1 year	**232**	263
	1,948	3,363

MANAGEMENT DISCUSSION AND ANALYSIS

Results and Business Overview

The Group upholds the educational philosophy of "focusing on academic excellence to enable its students to achieve their aspirations" (博學精教，成就學生) and adheres to its fundamental mission to foster one's character and civil virtue.

As an extra-curricular educational service provider who has been providing law-abiding educational services, the Group is committed to complying with the relevant regulations and requirements set out in the Opinions on Double Reduction, and is actively taking measures to undergo business transformation. In autumn 2021, the Group launched non-academic literacy programmes for primary and secondary schools, 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 placed more emphasis on training children's ability to take initiative and enhancing their deep thinking skills to achieve their overall development, through the integration of learning and thinking. At the same time, in order to improve operational efficiency and to save and control costs, the Group closed down some of its learning centres that did not meet its expected key performance indicators, and therefore incurred one-off costs including impairment losses on renovation costs and equipment, loss of deposits and compensations on the termination of leases over certain premises, and termination compensation for employees. In addition, the Group had made provisions for certain investment in financial assets, leading to a decrease in fair value gains on financial assets. These losses, amounting to approximately RMB131.1 million in total, were provided on a one-off basis for the year ended 31 December 2021.

For the year ended 31 December 2021, the Group's revenue had increased to RMB831.7 million, representing an increase of 11.0% as compared to last year. The Group's gross profit had increased to RMB315.0 million, representing an increase of 20.9% as compared to last year. As a result of the one-off costs amounting to RMB131.1 million incurred for the year ended 31 December 2021, the Group had recorded a net loss attributable to equity holders of RMB 26.6 million for the year as compared to the net profit attributable to equity holders of RMB48.9 million for the year ended 31 December 2020.

Future Prospects and Development Strategies

By leveraging its brand influence and reputation, the Group has gained a high level of recognition from students and parents in the Greater Bay Area. The Group is actively seeking new market opportunities by integrating its experienced team of out-of-school interest training operators, outstanding teaching and auxiliary staff to upgrade to a comprehensive education group that focuses on the holistic development of young children.

The Group 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, Le Xue and Guo Xue (樂學國學), logic training and Miaowei international literacy (妙維國際素養) with a view to fulfilling various needs of students and encouraging students to develop their hobbies and talents. 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.

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

The Group will strictly control and reduce costs to maintain steady cash flow. It will also remain steadfast in original intention of education and develop its technology to continue to enhance the quality of its education and teaching as well as service standards. To fulfill social responsibilities, the Group will, as a complement of school education, strive to comply with the implementation rules of the Opinions on Double Reduction to serve the overall development of the nation and strive to contribute to the development of a strong socialist country equipped with modernised education and the cultivation of contributors and successors who have received all-rounded development in "ethics, intellect, physique, aesthetics and hard-work" and follow the principles of socialism.

Financial Review

1. *Revenue*

	Year ended 31 December		Percentage
	2021	2020	Change
	RMB'000	*RMB'000*	
Non-academic literacy programme	**195,973**	9,737	1,912.7%
Academic education programme	**635,752**	739,352	(14.0)%
Total	**831,725**	749,089	11.0%

The following table sets forth the student enrollments and tutoring hours delivered under the Group's non-academic programme and academic education programme for the years indicated based on the Group's internal records:

	Year ended 31 December					
	2021		2020		Percentage Change	
	Student enrollments	**Tutoring hours**	Student enrollments	Tutoring hours		
Non-academic literacy programme	**57,207**	**2,314,289**	3,978	120,216	1,338.1%	1,825.1%
Academic education programme	**249,826**	**7,206,158**	330,724	10,078,278	(24.5)%	(28.5)%
Total	**307,033**	**9,520,447**	334,702	10,198,494	(8.3)%	(6.6)%

The Group's revenue increased by 11.0% from RMB749.1 million for the year ended 31 December 2020 to RMB831.7 million for the year ended 31 December 2021. This increase was primarily attributed to an increase in the average tuition fee per tutoring hour for its regular courses from RMB73.5 for the year ended 31 December 2020 to RMB87.4 for the year ended 31 December 2021. Such increase, however, was partially offset by decreases in the Group's total student enrollments and tutoring hours, mainly owing to the decrease of the total number of the Group's learning centres for the year ended 31 December 2021.

2. *Cost of sales*

The Group's cost of sales increased by 5.8% from RMB488.6 million for the year ended 31 December 2020 to RMB516.7 million for the year ended 31 December 2021. This increase was primarily due to (i) an increase in teacher compensation primarily attributable to the increase in revenue and (ii) decrease in rent concessions due to COVID-19 for the year ended 31 December 2021. Such increase, however, was partially offset by decrease in software usage fee arising from the delivery of online classes during the pandemic last year.

3. *Gross profit and gross profit margin*

As a result of the foregoing, the Group's gross profit increased by 20.9% from RMB260.5 million for the year ended 31 December 2020 to RMB315.0 million for the year ended 31 December 2021. The gross profit margin of the Group increased from 34.8% for the year ended 31 December 2020 to 37.9% for the year ended 31 December 2021 primarily because of an increase in its average tuition fee per tutoring hour for its regular courses from RMB73.5 for the year ended 31 December 2020 to RMB87.4 for the year ended 31 December 2021.

4. *Selling expenses*

The Group's selling expenses decreased by 41.3% from RMB23.2 million for the year ended 31 December 2020 to RMB13.6 million for the year ended 31 December 2021. The decrease was primarily due to the decreases in advertising and exhibition expenses, customer service personnel expenses and entertainment expenses relating to business activities.

5. *Administrative expenses*

The Group's administrative expenses increased by 11.6% from RMB152.3 million for the year ended 31 December 2020 to RMB170.1 million for the year ended 31 December 2021. The increase was primarily due to a one-off impairment provision for property, plant and equipment, lease deposits and other receivables of RMB30.6 million for the year ended 31 December 2021. The increase was partially offset by the decrease in RMB14.7 million administrative personal expenses as result of the closure of the Group's learning centre network.

6. *Research and development expenses*

The Group's research and development expenses decreased by 6.3% from RMB57.0 million for the year ended 31 December 2020 to RMB53.4 million for the year ended 31 December 2021. The decrease was primarily due to the research and development personnel expenses as result of the closure of the Group's learning centre network.

7. *Other income — net*

The Group's other income decreased by 36.0% from RMB35.2 million for the year ended 31 December 2020 to RMB22.5 million for the year ended 31 December 2021. This decrease was primarily due to: (i) a decrease of RMB12.7 million in government grants primarily as a result of the government's measures to relief the economic consequences of the COVID-19 pandemic last year; and (ii) a decrease of RMB3.1 million in finance income. The decrease was partially offset by the increase in rental income from operating leases of RMB2.3 million.

8. *Other (losses)/gains — net*

The Group's other net gains decreased by 385.7% from RMB23.1 million for the year ended 31 December 2020 to other net losses of RMB65.9 million for the year ended 31 December 2021. This decrease was primarily attributable to: (i) an increase of RMB61.8 million in net losses on disposal of property, plant and equipment; (ii) a decrease in fair value gains on financial assets at fair value through profit or loss of RMB54.8 million; (iii) an increase in deposits losses of RMB9.3 million; and (iv) an increase in compensation charges of RMB3.1 million. The decrease was partially offset by the increase in RMB40.0 million in lease modification.

9. *Finance costs*

The Group's finance costs decreased by 20.5% from RMB36.4 million for the year ended 31 December 2020 to RMB29.0 million for the year ended 31 December 2021, primarily due to a decrease in interest expenses on borrowings of RMB3.7 million and in lease liabilities of RMB3.8 million.

10. *Profit before income tax*

As a result of the foregoing, the Group's profit before income tax decreased by 88.8% from RMB49.8 million for the year ended 31 December 2020 to RMB5.6 million for the year ended 31 December 2021.

11. *Income tax expenses*

The income tax expenses of the Group were approximately RMB0.8 million for the year ended 31 December 2020 as compared to the income tax expenses of RMB32.6 million for year ended 31 December 2021. The increase was primarily due to the derecognition of deferred tax assets.

12. *(Loss)/profit for the year attributable to equity holders*

As a result of the foregoing, the Group recorded a loss for the year attributable to equity holders of RMB26.6 million for the year ended 31 December 2021 as compared with the profit for the year attributable to equity holders of RMB48.9 million for the year ended 31 December 2020.

Adjusted profit for the year attributable to equity holders

To supplement the Group's consolidated financial statements that are presented in accordance with IFRS, the Company also uses adjusted net profit attributable to equity holders 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 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
	2021	2020	Change
	RMB'000	*RMB'000*	
(Loss)/profit for the year attributable to equity holders	**(26,611)**	48,938	(154.4)%
Add:			
Share option benefit expenses *(Note 1)*	**39,243**	26,958	45.6%
Effect on the adoption of IFRS 16 — Leases *(Note 2)*	**11,301**	20,910	(46.0)%
Adjusted profit for the year attributable to equity holders	**23,933**	96,806	(75.3)%

Notes:

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

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

Liquidity, Financial Resources and Capital Structure

The total equity of the Group as at 31 December 2021 was RMB317.5 million (2020: RMB538.0 million). The Group generally finances its operation with internally generated cash flows. As at 31 December 2021, the Group's cash and cash equivalents decreased by 46.7% from RMB442.6 million as at 31 December 2020 to RMB236.0 million. The decrease of cash and cash equivalents for the year ended 31 December 2020 was primarily attributable to the net cash outflow from financing activities.

As at 31 December 2021, the current assets of the Group amounted to RMB403.4 million, including RMB155.7 million (2020: RMB298.9 million) in financial assets at fair value through profit or loss, and RMB236.2 million (2020: RMB442.6 million) in bank balances and cash and other current assets of RMB11.4 million (2020: RMB22.8 million). The current liabilities of the Group amounted to RMB323.4 million (2020: RMB644.8 million), of which RMB176.3 million (2020: RMB357.0 million) are contract liabilities, RMB32.8 million (2020: RMB117.8 million) in lease liabilities, and RMB30.0 million (2020: RMB54.4 million) are short-term interest bearing bank borrowings and approximately RMB84.3 million (2020: RMB115.5 million) are other payables and accruals.

The Group had total bank borrowings of RMB30.0 million (2020: RMB54.4 million), all of which were denominated in RMB (2020: all). The bank borrowings of the Group as at 31 December 2021 and 2020 are wholly repayable within one year. The Group's gearing ratio as at 31 December 2021 was 9.4% (2020: 10.1%), based on the interest bearing bank borrowings and the equity attributable to the Shareholders. As at 31 December 2021 and 2020, all of our bank borrowing are variable rate borrowings. As at 31 December 2021, the Group had net current assets of RMB79.9 million (2020: RMB119.5 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) 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 2021 and 2020 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.

Contingencies

As at 31 December 2021, 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 (2020: nil).

Pledge of Assets

As at 31 December 2021 and 2020, all bank borrowings were unsecured with guarantee.

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 year ended 31 December 2021. 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 2021, 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 2021.

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 1,552 employees as at 31 December 2021 (2020: 4,574 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 2021 (for the year ended 31 December 2020: HK$0.12 per share).

The Board declared an interim dividend of HK$0.10 per Share for the six months ended 30 June 2021 to the Shareholders. The interim dividend had been paid on 22 October 2021 to those Shareholders whose names appeared on the register of members on 13 September 2021.

The Board also declared a special dividend of HK$0.15 per Share for the year ended 31 December 2021 to the Shareholders. The special dividend had been paid on 31 December 2021 to those Shareholders whose names appeared on the register of members on 22 December 2021.

Subsequent Events

Save as disclosed, there has been no significant events affecting the Group after 31 December 2021.

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 2021 as set out in this annual results announcement have been agreed by the Group's auditor, Messrs. PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. PricewaterhouseCoopers on this annual results announcement.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

1. Compliance with the CG Code on Corporate Governance Practices

For the year ended 31 December 2021, the Company had complied with all applicable code provisions set out in the CG Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules. The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the CG Code, and maintain a high standard of corporate governance practices.

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

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own securities dealing code to regulate all dealings by Directors and relevant employees of securities in the Company and other matters covered by the Model Code. Specific enquiry has been made of all the Directors and the relevant employees and they have confirmed that they had complied with the Model Code for the year ended 31 December 2021.

3. Audit Committee

The Company has established an audit committee with written terms of reference in accordance with the Listing Rules and the CG Code. The primary duties of the audit committee are to review and supervise the financial reporting, risk management and internal controls system of the Group, review the fairness of the connected transactions of the Company and to advise the Board. The audit committee comprises three independent non-executive Directors, namely, Mr. Huang Victor, Dr. Liu Jianhua and Mr. Yang Xuezhi. Mr. Huang Victor is the chairman of the audit committee. The audit committee of the Board has reviewed the accounting principles and practices adopted by the Group and discussed risk management, internal control and financial reporting matters with management including a review of the consolidated financial statements and annual results for the year ended 31 December 2021 of the Group.

4. Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries or consolidated affiliated entities had purchased, sold or redeemed any listed securities of the Company for the year ended 31 December 2021.

5. Use of Net Proceeds from Global Offering

On 21 June 2019, the Shares were listed on the Main Board of the Stock Exchange by way of global offering. The net proceeds from the global offering (the "**IPO Proceeds**") were approximately HK$450.1 million.

As at 31 December 2021, the IPO Proceeds had been fully utilised in the manner as set out in the table below:

	%	Net proceeds from Global Offering	Utilisation as at 31 December 2021	Unutilised amount
	%	*HK$'million*	*HK$'million*	*HK$'million*
Expanding its learning centre network in the Greater Bay Area	50%	225.1	225.1	—
Improving its teaching quality	30%	135.0	135.0	—
Renovating the facilities of its learning centres and purchasing teaching equipment	20%	90.0	90.0	—
Total	100%	450.1	450.1	—

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 2021 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 14 to the Listing Rules
"Company"	Scholar Education Group, an exempted company incorporated in the Cayman Islands with limited liability on 7 February 2018
"COVID-19"	the infectious respiratory disease caused by the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) that was first identified in 2019
"Director(s)"	the director(s) of the Company
"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
"Opinions on Double Reduction"	the Opinion on Further Easing the Workload of Students in Compulsory Education and Burden of After-school Tutoring (《關於進一步減輕義務教育階段學生作業負擔和校外培訓負擔的意見》) published by the General Office of the Chinese Communist Party and the General Office of the State Council of the PRC in July 2021
"PRC"	the People's Republic of China, excluding, for the purposes of this announcement only, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Share(s)"	ordinary share(s) of US$0.001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 30 March 2022

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

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

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

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

This announcement contains forward-looking statements relating to the business outlook, estimates of financial performance, forecast business plans and growth strategies of the Group. These forward-looking statements are based on information currently available to the Group and are stated herein on the basis of the outlook at the time of this announcement. They are based on certain expectations, assumptions and premises, some of which are subjective and/or beyond control of the Group. These forward-looking statements may prove to be incorrect and may not materialise 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.