思考乐教育
SCHOLAR EDUCATION

2020
Interim Report

Focus on Progression · Efficiently Improve Performance

思考樂教育集團
SCHOLAR EDUCATION GROUP

Stock Code: 1769

(Incorporated in the Cayman Islands with limited liability)

CONTENT

CORPORATE INFORMATION

Board of Directors

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

Audit Committee

Mr. Huang Victor *(Chairman)*
Dr. Liu Jianhua
Mr. Yang Xuezhi

Remuneration Committee

Dr. Liu Jianhua *(Chairman)*
Mr. Chen Qiyuan
Mr. Huang Victor

Nomination Committee

Mr. Chen Qiyuan *(Chairman)*
Dr. Liu Jianhua
Mr. Huang Victor

Strategic Development Committee

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

Authorised Representatives

Mr. Qi Mingzhi
Mr. So Wai Hang

Company Secretary

Mr. So Wai Hang

Legal Advisers

As to Hong Kong law:
Allen & Overy
9/F, Three Exchange Square
8 Connaught Place, Central
Hong Kong

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

Auditor

PricewaterhouseCoopers
22/F, Prince's Building
Central
Hong Kong

Compliance Adviser

Guotai Junan Capital Limited
27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Registered Office

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P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Headquarters and Principal Place of Business in the PRC

Rm 2601, Building A, Excellence City II
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Futian District, Shenzhen
PRC

Principal Place of Business in Hong Kong

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Kowloon
Hong Kong

Principal Share Registrar and Transfer Office

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

Hong Kong Share Registrar

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

Principal Banks

China Merchants Bank Co., Ltd.
Shenzhen Cuizhu Branch
1st Floor, Jade Starry Sky
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Luohu District, Shenzhen
PRC

Industrial Bank Co., Ltd.
Shenzhen Jingtian Branch
No. 101, Juyou Pavilion
Juhaoyuan
Jingtian South Road
Futian District, Shenzhen
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Agricultural Bank of China Limited
Shenzhen Jinfu Branch
1st Floor, Jinfu Building
No. 1010 Cuizhu Road
Luohu District, Shenzhen
PRC

Company's Website

http://www.skledu.com

Stock Code

1769

Date of Listing

21 June 2019

CORPORATE PROFILE

Scholar Education Group is a leading K-12 afterschool education service provider in South China. The number of our students exceeded 100,000 for the year ended 31 December 2019 and the Group currently employs over 3,000 teachers and teaching assistants. On 21 June 2019, the Group became listed on the Main Board of The Stock Exchange of Hong Kong Limited, starting its new journey of capitalisation and internationalisation by seizing new development opportunities.

As measured by revenue, the Group is the fastest-growing among the top five K-12 after-school education service providers in Guangdong Province; and also the second largest one in Shenzhen[1]. The Group is based in Shenzhen with operations extending to the Greater Bay Area and Fujian Province. As at 30 June 2020, we operated 127 learning centres across nine cities in Guangdong and Fujian Provinces.

The Group's educational philosophy is to "focus on academic excellence to enable our students to achieve their aspirations" (博學精教，成就學生). Among the top five K-12 after-school education service providers in Guangdong Province, the Group is committed to providing high-quality tutoring education to students through its student-centred teaching approach. All of its classes are delivered in small class settings, typically consisting of no more than 20 students per class. The Group offers a comprehensive suite of after-school education services through its academic preparation programme and early primary education programme. The Group's academic preparation programme is delivered under the "Sheng Xue" (升學) brand and offers classes to students in Grade One through Grade Twelve in school academic subjects, with a focus on helping students improve their academic performance and preparing them for entrance exams to middle schools, high schools and universities. The Group's early primary education programme is delivered under the "Le Xue" (樂學) brand and offers childhood education courses and hobby courses such as languages and performing arts to students from Grade One to Grade Three. Meanwhile, the Group's "Scholar Wangxiao" (思考樂網校) online business and "Dual-teacher classroom" were put into service in the autumn of 2019. The "Scholar Wangxiao" online business and "Dual-teacher classroom" have complemented the offline business of the Group, providing students with seamless offline and online learning and improving their overall learning quality and experience.

Leveraging its years of operation and experience in the K-12 after-school education sector, the Group has built a good brand image and reputation, and was awarded the titles of the "Most Influential Education Group in 2019" by xinhuanet.com and the "Best Trusted Education Brand By Parents" by Chongqing Nandu Media Co., Ltd. in 2019. Furthermore, the Group donated its third and fourth "Scholar Hope Primary School" as well as being selected as the "Most Influential Education Public Welfare Project of the Year" in 2019, recognising its contribution to social welfare. The Group endeavours to continue to strengthen its market position in the K-12 after-school education and training industry in the PRC to live up to the recognition of students, parents and people from all walks of life.

[1] According to an industry report prepared by Frost & Sullivan in 2019.

FINANCIAL HIGHLIGHTS

	For the period ended 30 June 2020 RMB'000	2019 RMB'000	Change RMB'000	Percentage change
Revenue	**325,607**	295,477	30,130	10.2%
Operating profit	**66,658**	51,156	15,502	30.3%
Profit for the period	**46,323**	33,473	12,850	38.4%
Adjusted profit for the period (Note)	**64,280**	60,179	4,101	6.8%

Earnings per Share

	RMB cents	RMB cents	RMB cents	
Basic	**8.34**	7.66	0.68	8.9%
Diluted	**8.18**	7.66	0.52	6.8%
Adjusted earnings per Share (Note)				
Basic	**11.57**	13.77	(2.2)	(16.0)%
Diluted	**11.35**	13.77	(2.42)	(17.6)%

Note: The Company defined its adjusted net profit as its profit for the period after adjusting for those items which were not indicative of the Company's operating performances, mainly including the share option benefit expenses of approximately RMB13.5 million (six months ended 30 June 2019: nil), effect on the adoption of IFRS 16 — Leases of approximately RMB4.5 million (six months ended 30 June 2019: approximately RMB3.9 million) and the listing expense of nil (six months ended 30 June 2019: approximately RMB22.9 million) for the six months ended 30 June 2020.

CHAIRMAN STATEMENT

To: Shareholders

On behalf of the Board, I am pleased to present this interim report of the Group for the six months ended 30 June 2020.

Results and Dividends

The Shares were listed on the Main Board of the Stock Exchange on 21 June 2019. The entry into capital market for trading in 2019 opened a new path and brought development opportunities for the Group, and further enhanced its brand influence. Meanwhile, it also played an active role in recruiting and attracting talents for the Group by allowing more young and outstanding teachers who are interested in the education and training industry and management talents in the industry with extensive experience to join us, thus providing adequate resources for the rapid development of the Group in the future. The Group will continue to expand its strategic network layout in the Greater Bay Area, increase its market share, and generate better returns for the Shareholders.

The Group is one of the top five K-12 after-school education service providers in Guangdong Province[1]. Despite the effect of the COVID-19 pandemic at the beginning of the year, the entire Group worked together and responded quickly, and managed to switch all offline courses to online teaching in a short time, adopting the teaching approach of "original teacher, original student, original course, original content (原老師，原學生，原課程，原內容)", which enabled its business to maintain a steady growth in the midst of the pandemic. During the six months ended 30 June 2020, the Group's revenue increased by 10.2% to RMB325.6 million; the Group's profit increased by 38.4% to RMB46.3 million; and the Group's adjusted profit increased by 6.8% to RMB64.3 million, each as compared to the same period last year.

The Board has resolved to declare an interim dividend of HK$0.06 per Share for the six months ended 30 June 2020 to the Shareholders. The register of members of the Company will be closed from 9 September 2020 to 11 September 2020 (both days inclusive). During this period, no transfer of Shares will be registered. In order to qualify for the interim dividend, all transfers of Shares accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 8 September 2020. The interim dividend is expected to be paid on or about 15 October 2020 to those Shareholders on the register of members of the Company on 11 September 2020.

Business Overview

The total number of the Group's learning centres increased from 100 as at 31 December 2019 to 127 as at 30 June 2020. In June 2020, the Group also expanded its business to Guangzhou and launched the "Scholar Wangxiao" (思考樂網校) in Shantou, increasing the number of cities covered by the Group to nine (including Shenzhen, Guangzhou, Dongguan, Foshan, Huizhou, Zhongshan, Jiangmen, Shantou and Xiamen), and gradually expanded its market share and influence in the Province.

For the six months ended 30 June 2020, the Group's tutoring hours increased to 3,893,674, representing an increase of 5.1% as compared with 3,703,607 for the same period last year. In addition, the Group's average tuition fee per tutoring hour increased by 4.8% from RMB79.8 for the six months ended 30 June 2019 to RMB83.6 for the six months ended 30 June 2020, which gradually improved the revenue and profitability of the Group.

[1] According to an industry report prepared by Frost & Sullivan in 2019.

Future prospects and development strategies

1. Expanding the Group's geographical coverage in the Greater Bay Area and increasing its market share

The Group will continue to enhance its strategic development layout in the Greater Bay Area. Leveraging its successful experience in Shenzhen, Dongguan, Foshan and Huizhou, the Group has replicated the management and operation mode of multi-city operations, team building system for inter-city operation and ways to improve customer satisfaction and loyalty in the above cities to the trial projects in Guangzhou, Jiangmen, Zhongshan and other new cities and the Group is pleased to report that it has achieved preliminary success. Next, the Group will expand its coverage in the Great Bay Area and the entire Guangdong Province. Meanwhile, taking Guangdong as the start point and base for its future development, the Group will replicate its success in Shenzhen, Dongguan, Foshan and Huizhou in the past and assign its experienced teams with more than 10 years' experience to additional locations across the country.

The Group upholds the educational philosophy of "focus on academic excellence to enable our students to achieve their aspirations" (博學精教，成就學生). The Group has established the innovative "366 model teaching system" to provide guidance for students to form their own knowledge chain and build their own knowledge framework. Based on the combination of studying and thinking, the Group implements dual core teaching model of "knowledge + education", so as to cultivate students' 24 characters in all respects, encourage them to act based on their initiatives and enhance their in-depth thinking ability. The Directors believe that the Group is highly recognised by students and parents in the Greater Bay Area with its brand influence and reputation. The Group will accelerate the expansion of its education service network, strengthen the contact and cooperation between the local schools and the Group, and hold more lectures relating to further education, so as to attract and retain more students, maintain and continue to increase its market share.

With the pandemic gradually coming under control, classes have resumed in all of the Group's offline learning centres since June 2020. Meanwhile, seizing the immediate opportunity to consolidate the industry arising from the pandemic, all the management, school principals and teachers focused on student recruitment during the summer vacation and achieved satisfactory results. The overall student enrollments of trial courses in this summer session increased by 91.4% as compared to the same period last year, particularly those in cities other than Shenzhen significantly increased by 215.0%, generating a strong student base.

Moreover, the Group officially established high-end classes under "Hongmeng" (鴻盟), a high-end brand of Scholar Education, in May 2020, with an aim to create a high-end teaching system specifically for outstanding students. Hongmeng high-end classes are characterised by renowned teachers, some of whom are from Tsinghua University, Peking University, and the Chinese Academy of Sciences. It offers programmes covering primary school, middle school and high school, and consists of two levels of students, namely general ones and excellent ones. Leveraging three factors of students, tutors and support and four aspects of discipline construction, training certification, urban operation and operating maintenance, the project forms a training loop and is directly responsible for bringing out the excellence in students and preparing them to enter into their next level of education. Hongmeng high-end classes position the level of students with precision and cultivate them for continuous improvement.

Meanwhile, the Group will further expand its "Dual-teacher classroom" business to cities with huge market potentials and relatively less intense competition. By utilising internet interactive live broadcast technologies, the Group will combine its online live broadcast of lectures given by its renowned teachers with simultaneous offline support by its tutors to allow students in second- and third-tier cities to enjoy classes given by prominent teachers. It is expected that the operation mode and management team of the Group shall strengthen its competitive edge.

2. Merger of online and offline education products and services (OMO)

K-12 online education market has massive potential and development space for its strong demand. The unexpected COVID-19 pandemic at the beginning of the year also accelerated and stimulated online education, prompting more students to try and experience online education products.

The Group believes that offline education remains the most important and effective learning mode for students. The "Scholar Wangxiao" launched distinctive online classes to cater for student's demand for online learning, which combined with offline classes to provide students with both online and offline learning environment. The Group will accelerate the promotion of education OMO, enabling students to overcome commute restrictions and time constrains, with a view to achieving a diversified learning mode. Based in Southern China, the Group believes that its online business will gradually develop into a high-quality online education platform with wide influence in China to increase its number of students enrolled and improve its overall profitability.

3. Increasing investment in teaching and research

The core of education is always the content, the main pillars of which are teaching and research. The Scholar Teaching Research Institute comprises more than 200 professional teaching and research personnel, who are committed to promoting the standardisation of class systems, teaching materials and teaching methods.

In May 2020, the Group entered into a strategic cooperation agreement with Oracle (China) Software Systems Co., Ltd. ("Oracle"), the largest information management software and service provider globally, to combine the premium education resources of the Group with the advanced IT technology and data analysis platform of Oracle. Oracle's agile data analysis platform not only provides the Group with more instantaneous and accurate operational data, but also offers more scientific management basis, which enhances the Group's insight and analytics on customers with continuous innovation and expands the Group's management scope and ability, thereby enhancing the Group's competitiveness in the education and training industry and further improving cost efficiency. In the future, by focusing on the smart education industry, the Directors expect that the Group and Oracle will carry out in-depth cooperation and deployment with respect to relevant fields such as online education, block-chain network of education and training, and cloud calculation services in the education and training industry, with a view to creating a better education model for China's education industry.

On 8 August 2020, the Scholar SIR Intelligent Education System (思考樂SIR智能教學系統) was officially launched, which is regarded as an essential part of the Group's strategy of informationalisation development. SIR is the acronym for "Systematic, Interactive and Reform". The system contains functionalities that are conducive to the delivery of more efficient and interactive courses, and increasingly visualised teaching. Specifically, it can draw geometries precisely, dynamically display geometric laws and the changes of a function as well as flexibly adjust the order of class sections. It changes the instructional mode from teacher-oriented lectures in the past to discussion among teachers and students. In addition, optimisation of the 5T (namely the teachers' rank management system, teaching quality evaluation system, teaching service, teaching result assessment system and standardised class design) teaching system currently under development by the Group shall achieve upgrading and iteration at the informationalisation level.

The Group will continue to further invest in research and development, customise and digitalise its teaching processes to provide students with a better learning experience and facilitate students to more easily grasp and understand the course materials and key points. Meanwhile, the Group will also actively communicate and cooperate with local and overseas experts in the education sector to constantly enhance the teaching practice of teachers.

4. Employee incentive plans with "Scholar" characteristics

Employees are the most valuable assets of the Group. The Group currently has more than 4,000 employees. During the pandemic, the employees worked together as a team to face the challenges. The team demonstrated spirit of solidarity, mutual understanding and encouragement during the difficult times, and "unity and teamwork" (團結共贏) became the Group's commonly-shared core philosophy. At the same time, the Group launched core incentive plans with "Scholar" characteristics, including a teacher partnership system, principal management fission mechanism and share option partnership system, which provided powerful incentive mechanisms to the Group's teachers, school principals and core management, laying a solid foundation for the Group's development in the next ten years.

Acknowledgement

Finally, on behalf of the Board, I would like to express my sincere gratitude to the management and all staff members of the Group for their loyalty and dedication. I would also like to express my thanks to all Shareholders, local governments and business partners for their support to, and trust in, the Board and the management of the Group. We will seize such opportunities to further enhance our brand influence, recruit, train and retain high quality teaching and research professionals, and expand our online business of the "Scholar Wangxiao" and our offline layout in the Greater Bay Area. I believe that, with the joint efforts of all of our staff, the Group's online and offline businesses will continue to thrive and improve returns to the Shareholders.

Chen Qiyuan
Chairman
Hong Kong, 19 August 2020

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

羅兵咸永道

TO THE BOARD OF DIRECTORS OF SCHOLAR EDUCATION GROUP
(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 11 to 38, which comprises the interim condensed consolidated balance sheet of Scholar Education Group (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2020 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Accounting Standards Board. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 August 2020

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Unaudited Six months ended 30 June 2020 RMB'000	2019 RMB'000
Revenue	6	325,607	295,477
Cost of sales	9	(203,372)	(167,591)
Gross profit		122,235	127,886
Selling expenses	9	(5,943)	(6,475)
Administrative expenses	9	(58,352)	(63,490)
Research and development expenses	9	(20,397)	(15,764)
Other income — net	7	15,276	2,422
Other gains — net	8	13,839	6,577
Operating profit		66,658	51,156
Finance costs	10	(16,856)	(10,711)
Profit before income tax		49,802	40,445
Income tax expense	11	(3,479)	(6,972)
Profit and total comprehensive income for the period		46,323	33,473
Profit and total comprehensive income attributable to owners of the Company		46,323	33,473
Earnings per share (expressed in RMB cents per share)			
— Basic earnings per share	12	8.34	7.66
— Diluted earnings per share	12	8.18	7.66

The accompanying notes on pages 18 to 38 form an integral part of the interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	13	161,108	144,882
Right-of-use assets	14	567,693	525,953
Intangible assets	15	1,060	996
Prepayments and other receivables	16	36,646	38,429
Deferred tax assets		25,972	19,577
Total non-current assets		792,479	729,837
Current assets			
Prepayments and other receivables	16	26,160	16,828
Financial assets at fair value through profit or loss	17	359,771	447,621
Term deposits with original maturity over three months	18	55,000	35,304
Cash and cash equivalents	18	155,600	241,479
Total current assets		596,531	741,232
Total assets		1,389,010	1,471,069
Equity			
Share capital	19	3,775	3,775
Share premium	20	324,932	386,081
Other reserves	20	52,882	39,403
Retained earnings		170,428	124,105
Total equity		552,017	553,364
Liabilities			
Non-current liabilities			
Borrowings	24	21,269	23,035
Lease liabilities	14	401,106	359,763
Total non-current liabilities		422,375	382,798

	Notes	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
Current liabilities			
Contract liabilities	22	146,626	283,356
Lease liabilities	14	104,303	100,005
Trade and other payables	23	59,072	101,352
Current income tax liabilities		4,418	11,854
Borrowings	24	100,199	38,340
Total current liabilities		414,618	534,907
Total liabilities		836,993	917,705
Total equity and liabilities		1,389,010	1,471,069

The accompanying notes on pages 18 to 38 form an integral part of the interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Unaudited				
		Attributable to owners of Company				
	Notes	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2020		3,775	386,081	39,403	124,105	553,364
Profit for the period		—	—	—	46,323	46,323
Total comprehensive income for the period		3,775	386,081	39,403	170,428	599,687
Transactions with owners:						
Capital injection from shareholders						
Dividends paid	21	—	(61,149)	—	—	(61,149)
Share based payments		—	—	13,479	—	13,479
Balance at 30 June 2020		3,775	324,932	52,882	170,428	552,017

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited				
	Attributable to owners of Company				
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2019	339	52,897	32,664	29,319	115,219
Profit for the period	—	—	—	33,473	33,473
Total comprehensive income for the period	339	52,897	32,664	62,792	148,692
Transactions with owners:					
Capital injection from shareholders					
Share issued pursuant to the Listing	855	402,196	—	—	403,051
Issue of shares pursuant to the Capitalisation	2,581	(2,581)	—	—	—
Listing expense charged to share premium	—	(35,548)	—	—	(35,548)
Balance at 30 June 2019	3,775	416,964	32,664	62,792	516,195

The accompanying notes on pages 18 to 38 form an integral part of the interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Unaudited Six months ended 30 June 2020 RMB'000	 2019 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations		(78,960)	39,689
Interest received		3,855	415
Interest paid		(2,437)	(1,285)
Income taxes paid		(17,312)	(13,546)
Net cash (used in)/generated from operating activities		(94,854)	25,273
Cash flows from investing activities			
Payments for property, plant and equipment, land use rights and intangible assets		(27,530)	(33,194)
Proceeds from disposal of property, plant and equipment		—	147
Payments for term deposits with initial maturities over three months		(55,000)	—
Proceeds from term deposits with initial maturities over three months		35,304	10,500
Payments for purchase of financial assets at fair value through profit or loss	17	(887,473)	(384,056)
Proceeds from disposal of financial assets at fair value through profit or loss	17	988,139	416,882
Net cash generated from investing activities		53,440	10,279
Cash flows from financing activities			
Issuance of new shares pursuant to the Listing	19, 20	—	403,051
Payments for listing related expenses		—	(20,143)
Proceeds from borrowings		71,750	10,000
Repayment of borrowings		(11,657)	(6,418)
Dividends paid to shareholders	21	(61,149)	—
Amounts due from related parties		—	315
Principal elements of lease payments	14	(43,409)	(38,666)
Net cash (used in)/generated from financing activities		(44,465)	348,139

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Unaudited Six months ended 30 June 2020 RMB'000	 2019 RMB'000
Net (decrease)/increase in cash and cash equivalents		**(85,879)**	383,691
Cash and cash equivalents at the beginning of the period		**241,479**	37,200
Cash and cash equivalents at end of the period		**155,600**	420,891

The accompanying notes on pages 18 to 38 form an integral part of the interim condensed consolidated financial information.

NOTES TO THE INTERIM 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 after school education services through academic preparation programme and early primary 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 shares have been listed on The Stock Exchange of Hong Kong Limited since 21 June 2019 (the "Listing").

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

This Interim Financial Information was approved for issue by the board of directors of the Company on 19 August 2020 and has not been audited.

2. Basis of preparation of half-year report

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2020 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB").

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2019 which have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), and any public announcements made by the Group during the interim reporting period.

3. Accounting policies

The accounting policies applied are consistent with those of the financial statements of the Company for the year ended 31 December 2019 (the "2019 Financial Statement"), 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

A number of new or amended standards became applicable for the current reporting period. The Group had to change its accounting policies as a result of the adoption of Amendments to IFRS 16. This is disclosed in note 3(c). Most of the other amendments listed below did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future year.

- Definition of Material — amendments to IAS 1 and IAS 8
- Definition of a Business — amendments to IFRS 3
- Revised Conceptual Framework for Financial Reporting
- COVID-19-Related Rent Concessions — amendments to IFRS 16
- Interest Rate Benchmark Reform — amendments to IFRS 9, IAS 39 and IFRS 7

(b) New standards and interpretations not yet adopted

	Effective for annual periods beginning on or after
IFRS 17 'Insurance contracts'	1 January 2021
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 2020 and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. Accounting policies (Continued)

(c) Change in accounting policy

IFRS 16 (Amendment), "COVID-19-related Rent Concessions" (effective for annual periods beginning on or after 1 June 2020, early application of the amendments is permitted). The Group has early adopted Amendment to IFRS 16 from 1 January 2020. The amendment provides lessees with exemption from assessing whether COVID-19-related rent concession is a lease modification and requires lessees that apply the exemption to account for COVID-19-related rent concession as if they were not lease modifications. In applying IFRS 16 (Amendment) for the first time, the Group has applied the practical expedient and elected not to assess whether COVID-19-related rent concession is a lease modification. All of the COVID-19-related rent concessions amounted to RMB11,934,000 has been credited to the income statement within "cost of sales".

4. Estimates

The preparation of interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2019 Financial Statements.

5. Financial risk management

5.1 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 condensed consolidated interim 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 2019 Financial Statements.

There have been no changes in the risk management function since 31 December 2019 or in any risk management policies since 31 December 2019.

5.2 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 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).

5. Financial risk management (Continued)

5.2 Liquidity risk (Continued)

	within one year RMB'000	one to two years RMB'000	two to five years RMB'000	over five years RMB'000	Total RMB'000
As at 30 June 2020					
Trade payables	2,139	—	—	—	2,139
Other payables	12,441	—	—	—	12,441
Borrowings	103,698	4,487	13,462	5,978	127,625
Lease liabilities	116,361	114,947	93,434	286,581	611,323
	234,639	119,434	106,896	292,559	753,528

	within one year RMB'000	one to two years RMB'000	two to five years RMB'000	over five years RMB'000	Total RMB'000
As at 31 December 2019					
Trade payables	3,244	—	—	—	3,244
Other payables	12,559	—	—	—	12,559
Borrowings	40,479	4,530	13,588	8,302	66,899
Lease liabilities	111,684	110,190	269,115	60,853	551,842
	167,966	114,720	282,703	69,155	634,544

5.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2020 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).

See Note 17 for disclosure of the financial assets at fair value through profit or loss ("FVPL").

5. Financial risk management (Continued)

5.3 Fair value estimation (Continued)

Financial instruments at fair value as at 30 June 2020 were as follows:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Asset				
Financial assets at FVPL	—	—	359,771	359,771

Financial instruments at fair value as at 31 December 2019 were as follows:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Asset				
Financial assets at FVPL	—	—	447,621	447,621

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 six months ended 30 June 2020.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the six months ended 30 June 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 is estimated by discounting the cash flows approach with reference to the quoted price by the financial institution. Major assumptions used in the valuation of financial assets at FVPL is presented in Note 17.

6. Revenue, 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 consider that the Group is operated and managed as a single operating segment of after-school education services for the six months ended 30 June 2020.

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 reporting period.

7. Other income — net

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Sub-lease (a)		
— Sub-lease income	**4,377**	7,102
— Sub-lease expense	**(4,558)**	(6,013)
Finance income	**3,855**	415
Government grants	**11,602**	918
	15,276	2,422

(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 a mark-up agreed by both parties.

8. Other gains — net

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Fair value gains on financial assets at FVPL	**12,816**	6,064
Lease modification	**1,201**	—
Net losses on disposal of property, plant and equipment	**(3)**	(194)
Net foreign exchange (losses)/gains	**(177)**	1,149
Others	**2**	(442)
	13,839	6,577

9. Expenses by nature

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Employee benefit expenses	**182,476**	146,964
Depreciation and amortisation	**73,210**	50,005
Teaching materials	**11,016**	8,513
Software usage fee	**11,079**	—
Property management expense	**6,002**	4,469
Advertising and exhibition expense	**3,193**	4,164
Office expenses	**2,718**	2,021
Utilities	**2,190**	2,132
Professional service fees	**1,517**	948
Taxes	**1,378**	1,200
Maintenance cost	**1,234**	1,558
Auditor's remuneration	**886**	500
Entertainment expense	**819**	1,208
Travel and transportation	**489**	918
Recruitment expense	**584**	343
Listing expenses	**—**	22,856
Rent concession related to COVID-19 (Note 14(d))	**(11,934)**	—
Others	**1,207**	5,521
	288,064	253,320

10. Finance costs

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Finance expenses		
— Interest expense on borrowings	**2,437**	1,285
— Interest expense on leasing liabilities (Note 14(b))	**14,419**	9,426
	16,856	10,711

11. Income tax expense

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Current tax		
— Current tax on profits for the period	**9,874**	9,595
Deferred income tax		
— Increase in deferred income tax	**(6,395)**	(2,623)
Income tax expense	**3,479**	6,972

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Profit before income tax:	**49,802**	40,445
Tax calculated at tax rates applicable to profit in the respective companies	**11,004**	12,923
Tax effects of:		
— Preferential tax policies (c)	**(5,549)**	(4,988)
— Expenses not deductible for tax purposes	**7**	33
— Research and development super deduction (d)	**(1,983)**	(996)
	3,479	6,972

11. Income tax expense (Continued)

(a) Cayman Islands corporate income tax

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

(b) Hong Kong profits tax

Subsidiaries in Hong Kong are subject to 16.5% income tax rate before 2018. Under the current Hong Kong Inland Revenue Ordinance, from the year of assessment 2019/2020 onwards, the subsidiaries in Hong Kong are subject to profits tax at the rate of 8.25% on assessable profits up to HK$2,000,000, and 16.5% on any part of assessable profits over HK$2,000,000. The payments of dividends by these companies to their shareholders are not subject to any Hong Kong withholding tax.

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

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

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"), has obtained its qualification as a "High and New Technology Enterprise" ("HNTE") in December 2017, and it is subject to a reduced preferential EIT rate of 15% for 3-year period from 2017 to 2019 according to the relevant PRC laws and regulations applicable to the HNTE.

Shenzhen Scholar is taking action to renew the qualification and reliably estimated that it is eligible for the qualification and will continue to be subject to a reduced preferential EIT rate of 15% for the year ended 31 December 2020.

(d) Research and development super deduction

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 175% of their research and development expenses since 2018 so incurred as tax deductible expenses when determining their assessable profits for that year.

12. Earnings per share

(a) Basic earnings per share

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

	Six months ended 30 June	
	2020	2019
Earnings attributable to equity holders of the Company (in RMB thousands)	**46,323**	33,473
Weighted average number of ordinary shares in issue (thousand shares) (i)	**555,700**	436,976
Basic earnings per share (expressed in RMB cents per share)	**8.34**	7.66

(i) Basic earnings per share is calculated by dividing the profit for the year attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2020 and 2019. The weighted average number of ordinary shares has been retrospectively adjusted for the effects of the share split and capitalisation issue as disclosed in Notes 19(a) and 19(c) on the assumption that the share split and capitalisation issue had been in effect on each beginning date of the earliest period reported.

12. Earnings per share (Continued)

(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	
	2020	2019
Diluted earnings per share (expressed in RMB cents per share)	**8.18**	7.66

Weighted average number of shares used as the denominator

	Six months ended 30 June	
	2020	2019
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**555,700,000**	436,976,000
Adjustments for calculation of diluted earnings per share:		
Share options	**10,428,000**	—
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**566,128,000**	436,976,000

13. Property, plant and equipment

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
At the beginning of the period	**144,882**	106,134
Additions	**36,355**	33,674
Disposals	**(3)**	(205)
Depreciation charge	**(20,126)**	(12,682)
At the end of the period	**161,108**	126,921

As at 30 June 2020, the Group's property, plant and equipment with net book amounts of RMB42,097,000 was pledged to a bank to secure certain banking borrowings of the Group (31 December 2019: RMB42,690,000).

14. Right-of-use assets and Lease

(a) Amount recognised in the consolidated balance sheet

	As at 30 June 2020	As at 31 December 2019
	RMB'000	RMB'000
Right-of-use assets		
Land use rights	**89,116**	90,561
Properties	**478,577**	435,392
	567,693	525,953
Lease liabilities		
Current	**104,303**	100,005
Non-current	**401,106**	359,763
	505,409	459,768

As at 30 June 2020, the Group's land use rights with net book amounts of RMB37,021,000 (31 December 2019: RMB37,543,000) were pledged to a bank to secure certain banking borrowings of the Group.

14. Right-of-use assets and Lease (Continued)

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
— Properties	51,576	36,630
— Land use rights	1,445	545
	53,021	37,175
Finance costs on leases	14,419	9,426

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

For the six months ended 30 June 2020, the cash outflows from financing activities for leases was RMB43,409,000 and cash outflows from operating activities for short-term lease was nil.

(d) Rent concessions related to COVID-19

For the six months ended 30 June 2020, the rent concessions related to COVID-19 was RMB11,934,000 (Note 9).

15. Intangible assets

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
At the beginning of the period	996	1,076
Additions	127	262
Disposals	—	(136)
Amortisation	(63)	(149)
At the end of the period	1,060	1,053

16. Prepayments and other receivables

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Included in non-current assets		
Lease deposits	26,007	23,411
Prepayments for leasehold improvements	9,480	15,018
Amounts due from related parties (Note 25(b)(i))	1,159	—
	36,646	38,429
Included in current assets		
Amounts due from related parties (Note 25(b)(i))	461	772
Cash advances to employees (a)	3,559	778
Loans to employees (b)	2,837	2,821
Lease deposits	76	677
Prepayments (c)	15,402	9,223
Other receivables	3,825	2,557
	26,160	16,828

As at 30 June 2020 and 31 December 2019, there were no significant balances that are past due.

(a) Cash advances to employees mainly represent cash advances to certain employees for ordinary course of business.

(b) Loans to employees mainly represent loans to certain employees for personal house purchase. The loans were unsecured and interest free.

(c) Prepayments mainly represent prepayment for teaching materials purchase and property management expenses.

17. Financial assets at fair value through profit or loss

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
At beginning of the period	447,621	205,084
Additions	887,473	384,056
Fair value gains	12,816	6,064
Disposals	(988,139)	(416,882)
At the end of the period	359,771	178,322

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 2.8% to 8.3% per annum for the six months ended 30 June 2020. The returns on all these wealth management products are not guaranteed, and as a result, their contractual cash flows do not qualify solely as payments of principal and interest. Therefore, they are measured at fair value through profit or loss.

18. Cash and cash equivalents

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Cash and bank deposits	210,600	276,783
Less: Term deposits with original maturity over three months	(55,000)	(35,304)
	155,600	241,479

The carrying amounts of the Group's cash and bank deposits are denominated in the following currencies:

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
RMB	106,669	190,127
US dollar	58,070	86,228
Hong Kong dollar	45,861	428
	210,600	276,783

19. Share capital

	Authorised			Issued		
	Number of ordinary shares	Nominal value		Number of ordinary shares	Nominal value	
		USD	RMB		USD	RMB
Balance at 1 January 2019	53,831	53,831	338,501	53,831	53,831	338,501
Effect of share subdivision (a)	53,777,219	—	—	53,777,219	—	—
Increase in authorised share capital (b)	946,168,950	946,169	6,522,132	—	—	—
Issue of shares pursuant to the Capitalisation (c)	—	—	—	376,968,950	376,969	2,581,181
Issue of shares pursuant to the Listing (d)	—	—	—	124,900,000	124,900	855,215
As at 30 June 2019	1,000,000,000	1,000,000	6,860,633	555,700,000	555,700	3,774,897
As at 1 January 2020 and 30 June 2020	**1,000,000,000**	**1,000,000**	**6,860,633**	**555,700,000**	**555,700**	**3,774,897**

(a) On 3 June 2019, the Company subdivided each of its issued ordinary share of a par value of US$1.00 into 1,000 shares of US$0.001 each. Upon the subdivision, the authorised share capital of the Company was US$53,831.05 divided into 53,831,050 shares of US$0.001 each. Earnings per share amounts presented in the financial statements have been revised on a retrospective basis to reflect the effect of the share split. The par value per share and the share numbers in the other notes of the financial statements have not been retrospectively revised.

(b) On 12 June 2019, the authorised share capital of the Company was increased from 53,831,050 shares of US$0.001 each to 1,000,000,000 shares of US$0.001 each, by the creation of an additional 946,168,950 shares, ranking pari passu in all respects with the existing shares.

(c) Pursuant to the written resolution passed by the shareholders on 10 June 2019 and conditional upon the share premium account of the Company being credited as a result of the Listing, the Directors were authorised to allot and issue a total of 376,968,950 shares, credited as fully-paid, at par by way of capitalisation for the sum of RMB376,968,950 standing to the credit of the share premium account of the Company (the “Capitalisation Issue”).

(d) On 21 June 2019, the Company issued 124,900,000 ordinary shares of US$0.001 each at a price of HK$3.68 per share pursuant to the initial public offering and Listing of the Company’s shares on the Main Board of the Stock Exchange.

(e) Immediately following completion of the Capitalisation Issue and the Listing, the authorised share capital of the Company US$1,000,000 was divided into 1,000,000,000 shares, of which 555,700,000 shares were issued fully paid or credited as fully paid, and 444,300,000 shares remained unissued.

20. Share premium and other reserves

	Share premium RMB'000	Other reserves: Merger reserve RMB'000	Other reserves: Capital reserves RMB'000	Other reserves: Share based compensation reserves RMB'000	Other reserves: Total RMB'000
Balance at 1 January 2019	52,897	(46,347)	79,011	—	32,664
Share issued pursuant to the Listing	402,196	—	—	—	—
Issue of shares pursuant to the Capitalisation (Note 19)	(2,581)	—	—	—	—
Listing expense charged to share premium	(35,548)	—	—	—	—
Balance at 30 June 2019	416,964	(46,347)	79,011	—	32,664
Balance at 1 January 2020	**386,081**	**(46,347)**	**79,011**	**6,739**	**39,403**
Dividends paid to the Company's shareholders (Note 21)	**(61,149)**	**—**	**—**	**—**	**—**
Share based payments	**—**	**—**	**—**	**13,479**	**13,479**
	324,932	**(46,347)**	**79,011**	**20,218**	**52,882**

21. Dividends

For the six months ended 30 June 2020, the Company declared and paid the final dividends and final special dividends for the year ended 31 December 2019, amounting to HK$33,342,000 (equivalent to RMB30,574,500) and HK$33,342,000 (equivalent to RMB30,574,500) respectively.

On 19 August 2020, the Board has recommended an interim dividend of HK$0.06 per share. This interim dividend, amounting to HK$33,342,000, has not been recognised as liabilities in this interim financial information.

22. Contract liabilities

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Deferred revenue — education services	**146,626**	283,356

Contract liability represents the advance considerations received from the students for contracts for education services, which revenue will be recognised when the performance obligation was satisfied through services rendered.

23. Trade and other payables

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Current		
Trade payables (a)	**2,139**	3,244
Employee benefits payables	**40,454**	72,823
Other taxes payables	**3,982**	12,670
Interest payables	**56**	56
Listing related expenses payables	**602**	3,421
Payables for leasehold improvements	**3,414**	—
Other payables	**8,425**	9,138
	59,072	101,352

(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 three months.

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

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Three months or less	**1,111**	2,186
Three to six months	**714**	676
Six months to one year	**314**	382
	2,139	3,244

24. Borrowings

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Non-current		
— Secured		
Bank borrowings	21,269	23,035
Current		
— Secured		
Current portion of non-current bank borrowings	3,457	3,348
Bank borrowings	24,992	34,992
— Unsecured with guarantee		
Bank borrowings	71,750	—
	100,199	38,340
	121,468	61,375

For the six months ended 30 June 2020 and year ended 31 December 2019, bank borrowings bear effective interest rate of 4.9% and 5.0% respectively. All the bank borrowings of the Group are denominated in RMB.

The scheduled repayment dates of the Group's bank borrowing, as set out in loan arrangements are as follows:

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Within one year	100,199	38,340
Between one and two years	3,614	3,511
Between two and five years	11,857	11,588
Over five years	5,798	7,936
	121,468	61,375

24. Borrowings (Continued)

As at 30 June 2020, bank borrowings of RMB49,718,000 were secured by the property, plant and equipment and right-of-use for lands of the Group, net book value of which amounted to RMB42,097,000 and RMB37,021,000 respectively (31 December 2019: bank borrowings of RMB61,375,000 were secured by the property, plant and equipment and right-of-use for lands of the Group, net book value of which amounted to RMB42,690,000 and RMB37,543,000 respectively) (Note 13 and Note 14).

25. Significant related party transactions

Parties are considered to be related if one party has the ability, directly and indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decision. Name and relationship with related parties are set out below:

Related parties	Relationship
China Resources Vanguard Co., Ltd.* (華潤萬家有限公司)	Related party
New Jiangcheng Department Store (Jiangmen) Co., Ltd.* (江門華潤萬家生活超市有限公司)	Related party
China Resources Vanguard Department Store (Guangzhou) Co., Ltd* (華潤萬家生活超市(廣州)有限公司)	Related party
Shenzhen Zhengxin Tuwen Advertisement Co., Ltd.* (深圳市正信圖文廣告有限公司)	Related party
Shenzhen Hengchuangxin Industrial Technology Co., Ltd.* (深圳市恆創鑫實業科技有限公司)	Related party

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

(a) Significant transactions with related parties

In addition to those disclosed elsewhere in this interim consolidated financial statements, the following transactions were carried out with related parties.

In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective parties.

Purchase of teaching material:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Shenzhen Zhengxin Tuwen Advertisement Co., Ltd.	—	1,465
Shenzhen Hengchuangxin Industrial Technology Co., Ltd.	—	306
	—	1,771

25. Significant related party transactions (Continued)

(a) Significant transactions with related parties (Continued)

The purchase of teaching material was conducted on normal commercial terms and the purchase price was determined with reference to the prevailing market price.

Amortisation of right-of-use assets related to the lease from related parties:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
China Resources Vanguard Co., Ltd.	**1,624**	—
New Jiangcheng Department Store (Jiangmen) Co., Ltd.	**295**	—
China Resources Vanguard Department Store (Guangzhou) Co., Ltd.	**281**	—
	2,200	—

Interest expenses for lease liabilities related to the lease from related parties:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
China Resources Vanguard Co., Ltd.	**566**	—
New Jiangcheng Department Store (Jiangmen) Co., Ltd.	**149**	—
China Resources Vanguard Department Store (Guangzhou) Co., Ltd.	**118**	—
	833	—

25. Significant related party transactions (Continued)

(b) Balances with related parties

(i) Prepayment and other receivables

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
China Resources Vanguard Co., Ltd.	1,087	651
New Jiangcheng Department Store (Jiangmen) Co., Ltd.	279	121
China Resources Vanguard Department Store (Guangzhou) Co., Ltd.	254	—
	1,620	772

(ii) Right-of-use assets

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
China Resources Vanguard Co., Ltd.	16,013	17,637
New Jiangcheng Department Store (Jiangmen) Co., Ltd.	5,712	3,886
China Resources Vanguard Department Store (Guangzhou) Co., Ltd.	7,676	—
	29,401	21,523

(iii) Lease liabilities

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
China Resources Vanguard Co., Ltd.	17,848	18,429
New Jiangcheng Department Store (Jiangmen) Co., Ltd.	6,186	4,075
China Resources Vanguard Department Store (Guangzhou) Co., Ltd.	8,074	—
	32,108	22,504

Financial review

1. Revenue

The Group's revenue increased by 10.2% from RMB295.5 million for the six months ended 30 June 2019 to RMB325.6 million for the six months ended 30 June 2020. This increase was primarily due to increases in the total student enrolments and tutoring hours, which were primarily because (i) the total number of the Group's learning centres increased from 64 for the six months ended 30 June 2019 to 127 for the six months ended 30 June 2020; and (ii) an increase in the average tuition fee per tutoring hour for regular courses from RMB79.8 for the six months ended 30 June 2019 to RMB83.6 for the six months ended 30 June 2020.

The following table sets forth the revenue contributed from the Group's academic preparation and early primary education programmes for the periods indicated based on the Group's internal records:

	Six months ended 30 June 2020 Unaudited RMB'000	Six months ended 30 June 2019 Unaudited RMB'000	Change
Academic preparation programme	**314,597**	284,478	10.6%
Early primary education programme	**11,010**	10,999	0.1%
Total	**325,607**	295,477	10.2%

The following table sets forth the student enrolments and tutoring hours delivered under the Group's academic preparation and early primary education programmes for the periods indicated based on the Group's internal records:

	Six months ended 30 June 2020		Six months ended 30 June 2019		Change	
	Student enrolments	**Tutoring hours**	Student enrolments	Tutoring hours	Student enrolments	Tutoring hours
Academic preparation programme	**121,117**	**3,756,154**	113,017	3,566,119	7.2%	5.3%
Early primary education programme	**2,721**	**137,520**	2,652	137,488	2.6%	0.0%
Total	**123,838**	**3,893,674**	115,669	3,703,607	7.1%	5.1%

2. Cost of sales

The cost of sales of the Group increased by 21.4% from RMB167.6 million for the six months ended 30 June 2019 to RMB203.4 million for the six months ended 30 June 2020. This increase was primarily due to (i) an increase in teacher compensation and amortisation of right-of-use assets, primarily due to the increase of the total number of the Group's learning centres from 64 for the six months ended 30 June 2019 to 127 for the six months ended 30 June 2020 as a result of the expansion of the Group's learning centre network and growth of the Group's business; and (ii) additional expenses arising from the delivery of online classes during the pandemic.

3. Gross profit and gross profit margin

As a result of the foregoing, the gross profit of the Group decreased by 4.4% from RMB127.9 million for the six months ended 30 June 2019 to RMB122.2 million for the six months ended 30 June 2020. The gross profit margin of the Group decreased from 43.3% for the six months ended 30 June 2019 to 37.5% for the six months ended 30 June 2020 primarily because (i) the new learning centres opened in 2019 and 2020 were during their ramping-up period, which generated relatively limited revenue while the related costs, such as amortisation of right-of-use assets relate to such learning centers and salaries and benefits, were still fixed; and (ii) additional expenses arising from the delivery of online classes during the pandemic.

4. Selling expenses

The selling expenses of the Group decreased by 8.2% from RMB6.5 million for the six months ended 30 June 2019 to RMB5.9 million for the six months ended 30 June 2020. The decrease was primarily due to (i) a decrease in advertising and exhibition expenses as the Group reduced its spending on exhibition expenses due to most of the marketing activities in connection with parents seminars and talks held by the Group to promote its brand and services had been switched from offline leased venues to the Group's own online broadcasting platform during the pandemic; and (ii) a decrease in entertainment expenses relating to business activities.

5. Administrative expenses

The administrative expenses of the Group decreased by 8.1% from RMB63.5 million for the six months ended 30 June 2019 to RMB58.4 million for the six months ended 30 June 2020. This decrease was mainly due to the decrease of the non-recurring listing expenses of RMB22.9 million the Company incurred for the six months ended 30 June 2019 in connection with the Listing. The decrease was partially offset by an increase of RMB19.0 million in salaries and benefits for the Group's administrative personnel as a result of the expansion of the Group's learning centre network and growth of the Group's business.

6. Research and development expenses

The research and development expenses of the Group increased by 29.4% from RMB15.8 million for the six months ended 30 June 2019 to RMB20.4 million for the six months ended 30 June 2020. The increase was primarily due to the increase in the number of research and development personnel.

7. Other income — net

The other income of the Group increased by 530.7% from RMB2.4 million for the six months ended 30 June 2019 to RMB15.3 million for the six months ended 30 June 2020. This increase was primarily due to (i) an increase of RMB10.7 million in government grants primarily as a result of the government's measures to relief the economic consequences of the COVID-19 pandemic; and (ii) an increase of RMB3.4 million in finance income. The increase was offset in part by the decrease of RMB1.3 million in net sub-lease income.

8. Other gains — net

The other net gains of the Group increased by 110.4% from RMB6.6 million for the six months ended 30 June 2019 to RMB13.8 million for the six months ended 30 June 2020. This increase was primarily attributable to an increase of RMB6.8 million in realised and unrealised gains on financial assets at fair value through profit or loss, as a result of the increase in return of the Group's wealth management products. The increase was partially offset by the decrease in exchange gain of RMB1.3 million as a result of depreciation of cash and bank deposits denominated in USD and HKD.

9. Finance costs

The finance costs of the Group increased by 57.4% from RMB10.7 million for the six months ended 30 June 2019 to RMB16.9 million for the six months ended 30 June 2020, primarily due to an increase in interest expenses on lease liabilities of RMB5.0 million and borrowings of RMB1.2 million.

10. Profit before income tax

As a result of the foregoing, the profit of the Group before income tax increased by 23.1% from RMB40.4 million for the six months ended 30 June 2019 to RMB49.8 million for the six months ended 30 June 2020.

11. Income tax expenses

The income tax expenses of the Group were approximately RMB7.0 million for the six months ended 30 June 2019 as compared to the income tax expenses of RMB3.5 million for six months ended 30 June 2020. The effective tax rate of the Group was 17.2% for the six months ended 30 June 2019 as compared to the effective tax rate of 7.0% for the six months ended 30 June 2020. The decrease in the effective tax rate was primarily due to the increase in research and development expenses, which entitles to additional deduction in tax assessment, and the recognition of deferred tax assets.

12. Profit for the period

As a result of the foregoing, the profit of the Group for the period increased by 38.4% from RMB33.5 million for the six months ended 30 June 2019 to RMB46.3 million for the six months ended 30 June 2020.

Adjusted profit for the period

To supplement the Group's consolidated financial statements that are presented in accordance with IFRS, the Company also uses adjusted net profit 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 additional information to Shareholders and investors 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 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 presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit for the period:

	Six months ended 30 June		
	2020	2019	Change
	Unaudited	Unaudited	
	RMB'000	RMB'000	
Profit for the period	**46,323**	33,473	38.4%
Add:			
Share option benefit expenses	**13,479**	—	Not applicable
Effect on the adoption of IFRS 16 — Leases	**4,478**	3,850	16.3%
Listing expenses	**—**	22,856	–100.0%
Adjusted profit for the period	**64,280**	60,179	6.8%

Liquidity, Financial Resources and Capital Structure

The total equity of the Group as at 30 June 2020 was RMB552,017,000 (31 December 2019: RMB553,364,000). The Group generally finances its operation with internally generated cash flows. The Group had bank and cash balance of RMB210,600,000 as at 30 June 2020 (31 December 2019: RMB276,783,000), with total bank borrowings of RMB121,468,000 (31 December 2019: RMB61,375,000), all of which were denominated in RMB (31 December 2019: all). Of the bank borrowings of the Group as at 30 June 2020, (i) approximately 82.5% were repayable within one year (31 December 2019: approximately 62.5%); (ii) approximately 3.0% were repayable between one and two years (31 December 2019: approximately 5.7%); (iii) approximately 9.7% were repayable between two and five years (31 December 2019: approximately 18.9%); and (iv) approximately 4.8% were repayable over five years (31 December 2019: approximately 12.9%). The Group's gearing ratio as at 30 June 2020 was 22.0% (31 December 2019: 11.1%), based on the short-term and long-term interest bearing bank borrowings divided by the equity attributable to equity holders of the Company. As at 30 June 2020, all of the bank borrowings of the Group were variable rate borrowings (31 December 2019: all). As at 30 June 2020, the Group had net current assets of RMB181,913,000 (31 December 2019: net current assets of RMB206,325,000).

Treasury management policy

The treasury management policy of the Group is to utilise surplus cash reserves to invest in low-risk wealth management products and 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-risk, short-term (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; and (iii) debt instruments such as sovereign debt, central bank-issued debts and various debt funds. 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 must sign 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 for 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 2020 were denominated in RMB and USD. 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.

Contingent liabilities

As at 30 June 2020, 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 2019: nil).

Pledge of assets

As at 30 June 2020, bank borrowings of RMB49,718,000 were secured by the property, plant and equipment and right-of-use for lands of the Group, net book value of which amounted to RMB42,097,000 and RMB37,021,000 respectively (31 December 2019: bank borrowings of RMB61,375,000 were secured by the property, plant and equipment and right-of-use for lands of the Group, net book value of which amounted to RMB42,690,000 and RMB37,543,000 respectively).

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures and Future Plans for Material Investments or Capital Assets

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 2020. 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 the Prospectus and in this interim report, the Group did not have any plans for significant investments as at 30 June 2020.

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 4,055 employees as at 30 June 2020 (31 December 2019: 3,510 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.

Declaration of Interim Dividend and Closure of Register of Members

The Board has resolved to declare an interim dividend of HK$0.06 per Share for the six months ended 30 June 2020 to the shareholders of the Company. The register of members of the Company will be closed from 9 September 2020 to 11 September 2020 (both days inclusive). During this period, no transfer of Shares will be registered. In order to qualify for the interim dividend, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 8 September 2020. The interim dividend is expected to be paid on or about 15 October 2020 to those shareholders on the register of members of the Company on 11 September 2020.

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 2020 and up to the date of this interim report, the Company has 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 six months ended 30 June 2020 and up to the date of this interim report.

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 has reviewed the unaudited consolidated financial statements of the Group for the six months ended 30 June 2020 and this interim report and has met with the independent auditors, PricewaterhouseCoopers, who have reviewed the interim financial statements 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

Neither the Company nor any of its subsidiaries or consolidated affiliated entities purchased, sold or redeemed any listed securities of the Company during the six months ended 30 June 2020.

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 stated in the Prospectus, the Company intended to use the IPO Proceeds in the following manner:

- approximately 50.0%, or HK$225.1 million, is expected to be used primarily to expand its learning centre network in the Greater Bay Area;
- approximately 30.0%, or HK$135.0 million, is expected to be used primarily to improve its teaching quality; and
- approximately 20.0%, or HK$90.0 million, is expected to be used primarily to renovate the facilities of its learning centres and purchase teaching equipment to improve its students' learning experience so as to further optimise the pricing of its classes and enhance profitability;

There was no change in the intended use of IPO Proceeds as previously disclosed in the Prospectus.

As at 30 June 2020, the Group had utilised the IPO Proceeds in the manner as set out in the table below:

		IPO Proceeds	**Utilisation as at 30 June 2020**	**Unutilised amount**
	%		HK$'million	
Expanding its learning centre network in the Greater Bay Area	50%	225.1	49.9	175.2
Improving its teaching quality	30%	135.0	57.9	77.1
Renovating the facilities of its learning centres and purchasing teaching equipment	20%	90.0	17.3	72.7
Total	100%	450.1	125.1	325.0

6. Directors' and chief executive interests and short positions in shares, underlying shares and debentures

As at 30 June 2020, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(a) Long positions in the Company

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding in the Company
Mr. Chen Qiyuan[(1)]	Interest in a controlled corporation	214,080,000	38.52%

Note:

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

(b) Long positions in Shenzhen Scholar Culture and Education Technology and Development Co., Ltd.* (深圳市思考樂文化教育科技發展有限公司)

Name	Capacity/Nature of interest	Amount of registered share capital (RMB)	Approximate percentage of shareholding
Mr. Chen Qiyuan	Beneficial owner	7,800,000	39%

Save as disclosed above, as at 30 June 2020, none of the Directors or the chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

7. Substantial shareholders' interests and short positions in shares and underlying shares

As at 30 June 2020, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding in the Company
Sky Noon[(1)]	Beneficial owner	214,080,000	38.52%
Yu Xi International[(1)]	Interest in a controlled corporation	214,080,000	38.52%
Magnificent Industrial[(2)]	Beneficial owner	138,024,000	24.84%
CREG[(3)]	Beneficial owner	64,616,000	11.63%
CRE Alliance Fund I L.P.[(3)(4)]	Interest in a controlled corporation	64,616,000	11.63%
CRE Alliance (Cayman) Limited[(3)]	Interest in a controlled corporation	64,616,000	11.63%
CRE Alliance (BVI) Limited[(3)]	Interest in a controlled corporation	64,616,000	11.63%
CRE Trading (Hong Kong) Limited[(3)]	Interest in a controlled corporation	64,616,000	11.63%
China Resources Enterprise, Limited[(3)]	Interest in a controlled corporation	64,616,000	11.63%
CRE Alliance Fund I LP Limited[(4)]	Interest in a controlled corporation	64,616,000	11.63%
China Great Wall AMC (International) Holdings Company Limited[(4)]	Interest in a controlled corporation	64,616,000	11.63%

Notes:

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

(2) Magnificent Industrial is owned as to 25.1140% by Mr. Chen Hongyu, 1.3319% by Mr. Hua Ribao, 2.2376% by Mr. Li Yong, 9.1881% by Mr. He Fan, 8.9505% by Mr. Zou Bangxin, 9.0693% by Mr. Qi Mingzhi, 4.4752% by Mr. Zhu Lixun, 9.0693% by Ms. Li Ailing, 9.4752% by Ms. Zhu Mingxia, 2.2376% by Ms. Leng Xinlan, 2.2376% by Mr. Cheng Zai, 9.9009% by Mr. Xu Chaoqiang, 2.2376% by Ms. Liang Renhong and 4.4752% by Ms. Pan Danting. Mr. Chen Hongyu, Mr. Qi Mingzhi and Mr. Xu Chaoqiang are executive Directors. Mr. Hua Ribao, Mr. He Fan and Ms. Li Ailing are senior management of the Group members while the remaining individuals are employees of the Group.

(3) CREG is wholly owned by CRE Alliance Fund I L.P. The general partner of CRE Alliance Fund I L.P. is CRE Alliance (Cayman) Limited, which is in turn wholly owned by CRE Alliance (BVI) Limited. CRE Alliance (BVI) Limited is wholly owned by CRE Trading (Hong Kong) Limited, which is in turn wholly owned by China Resources Enterprise, Limited. China Resources Enterprise, Limited is wholly held by CRH (CRE) Limited, which is in turn wholly owned by China Resources (Holdings) Company Limited. Accordingly, each of CRE Alliance Fund I L.P., CRE Alliance (Cayman) Limited, CRE Alliance (BVI) Limited, CRE Trading (Hong Kong) Limited, China Resources Enterprise, Limited, CRH (CRE) Limited and China Resources (Holdings) Company Limited is deemed to be interested in all Shares held by CREG pursuant to the SFO.

(4) CRE Alliance Fund I L.P. is interested as to 49.5% and 49.5% by CRE Alliance Fund I LP Limited and China Great Wall AMC (International) Holdings Company Limited as limited partners. As such, they are deemed to be interested in all the Shares held by CRE Alliance Fund I L.P. and its wholly-owned subsidiary, CREG pursuant to the SFO.

Save as disclosed above, as at 30 June 2020, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

8. Share Option Scheme

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

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

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

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

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

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

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

The Share Option Scheme is valid and effective for a period of 10 years commencing on 21 June 2019, being the date on which the Shares were listed on the Main Board of the Stock Exchange, and it has a remaining life of approximately eight years and ten months as at the date of this interim report.

Details of the options to subscribe for Shares pursuant to the Share Option Scheme and the movement during the six months ended 30 June 2020 are set out below:

			Number of share options				
Name/class of grantees	**Date granted**	**Exercise price per Share**	**As at 1 January 2020**	**Granted during the period**	**Exercised during the period**	**Lapsed/ cancelled during the Period**	**Outstanding as at 30 June 2020**
Employees of the Group	25 September 2019	HK$7.50	27,785,000 (Note 1)	—	—	—	27,785,000
Total			27,785,000 (Note 1)	—	—	—	27,785,000

Note:

(1) On 25 September 2019, the Company granted share options (the "Share Options") to the grantees under the Share Option Scheme, which will entitle them to subscribe for an aggregate of 27,785,000 new Shares. Subject to the fulfilment of the relevant vesting conditions (including performance criteria and duration of employment with the Group) as determined by the Board, the Share Options will vest on 31 December 2021. Options that have vested may be exercised at any time from 1 April 2022 to 31 March 2024 (both days inclusive). All outstanding or unexercised Options shall lapse after 31 March 2024.

The value of the Share Options granted is HK$2.6887, based on the binomial valuation model. The significant inputs into the model were share price of HK$7.50 as at the grant date, exercise price shown above, standard deviation of expected share price returns of 43.43%, expected life of options of two years, expected zero dividend payout rate and annual risk-free interest rate of 1.26%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices of comparable companies. The binomial model is developed to estimate the fair value of European share options. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

9. Changes in Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors are set out below:

1. Mr. Huang Victor, being an independent non-executive Director, has been appointed as an independent non-executive director of New Times Energy Corporation Limited (stock code: 166), a company listed on the Stock Exchange, with effect from 19 June 2020 and COSCO SHIPPING Energy Transportation Co Ltd (stock code: 1138), a company listed on the Stock Exchange, with effect from 22 June 2020.

2. Dr. Liu Jianhua, being an independent non-executive Director, ceased to be an independent non-executive director of Guangzhou Great Power Energy & Technology Company Limited (廣州鵬輝能源科技股份有限公司) (stock code: 300438), a company listed on the ChiNext board of the Shenzhen Stock Exchange, with effect from 31 August 2020.

10. Structured Contracts

Background of the Structured Contracts

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

The Group currently conducts its K-12 after-school tutoring business through its consolidated affiliated entities (the "PRC Operating Entities") in the PRC. Based on the interviews of the Group with competent authorities in Guangdong and Xiamen, Fujian province, the Group cannot convert any of the PRC Operating Entities into Sino-foreign joint venture entities as a matter of practice or due to the lack of implementation rules. As such, the Company adopted the Structured Contracts to control and enjoy the economic benefits generated by the PRC Operating Entities. The Group does not hold any equity interest in the PRC Operating Entities. The Structured Contracts, through which the Group obtains control over and derives the economic benefits from the PRC Operating Entities, have been narrowly tailored to achieve the business purpose of the Group and minimise the potential conflict with relevant PRC laws and regulations. The Group had entered into the Structured Contracts for the existing PRC Operating Entities and expects to enter into structured contracts for entities to be newly established or invested in, the terms and conditions of which shall be the same as the existing Structured Contracts in all material aspects.

Unwinding of the Structured Contracts

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

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

Plan to Comply with the Qualification Requirement

According to the consultation with the Relevant Education Authorities, they will not accept an application to convert the PRC Operating Entities or the entities to be newly established or invested by the Group into Sino-foreign joint venture entities at this stage and in the foreseeable future. Although it is not possible for the Relevant Education Authorities to accept the Group's application to convert any of the PRC Operating Entities into Sino-foreign joint venture entities due to a lack of implementation measures or guidance at the current stage, the Group has taken specific steps with a view to demonstrating compliance with the Qualification Requirement. With the assistance of a consultant, the Group is in the process of preparing the launch of a tutorial centre in Hong Kong, which has already obtained a certificate of provisional registration from the Education Bureau in Hong Kong and is currently identifying and recruiting suitable teachers and other relevant staff. As disclosed in the Prospectus, the Group expects to spend approximately HK$14 million primarily by utilising internally-generated resources in the first five years since the preparation for the establishment of the tutorial centre in Hong Kong. As at 30 June 2020, approximately HK$1.5 million had been spent in connection with the foregoing.

The Company is of the view that the foregoing steps are meaningful endeavours that are reasonable and appropriate to comply with the Qualification Requirement.

Foreign Investment Law

On 15 March 2019, the Foreign Investment Law was formally passed by the 13th National People's Congress and will take effect on 1 January 2020. The Foreign Investment Law will replace the Law on Sino-Foreign Equity Joint Ventures, the Law on Sino-Foreign Contractual Joint Ventures and the Law on Foreign-Capital Enterprises to become the legal foundation for foreign investment in the PRC.

The Foreign Investment Law does not explicitly stipulate the contractual arrangements as a form of foreign investment. Since contractual arrangements are not specified as foreign investment under the Foreign Investment Law, and if the future laws, administrative regulations and provisions of the State Council do not incorporate contractual arrangements as a form of foreign investment, then the Foreign Investment Law would not apply to, or have any impact on, the Structured Contracts, and it would not substantially change the identification of foreign investors in the context of foreign investment and the principle of recognition and treatment of contractual arrangements compared with the current PRC laws and regulations, therefore the Structured Contracts as a whole and each of the agreements comprising the Structured Contracts will not be affected and will continue to be legal, valid and binding on the parties.

Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes "foreign investors invest in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council". Therefore, there are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, and then whether the Structured Contracts will be recognised as foreign investment, whether the Structured Contracts will be deemed to be in violation of the foreign investment access requirements and, as at the date of this interim report, how the Structured Contracts will be handled are uncertain. Therefore, there is no guarantee that the Structured Contracts and the business of the PRC Operating Entities will not be materially and adversely affected in the future. We will disclose changes to or updates of the Foreign Investment Law that will materially and adversely affect the Group as and when they occur.

Overall Performance and Compliance with the Structured Contracts

The Group has adopted certain measures to ensure the effective operation of the Group with the implementation of the Structured Contracts and compliance with the Structured Contracts as detailed in the Prospectus. The Group has implemented measures before the Structured Contracts are unwound, with an aim to further enhancing its control over the PRC Operating Entities. Each of the Directors has confirmed that he/she, and his/her associates, do not have any interest in any business or interests that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group. The 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 interim report.

By Order of the Board
Scholar Education Group

Chen Qiyuan	**Qi Mingzhi**
Chairman of the Board and Executive Director	*Executive Director and Chief Executive Officer*

Hong Kong, 19 August 2020

DEFINITIONS

"Board"	the board of Directors
"CG Code"	Corporate Governance Code contained in Appendix 14 to the Listing Rules
"Company"	Scholar Education Group (思考樂教育集團), 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
"CREG"	CRE Glory Company Limited (華創煜耀有限公司), a company incorporated under the laws of the Cayman Islands on 3 November 2017
"Director(s)"	the director(s) of the Company
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.
"Greater Bay Area"	Guangdong-Hong Kong-Macau Greater Bay Area
"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
"Magnificent Industrial"	Magnificent Industrial Company Limited (鴻圖嘉業有限公司), a company incorporated in the British Virgin Islands on 29 December 2017
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers
"PRC" or "China"	the People's Republic of China excluding for the purpose of this interim report, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
"Prospectus"	the prospectus of the Company dated 12 June 2019 in connection with the Global Offering of the Shares
"SFO"	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	ordinary share(s) of US$0.001 each in the share capital of the Company
"Sky Noon"	Sky Noon International Company Limited (天晟國際有限公司), a company incorporated in the British Virgin Islands on 29 December 2017
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Yu Xi International"	Yu Xi International Company Limited (語汐國際有限公司), a company incorporated in the British Virgin Islands on 29 April 2019