2021 Interim Report

Erudite to Be Excelsior • Educate to Achieve Success

思考樂教育集團
SCHOLAR EDUCATION GROUP

Stock Code: 1769

(Incorporated in the Cayman Islands with limited liability)

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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

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Headquarters and Principal Place of Business in the PRC

Room 401–410, 4th Floor, Yunfeng Garden
29 Youyi Road, Jianan Community
Nanhu Street, Luohu District
Shenzhen, PRC

Principal Place of Business in Hong Kong

Unit 02, 3/F, Austin Plaza
No. 83 Austin Road
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
No. 1056 Cuizhu Road
Luohu District, Shenzhen
PRC

Industrial Bank Co., Ltd.
Shenzhen Jingtian Branch
No. 101, Juyou Pavilion
Juhaoyuan
Jingtian South Road
Futian District, Shenzhen
PRC

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 after-school education service provider in South China. The number of its tutoring hours exceeded 10,000,000 for the year ended 31 December 2020. 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.

The Group is based in Shenzhen with operations extending to the Greater Bay Area and Jiangsu and Zhejiang Provinces. Its educational philosophy is to "focus on academic excellence to enable its students to achieve their aspirations" (博學精教，成就學生). It is committed to providing high-quality tutoring education to students through its student-oriented 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. Its academic preparation programme is delivered under its "Sheng Xue" (升學) brand and offers classes to students from Grade 1 to Grade 12 in school academic subjects with a focus on stimulating students' interest in learning, developing their learning habits and integrating character education into the course offerings. Its early primary education programme is delivered under its "Le Xue" (樂學) brand and offers liberal education courses and interest courses such as languages and performing arts courses to students from Grade 1 to Grade 3.

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 were awarded with the title of the "Enterprise of Observing Contract and Valuing Credit" of Guangdong Province (廣東省「守合同重信用」企業) by Shenzhen Administration for Market Regulation (深圳市市場監督管理局) for three consecutive years from 2018 to 2020 and awarded the "Customers' Trustworthy Education Brand Institution of the Year" (年度消費者信賴的教育品牌機構) by Southern Metropolis Daily (南方都市報). As a responsible corporate citizen, the Group also funded the construction of eight "Scholar Hope Primary Schools". The Group will further strengthen its development in the liberal education sector in China, including arts, sports, painting, performance art and calligraphy and encourage children to achieve a balanced development in the five aspects of "ethics, intellect, physique, aesthetics and handwork" and enjoy a healthy and all-rounded development.

FINANCIAL HIGHLIGHTS

	For the period ended 30 June 2021 RMB'000	2020 RMB'000	Change RMB'000	Percentage change
Revenue	**517,055**	325,607	191,448	58.8%
Operating profit	**77,793**	66,658	11,135	16.7%
Profit for the period	**42,749**	46,323	(3,574)	(7.7%)
Adjusted profit for the period (Note)	**62,856**	64,280	(1,424)	(2.2%)

Earnings per Share

	RMB cents	RMB cents	RMB cents	
Basic	**7.76**	8.34	(0.58)	(7.0%)
Diluted	**7.66**	8.18	(0.52)	(6.4%)
Adjusted earnings per Share (Note)				
Basic	**11.41**	11.57	(0.16)	(1.4%)
Diluted	**11.27**	11.35	(0.08)	(0.7%)

Note: The Company defined its adjusted 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 2020: RMB13.5 million) and effect on the adoption of IFRS 16 — Leases of approximately RMB6.6 million (six months ended 30 June 2020: approximately RMB4.5 million) for the six months ended 30 June 2021.

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 2021.

Business overview

The Group upholds the educational philosophy of "focusing on academic excellence to enable its students to achieve their aspirations" (博學精教，成就學生). Over the years, by virtue of its high standard of teaching quality and good word of mouth, together with its service philosophy of "taking care of every single child wholeheartedly" (把每一個孩子放在心上), the Group has implemented a two-pronged teaching model, namely "knowledge + education" (知識+育人). Apart from sharing knowledge, the Group also focuses on the moral education of its students by which its students can develop a healthy personality in combination with studying and thinking and be encouraged to act based on their initiatives and to enhance their in-depth thinking ability. After a decade of development and endeavour, the Group's learning centres span across Shenzhen, Dongguan, Foshan, Huizhou, Jiangmen, Zhongshan, Guangzhou, Zhuhai, Maoming, Ningbo and Suzhou, where the Group provides premium educational services to over 100,000 families every year.

Even though the Group was still subject to the impact brought by the outbreak of the COVID-19 pandemic during the first half of the year to a minor extent, its business remained on the track of stable development. During the six months ended 30 June 2021, the Group's tutoring hours increased 50.1% to 5,844,082 hours from 3,893,674 hours for the same period of last year. The Group's revenue increased by 58.8% to RMB517.1 million; its profit decreased by 7.7% to RMB42.7 million; its adjusted profit decreased by 2.2% to RMB62.9 million, as compared to the same period of last year.

Future prospects and development strategies

The Group has considered the well-being of students as the core of its corporate value. In order to align with the new national policy of the Opinions on Double Reduction, the Group will take initiatives to achieve business transformation and satisfy the all-rounded development of children as much as practicable. The Group will further consolidate the development of "Le Xue" (樂學), one of the Group's brands, which comprises of liberal education in respect of art, sports, painting, performance art and calligraphy, with a view to fulfilling various needs of students and encouraging students to develop their hobbies and talents, such that children can achieve a balanced development in the five aspects of "ethics, intellect, physique, aesthetics and hardwork" and enjoy a healthy and all-rounded development.

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

As an extra-curricular educational service provider who has been providing law-abiding educational services, the Group will remain compliant with the relevant regulations and requirements, adhere to its fundamental mission to foster one's character and civil virtue, and adjust its standards for its subject tutorial business. In order to improve operational efficiency, the Company will actively close down some of its learning centres that do not meet its targets set out in key performance indicators, which is expected to have a negative impact on revenue in the future.

Meanwhile, the Group will strictly control and reduce costs and maintain steady cash flow, while striving to promote the comprehensive and diversified development of the Group's liberal education and businesses such as the extra-curricular care business. The Company will retain the teachers with outstanding talent and enable them to develop their potential on the Company's platform while continuing to provide quality services to students, which can complement the school education. Meanwhile, in response to the reduction in the number of learning centres, the Company will make reasonable and appropriate improvement to the teaching team, so as to stimulate their motivation and maintain the vitality and competitiveness of the Company. The Group will strive to be well-placed for the opportunities and challenges ahead.

The Group will remain steadfast in the original intention of education, develop its technology and continue to enhance the quality of its education and teaching as well as service standards. In addition to fulfilling social responsibilities, the Group will also serve the overall development of the nation and strive to contribute to the development of a strong socialist country equipped with modernised education and the cultivation of contributors and successors who have received all-rounded development in "ethics, intellect, physique, aesthetics and hardwork" and follow the principles of socialism.

Acknowledgement

Finally, on behalf of the Board, I would like to express my sincere gratitude to its students and parents. I would also like to express my gratitude to its management and staff and my hope that they will continue to show the spirit of Scholar Education, i.e. "Dedicating oneself to the achievement of others with everlasting perseverance and arduous effort and playing the youthful lives to the fullest" (以堅韌不拔的精神，保持長期艱苦奮鬥，以成就他人為己任，將年輕的生命，演繹得精彩絕倫), as the Group strives to promote the diversified development of the Group throughout all aspects in the future. I would also like to express my cordial thanks to all Shareholders, local governments and business partners for their support of, and trust in, the Board and the management of the Group. The Group will endeavour to strengthen its business development as always and maximise returns to the Shareholders.

Chen Qiyuan
Chairman
Hong Kong, 24 August 2021

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

pwc

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 9 to 36, which comprises the interim condensed consolidated balance sheet of Scholar Education Group (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2021 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". 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". 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, 24 August 2021

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
		2021	2020
	Notes	**RMB'000**	RMB'000
Revenue	6	**517,055**	325,607
Cost of sales	9	**(324,592)**	(203,372)
Gross profit		**192,463**	122,235
Selling expenses	9	**(8,754)**	(5,943)
Administrative expenses	9	**(93,908)**	(58,352)
Research and development expenses	9	**(38,176)**	(20,397)
Other income — net	7	**18,637**	15,276
Other gains — net	8	**7,531**	13,839
Operating profit		**77,793**	66,658
Finance costs	10	**(17,936)**	(16,856)
Profit before income tax		**59,857**	49,802
Income tax expense	11	**(17,108)**	(3,479)
Profit for the period		**42,749**	46,323
Earnings per share (expressed in RMB cents per share)			
— Basic earnings per share	12	**7.76**	8.34
— Diluted earnings per share	12	**7.66**	8.18
Profit for the period		**42,749**	46,323
Other comprehensive income			
Items that will not be reclassified to profit or loss			
— Revaluation gains on investment properties upon transfer from property, plant and equipment		**378**	—
Total comprehensive income for the period		**43,127**	46,323

The accompanying notes on pages 15 to 36 form an integral part of the interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	Unaudited As at 30 June 2021 RMB'000	Audited As at 31 December 2020 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	13	134,960	170,333
Right-of-use assets	14	536,346	643,427
Investment properties	15	65,000	—
Intangible assets	16	3,291	2,857
Prepayments and other receivables	17	30,026	50,461
Deferred tax assets		35,204	36,064
Total non-current assets		804,827	903,142
Current assets			
Prepayments and other receivables	17	75,451	22,751
Financial assets at fair value through profit or loss	18	450,792	298,943
Cash and cash equivalents	19	146,232	442,586
Total current assets		672,475	764,280
Total assets		1,477,302	1,667,422
Equity			
Share capital	20	3,775	3,775
Share premium	21	241,641	295,908
Shares held for employee share scheme		(53,896)	(1,050)
Other reserves	21	80,218	66,361
Retained earnings		215,792	173,043
Total equity		487,530	538,037
Liabilities			
Non-current liabilities			
Lease liabilities	14	426,531	484,628
Total non-current liabilities		426,531	484,628

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	Unaudited As at 30 June 2021 RMB'000	Audited As at 31 December 2020 RMB'000
Current liabilities			
Contract liabilities	23	279,643	357,039
Lease liabilities	14	107,623	117,783
Trade and other payables	24	104,330	105,078
Current income tax liabilities		11,679	10,457
Borrowings	25	59,966	54,400
Total current liabilities		563,241	644,757
Total liabilities		989,772	1,129,385
Total equity and liabilities		1,477,302	1,667,422

The accompanying notes on pages 15 to 36 form an integral part of the interim condensed consolidated financial information.

The interim condensed consolidated financial information on pages 9 to 36 was approved by the Board of Directors on 24 August 2021 and were signed on its behalf.

Chen Qiyuan	**Qi Mingzhi**
Director	*Director*

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited					
	Attributable to owners of Company					
	Share capital RMB'000	Share premium RMB'000	Shares held for employee share scheme RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2021	3,775	295,908	(1,050)	66,361	173,043	538,037
Profit for the period	—	—	—	—	42,749	42,749
Other comprehensive income	—	—	—	378	—	378
Total comprehensive income for the period	3,775	295,908	(1,050)	66,739	215,792	581,164
Transactions with owners:						
Capital injection from shareholders						
Dividends paid	—	(54,267)	—	—	—	(54,267)
Share based payments	—	—	—	13,479	—	13,479
Acquisition of shares for employee share scheme	—	—	(52,846)	—	—	(52,846)
Balance at 30 June 2021	3,775	241,641	(53,896)	80,218	215,792	487,530

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	22	—	(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

The accompanying notes on pages 15 to 36 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 2021 RMB'000	 2020 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations		**109,473**	(78,960)
Interest received		**1,441**	3,855
Interest paid		**(1,058)**	(2,437)
Income taxes paid		**(15,025)**	(17,312)
Net cash generated from/(used in) operating activities		**94,831**	(94,854)
Cash flows from investing activities			
Payments for property, plant and equipment, land use rights and intangible assets		**(96,182)**	(27,530)
Proceeds from disposal of property, plant and equipment		**627**	—
Payments for term deposits with initial maturities over three months		**—**	(55,000)
Proceeds from term deposits with initial maturities over three months		**—**	35,304
Payments for purchase of financial assets at fair value through profit or loss	18	**(1,673,844)**	(887,473)
Proceeds from disposal of financial assets at fair value through profit or loss	18	**1,540,072**	988,139
Net cash (used in)/generated from investing activities		**(229,327)**	53,440
Cash flows from financing activities			
Proceeds from borrowings		**60,136**	71,750
Repayment of borrowings		**(54,570)**	(11,657)
Dividends paid to shareholders		**(54,267)**	(61,149)
Acquisition of shares under employee share scheme		**(52,846)**	—
Principal elements of lease payments	14	**(59,656)**	(43,409)
Net cash used in financing activities		**(161,203)**	(44,465)
Net decrease in cash and cash equivalents		**(295,699)**	(85,879)
Cash and cash equivalents at the beginning of the period		**442,586**	241,479
Effects of exchange rate changes on cash and cash equivalents		**(655)**	—
Cash and cash equivalents at end of the period		**146,232**	155,600

The accompanying notes on pages 15 to 36 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 24 August 2021 and has not been audited.

2. Basis of preparation of condensed consolidated interim financial information

This condensed consolidated interim financial information for the half-year reporting period ended 30 June 2021 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 information does not include all the notes of the type normally included in an annual financial statements. Accordingly, this condensed consolidated interim financial information is to be read in conjunction with the annual financial statements for the year ended 31 December 2020 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 2020 (the "2020 Financial Statements"), as described in those annual consolidated financial statements, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

- COVID-19-Related Rent Concessions — Amendments to IFRS 16
- Interest rate benchmark reform — phrase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

(b) New standards and interpretations not yet adopted

		Effective for annual periods beginning on or after
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16	Proceeds before Intended Use	1 January 2022
Amendments to IAS 37	Cost of Fulfilling a Contract	1 January 2022
Annual improvement project	Annual Improvements 2018–2020 Cycle	1 January 2022
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current	1 January 2023
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Certain new accounting standards and interpretations have been published that are not mandatory for the six months ended 30 June 2021 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.

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 2020 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 2020 Financial Statements.

There have been no changes in the risk management function since 31 December 2020 or in any risk management policies since 31 December 2020.

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 that the Group is not exposed to significant liquidity risk.

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

	within 1 year RMB'000	**1 to 2 years RMB'000**	**2 to 5 years RMB'000**	**over 5 years RMB'000**	**Total RMB'000**
As at 30 June 2021					
Trade payables	**3,950**	**—**	**—**	**—**	**3,950**
Other payables	**13,197**	**—**	**—**	**—**	**13,197**
Borrowings	**60,971**	**—**	**—**	**—**	**60,971**
Lease liabilities	**120,904**	**112,006**	**262,934**	**170,850**	**666,694**
	199,022	**112,006**	**262,934**	**170,850**	**744,812**

	within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	over 5 years RMB'000	Total RMB'000
As at 31 December 2020					
Trade payables	3,363	—	—	—	3,363
Other payables	15,984	—	—	—	15,984
Borrowings	55,166	—	—	—	55,166
Lease liabilities	134,582	127,472	296,197	174,382	732,633
	209,095	127,472	296,197	174,382	807,146

5. Financial risk management (Continued)

5.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2021 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 18 for disclosure of the financial assets at fair value through profit or loss ("FVPL").

Financial instruments at fair value as at 30 June 2021 were as follows:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Asset				
Financial assets at FVPL	—	—	450,792	450,792

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

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

Specific valuation techniques used to value financial instruments include:

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

There were no changes in valuation techniques during the six months ended 30 June 2021.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the six months ended 30 June 2021.

5. Financial risk management (Continued)

5.3 Fair value estimation (Continued)

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 18.

As at 30 June 2021, there were certain investment properties measured at fair value in using comparison approach which were approximate to the fair value. See Note 15 for disclosures related to investment properties.

6. Revenue and segment information

Operating segments are defined as components of an enterprise engaging in business activities for which separate financial information is available that is regularly evaluated by the Group's chief operating decision makers ("CODM") in deciding how to allocate resources and assess performance. The Group's CODM has been identified as the Board of Directors, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group.

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

As a result of evaluation by CODM, the CODM considers that the Group is operated and managed as a single operating segment of after-school education services for the six months ended 30 June 2021.

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Recognised over time		
— After-school education services	**517,055**	325,607

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

7. Other income — net

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Sub-lease (a)		
— Sub-lease income	**2,204**	4,377
— Sub-lease expense	**(2,082)**	(4,558)
Rental income from operating leases	**824**	—
Finance income	**1,441**	3,855
Government grants	**16,250**	11,602
	18,637	15,276

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

8. Other gains — net

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Fair value gains on financial assets at FVPL	**18,077**	12,816
Lease modification	**6,771**	1,201
Net losses on disposal of property, plant and equipment	**(9,449)**	(3)
Deposits losses	**(3,317)**	—
Compensation charges	**(2,530)**	—
Fair value losses on investment properties (Note 15)	**(1,000)**	—
Net foreign exchange losses	**(655)**	(177)
Others	**(366)**	2
	7,531	13,839

9. Expenses by nature

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Employee benefit expenses	**305,880**	182,476
Depreciation and amortisation	**88,032**	73,210
Teaching materials	**16,062**	11,016
Impairment provision on property, plant and equipment	**15,169**	—
Property management expenses	**7,445**	6,002
Advertising and exhibition expenses	**4,362**	3,193
Utilities	**3,925**	2,190
Office expenses	**3,924**	2,718
Maintenance cost	**3,716**	1,234
Professional service fees	**2,570**	1,517
Other taxes	**2,111**	1,378
Renting expenses	**1,354**	—
Recruitment expenses	**896**	584
Entertainment expenses	**875**	819
Auditor's remuneration	**850**	886
Software usage fees	**842**	11,079
Travel and transportation	**601**	489
Allowance for impairment	**1,316**	—
Rent concession related to COVID-19 (Note 14 (d))	**(1,175)**	(11,934)
Others	**6,675**	1,207
	465,430	288,064

10. Finance costs

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Finance expenses		
— Interest expense on borrowings	**1,097**	2,437
— Interest expense on leasing liabilities (Note 14 (b))	**16,839**	14,419
	17,936	16,856

11. Income tax expense

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Current tax		
— Current tax on profits for the period	16,248	9,874
Deferred income tax		
— Increase/(decrease) in deferred income tax	860	(6,395)
Income tax expense	17,108	3,479

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	
	2021	2020
	RMB'000	RMB'000
Profit before income tax:	59,857	49,802
Tax calculated at tax rates applicable to profit in the respective companies	15,187	11,004
Tax effects of:		
— Preferential tax policies (c)	(8,822)	(5,549)
— Expenses not deductible for tax purposes	52	7
— Research and development super deduction (d)	(3,417)	(1,983)
— Unrecognised tax losses	14,108	—
	17,108	3,479

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

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 2020, and it is subject to a reduced preferential EIT rate of 15% for 3-year period from 2020 to 2022 according to the relevant PRC laws and regulations applicable to the HNTE.

(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 are 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	
	2021	2020
Earnings attributable to equity holders of the Company (in RMB thousands)	**42,749**	46,323
Weighted average number of ordinary shares in issue (thousand shares)	**550,871**	555,700
Basic earnings per share (expressed in RMB cents per share)	**7.76**	8.34

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	
	2021	2020
Diluted earnings per share (expressed in RMB cents per share)	**7.66**	8.18

(c) Diluted earnings per share

Weighted average number of shares used as the denominator

	Six months ended 30 June	
	2021	2020
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**550,871,000**	555,700,000
Adjustments for calculation of diluted earnings per share:		
Share options	**7,053,000**	10,428,000
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**557,924,000**	566,128,000

13. Property, plant and equipment

	Six months ended 30 June 2021 RMB'000	Six months ended 30 June 2020 RMB'000
At the beginning of the period	170,333	144,882
Additions	56,692	36,355
Transfer to investment properties	(39,399)	—
Disposals	(10,076)	(3)
Impairment provision	(15,169)	—
Depreciation charge	(27,421)	(20,126)
At the end of the period	134,960	161,108

14. Right-of-use assets and Leases

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

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Right-of-use assets		
Land use rights	60,056	87,675
Properties	476,290	555,752
	536,346	643,427
Lease liabilities		
Current	107,623	117,783
Non-current	426,531	484,628
	534,154	602,411

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

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
— Properties	**59,030**	51,576
— Land use rights	**1,396**	1,445
	60,426	53,021
Finance costs on leases	**16,839**	14,419

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

For the six months ended 30 June 2021, the cash outflows from financing activities for leases were RMB59,656,000 (For the six months ended 30 June 2020: RMB43,409,000) and cash outflows from operating activities for short-term lease was RMB1,354,000 (For the six months ended 30 June 2020:Nil).

(d) Rent concessions related to COVID-19

For the six months ended 30 June 2021, the rent concessions related to COVID-19 were RMB1,175,000 (For the six months ended 30 June 2020: RMB11,934,000) (Note 9).

15. Investment properties

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
At fair value		
At the beginning of the period	**—**	—
Transfer from property, plant and equipment	**39,399**	—
Transfer from land use right	**26,223**	—
Revaluation gains recognised in other comprehensive income	**378**	—
Revaluation losses recognised as other gains - net	**(1,000)**	—
At the end of the period	**65,000**	—

15. Investment properties (Continued)

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Rental income from operating leases	634	—
Revaluation losses recognised as other gains - net	(1,000)	—
	(366)	—

The valuation of the Group's investment properties was performed by the valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited. The fair value of the Group's investment properties as at 30 June 2021 was determined based on comparison approach with reference to the recent market transaction price. The Group's investment properties, which comprised office buildings in the PRC, were valued at fair value and measured by using significant unobservable inputs (Level 3) for the six months ended 30 June 2021.

(b) Leasing arrangements

The investment properties are leased to tenants under operating leases with rentals payable monthly. Where considered necessary to reduce credit risk, the Group required the tenants to provide deposits for the term of lease contract.

16. Intangible assets

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
At the beginning of the period	2,857	996
Additions	619	127
Amortisation	(185)	(63)
At the end of the period	3,291	1,060

17. Prepayments and other receivables

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Included in non-current assets		
Lease deposits	20,973	26,978
Prepayments for leasehold improvements	10,482	23,611
	31,455	50,589
Allowance for impairment (d)	(1,429)	(128)
	30,026	50,461
Included in current assets		
Prepayment for land use right	52,000	—
Lease deposits	5,422	2,022
Prepayments (a)	3,979	8,205
Loans to employees (b)	3,074	3,420
Cash advances to employees (c)	2,543	962
Amounts due from related parties (Note 26 (b)(i))	1,473	1,493
Other receivables	7,053	6,727
	75,544	22,829
Allowance for impairment (d)	(93)	(78)
	75,451	22,751

As at 30 June 2021 and 31 December 2020, there were no significant balances that are past due.

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

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

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

(d) The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all other receivables. The loss allowance for other receivables during the current reporting period was RMB1,316,000 (2020: RMB206,000).

18. Financial assets at fair value through profit or loss

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
At beginning of the period	**298,943**	447,621
Additions	**1,673,844**	887,473
Fair value gains	**18,077**	12,816
Disposals	**(1,540,072)**	(988,139)
At the end of the period	**450,792**	359,771

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 6.7% to 9.1% per annum for the six months ended 30 June 2021. 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.

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

19. Cash and cash equivalents

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
Cash and bank deposits	**146,232**	442,586

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

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
RMB	**119,616**	422,102
US dollar	**3**	15,028
Hong Kong dollar	**26,613**	5,456
	146,232	442,586

20. Share capital

	Authorised			Issued		
	Number of ordinary shares	Nominal value		Number of ordinary shares	Nominal value	
		USD	RMB		USD	RMB
As at 1 January 2021 and 30 June 2021 and 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

21. Share premium and other reserves

		Other reserves				
	Share premium	Merger reserve	Capital reserves	Share based compensation reserves	Revaluation surplus	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2020	386,081	(46,347)	79,011	6,739	—	39,403
Dividends paid to the Company's shareholders	(61,149)	—	—	—	—	—
Share based payments	—	—	—	13,479	—	13,479
Balance at 30 June 2020	324,932	(46,347)	79,011	20,218	—	52,882
Balance at 1 January 2021	**295,908**	**(46,347)**	**79,011**	**33,697**	**—**	**66,361**
Dividends paid to the Company's shareholders (Note 22)	**(54,267)**	**—**	**—**	**—**	**—**	**—**
Share based payments	**—**	**—**	**—**	**13,479**	**—**	**13,479**
Revaluation surplus	**—**	**—**	**—**	**—**	**378**	**378**
Balance at 30 June 2021	**241,641**	**(46,347)**	**79,011**	**47,176**	**378**	**80,218**

22. Dividends

For the six months ended 30 June 2021, the Company declared and paid the final dividends for the year ended 31 December 2020, amounting to HK$66,684,000 (equivalent to RMB54,918,000), out of its share premium.

On 24 August 2021, the Board has recommended an interim dividend of HK$0.1 per share. This interim dividend, amounting to HK$55,570,000 has not been recognised as liabilities in this interim financial information.

23. Contract liabilities

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Deferred revenue — education services	279,643	357,039

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.

24. Trade and other payables

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Current		
Trade payables (a)	3,950	3,363
Employee benefits payables	74,211	68,495
Other taxes payables	12,876	17,180
Interest payables	96	56
Other payables	13,197	15,984
	104,330	105,078

24. Trade and other payables (Continued)

(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 2021 RMB'000	As at 31 December 2020 RMB'000
Three months or less	1,438	2,493
Three to six months	1,877	607
Six months to one year	635	263
	3,950	3,363

25. Borrowings

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Current		
— Secured		
Bank borrowings	10,000	—
— Unsecured with guarantee		
Bank overdrafts	29,966	—
Bank borrowings	20,000	54,400
	59,966	54,400

For the six months ended 30 June 2021 and year ended 31 December 2020, bank borrowings bear effective interest rate of 4.6% and 4.6% 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 2021 RMB'000	As at 31 December 2020 RMB'000
Within 1 year	59,966	54,400

25. Borrowings (Continued)

As at 30 June 2021, bank borrowings of RMB10,000,000 were secured by the patents of the Group (31 December 2020: the Group has repaid all of the bank borrowings carried as at 31 December 2019 and the secured by the property, plant and equipment and right-of-use assets for lands of the Group had been released).

26. 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. The names and relationship with the 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
Vanguard Department Store (Zhuhai) Co., Ltd.* (華潤萬家生活超市(珠海)有限公司)	Related party
Shenzhen Vanguard Department Store Co., Ltd.* (深圳華潤萬家超級市場有限公司)	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.

26. Significant related party transactions (Continued)

(a) Significant transactions with related parties (Continued)

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
China Resources Vanguard Co., Ltd.	**1,624**	1,624
China Resources Vanguard Department Store (Guangzhou) Co., Ltd.	**722**	281
New Jiangcheng Department Store (Jiangmen) Co., Ltd.	**383**	295
Shenzhen Vanguard Department Store Co., Ltd.	**316**	—
Vanguard Department Store (Zhuhai) Co., Ltd.	**273**	—
	3,318	2,200

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
China Resources Vanguard Co., Ltd.	**484**	566
China Resources Vanguard Department Store (Guangzhou) Co., Ltd.	**296**	118
New Jiangcheng Department Store (Jiangmen) Co., Ltd.	**178**	149
Shenzhen Vanguard Department Store Co., Ltd.	**133**	—
Vanguard Department Store (Zhuhai) Co., Ltd.	**125**	—
	1,216	833

26. Significant related party transactions (Continued)

(b) Balances with related parties

(i) Prepayments and other receivables

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
China Resources Vanguard Co., Ltd.	734	734
China Resources Vanguard Department Store (Guangzhou) Co., Ltd.	322	316
New Jiangcheng Department Store (Jiangmen) Co., Ltd.	171	171
Shenzhen Vanguard Department Store Co., Ltd.	133	133
Vanguard Department Store (Zhuhai) Co., Ltd.	113	139
	1,473	1,493

(ii) Right-of-use assets

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
China Resources Vanguard Co., Ltd.	12,764	14,388
China Resources Vanguard Department Store (Guangzhou) Co., Ltd.	8,869	9,591
New Jiangcheng Department Store (Jiangmen) Co., Ltd.	4,945	5,328
Shenzhen Vanguard Department Store Co., Ltd.	4,199	4,515
Vanguard Department Store (Zhuhai) Co., Ltd.	4,013	4,286
	34,790	38,108

26. Significant related party transactions (Continued)

(b) Balances with related parties (Continued)

(iii) Lease liabilities

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
China Resources Vanguard Co., Ltd.	14,737	16,215
China Resources Vanguard Department Store (Guangzhou) Co., Ltd.	9,867	10,324
New Jiangcheng Department Store (Jiangmen) Co., Ltd.	5,665	5,955
Shenzhen Vanguard Department Store Co., Ltd.	4,557	4,665
Vanguard Department Store (Zhuhai) Co., Ltd.	4,339	4,419
	39,165	41,578

27. Subsequent events

In July 2021, the General Office of the Chinese Communist Party and the General Office of the State Council of the PRC published the Opinions on Double Reduction. The Opinions on Double Reduction proposes certain measures intended to ease the workload of students in compulsory education and regulate the relevant afterschool education service providers in the PRC. It specifies that the government of every province (including autonomous region and municipality) should refine the implementation measures taking into account local circumstances and establish a specialised organisation to ascertain the roadmap, timeline and responsible personnel for implementing the governance actions to achieve the objective of "double reduction" (雙減).

The Company is committed to complying with the principles of the Opinions on Double Reduction and the implementation rules. With the assistance of the Company's PRC legal advisers, the board of directors will continue to monitor the development of the Opinions on Double Reduction and other relevant rules and regulations (particularly the implementation of the Opinions on Double Reduction in Shenzhen, where the Group's operations are substantially based) and make adjustments to the Group's business operations as necessary.

Based on the principles set out in the Opinions on Double Reduction, the board of directors expect that the Group will need to make certain adjustments to its business operations, including, among others, to re-arranging the timing of the classes and ceasing to operate certain learning centres that do not meet the key operating parameters as originally envisaged, which is expected to have a negative impact on the Group's financial performance and operating prospects.

Financial review

1. Revenue

The Group's revenue increased by 58.8% from RMB325.6 million for the six months ended 30 June 2020 to RMB517.1 million for the six months ended 30 June 2021. This increase was primarily due to increases in the total student enrolments and tutoring hours, which were primarily because of (i) an increase in the total number of the Group's learning centres from 127 for the six months ended 30 June 2020 to 152 for the six months ended 30 June 2021; and (ii) an increase in the average tuition fee per tutoring hour for regular courses from RMB83.6 for the six months ended 30 June 2020 to RMB88.5 for the six months ended 30 June 2021.

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 2021 Unaudited RMB'000	Six months ended 30 June 2020 Unaudited RMB'000	Change
Academic preparation programme	494,824	314,597	57.3%
Early primary education programme	22,231	11,010	101.9%
Total	517,055	325,607	58.8%

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 2021		Six months ended 30 June 2020		Change	
	Student enrolments	Tutoring hours	Student enrolments	Tutoring hours	Student enrolments	Tutoring hours
Academic preparation programme	202,700	5,581,039	121,117	3,756,154	67.4%	48.6%
Early primary education programme	6,287	263,043	2,721	137,520	131.1%	91.3%
Total	208,987	5,844,082	123,838	3,893,674	68.8%	50.1%

2. Cost of sales

The cost of sales of the Group increased by 59.6% from RMB203.4 million for the six months ended 30 June 2020 to RMB324.6 million for the six months ended 30 June 2021. This increase was primarily due to (i) an increase in teacher compensation and amortisation of right-of-use assets, primarily contributed by the increase of the total number of the Group's learning centres from 127 for the six months ended 30 June 2020 to 152 for the six months ended 30 June 2021 as a result of the expansion of the Group's learning centre network and growth of the Group's business; and (ii) a decrease in expenses of HK$10.2 million arising from the delivery of online classes during the pandemic last period.

3. Gross profit and gross profit margin

As a result of the foregoing, the gross profit of the Group increased by 57.5% from RMB122.2 million for the six months ended 30 June 2020 to RMB192.5 million for the six months ended 30 June 2021. The gross profit margin of the Group slightly decreased from 37.5% for the six months ended 30 June 2020 to 37.2% for the six months ended 30 June 2021.

4. Selling expenses

The selling expenses of the Group increased by 47.3% from RMB5.9 million for the six months ended 30 June 2020 to RMB8.8 million for the six months ended 30 June 2021. The increase was primarily due to (i) an increase in its customer service personnel as a result of the expansion of its learning centre network; and (ii) an increase in advertising and exhibition expenses in connection with parents seminars and talks held by the Group to promote its brand and services.

5. Administrative expenses

The administrative expenses of the Group increased by 60.9% from RMB58.4 million for the six months ended 30 June 2020 to RMB93.9 million for the six months ended 30 June 2021. This increase was mainly due to (i) an increase of RMB9.5 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; (ii) impairment provision on property, plant and equipment of RMB15.2 million; and (iii) an increase in RMB1.2 million in office expenses.

6. Research and development expenses

The research and development expenses of the Group increased by 87.2% from RMB20.4 million for the six months ended 30 June 2020 to RMB38.2 million for the six months ended 30 June 2021. The increase was primarily due to an increase in the number of research and development personnel.

7. Other income — net

The other net income of the Group increased by 22.0% from RMB15.3 million for the six months ended 30 June 2020 to RMB18.6 million for the six months ended 30 June 2021. This increase was primarily due to an increase of RMB4.6 million in government grants primarily as a result of the government's measures to provide relief for the economic consequences of the COVID-19 pandemic. The increase was offset in part by the decrease of RMB2.4 million in finance income.

8. Other gains — net

The other net gains of the Group decreased by 45.6% from RMB13.8 million for the six months ended 30 June 2020 to RMB7.5 million for the six months ended 30 June 2021. This decrease was primarily attributable to an increase of RMB9.4 million in losses on disposal of property, plant and equipment, deposits losses of RMB3.3 million, compensation charges of RMB2.5 million and fair value losses on investment properties of RMB1.0 million. The decrease was partially offset by the increase in RMB5.6 million in lease modification and an increase in RMB5.3 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.

9. Finance costs

The finance costs of the Group increased by 6.4% from RMB16.9 million for the six months ended 30 June 2020 to RMB17.9 million for the six months ended 30 June 2021, primarily due to an increase in interest expenses on lease liabilities of RMB2.4 million. The increase was offset in part by the decrease of RMB1.3 million in interest expenses in borrowings.

10. Profit before income tax

As a result of the foregoing, the profit of the Group before income tax increased by 20.2% from RMB49.8 million for the six months ended 30 June 2020 to RMB59.9 million for the six months ended 30 June 2021.

11. Income tax expenses

The income tax expenses of the Group were approximately RMB3.5 million for the six months ended 30 June 2020 as compared to the income tax expenses of RMB17.1 million for six months ended 30 June 2021. The effective tax rate of the Group was 28.6% for the six months ended 30 June 2020 as compared to the effective tax rate of 7.0% for the six months ended 30 June 2021. The increase in the effective tax rate was primarily due to the derecognition of deferred tax assets arising on tax losses for the six months ended 30 June 2021.

12. Profit for the period

As a result of the foregoing, the profit of the Group for the period decreased by 7.7% from RMB46.3 million for the six months ended 30 June 2020 to RMB42.7 million for the six months ended 30 June 2021.

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 the profit for the period:

	Six months ended 30 June		
	2021	2020	Percentage
	Unaudited	Unaudited	Change
	RMB'000	RMB'000	
Profit for the period	**42,749**	46,323	(7.7%)
Add:			
Share option benefit expenses (Note 1)	**13,479**	13,479	—
Effect on the adoption of IFRS 16 — Leases (Note 2)	**6,628**	4,478	48.0%
Adjusted profit for the period	**62,856**	64,280	(2.2%)

Notes:

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

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

Liquidity, financial resources and capital structure

The total equity of the Group as at 30 June 2021 was RMB487.5 million (31 December 2020: RMB538.0 million). The Group generally financed its operations with internally generated cash flows. As at 30 June 2021, the Group's cash and cash equivalents decreased by 67.0% from RMB442.6 million as at 31 December 2020 to RMB146.2 million. As at 30 June 2021, the current assets of the Group amounted to RMB672.5 million (31 December 2020: RMB764.3 million), including RMB450.8 million (31 December 2020: RMB298.9 million) in financial assets at fair value through profit or loss, RMB146.2 million (31 December 2020: RMB442.6 million) in bank balances and cash and other current assets of RMB75.5 million (31 December 2020: RMB22.8 million). The current liabilities of the Group amounted to RMB563.2 million (31 December 2020: RMB644.8 million), of which RMB279.6 million (31 December 2020: RMB357.0 million) were contract liabilities, RMB107.6 million (31 December 2020: RMB117.8 million) were lease liabilities, RMB60.0 million (31 December 2020: RMB54.4 million) were short-term interest bearing bank borrowings and approximately RMB116.0 million (31 December 2020: RMB115.5 million) were other payables and accruals. The Group had total bank borrowings of RMB60.0 million (31 December 2020: RMB54.4 million), all of which were denominated in RMB (31 December 2020: all). The bank borrowings of the Group as at 30 June 2021 were wholly repayable within one year (31 December 2020: all). The Group's gearing ratio as at 30 June 2021 was 12.3% (31 December 2020: 10.1%), based on the short-term interest bearing bank borrowings and the equity attributable to the Shareholders. As at 30 June 2021, bank borrowing of RMB49,966,000 and RMB10,000,000 were at variable and fixed rate respectively (31 December 2020: all are variable rate borrowings). As at 30 June 2021, the Group had net current assets of RMB109.2 million (31 December 2020: RMB119.5 million).

Treasury management policy

The treasury management policy of the Group is to utilise surplus cash reserves to invest in low-risk wealth management products to generate income without interfering with the Group's business operations or capital expenditures. With the aim of controlling risks faced by the Group, the Group generally invests in low-risk and 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 debts, 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 approves all investment contracts, the treasury department of the Group is responsible for the overall execution of the Group's investment decisions. The treasury department is also responsible for tracking the underlying investments of the wealth management products held by the Group and analysing the performance of the investments of the Group. If the treasury department identifies any risk associated with the wealth management products, the Group will take immediate action to manage its risk exposure. The investments of the Group are monitored from time to time, and professional agencies will be appointed to perform review and audit of such investments if deemed necessary. The treasury department also reviews the Group's cash position, operating cash requirements and potential investment opportunities on a monthly basis, and is also responsible for preparing monthly investment plans and cash budgets. The monthly investment plans and cash budgets are approved by the vice president of treasury department of the Group, the chairman of the Board, and, if necessary, the Board, taking into account whether the proposed investment plans would have any negative impact on the Group's cash position and operating cash requirements. The personnel of the treasury department of the Group are required to strictly follow the approved monthly investment plans to execute the Group's treasury management policy.

Foreign exchange exposure

The majority of the Group's revenue and expenditures are denominated in RMB. Most of the cash and bank deposits of the Group as at 30 June 2021 were denominated in RMB and HKD. The Group currently does not have any foreign currency hedging policies. The management will continue to monitor the Group's foreign exchange risk exposure and consider adopting prudent measures as appropriate.

Material acquisitions and disposals and significant investment

There was no significant investment held, material acquisition and disposal of subsidiaries, associates and joint ventures by the Company for the period ended 30 June 2021. The Group will endeavour to keep abreast of the changing market conditions and proactively identify investment opportunities with a view to broadening its revenue base and enhancing its future financial performance and profitability. The Directors are confident in the future growth of the Company. As at 30 June 2021, none of the investments held by the Group were direct equity investments in any investee company nor individually exceeds 5% of the total assets of the Group as at 30 June 2021.

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 2021.

Contingent liabilities

As at 30 June 2021, the Group did not have material contingent liabilities, guarantees or litigations or claims of material importance, pending or threatened against any member of the Group (31 December 2020: nil).

Pledge of assets

As at 30 June 2021, bank borrowings of RMB10,000,000 were secured by the patents of the Group (31 December 2020: the Group has repaid all of the bank borrowings carried as at 31 December 2019 and the secured by the property, plant and equipment and right-of-use assets for lands of the Group had been released).

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 3,631 employees as at 30 June 2021 (31 December 2020: 4,574 employees). The Group's remuneration policies are in line with the prevailing market practices and are determined on the basis of performance and experience of the individual. 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$0.1 per Share for the six months ended 30 June 2021 to the shareholders of the Company. The register of members of the Company will be closed from 9 September 2021 to 13 September 2021 (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 2021. The interim dividend is expected to be paid on or about 22 October 2021 to those shareholders on the register of members of the Company on 13 September 2021.

Subsequent events

In July 2021, the General Office of the Chinese Communist Party and the General Office of the State Council of the PRC published the Opinions on Double Reduction. The Opinions on Double Reduction proposes certain measures intended to ease the workload of students in compulsory education and regulate the relevant after-school education service providers in the PRC. It specifies that the government of every province (including autonomous region and municipality) should refine the implementation measures taking into account local circumstances and establish a specialised organisation to ascertain the roadmap, timeline and responsible personnel for implementing the governance actions to achieve the objective of "double reduction" (雙減).

The Opinions on Double Reduction contains high-level policy directives about requirements and restrictions related to both online and offine after-school tutoring services, including (i) institutions providing after-school tutoring services on academic subjects in China's compulsory education system, or academic after-school tutoring institutions, need to be registered as non-profit, no approval will be granted to new academic after-school tutoring institutions, and an approval mechanism will be adopted for online academic after-school tutoring institutions; (ii) foreign ownership in academic after-school tutoring institutions is prohibited, including through contractual arrangements, and companies with existing foreign ownership need to rectify the situation; (iii) listed companies are prohibited from raising capital to invest in businesses that teach academic subjects in compulsory education; (iv) academic after-school tutoring institutions are prohibited from providing tutoring services on academic subjects in compulsory education during public holidays, weekends and school breaks; and (v) academic after-school tutoring institutions must follow the fee standards to be established by relevant authorities. The Opinions on Double Reduction also provides that institutions providing after-school tutoring services on academic subjects in high schools (which do not fall within China's compulsory education system) shall take into consideration the Opinions on Double Reduction when conducting activities.

The Company is committed to complying with the principles of the Opinions on Double Reduction and the implementation rules in the interest of the students' well-being. With the assistance of the Company's PRC legal advisers, the Board will continue to monitor the development of the Opinions on Double Reduction and other relevant rules and regulations (particularly the implementation of the Opinions on Double Reduction in Shenzhen, where the Group's operations are substantially based) and make adjustments to the Group's business operations as necessary.

Based on the principles set out in the Opinions on Double Reduction, the Directors expect that the Group will need to make certain adjustments to its business operations, including, among others, to re-arranging the timing of the classes and ceasing to operate certain learning centres that do not meet the key operating parameters as originally envisaged, which is expected to have a negative impact on the Group's financial performance and operating prospects.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 2021 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 2021 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 2021 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 2021.

5. Use of net proceeds from global offering

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

As 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 2021, the Group had utilised the IPO Proceeds in the manner as set out in the table below:

		IPO Proceeds	**Utilisation as at 30 June 2021**	**Unutilised amount**
	%		HK$ million	
Expanding its learning centre network in the Guangdong-Hong Kong-Macau Greater Bay Area	50%	225.1	175.4	49.7
Improving its teaching quality	30%	135.0	133.1	1.9
Renovating the facilities of its learning centres and purchasing teaching equipment	20%	90.0	49.6	40.4
Total	100%	450.1	358.1	92.0

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

As at 30 June 2021, 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%

* 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.

Save as disclosed above, as at 30 June 2021, 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 2021, 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 2021, 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 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 seven 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 2021 are set out below:

			Number of share options				
Name/class of grantees	**Date granted**	**Exercise price per Share**	**As at 1 January 2021**	**Granted during the period**	**Exercised during the period**	**Lapsed/ cancelled during the Period**	**Outstanding as at 30 June 2021**
Employees of the Group	25 September 2019	HK$7.5	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.

Share Award Scheme

The Share Award Scheme was approved and adopted by the Board on 28 December 2020. A summary of the Scheme is set out below. For further details, please refer to the announcement of the Company dated 28 December 2020.

Share Purchase pursuant to the Share Award Scheme

On 28 December 2020, the Board also resolved to provide from time to time but in any event a total sum of not exceeding HK$100 million for the Trustee to purchase existing Shares on the market at the prevailing market price (the "Share Purchase") at appropriate time and hold such Shares for future award of Shares under the Scheme. As at the date of this interim report, the Trustee has purchased a total number of 7,281,000 Shares on the market to hold on trust for the benefit of the selected participants pursuant to the Scheme Rules and the Trust Deed. The balance of Shares held by the Trustee immediately after the Share Purchase represents approximately 1.31% to the total number of Shares in issue as at the date of this interim report. The Company will continue to closely monitor market conditions and its trading share price and instruct the Trustee to undertake share repurchase for the purpose of the Scheme as and when appropriate. As at the date of this interim report, no Shares have been awarded to any selected participants pursuant to the Scheme. The Board will constantly review and determine at its absolute discretion such number of awarded Shares to be awarded to the selected participants under the Scheme with such vesting conditions as the Board may deem appropriate.

9. 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 (as defined in the Prospectus), 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 registration from the Education Bureau in Hong Kong and is currently identifying and recruiting suitable teachers and other relevant staff. 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. The Group 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
Chairman of the Board and
Executive Director

Qi Mingzhi
Executive Director and
Chief Executive Officer

Hong Kong, 24 August 2021

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
"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
"Opinions on Double Reduction"	the Opinion on Further Easing the Workload of Students in Compulsory Education and Burden of After-school Tutoring (《關於進一步減輕義務教育階段學生作業負擔和校外培訓負擔的意見》) published by the General Office of the Chinese Communist Party and the General Office of the State Council of the People's Republic of China
"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
"Scheme" or "Share Award Scheme"	the share award scheme of the Company constituted by the Scheme Rules
"Scheme Rules"	the rules relating to the Scheme, as approved and adopted by the Board on 28 December 2020 in its present form or as amended from time to time
"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

"Share Option Scheme"	the post-IPO share option scheme approved and adopted by the Company on 3 June 2019
"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
"Trustee"	Kastle Limited, and any additional or replacement trustees, being the trustee or trustees for the time being declared in the Trust Deed
"Trust Deed"	a trust deed dated 28 December 2020 and entered into between the Company as settlor and the Trustee as trustee (as restated, supplemented and amended from time to time)
"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