



思考乐教育
SCHOLAR
EDUCATION



2022 Interim Report

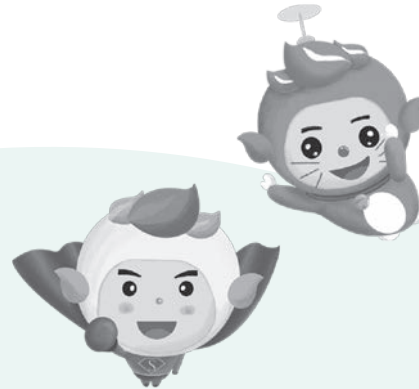
Erudite to Be Excelsior • Educate to Achieve Success

思考樂教育集團

SCHOLAR EDUCATION GROUP

Stock Code: 1769

(Incorporated in the Cayman Islands with limited liability)



CONTENT

- 2** Corporate Information
- 4** Corporate Profile
- 5** Financial Highlights
- 6** Chairman Statement
- 8** Report on Review of Interim Financial Information
- 9** Interim Condensed Consolidated Statement of Comprehensive Income
- 10** Interim Condensed Consolidated Balance Sheet
- 12** Interim Condensed Consolidated Statement of Changes in Equity
- 14** Interim Condensed Consolidated Statement of Cash Flows
- 15** Notes to the Interim Financial Information
- 36** Management Discussion and Analysis
- 41** Corporate Governance and Other Information
- 49** Definitions



CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Chen Qiyuan (*Chairman*)
Mr. Qi Mingzhi (*Chief Executive Officer*)
Ms. Li Ailing
Ms. Leng Xinlan

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

CORPORATE INFORMATION

Principal Share Registrar and Transfer Office

Date of Listing

21 June 2019

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 Meilin Branch
1st Floor, Huamaoyuan
Zhongkang Road, Shangmeilin
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

CORPORATE PROFILE

Scholar Education Group is a leading private education service provider in South China.

Our educational philosophy is to “focus on academic excellence to enable our students to achieve their aspirations” (博學精教·成就學生). We are committed to providing high-quality tutoring education to students through a student-oriented teaching approach. All of our classes are delivered in small class settings, typically consisting of no more than 20 students per class.

Our “Le Xue” (樂學) programme is comprised of liberal education courses in respect of art, sports, painting, performance art, calligraphy, scientific literacy, Le Xue and Guo Xue (樂學國學), logic training and Miaowei international literacy (妙維國際素養) with a view to fulfilling various needs of students and encouraging students to develop their hobbies and talents, and by providing them quality services, children can achieve a balanced development in the five aspects of “ethics, intellect, physique, aesthetics and hard-work” and enjoy a healthy and all-rounded development.

In addition, the Group provides 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.

We will strive to promote the diversified development of the Group throughout all aspects in the future to live up to the recognition of students, parents, and people from all walks of life.

FINANCIAL HIGHLIGHTS

	For the six months ended			Percentage change
	30 June			
	2022	2021	Change	
	RMB'000	RMB'000	RMB'000	
Revenue	191,428	517,055	(325,627)	(63.0)%
Operating (loss)/profit	(54,703)	77,793	(132,496)	(170.3)%
(Loss)/profit for the period	(32,840)	42,749	(75,589)	(176.8)%

(Loss)/earnings per Share

	RMB cents	RMB cents	RMB cents	
Basic	(5.76)	7.76	(13.52)	(174.2)%
Diluted	(5.76)	7.66	(13.42)	(175.2)%

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 2022.

Business overview

The first half of 2022 was full of challenges and opportunities. In order to align with the policy of the PRC government, the Group took initiatives to achieve business transformation. In autumn 2021, the Group launched non-academic literacy programmes, including science literacy, Le Xue and Guo Xue (樂學國學), logic training, Miaowei international literacy (妙維國際素養) and other courses, which have seen early encouraging results. During the six months ended 30 June 2022, the Group's revenue from literacy programmes increased to RMB179.0 million from RMB22.2 million, and its tutoring hours increased to 2,068,795 hours from 263,043 hours, as compared to the same period of last year, despite the impact brought by the COVID-19 pandemic and the measures implemented in the PRC for pandemic prevention and control. Our literacy programmes have gained a high level of recognition from students and parents as they placed more emphasis on training children's ability to take initiatives and enhancing their deep thinking skills to achieve their overall development through the integration of learning and thinking.

In order to improve operational efficiency and to carry out the strategic plan of business transformation, the Group closed some of its learning centres in the second half of last year that did not meet its expected key performance indicators, resulting in a year-on-year decrease in the Group's total revenue in the first half of this year. During the six months ended 30 June 2022, the Group's revenue had decreased to RMB191.4 million, representing a decrease of 63.0% as compared to the corresponding period of last year. The Group recorded a net loss of RMB32.8 million for the six months ended 30 June 2022, primarily due to the decrease in fair value of certain investments in financial assets. Excluding the decrease in fair value of these financial assets of RMB83.2 million, the Group would record an operating profit of RMB28.5 million for the six months ended 30 June 2022.

Future Prospects and Development Strategies

Looking forward, we will further consolidate the development of "Le Xue" (樂學), one of the Group's brands, which comprises of liberal education in respect of art, sports, painting, performance art, calligraphy, scientific literacy, Le Xue and Guo Xue (樂學國學), logic training and Miaowei international literacy (妙維國際素養) with a view to fulfilling various needs of students and encouraging students to develop their hobbies and talents. By providing them with quality services, children can achieve a balanced development in the five aspects of "ethics, intellect, physique, aesthetics and hard-work" and enjoy a healthy and all-rounded development.

At the same time, we are seeking new business opportunities and may make suitable investments should such opportunities arise, including identifying potential businesses for merger, acquisition or investment, so as to achieve diversification of the Group's business and generate new profit growth points. These promising businesses are relatively nascent, but we will strive to promote the diversified development of the Group throughout all aspects in the future by leveraging our brand influence and reputation, as well as the extensive management experience and industry knowledge of the management team, in order to broaden the revenue base and maximise returns for the shareholders of the Company.

In addition, we will continue to employ stringent cost control measures to maintain a sound cash flow of the Company. We will also develop technology to continuously enhance the quality of our services and operational efficiency to support the long-term development of the Group.

CHAIRMAN STATEMENT

Acknowledgement

Finally, on behalf of the Board, I would like to express my sincere gratitude to the students and parents, but also to our management and all staff for their loyalty and dedication. 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. We will endeavour to further develop our business to deliver greater returns to Shareholders.

Chen Qiyuan

Chairman

Hong Kong, 24 August 2022

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

TO THE BOARD OF DIRECTORS OF SCHOLAR EDUCATION GROUP

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 9 to 35, which comprises the interim condensed consolidated balance sheet of Scholar Education Group (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2022 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 notes, comprising significant accounting policies and other explanatory information. 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 2022

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Unaudited	
		Six months ended 30 June	
		2022	2021
		RMB'000	RMB'000
Revenue	6	191,428	517,055
Cost of sales	9	(126,848)	(324,592)
Gross profit		64,580	192,463
Selling expenses	9	(1,566)	(8,754)
Administrative expenses	9	(34,963)	(93,908)
Research and development expenses	9	(6,792)	(38,176)
Other income — net	7	2,975	18,637
Decrease in fair value of financial assets at fair value through profit or loss	18(c)	(83,239)	—
Other gains — net	8	4,302	7,531
Operating (loss)/profit		(54,703)	77,793
Finance costs	10	(3,826)	(17,936)
(Loss)/profit before income tax		(58,529)	59,857
Income tax credit/(expense)	11	25,689	(17,108)
(Loss)/profit for the period		(32,840)	42,749
(Loss)/profit for the period is attributable to:			
— Equity holders of the Company		(32,027)	42,749
— Non-controlling interests		(813)	—
		(32,840)	42,749
(Loss)/earnings per share (expressed in RMB cents per share)			
— Basic	12	(5.76)	7.76
— Diluted	12	(5.76)	7.66
(Loss)/profit for the period		(32,840)	42,749
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
— Revaluation gains on investment properties upon transfer from property, plant and equipment		—	378
Total comprehensive (loss)/income for the period		(32,840)	43,127

The accompanying notes on pages 15 to 35 form an integral part of the interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited As at 30 June 2022 RMB'000	Audited As at 31 December 2021 RMB'000
	Notes		
Assets			
Non-current assets			
Property, plant and equipment	13	44,109	54,369
Right-of-use assets	14	126,566	179,388
Investment properties	15	82,020	65,100
Intangible assets	16	2,628	2,800
Prepayments and other receivables	17	11,226	18,694
Deferred tax assets		36,951	12,721
Financial assets at fair value through profit or loss		—	24,129
Total non-current assets		303,500	357,201
Current assets			
Prepayments and other receivables	17	9,535	11,425
Financial assets at fair value through profit or loss	18	72,585	155,725
Cash and cash equivalents	19	200,305	236,041
Restricted cash		—	176
Total current assets		282,425	403,367
Total assets		585,925	760,568
Equity			
Share capital	20	3,775	3,775
Share premium	21	82,698	82,698
Other reserves	21	33,293	33,293
Retained earnings		166,153	198,180
Capital and reserves attributable to equity holders of the Company		285,919	317,946
Non-controlling interests		(1,214)	(401)
Total equity		284,705	317,545

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited As at 30 June 2022 RMB'000	Audited As at 31 December 2021 RMB'000
	Notes		
Liabilities			
Non-current liabilities			
Lease liabilities	14	85,246	119,592
Total non-current liabilities		85,246	119,592
Current liabilities			
Contract liabilities	23	140,709	176,251
Lease liabilities	14	33,676	32,804
Trade and other payables	24	37,632	80,941
Current income tax liabilities		3,957	3,435
Borrowings	25	—	30,000
Total current liabilities		215,974	323,431
Total liabilities		301,220	443,023
Total equity and liabilities		585,925	760,568

The accompanying notes on pages 15 to 35 form an integral part of the interim condensed consolidated financial information.

The interim condensed consolidated financial information on pages 9 to 35 was approved by the Board of Directors on 24 August 2022 and were signed on its behalf.

Chen Qiyuan
Director

Qi Mingzhi
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited							
	Attributable to owners of Company					Total	Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Retained earnings	RMB'000			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2022	3,775	82,698	33,293	198,180	317,946	(401)	317,545	
Loss for the period	—	—	—	(32,027)	(32,027)	(813)	(32,840)	
Total comprehensive income for the period	—	—	—	(32,027)	(32,027)	(813)	(32,840)	
Balance at 30 June 2022	3,775	82,698	33,293	166,153	285,919	(1,214)	284,705	

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	—	—	—	378	42,749	43,127
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

The accompanying notes on pages 15 to 35 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	
		2022	2021
		RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from operations		4,946	109,473
Interest received		194	1,441
Interest paid		(446)	(1,058)
Income taxes paid		(136)	(15,025)
Net cash generated from operating activities		4,558	94,831
Cash flows from investing activities			
Payments for property, plant and equipment, land use rights and intangible assets		(5,514)	(96,182)
Proceeds from disposal of property, plant and equipment		455	627
Payments for purchase of financial assets at fair value through profit or loss	18	(644,422)	(1,673,844)
Proceeds from disposal of financial assets at fair value through profit or loss	18	671,200	1,540,072
Net cash generated from/(used in) investing activities		21,719	(229,327)
Cash flows from financing activities			
Proceeds from borrowings		—	60,136
Repayment of borrowings		(30,000)	(54,570)
Dividends paid to shareholders		—	(54,267)
Payments on cancellation of share options		(12,657)	—
Acquisition of shares under employee share scheme		—	(52,846)
Exercise of shares held		981	—
Principal elements of lease payments	14	(20,510)	(59,656)
Net cash used in financing activities		(62,186)	(161,203)
Net decrease in cash and cash equivalents		(35,909)	(295,699)
Cash and cash equivalents at the beginning of the period		236,041	442,586
Effects of exchange rate changes on cash and cash equivalents		173	(655)
Cash and cash equivalents at end of the period		200,305	146,232

The accompanying notes on pages 15 to 35 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 private education services in the People’s Republic of China (the “PRC” or “China”).

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

The Company’s 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 2022 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 2022 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 2021 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.

The Group will continue to implement measures before the Structured Contracts are unwound, with an aim to further enhance its control over the PRC Operating Entities. The Company is not aware of any non-performance of the Structured Contracts or non-compliance with such aforementioned measures as at the date of this Report. As advised by the Group’s PRC legal counsel, the Structured Contracts are legally enforceable and did not violate existing PRC laws and regulations for the six months ended 30 June 2022 and up to the date of this Report. The Directors will continue to closely monitor the development of laws and regulations and will make further appropriate adjustment of its business model whenever needed to ensure comply with the new relevant policies. Based on cashflow projections for a period of not less than 12 months after 30 June 2022, the Directors are in the opinion that the Group’s available source of funds is sufficient to fulfil its financial obligations as when fall due in the coming twelve months from 30 June 2022. The Group therefore continues to adopt the going concern basis in preparing its interim financial information.

NOTES TO THE INTERIM FINANCIAL INFORMATION

3. Accounting policies

The accounting policies applied are consistent with those of the financial statements of the Company for the year ended 31 December 2021 (the “2021 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.

- Property, Plant and Equipment: Proceeds before Intended Use — Amendments to IAS 16
- Onerous Contracts — Cost of Fulfilling a Contract — Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018–2020
- Reference to the Conceptual Framework — Amendments to IFRS 3
- Amendments to AG 5 Merger Accounting for Common Control Combinations

(b) New standards and interpretations not yet adopted

		Effective for annual periods beginning on or after
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current	1 January 2024
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 2022 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.

NOTES TO THE INTERIM FINANCIAL INFORMATION

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 2021 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 2021 Financial Statements.

There have been no changes in the risk management function since 31 December 2021 or in any risk management policies since 31 December 2021.

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 2022					
Trade payables	441	—	—	—	441
Other payables	10,086	—	—	—	10,086
Lease liabilities	37,050	31,568	43,626	68,821	181,065
	47,577	31,568	43,626	68,821	191,592

NOTES TO THE INTERIM FINANCIAL INFORMATION

5. Financial risk management (Continued)

5.2 Liquidity risk (Continued)

	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					
2021					
Trade payables	1,948	—	—	—	1,948
Other payables	24,926	—	—	—	24,926
Borrowings	30,397	—	—	—	30,397
Lease liabilities	36,217	38,614	66,774	69,602	211,207
	93,488	38,614	66,774	69,602	268,478

5.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2022 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 2022 were as follows:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Asset				
Wealth management products	—	—	55,585	55,585
Unlisted equity investments in Mainland China	—	—	17,000	17,000
Financial assets at FVPL	—	—	72,585	72,585

NOTES TO THE INTERIM FINANCIAL INFORMATION

5. Financial risk management (Continued)

5.3 Fair value estimation (Continued)

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Asset				
Wealth management products	—	—	179,854	179,854
Financial assets at FVPL	—	—	179,854	179,854

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 2022.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the six months ended 30 June 2022.

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 2022, 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.

NOTES TO THE INTERIM FINANCIAL INFORMATION

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 private education services for the six months ended 30 June 2022.

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Recognised over time		
— Private education services	191,428	517,055

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	
	2022	2021
	RMB'000	RMB'000
Sub-lease (a)		
— Sub-lease income	583	2,204
— Sub-lease expense	(471)	(2,082)
Rental income from operating leases	1,456	824
Finance income	194	1,441
Government grants	1,213	16,250
	2,975	18,637

(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.

NOTES TO THE INTERIM FINANCIAL INFORMATION

8. Other gains — net

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Fair value gains on financial assets at FVPL	2,748	18,077
Lease modification	4,356	6,771
Net losses on disposal of property, plant and equipment	(1,508)	(9,449)
Deposits losses	(510)	(3,317)
Compensation charges	(483)	(2,530)
Fair value losses on investment properties (Note 15)	(360)	(1,000)
Net foreign exchange gains/(losses)	173	(655)
Others	(114)	(366)
	4,302	7,531

9. Expenses by nature

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Employee benefit expenses	109,545	305,880
Depreciation and amortisation	39,679	88,032
Renting expenses	3,832	1,354
Property management expenses	3,117	7,445
Teaching materials	2,922	16,062
Professional service fees	2,514	2,570
Software usage fees	1,700	842
Office expenses	1,584	3,924
Maintenance cost	1,540	3,716
Advertising and exhibition expenses	1,327	4,362
Utilities	986	3,925
Auditor's remuneration	650	850
Other taxes	765	2,111
Entertainment expenses	123	875
Travel and transportation	104	601
Recruitment expenses	25	896
Impairment provision on property, plant and equipment	—	15,169
Allowance for impairment	(12)	1,316
Rent concession related to COVID-19 (Note 14(d))	(1,310)	(1,175)
Others	1,078	6,675
	170,169	465,430

NOTES TO THE INTERIM FINANCIAL INFORMATION

10. Finance costs

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Finance expenses		
— Interest expense on borrowings	356	1,097
— Interest expense on leasing liabilities (Note 14(b))	3,470	16,839
	3,826	17,936

11. Income tax (credit)/expense

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Current tax		
— Current tax on profits for the period	(1,459)	16,248
Deferred income tax		
— (Decrease)/increase in deferred income tax	(24,230)	860
Income tax (credit)/expense	(25,689)	17,108

NOTES TO THE INTERIM FINANCIAL INFORMATION

11. Income tax (credit)/expense (Continued)

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
(Loss)/profit before income tax:	(58,529)	59,857
Tax calculated at tax rates applicable to profit in the respective companies	(17,181)	15,187
Tax effects of:		
— Preferential tax policies (c)	13,661	(8,822)
— Expenses not deductible for tax purposes	11	52
— Research and development super deduction (d)	(777)	(3,417)
— Unrecognised tax losses	674	14,108
— Adjustment for current tax of prior periods	(2,117)	—
— Previously unrecognised tax losses now recouped to reduce current tax expense	(19,960)	—
	(25,689)	17,108

(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

Under the current Hong Kong Inland Revenue Ordinance, 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.

(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.

NOTES TO THE INTERIM FINANCIAL INFORMATION

12. (Loss)/earnings per share

(a) Basic (loss)/earnings per share

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

	Six months ended 30 June	
	2022	2021
(Loss)/earnings attributable to equity holders of the Company (in RMB thousands)	(32,027)	42,749
Weighted average number of ordinary shares in issue (thousand shares)	555,700	550,871
Basic (loss)/earnings per share (expressed in RMB cents per share)	(5.76)	7.76

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share adjusts the figures used in the determination of basic (loss)/earnings per share to take into account:

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	Six months ended 30 June	
	2022	2021
Diluted (loss)/earnings per share (expressed in RMB cents per share)	(5.76)	7.66

Weighted average number of shares used as the denominator

	Six months ended 30 June	
	2022	2021
Weighted average number of ordinary shares used as the denominator in calculating basic (loss)/earnings per share	555,700,000	550,871,000
Adjustments for calculation of diluted (loss)/earnings per share:		
Share options*	—	7,053,000
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted (loss)/earnings per share	555,700,000	557,924,000

* As at 30 June 2022, the Company did not have any potential dilutive shares throughout the current reporting period. Accordingly, diluted earnings per share are the same as the basic earnings per share.

NOTES TO THE INTERIM FINANCIAL INFORMATION

13. Property, plant and equipment

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
At the beginning of the period	54,369	170,333
Additions	901	56,692
Transfer to investment properties	(4,798)	(39,399)
Disposals	(1,910)	(10,076)
Impairment provision	—	(15,169)
Depreciation charge	(4,453)	(27,421)
At the end of the period	44,109	134,960

14. Right-of-use assets and Leases

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

	As at	As at
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Right-of-use assets		
Land use rights	45,516	59,043
Properties	81,050	120,345
	126,566	179,388
Lease liabilities		
Current	33,676	32,804
Non-current	85,246	119,592
	118,922	152,396

NOTES TO THE INTERIM FINANCIAL INFORMATION

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	
	2022	2021
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
— Properties	34,006	59,030
— Land use rights	1,044	1,396
	35,050	60,426
Finance costs on leases	3,470	16,839

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

For the six months ended 30 June 2022, the cash outflows from financing activities for leases were RMB20,510,000 (For the six months ended 30 June 2021: RMB59,656,000) and cash outflows from operating activities for short-term lease was RMB3,832,000 (For the six months ended 30 June 2021: RMB1,354,000).

(d) Rent concessions related to COVID-19

For the six months ended 30 June 2022, the rent concessions related to COVID-19 were RMB1,310,000 (For the six months ended 30 June 2021: RMB1,175,000)(Note 9).

15. Investment properties

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
At fair value		
At the beginning of the period	65,100	—
Transfer from property, plant and equipment	4,798	39,399
Transfer from land use right	12,482	26,223
Revaluation gains recognised in other comprehensive income	—	378
Revaluation losses recognised as other gains-net	(360)	(1,000)
At the end of the period	82,020	65,000

NOTES TO THE INTERIM FINANCIAL INFORMATION

15. Investment properties (Continued)

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Rental income from operating leases	1,456	634
Revaluation losses recognised as other gains-net	(360)	(1,000)
	1,096	(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 2022 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 2022.

(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	
	2022	2021
	RMB'000	RMB'000
At the beginning of the period	2,801	2,857
Additions	56	619
Disposals	(53)	—
Amortisation	(176)	(185)
At the end of the period	2,628	3,291

NOTES TO THE INTERIM FINANCIAL INFORMATION

17. Prepayments and other receivables

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Included in non-current assets		
Lease deposits	14,793	15,594
Prepayments for leasehold improvements	139	6,812
	14,932	22,406
Allowance for impairment (d)	(3,706)	(3,712)
	11,226	18,694
Included in current assets		
Lease deposits	865	649
Prepayments (a)	678	2,965
Loans to employees (b)	2,321	3,086
Cash advances to employees (c)	2,104	1,152
Amounts due from related parties (Note 26(b)(i))	600	1,009
Other receivables	5,367	4,970
	11,935	13,831
Allowance for impairment (d)	(2,400)	(2,406)
	9,535	11,425

As at 30 June 2022 and 31 December 2021, 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 RMB6,106,000 (As at 31 December 2021: RMB6,118,000).

NOTES TO THE INTERIM FINANCIAL INFORMATION

18. Financial assets at fair value through profit or loss

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
At beginning of the period	179,854	298,943
Additions	644,422	1,673,844
Fair value (losses)/gains	(80,491)	18,077
Disposals	(671,200)	(1,540,072)
At the end of the period	72,585	450,792

- (a) The short-term investments measured at fair value through profit or loss are mainly wealth management products, denominated in RMB, with expected rates of returns ranging from 2.0% to 9.1% per annum for the six months ended 30 June 2022 except for certain financial assets as stated in note (c). 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.
- (b) 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.
- (c) For the six months ended 30 June 2022, estimated fair value losses of RMB83,239,000 (for the six months ended 30 June 2021: Nil) are recognised in the consolidated statement of comprehensive income for certain wealth management products purchased by the Group were overdue for redemption or may be subject to the risk of overdue redemption. The remaining carrying amount of these wealth management products were not material to the financial statements.
- (d) As at 30 June 2022, the Group holds certain investment funds with fair value of RMB15,000,000 (As at 31 December 2021: nil) which are managed by the general partner while the Group participated in the funds as a limited partner. Management considered that the Group has neither significant influence nor joint control over the fund and therefore it is classified as financial assets at FVPL.

NOTES TO THE INTERIM FINANCIAL INFORMATION

19. Bank balance and cash

(a) Cash and cash equivalents

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Cash and bank deposits	200,305	236,041

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

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
RMB	198,439	234,311
US dollar	3	3
Hong Kong dollar	1,863	1,727
	200,305	236,041

(b) Restricted cash

As at 30 June 2022, no restricted deposits held at banks (As at 31 December 2021: RMB176,000).

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 2022 and 30 June 2022 and 1 January 2021 and 30 June 2021	1,000,000,000	1,000,000	6,860,633	555,700,000	555,700	3,774,897

NOTES TO THE INTERIM FINANCIAL INFORMATION

21. Share premium and other reserves

	Other reserves					
	Share premium	Merger reserve	Capital reserves	Share based		Total
				compensation reserves	Revaluation surplus	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2021	295,908	(46,347)	79,011	33,697	—	66,361
Dividends paid to the Company's shareholders	(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
Balance at 1 January 2022 and balance at 30 June 2022	82,698	(46,347)	79,011	251	378	33,293

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 recommended an interim dividend of HK\$0.1 per share. The interim dividend, amounting to HK\$55,570,000 was not been recognised as liabilities in the interim financial information for the six months ended 30 June 2021.

The board does not recommend the payment of a interim dividend for the six months ended 30 June 2022.

23. Contract liabilities

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Deferred revenue — education services	140,709	176,251

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.

NOTES TO THE INTERIM FINANCIAL INFORMATION

24. Trade and other payables

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Current		
Trade payables (a)	441	1,948
Employee benefits payables	18,252	42,506
Other taxes payables	8,853	11,412
Other payables	10,086	25,075
	37,632	80,941

- (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 2022 RMB'000	As at 31 December 2021 RMB'000
Three months or less	48	723
Three to six months	345	993
Six months to one year	48	232
	441	1,948

25. Borrowings

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
— Unsecured with guarantee		
Bank borrowings	—	30,000

As at 31 December 2021, bank borrowings bear effective interest rate of 3.89%. All the bank borrowings of the Group were denominated in RMB. During the six months ended 30 June 2022, the Group has repaid all of the bank borrowings brought forward from as at 31 December 2021.

NOTES TO THE INTERIM FINANCIAL INFORMATION

25. Borrowings (Continued)

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

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Within 1 year	—	30,000

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
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
Jiaren Health Meiye (Shenzhen) Group Co., Ltd. * (嘉人健康美業(深圳)集團有限公司)	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.

NOTES TO THE INTERIM FINANCIAL INFORMATION

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	
	2022	2021
	RMB'000	RMB'000
China Resources Vanguard Co., Ltd.	548	1,624
Vanguard Department Store (Guangzhou) Co., Ltd.	—	722
New Jiangcheng Department Store (Jiangmen) Co., Ltd.	—	383
Shenzhen Vanguard Department Store Co., Ltd.	—	316
Vanguard Department Store (Zhuhai) Co., Ltd.	—	273
	548	3,318

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
China Resources Vanguard Co., Ltd.	121	484
Vanguard Department Store (Guangzhou) Co., Ltd.	—	296
New Jiangcheng Department Store (Jiangmen) Co., Ltd.	—	178
Shenzhen Vanguard Department Store Co., Ltd.	—	133
Vanguard Department Store (Zhuhai) Co., Ltd.	—	125
	121	1,216

Rental income from operating leases to related parties:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Jiaren Health Meiye (Shenzhen) Group Co., Ltd.	200	—

NOTES TO THE INTERIM FINANCIAL INFORMATION

26. Significant related party transactions (Continued)

(b) Balances with related parties

(i) Prepayments and other receivables

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
China Resources Vanguard Co., Ltd.	482	482
Vanguard Department Store (Guangzhou) Co., Ltd.	—	322
Shenzhen Vanguard Department Store Co., Ltd.	—	92
Vanguard Department Store (Zhuhai) Co., Ltd.	—	113
Jiaren Health Meiye (Shenzhen) Group Co., Ltd.	118	—
	600	1,009

(ii) Right-of-use assets

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
China Resources Vanguard Co., Ltd.	3,805	4,352

(iii) Lease liabilities

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
China Resources Vanguard Co., Ltd.	5,448	5,666

(iv) Trade and other payables

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
China Resources Vanguard Co., Ltd.	165	—

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

1. Revenue

The Group's revenue decreased by 63.0% from RMB517.1 million for the six months ended 30 June 2021 to RMB191.4 million for the six months ended 30 June 2022. This decrease was primarily due to decreases in the total student enrolments and tutoring hours, which was primarily because of the decrease of the total number of the Group's learning centres for the six months ended 30 June 2022.

The following table sets forth the Group's revenue by type of education services for the periods indicated based on the Group's internal records:

	Six months ended 30 June 2022 RMB'000	Six months ended 30 June 2021 RMB'000	Change
Non-academic literary programme	178,966	22,231	705.0%
Tutoring programme	12,462	494,824	(97.5)%
Total	191,428	517,055	(63.0)%

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

	Six months ended 30 June 2022		Six months ended 30 June 2021		Change	
	Student enrolments	Tutoring hours	Student enrolments	Tutoring hours	Student enrolments	Tutoring hours
Non-academic literary programme	83,646	2,068,795	6,287	263,043	1,230.5%	686.5%
Tutoring programme	5,671	138,704	202,700	5,581,039	(97.2)%	(97.5)%
Total	89,317	2,207,499	208,987	5,844,082	(57.3)%	(62.2)%

MANAGEMENT DISCUSSION AND ANALYSIS

2. Cost of sales

The cost of sales of the Group decreased by 60.9% from RMB324.6 million for the six months ended 30 June 2021 to RMB126.8 million for the six months ended 30 June 2022. This decrease was primarily due to (i) a decrease in teacher compensation primarily attributable to the decrease in revenue, (ii) decreases in amortisation of right-of-use assets and property management fee as a result of the decrease of the total number of the Group's learning centres for the six months ended 30 June 2022; and (iii) a decrease in software usage fee because classes were delivered online during the COVID-19 pandemic for the six months ended 30 June 2021.

3. Gross profit and gross profit margin

As a result of the foregoing, the gross profit of the Group decreased by 66.4% from RMB192.5 million for the six months ended 30 June 2021 to RMB64.6 million for the six months ended 30 June 2022. The gross profit margin of the Group decreased from 37.2% for the six months ended 30 June 2021 to 33.7% for the six months ended 30 June 2022.

4. Selling expenses

The selling expenses of the Group decreased by 82.1% from RMB8.8 million for the six months ended 30 June 2021 to RMB1.6 million for the six months ended 30 June 2022. The decrease was primarily due to the decreases in customer service personnel expenses, advertising and exhibition expenses and entertainment expenses relating to business activities.

5. Administrative expenses

The administrative expenses of the Group decreased by 62.8% from RMB93.9 million for the six months ended 30 June 2021 to RMB35.0 million for the six months ended 30 June 2022. This decrease was mainly due to (i) the decreases in administrative personnel expenses and office expenses, and (ii) the absence of an impairment provision on property, plant and equipment of RMB15.2 million provided for the six months ended 30 June 2021.

6. Research and development expenses

The research and development expenses of the Group decreased by 82.2% from RMB38.2 million for the six months ended 30 June 2021 to RMB6.8 million for the six months ended 30 June 2022. The decrease was primarily due to a decrease in research and development personnel expenses.

7. Other income — net

The other net income of the Group decreased by 84.0% from RMB18.6 million for the six months ended 30 June 2021 to RMB3.0 million for the six months ended 30 June 2022. This decrease was primarily due to (i) a decrease of RMB15.0 million in government grants in relation to the government's measures to provide relief for the economic impact of the COVID-19 pandemic, and (ii) a decrease in finance income of RMB1.2 million.

8. Other gains — net

The other net gains of the Group decreased by 42.9% from RMB7.5 million for the six months ended 30 June 2021 to RMB4.3 million for the six months ended 30 June 2022. This decrease was primarily attributable to: (i) a decrease in fair value gains on financial assets at fair value through profit or loss of RMB15.3 million, and (ii) a decrease of RMB2.4 million in lease modification. The decrease was partially offset by (i) a decrease of RMB7.9 million in net losses on disposal of property, plant and equipment; (ii) a decrease in deposits losses of RMB2.8 million; and (iii) a decrease in compensation charges of RMB2.0 million.

MANAGEMENT DISCUSSION AND ANALYSIS

9. Finance costs

The finance costs of the Group decreased by 78.7% from RMB17.9 million for the six months ended 30 June 2021 to RMB3.8 million for the six months ended 30 June 2022, primarily due to the decreases in interest expenses on lease liabilities and borrowings.

10. (Loss)/profit before income tax

As a result of the foregoing, the Group recorded a loss before income tax of RMB58.5 million for the six months ended 30 June 2022 as compared to the profit before income tax of RMB59.9 million for the six months ended 30 June 2021.

11. Income tax credit/(expenses)

The income tax expenses of the Group were approximately RMB17.1 million for the six months ended 30 June 2021 as compared to the income tax credit of RMB25.7 million for six months ended 30 June 2022. The decrease was primarily due to the recognition of deferred tax assets.

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

As a result of the foregoing, the Group recorded a loss for the period attributable to equity holders of RMB32.0 million for the six months ended 30 June 2022 as compared to the profit for the period attributable to equity holders of RMB42.7 million for the six months ended 30 June 2021.

Liquidity, financial resources and capital structure

The total equity of the Group as at 30 June 2022 was RMB284.7 million (31 December 2021: RMB317.5 million). The Group generally financed its operations with internally generated cash flows. As at 30 June 2022, the Group's cash and cash equivalents decreased by 15.1% from RMB236.0 million as at 31 December 2021 to RMB200.3 million. As at 30 June 2022, the current assets of the Group amounted to RMB282.4 million (31 December 2021: RMB403.4 million), including RMB72.6 million (31 December 2021: RMB155.7 million) in financial assets at fair value through profit or loss, RMB200.3 million (31 December 2021: RMB236.2 million) in bank balances and cash and other current assets of RMB9.5 million (31 December 2021: RMB11.4 million). The current liabilities of the Group amounted to RM216.0 million (31 December 2021: RMB323.4 million), of which RMB140.7 million (31 December 2021: RMB176.3 million) were contract liabilities, RMB33.7 million (31 December 2021: RMB32.8 million) were lease liabilities and RMB41.6 million (31 December 2021: RMB84.4 million) were other payables and accruals. The Group did not have bank borrowings as at 30 June 2022. As at 31 December 2021, the Group had RMB30.0 million bank borrowings, all of which were variable rate borrowings, denominated in RMB and wholly repayable within one year. The Group's gearing ratio as at 30 June 2022 was 0.0% (31 December 2021: 9.4%), based on the short-term interest bearing bank borrowings and the equity attributable to the shareholders. As at 30 June 2022, the Group had net current assets of RMB66.5 million (31 December 2021: RMB 79.9 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Treasury management policy

The treasury management policy of the Group is to utilise surplus cash reserves to invest in low-risk wealth management products to generate income without interfering with the Group's business operations or capital expenditures. With the aim of controlling risks to the Group, the Group generally invests in low and medium risk and short-term (generally with maturity periods not more than one year) wealth management products, including but not limited to: (i) low-risk, principal-protected unit trusts, structured deposits and other financial instruments issued by trust companies and commercial banks based in the PRC and the United States of America; (ii) money market instruments such as certified deposits and currency funds; (iii) debt instruments such as sovereign debt, central bank-issued debts and various debt funds; and (iv) unlisted securities. The chairman of the Board is mandated by the Board to make investment decisions within the pre-determined limit. Subject to the approval of the chairman of the Board, who approves all investment contracts, the treasury department of the Group is responsible for the overall execution of the Group's investment decisions. The treasury department is also responsible for tracking the underlying investments of the wealth management products held by the Group and analysing the performance of the investments of the Group. If the treasury department identifies any risk associated with the wealth management products, the Group will take immediate action to manage its risk exposure. The investments of the Group are monitored from time to time, and professional agencies will be appointed to perform review and audit of such investments if deemed necessary. The treasury department also reviews the Group's cash position, operating cash requirements and potential investment opportunities on a monthly basis, and is also responsible for preparing monthly investment plans and cash budgets. The monthly investment plans and cash budgets are approved by the vice president of treasury department of the Group, the chairman of the Board, and, if necessary, the Board, taking into account whether the proposed investment plans would have any negative impact on the Group's cash position and operating cash requirements. The personnel of the treasury department of the Group are required to strictly follow the approved monthly investment plans to execute the Group's treasury management policy.

Foreign exchange exposure

The majority of the Group's revenue and expenditures are denominated in RMB. Most of the cash and bank deposits of the Group as at 30 June 2022 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 six months ended 30 June 2022. 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 2022, 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 2022.

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 2022.

Contingent liabilities

As at 30 June 2022, 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 2021: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Pledge of assets

As at 30 June 2022, the Group did not have pledge of assets (31 December 2021: all bank borrowings were unsecured with guarantee).

Employees and remuneration policies

The Group adheres to a strong belief that one of the most valuable assets of a corporation is its employees. The Group values its human resources and recognises the importance of attracting and retaining qualified staff for its continuing success.

The Group employed a total work force of 1,117 employees as at 30 June 2022 (31 December 2021: 1,552 employees). The Group strives to offer a harmonious, efficient and productive working environment and a diversified range of training programmes to its employees. The Group's remuneration policies are in line with the prevailing market practices and are determined on the basis of performance and experience of the individual. The Group has been constantly reviewing staff remuneration package to ensure it is competitive in the market.

Subsequent events

There were no significant events affecting the Group after 30 June 2022.

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 2022 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 2022 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 2022 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 2022.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2022, 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	215,080,000	38.70%
Mr. Qi Mingzhi	Beneficial owner	12,518,000	2.25%

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 2022, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2022, 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	215,080,000	38.70%
Yu Xi International ⁽¹⁾	Interest in a controlled corporation	215,080,000	38.70%
CREG ⁽²⁾	Beneficial owner	48,975,000	8.81%
CRE Alliance Fund I L.P. ⁽²⁾⁽³⁾	Interest in a controlled corporation	48,975,000	8.81%
CRE Alliance (Cayman) Limited ⁽²⁾	Interest in a controlled corporation	48,975,000	8.81%
CRE Alliance (BVI) Limited ⁽²⁾	Interest in a controlled corporation	48,975,000	8.81%
CRE Trading (Hong Kong) Limited ⁽²⁾	Interest in a controlled corporation	48,975,000	8.81%
China Resources Enterprise, Limited ⁽²⁾	Interest in a controlled corporation	48,975,000	8.81%
CRE Alliance Fund I LP Limited ⁽³⁾	Interest in a controlled corporation	48,975,000	8.81%
China Great Wall AMC (International) Holdings Company Limited ⁽³⁾	Interest in a controlled corporation	48,975,000	8.81%
Mr. Chen Hongyu	Beneficial owner	34,663,000	6.24%

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) 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.
- (3) 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed above, as at 30 June 2022, 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.

7. 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 ten 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 six years and ten months as at the date of this interim report. Throughout the six months ended 30 June 2022, no option was outstanding under the Share Option Scheme.

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 purchased a total number of 7,281,000 Shares on the market and these Shares have been fully awarded to the Selected Participants pursuant to the Scheme Rules and the Trust Deed. 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, nil Shares were held by the Trustee. 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

8. 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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. As advised by the Group's PRC legal counsel, the Structured Contracts were legally enforceable and did not violate existing PRC laws and regulations for the six months ended 30 June 2022 and up to the date of this interim report.

CORPORATE GOVERNANCE AND OTHER INFORMATION

9. Change in Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in the Directors' information subsequent to the date of 2021 annual report of the Company are as follows:

Mr. Huang Victor, being an independent non-executive Director, has been appointed as an independent non-executive director of Shandong Hi-Speed New Energy Group Limited (山高新能源集團有限公司) (stock code: 1250) on 19 May 2022.

Save as disclosed above, as at the date of this interim report, the Company is not aware of any change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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 2022

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
“Group”	the Company with its subsidiaries and consolidated affiliated entities
“IFRS”	International Financial Reporting Standards
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers
“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

DEFINITIONS

“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