思考乐教育
SCHOLAR EDUCATION

SCHOLAR EDUCATION GROUP
思考樂教育集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1769)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

HIGHLIGHTS

The Board is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 30 June 2022. These interim results have been reviewed by the Company's audit committee and the Company's auditors, PricewaterhouseCoopers.

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June			Percentage
	2022	2021	**Change**	**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%)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Unaudited Six months ended 30 June **2022** ***RMB'000***	 2021 *RMB'000*
Revenue	*5*	**191,428**	517,055
Cost of sales	*8*	**(126,848)**	(324,592)
Gross profit		**64,580**	192,463
Selling expenses	*8*	**(1,566)**	(8,754)
Administrative expenses	*8*	**(34,963)**	(93,908)
Research and development expenses	*8*	**(6,792)**	(38,176)
Other income — net	*6*	**2,975**	18,637
Decrease in fair value of financial assets at fair value through profit or loss		**(83,239)**	—
Other gains — net	*7*	**4,302**	7,531
Operating (loss)/profit		**(54,703)**	77,793
Finance costs	*9*	**(3,826)**	(17,936)
(Loss)/profit before income tax		**(58,529)**	59,857
Income tax credit/(expense)	*10*	**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	*11*	**(5.76)**	7.76
— Diluted	*11*	**(5.76)**	7.66
(Loss)/profit for the period		**(32,840)**	42,749
Other comprehensive income			
Items that will not be reclassified to profit or loss			
— Revaluation gains on investment properties upon transfer from property, plant and equipment		**—**	378
Total comprehensive (loss)/income for the period		**(32,840)**	43,127

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

	Notes	**Unaudited As at 30 June 2022** *RMB'000*	Audited As at 31 December 2021 *RMB'000*
Assets			
Non-current assets			
Property, plant and equipment		**44,109**	54,369
Right-of-use assets	*12*	**126,566**	179,388
Investment properties		**82,020**	65,100
Intangible assets		**2,628**	2,800
Prepayments and other receivables		**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		**9,535**	11,425
Financial assets at fair value through profit or loss		**72,585**	155,725
Cash and cash equivalents		**200,305**	236,041
Restricted cash		**—**	176
Total current assets		**282,425**	403,367
Total assets		**585,925**	760,568
Equity			
Share capital	*13*	**3,775**	3,775
Share premium		**82,698**	82,698
Other reserves		**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

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

NOTES TO THE CONDENSED CONSOLIDATED 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.

2. BASIS OF PREPARATION OF HALF-YEAR REPORT

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 announcement. 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 announcement. 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 12 months from 30 June 2022. The Group therefore continues to adopt the going concern basis in preparing its 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.

4. FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise 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.

4.2 Liquidity risk

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

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

	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

4.3 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).

Financial instruments at fair value as at 30 June 2022 were as follows:

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***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**

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

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*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.

5. 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.

6. 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.

7. 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	**(360)**	(1,000)
Net foreign exchange gains/(losses)	**173**	(655)
Others	**(114)**	(366)
	4,302	7,531

8. 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	**(1,310)**	(1,175)
Others	**1,078**	6,675
	170,169	465,430

9. 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	**3,470**	16,839
	3,826	17,936

10. 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

11. (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

(c) Diluted (loss)/earnings per share

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.

12. RIGHT-OF-USE ASSETS AND LEASES

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

	As at 30 June 2022 *RMB'000*	As at 31 December 2021 *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

(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).

13. 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

14. 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

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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 Unaudited ***RMB'000***	Six months ended 30 June 2021 Unaudited *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%)

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 outbreak 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.

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).

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 announcement, 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).

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'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

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 announcement, 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 announcement.

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 announcement 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.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at http://www.skledu.com. The interim report of the Group for the six months ended 30 June 2022 will be published on the aforesaid websites and will be despatched to the Company's shareholders in due course.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions have the following meanings:

"Board"	the board of Directors
"CG Code"	Corporate Governance Code contained in Appendix 14 to the Listing Rules
"Company"	Scholar Education Group, an exempted company incorporated in the Cayman Islands with limited liability on 7 February 2018
"COVID-19"	the infectious respiratory disease caused by the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) that was first identified in 2019
"Director(s)"	the director(s) of the Company
"Group"	the Company with its subsidiaries and consolidated affiliated entities
"IFRS"	International Financial Reporting Standards
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers
"Prospectus"	the prospectus of the Company dated 12 June 2019 in connection with the Global Offering of the Shares
"Share(s)"	ordinary share(s) of US$0.001 each in the share capital of the Company

"Stock Exchange"	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 24 August 2022

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

Executive directors
Mr. Chen Qiyuan *(chairman)*
Mr. Qi Mingzhi *(chief executive officer)*
Ms. Li Ailing
Ms. Leng Xinlan

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

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

This announcement contains forward-looking statements relating to the business outlook, estimates of financial performance, forecast business plans and growth strategies of the Group. These forward-looking statements are based on information currently available to the Group and are stated herein on the basis of the outlook at the time of this announcement. They are based on certain expectations, assumptions and premises, some of which are subjective or beyond control of the Group. These forward-looking statements may prove to be incorrect and may not be realised in the future. Underlying these forward-looking statements are a large number of risks and uncertainties. In light of the risks and uncertainties, the inclusion of forward-looking statements in this announcement should not be regarded as representations by the Board or the Company that the plans and objectives will be achieved. Furthermore, this announcement also contains statements based on the Group's management accounts, which have not been audited by the Group's auditor. Shareholders and potential investors should therefore not place undue reliance on such statements.