



INTERIM REPORT 2023



思考樂教育集團
SCHOLAR EDUCATION GROUP

Stock Code: 1769
(Incorporated in the Cayman Islands with limited liability)

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Chen Qiyuan (*Chairman*)
Mr. 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
Mr. Yang Xuezhi
Ms. Yim Ka Man

Audit Committee

Mr. Huang Victor (*Chairman*)
Mr. Yang Xuezhi
Ms. Yim Ka Man

Remuneration Committee

Ms. Yim Ka Man (*Chairman*)
Mr. Chen Qiyuan
Mr. Huang Victor

Nomination Committee

Mr. Chen Qiyuan (*Chairman*)
Mr. Huang Victor
Ms. Yim Ka Man

Strategic Development Committee

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

Authorised Representatives

Mr. Qi Mingzhi
Mr. So Wai Hang

Company Secretary

Mr. So Wai Hang

Legal Advisers

As to Hong Kong law:

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

As to Cayman Islands law:

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

Auditor

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

Registered Office

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

Headquarters and Principal Place of Business in the PRC

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

Principal Place of Business in Hong Kong

Unit 02, 3/F, Austin Plaza
No. 83 Austin Road
Kowloon
Hong Kong

Principal Share Registrar and Transfer Office

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

Date of Listing

21 June 2019

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 have also explored new opportunities and launched our livestreaming e-commerce business. Leveraging our advantages in branding, technology and resources with an existing pool of talents, we entered into a brand new live commerce business which provide food, drinks, daily and other products, and offer premium services for our customers through diversified cooperation with different partners. Our mission is to create a high-quality and cost-effective e-commerce platform for the provision of competitive value for money high quality products so as to improve better quality of life and promote healthy lifestyles to our customers.

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

	Unaudited For the six months ended 30 June			Percentage change
	2023 RMB'000	2022 RMB'000	Change RMB'000	
Revenue	251,323	191,428	59,895	31.3%
Operating profit/(loss)	49,656	(54,703)	104,359	190.8%
Profit/(loss) for the period attributable to equity holders	42,938	(32,027)	74,965	234.1%
<i>Non-IFRS measure:</i>				
Adjusted profit/(loss) for the period attributable to equity holders (Note)	46,511	(32,027)	78,538	245.2%

Earnings/(loss) per Share

	RMB cents	RMB cents	RMB cents	
Basic	7.73	(5.76)	13.49	234.2%
Diluted	7.66	(5.76)	13.42	233.0%
<i>Non-IFRS measure:</i>				
Adjusted earnings/(loss) per Share (Note)				
Basic	8.37	(5.76)	14.13	245.3%
Diluted	8.29	(5.76)	14.05	244.0%

Note: The Company defined its adjusted profit/(loss) attributable to equity holders as its profit/(loss) for the period attributable to equity holders after adjusting for those items which were not indicative of the Company's operating performances, mainly including the share option benefit expenses of approximately RMB 3.6 million (six months ended 30 June 2022: nil) for the six months ended 30 June 2023.

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 2023.

Business overview

The principal business of the Group had remained profitable and the Group recorded an operating profit of RMB49.7 million for the six months ended 30 June 2023. The Group has strived to promote business transformation, and has launched non-academic literacy programmes since autumn 2021, 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 shown promising results. During the six months ended 30 June 2023, the Group's revenue from literacy programmes increased to RMB232.2 million from RMB179.0 million, and its tutoring hours increased to 2,675,300 hours from 2,068,795 hours, as compared to the same period of last year. 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. During the six months ended 30 June 2023, the Group's total revenue had increased to RMB251.3 million, representing an increase of 31.3% as compared to the same period last year. For the six months ended 30 June 2023, the Group recorded a net profit attributable to equity holders of RMB42.9 million, as compared to a net loss attributable to equity holders of RMB32.0 million for the six months ended 30 June 2022. It was mainly attributable to (i) an increase in total tutoring hours, which in turn contributed to an increase in revenue, (ii) the Group's continued efforts in improving operation efficiency, and (iii) fair value gain on financial assets (as opposed to fair value loss recorded in the same period last year).

Future Prospects and Development Strategies

The Group has been exploring new business opportunities. The Group entered into a brand new live commerce business and this was a new attempt by the Group to tap into the new consumption industry. Leveraging the advantages of its brand, technology and resources and the existing talent, the Group will collaborate with top e-commerce and new media partners in the industry, which is expected to create an e-commerce platform to provide high-quality and cost-effective products and contribute to the long-term development of the Group.

In addition, 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, Guo Xue (國學), logic training and international literacy 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.

We will strive to promote a diversified development of the Group throughout all aspects in the future, and utilise our brand influence and reputation as well as the extensive management experience and industry knowledge of the management team, to actively explore new business opportunities in different fields, expand 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.

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, 23 August 2023

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 36, which comprises the interim condensed consolidated balance sheet of Scholar Education Group (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2023 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 selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 23 August 2023

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Unaudited Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
Revenue	6	251,323	191,428
Cost of sales	9	(147,265)	(126,848)
Gross profit		104,058	64,580
Selling expenses	9	(5,133)	(1,566)
Administrative expenses	9	(50,420)	(34,963)
Research and development expenses	9	(8,701)	(6,792)
Other income — net	7	4,134	2,975
Other gains/(losses) — net	8	5,718	(78,937)
Operating profit/(loss)		49,656	(54,703)
Finance costs	10	(2,774)	(3,826)
Profit/(loss) before income tax		46,882	(58,529)
Income tax (expense)/credit	11	(4,408)	25,689
Profit/(loss) for the period		42,474	(32,840)
Profit/(loss) and total comprehensive income attributable to:			
— Equity holders of the Company		42,938	(32,027)
— Non-controlling interests		(464)	(813)
		42,474	(32,840)
Earnings/(loss) per share (expressed in RMB cents per share)			
— Basic	12	7.73	(5.76)
— Diluted	12	7.66	(5.76)

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	Unaudited As at 30 June 2023 RMB'000	Audited As at 31 December 2022 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	13	35,486	37,678
Right-of-use assets	14	141,000	135,895
Investment properties	15	82,155	82,375
Intangible assets	16	2,768	2,454
Prepayments and other receivables	17	22,993	10,931
Deferred tax assets		19,686	20,264
Financial assets at fair value through profit or loss	18	33,965	32,695
Financial assets at amortised cost		96,000	—
Total non-current assets		434,053	322,292
Current assets			
Inventories		301	—
Prepayments and other receivables	17	24,689	16,566
Financial assets at fair value through profit or loss	18	92,267	117,295
Term deposits with original maturity over 3 months	19	9,047	—
Cash and cash equivalents	19	174,507	298,737
Restricted cash		—	35
Total current assets		300,811	432,633
Total assets		734,864	754,925
Equity			
Share capital	20	3,775	3,775
Share premium	23	82,698	82,698
Shares held for employee share scheme	21	(2,203)	—
Other reserves	23	36,815	32,338
Retained earnings		295,529	252,591
Capital and reserves attributable to equity holders of the Company		416,614	371,402
Non-controlling interests		(464)	—
Total equity		416,150	371,402

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	Unaudited As at 30 June 2023 RMB'000	Audited As at 31 December 2022 RMB'000
Liabilities			
Non-current liabilities			
Lease liabilities	14	89,491	82,764
Total non-current liabilities		89,491	82,764
Current liabilities			
Contract liabilities	25	128,851	181,524
Lease liabilities	14	35,417	34,169
Trade and other payables	26	61,662	83,431
Current income tax liabilities		3,293	1,635
Total current liabilities		229,223	300,759
Total liabilities		318,714	383,523
Total equity and liabilities		734,864	754,925

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

The interim condensed consolidated financial information on pages 9 to 36 was approved by the Board of Directors on 23 August 2023 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								
	Notes	Share held for					Total	Non-controlling interests	Total equity
		Share capital	Share premium	Share Scheme	Other reserves	Retained earnings			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2023		3,775	82,698	—	32,338	252,591	371,402	—	371,402
Profit for the period		—	—	—	—	42,938	42,938	(464)	42,474
Total comprehensive income for the period		—	—	—	—	42,938	42,938	(464)	42,474
Transactions with owners in their capacity as owners:									
Acquisition of shares for employee share scheme	21	—	—	(2,203)	—	—	(2,203)	—	(2,203)
Share based payments	22	—	—	—	4,477	—	4,477	—	4,477
Balance at 30 June 2023		3,775	82,698	(2,203)	36,815	295,529	416,614	(464)	416,150

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited						
	Attributable to owners of Company					Non- controlling interests	Total equity
	Share capital	Share premium	Other reserves	Retained earnings	Total		
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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Unaudited Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations		(6,181)	4,946
Interest received		792	194
Interest paid		—	(446)
Income taxes paid		(2,172)	(136)
Net cash (used in)/generated from operating activities		(7,561)	4,558
Cash flows from investing activities			
Payments for property, plant and equipment, land use rights and intangible assets		(16,322)	(5,514)
Proceeds from disposal of property, plant and equipment		—	455
Payments for term deposits with initial maturities over three months		(9,047)	—
Payments for purchase of financial assets at amortised cost		(96,000)	—
Payments for purchase of financial assets at fair value through profit or loss	18	(1,208,110)	(644,422)
Proceeds from disposal of financial assets at fair value through profit or loss	18	1,235,537	671,200
Net cash (used in)/generated from investing activities		(93,942)	21,719
Cash flows from financing activities			
Repayment of borrowings		—	(30,000)
Payments on cancellation of share options		—	(12,657)
Acquisition of shares under employee share scheme		(2,203)	—
Exercise of shares held		—	981
Principal elements of lease payments	14	(21,504)	(20,510)
Net cash used in financing activities		(23,707)	(62,186)
Net decrease in cash and cash equivalents		(125,210)	(35,909)
Cash and cash equivalents at the beginning of the period		298,737	236,041
Effects of exchange rate changes on cash and cash equivalents		980	173
Cash and cash equivalents at end of the period		174,507	200,305

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. General information

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

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the provision of 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 23 August 2023 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 six months ended 30 June 2023 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 2022 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 2023 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 compliance with the new relevant policies. Based on cashflow projections for a period of not less than 12 months after 30 June 2023, the Directors are in the opinion that the Group’s available source of funds is sufficient to fulfil its financial obligations as and when fall due in the coming twelve months from 30 June 2023. 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 2022 (the “2022 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.

- Insurance Contracts — IFRS 17
- Disclosure of Accounting Policies — Amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimates — Amendments to IAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction — Amendments to IAS 12

(b) New standards and interpretations not yet adopted

		Effective for annual periods beginning on or after
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2024
Amendments to IAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to IFRS 16	Lease liability in sale and leaseback	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

Certain new accounting standards and interpretations have been published that are not mandatory for the six months ended 30 June 2023 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

4. Estimates

The preparation of interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2022 Financial Statements.

NOTES TO THE INTERIM FINANCIAL INFORMATION

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 2022 Financial Statements.

There have been no material changes in the risk management function since 31 December 2022 or in any risk management policies since 31 December 2022.

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 one year RMB'000	One to two years RMB'000	Two to five years RMB'000	Over five years RMB'000	Total RMB'000
As at 30 June 2023					
Trade payables	1,896	—	—	—	1,896
Other payables	6,752	—	—	—	6,752
Lease liabilities	40,407	31,306	43,964	112,986	228,663
	49,055	31,306	43,964	112,986	237,311
	Within one year RMB'000	One to two years RMB'000	Two to five years RMB'000	Over five years RMB'000	Total RMB'000
As at 31 December 2022					
Trade payables	1,281	—	—	—	1,281
Other payables	11,042	—	—	—	11,042
Lease liabilities	37,138	29,928	35,393	100,219	202,678
	49,461	29,928	35,393	100,219	215,001

NOTES TO THE INTERIM FINANCIAL INFORMATION

5. Financial risk management (Continued)

5.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2023 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 2023 were as follows:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Asset				
Wealth management products	—	—	92,267	92,267
Listed equity investments in Mainland China	3,335	—	—	3,335
Unlisted equity investments in Mainland China	—	—	30,630	30,630
	3,335	—	122,897	126,232

Financial instruments at fair value as at 31 December 2022 were as follows:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Asset				
Wealth management products	—	—	117,295	117,295
Listed equity investments in Mainland China	2,065	—	—	2,065
Unlisted equity investments in Mainland China	—	—	30,630	30,630
	2,065	—	147,925	149,990

NOTES TO THE INTERIM FINANCIAL INFORMATION

5. Financial risk management (Continued)

5.3 Fair value estimation (Continued)

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 2023.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the six months ended 30 June 2023.

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 2023, 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.

The Group also has a number of financial instruments which are not measured at fair value in the statement of financial position. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable is either close to current market rates or the instruments are short-term in nature.

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.

NOTES TO THE INTERIM FINANCIAL INFORMATION

6. Revenue and segment information (Continued)

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 2023.

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Recognised over time		
— Private education services and others	251,323	191,428

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	
	2023 RMB'000	2022 RMB'000
Sub-lease — net (a)	354	112
Rental income from operating leases	1,467	1,456
Finance income	792	194
Government grants	1,521	1,213
	4,134	2,975

- (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/(losses) – net

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Fair value gains/(losses) on financial assets at FVPL	3,669	(80,491)
Interest on financial assets at amortised cost	630	—
Lease modification	279	4,356
Net losses on disposal of property, plant and equipment	(20)	(1,508)
Deposits losses	(226)	(510)
Compensation charges	(115)	(483)
Fair value losses on investment properties (Note 15)	(400)	(360)
Net foreign exchange gains	980	173
Others	921	(114)
	5,718	(78,937)

9. Expenses by nature

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Employee benefit expenses	147,712	109,545
Depreciation and amortisation	28,441	39,679
Advertising and exhibition expenses	4,247	1,327
Teaching materials	3,689	2,922
Property management expenses	3,081	3,117
Professional service fees	3,336	2,514
Office expenses	2,827	1,584
Maintenance cost	1,569	1,540
Operating expenses	1,376	—
Utilities	1,370	986
Other taxes	1,192	765
Auditor's remuneration	650	650
Rent concession related to COVID-19 (Note 14 (d))	—	(1,310)
Allowance for impairment	3,794	(12)
Others	8,235	6,862
	211,519	170,169

NOTES TO THE INTERIM FINANCIAL INFORMATION

10. Finance costs

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Finance expenses		
– Interest expense on borrowings	–	356
– Interest expense on leasing liabilities (Note 14 (b))	2,774	3,470
	2,774	3,826

11. Income tax expense/(credit)

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Current tax		
– Current tax on profit/(loss) for the period	3,830	(1,459)
Deferred income tax		
– Increase/(decrease) in deferred income tax	578	(24,230)
Income tax expense/(credit)	4,408	(25,689)

NOTES TO THE INTERIM FINANCIAL INFORMATION

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

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

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Profit/(loss) before income tax:	46,882	(58,529)
Tax calculated at tax rates applicable to profit in the respective companies	11,368	(17,181)
Tax effects of:		
– Preferential tax policies (c)	(9,075)	13,661
– Expenses not deductible for tax purposes	96	11
– Research and development super deduction (d)	(1,305)	(777)
– Unrecognised tax losses	1,940	674
– Adjustment for current tax of prior periods	(107)	(2,117)
– Previously unrecognised tax losses now recouped to reduce current tax expense	(209)	(19,960)
– Withholding income tax (e)	1,700	–
	4,408	(25,689)

(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.

The provision for Hong Kong Profits Tax for 2023 is taken into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2022-2023 subject to a maximum reduction of HK\$6,000 for each business.

(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. The effective corporate tax rate increases to 25% beginning from 1 January 2023 when the three-year preferential tax exemption expired.

NOTES TO THE INTERIM FINANCIAL INFORMATION

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

(d) Research and development super deduction

According to relevant laws and regulations promulgated by the State Administration of Tax of the PRC effective from 1 October 2022 onwards, enterprises engaging in research and development activities are entitled to claim 200% of their qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the year ("Super Deduction"). The Group has made its best estimate for the Super Deduction to be claimed in ascertaining the assessable profits for the period ended 30 June 2023.

(e) Withholding income tax

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding income tax.

As at 30 June 2023, deferred income tax liabilities of approximately RMB63,410,000 (as at 31 December 2022: RMB38,088,000) had not been recognised for the withholding tax that would be payable on the unremitted earnings of approximately RMB270,051,000 (as at 31 December 2022: RMB255,291,000) of certain subsidiaries in the PRC as these earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to their overseas holding companies in the foreseeable future based on management's estimation on the Group's overseas funding requirements.

12. Earnings/(loss) per share

(a) Basic earnings/(loss) per share

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

	Six months ended 30 June	
	2023	2022
Earnings/(loss) attributable to equity holders of the Company (in RMB thousands)	42,938	(32,027)
Weighted average number of ordinary shares in issue (thousand shares)	555,515	555,700
Basic earnings/(loss) per share (expressed in RMB cents per share)	7.73	(5.76)

NOTES TO THE INTERIM FINANCIAL INFORMATION

12. Earnings/(loss) per share (Continued)

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share adjusts the figures used in the determination of basic earnings/(loss) 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	
	2023	2022
Diluted earnings/(loss) per share (expressed in RMB cents per share)	7.66	(5.76)

Weighted average number of shares used as the denominator

	Six months ended 30 June	
	2023	2022
Weighted average number of ordinary shares used as the denominator in calculating basic earnings/(loss) per share	555,515,000	555,700,000
Adjustments for calculation of diluted earnings/(loss) per share: Share options	5,349,000	—
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings/(loss) per share	560,864,000	555,700,000

NOTES TO THE INTERIM FINANCIAL INFORMATION

13. Property, plant and equipment

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
At the beginning of the period	37,678	54,369
Additions	3,842	901
Transfer to investment properties	—	(4,798)
Disposals	(20)	(1,910)
Depreciation charge	(6,014)	(4,453)
At the end of the period	35,486	44,109

14. Right-of-use assets and Leases

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

	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
	Right-of-use assets	
Land use rights	44,351	45,300
Properties	96,649	90,595
	141,000	135,895
Lease liabilities		
Current	35,417	34,169
Non-current	89,491	82,764
	124,908	116,933

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	
	2023 RMB'000	2022 RMB'000
Depreciation charge of right-of-use assets		
– Properties	21,292	34,006
– Land use rights	949	1,044
	22,241	35,050
Finance costs on leases	2,774	3,470

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

For the six months ended 30 June 2023, the cash outflows from financing activities for leases were RMB21,504,000 (for the six months ended 30 June 2022: RMB20,510,000) and cash outflows from operating activities for short-term lease was RMB2,793,000 (for the six months ended 30 June 2022: RMB3,832,000).

(d) Rent concessions related to COVID-19

For the six months ended 30 June 2023, the rent concession related to COVID-19 was nil (for the six months ended 30 June 2022: RMB1,310,000) (Note 9).

15. Investment properties

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
At fair value		
At the beginning of the period	82,375	65,100
Additions	180	–
Transfer from property, plant and equipment	–	4,798
Transfer from land use right	–	12,482
Revaluation losses recognised as other gains/(losses) — net	(400)	(360)
At the end of the period	82,155	82,020

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	
	2023 RMB'000	2022 RMB'000
Rental income from operating leases	1,467	1,456
Revaluation losses recognised as other gains/(losses) — net	(400)	(360)
	1,067	1,096

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 2023 was determined based on comparison approach with reference to the recent market transaction price. The Group's investment properties, which comprised office buildings in Mainland China, were valued at fair value and measured by using significant unobservable inputs (Level 3) for the six months ended 30 June 2023.

(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	
	2023 RMB'000	2022 RMB'000
At the beginning of the period	2,454	2,801
Additions	500	56
Disposals	—	(53)
Amortisation	(186)	(176)
At the end of the period	2,768	2,628

NOTES TO THE INTERIM FINANCIAL INFORMATION

17. Prepayments and other receivables

	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
Included in non-current assets		
Lease deposits	9,458	13,636
Prepayments for fund management fees	676	273
Prepayments for leasehold improvements	12,127	327
Interest receivable	801	—
	23,062	14,236
Allowance for impairment (d)	(69)	(3,305)
	22,993	10,931
Included in current assets		
Lease deposits	2,941	479
Prepayments (a)	11,727	2,414
Loans to employees (b)	4,083	3,450
Cash advances to employees (c)	2,872	2,724
Lease receivables	4,158	3,821
Other receivables	1,829	6,093
	27,610	18,981
Allowance for impairment (d)	(2,921)	(2,415)
	24,689	16,566

As at 30 June 2023 and 31 December 2022, there were no significant balances that are past due.

- (a) Prepayments mainly represent prepayment for teaching materials purchase, property management expenses and operating 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 RMB2,990,000 (as at 31 December 2022: RMB5,720,000).

NOTES TO THE INTERIM FINANCIAL INFORMATION

18. Financial assets at fair value through profit or loss

Financial assets mandatorily measured at FVPL include the following:

	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
Non-current assets		
Listed equity investments in Mainland China	3,335	2,065
Unlisted equity investments in Mainland China (c)	30,630	30,630
	33,965	32,695
Current assets		
Wealth management products	92,267	117,295
	126,232	149,990

Movements of the financial assets at fair value through profit or loss are set out below:

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
At beginning of the period	149,990	179,854
Additions	1,208,110	644,422
Fair value gains/(losses)	3,669	(80,491)
Disposals	(1,235,537)	(671,200)
At the end of the period	126,232	72,585

- (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 7.0% to 8.7% per annum for the six months ended 30 June 2023 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.

NOTES TO THE INTERIM FINANCIAL INFORMATION

18. Financial assets at fair value through profit or loss (Continued)

- (c) As at 30 June 2023, the Group holds certain investment funds with fair value of RMB27,000,000 (as at 31 December 2022: RMB27,000,000) 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.

19. Bank balance and cash

(a) Cash and cash equivalents

	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
Cash and bank deposits	183,554	298,737
Less: Term deposits with original maturity over 3 months	(9,047)	—
	174,507	298,737

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

	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
RMB	167,307	296,924
US dollar	3	3
Hong Kong dollar	16,244	1,810
	183,554	298,737

(b) Restricted cash

As at 30 June 2023, no restricted deposits held at banks (as at 31 December 2022: RMB35,000).

NOTES TO THE INTERIM FINANCIAL INFORMATION

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 2023 and 30 June 2023 and 1 January 2022 and 30 June 2022	1,000,000,000	1,000,000	6,860,633	555,700,000	555,700	3,774,897

21. Shares held for employee share scheme

	2023 Shares	2023 RMB'000
Shares held for employee share scheme	1,508,000	2,203

The Group through its trustee, Kastle Limited, acquired a total of 1,508,000 of the Company's shares for the six months ended 30 June 2023 (for the six months ended 30 June 2022: nil). The total consideration paid to acquisition of these shares was HK\$2,426,570 (equivalent to RMB2,203,000), which has been presented as a deduction from equity attributable to owners of the Company. These shares are held by the trustee for the purpose of granting share award under the Company's employee share award scheme.

Details	Number of shares	RMB'000
Opening balance as at 1 January 2023	—	—
Acquisition of shares by the trustee	1,508,000	2,203
Balance as at 30 June 2023	1,508,000	2,203

NOTES TO THE INTERIM FINANCIAL INFORMATION

22. Share based payments

On 6 February 2023, the shareholders of the Company approved the adoption of a share option scheme (the “Share Option Scheme”). The Share Option Scheme is designed to provide long-term incentives for staff to deliver long-term shareholder returns. Share based compensation expenses are recognised over the options’ respective vesting period starting from the grant date.

Movements of the share options are set out below:

	Average exercise price per share option	2023 Number of options
As at 1 January	—	—
Granted during the period	HK\$1.62	27,785,000
Exercised during the period	—	—
Forfeited during the period	—	—
As at 30 June	HK\$1.62	27,785,000
Vested and exercisable at 30 June	—	—

No options were expired during the period.

Share options outstanding at the end of the period have the following expiry period and exercise prices:

Grant Date	Expiry period	Exercise price	Share options 30 June 2023
6 February 2023	Options that have vested may be exercised at any time for a period of two years from the vesting date. All outstanding or unexercised Options shall lapse after 15 April 2028.	HK\$1.62	27,785,000

Based on the fair value of the underlying ordinary share, the directors have used Trinomial tree method to determine the fair value of the share option as at the grant date. Key assumptions are set as below:

	Tranche 1	Tranche 2	Tranche 3
Risk-free interest rate	3.57%	3.42%	3.29%
Volatility	86.32%	86.32%	86.32%
Dividend yield	0.00%	0.00%	0.00%
Vesting Date	11 April 2024	11 April 2025	14 April 2026

NOTES TO THE INTERIM FINANCIAL INFORMATION

22. Share based payments (Continued)

The fair value for each of the share option as at the grant date was as follow:

	Tranche 1	Tranche 2	Tranche 3
Number of share options	9,169,050	9,169,050	9,446,900
Fair value as at the grant date	HK\$0.8070	HK\$0.9191	HK\$1.0107

For the six months ended 30 June 2023, the total expenses recognised in the consolidated statement of comprehensive income for share options was approximately RMB4,477,000 (for the six months ended 30 June 2022: nil) and were included in employee benefit expenses.

23. 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 2022 and balance at 30 June 2022	82,698	(46,347)	79,011	251	378	33,293
Balance at 1 January 2023	82,698	(46,347)	78,056	251	378	32,338
Share based payments	—	—	—	4,477	—	4,477
Balance at 30 June 2023	82,698	(46,347)	78,056	4,728	378	36,815

24. Dividends

The board does not recommend the payment of a interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: nil).

NOTES TO THE INTERIM FINANCIAL INFORMATION

25. Contract liabilities

	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
Deferred revenue — education services	128,851	181,524

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.

26. Trade and other payables

	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
Current		
Trade payables (a)	1,896	1,281
Employee benefits payables	41,511	57,141
Other taxes payables	11,433	13,927
Lease payment in advance	70	40
Other payables	6,752	11,042
	61,662	83,431

- (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 2023 RMB'000	As at 31 December 2022 RMB'000
Three months or less	1,552	1,233
Three to six months	1	—
Six months to one year	343	48
	1,896	1,281

NOTES TO THE INTERIM FINANCIAL INFORMATION

27. Subsequent events

During the period from 1 July 2023 to 21 July 2023 (both days inclusive), the trustee of the Company's share award scheme bought a total of 2,692,000 ordinary shares of the Company from the market at a total consideration of HK\$3,381,240 (equivalent to RMB3,106,000) which are currently held for the purpose of satisfying share awards that may be granted under the share award scheme.

28. Comparative figures

Comparative figures have been reclassified to conform with current period's presentation, including the presentation of interim condensed consolidated statement of comprehensive income, other gains/(losses) and expenses by nature. These reclassifications have no impact on the Group's total equity as at 30 June 2023 and 31 December 2022, or on the Group's profit/(loss) for the periods ended 30 June 2023 and 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

1. Revenue

The Group's revenue increased by 31.3% from RMB191.4 million for the six months ended 30 June 2022 to RMB251.3 million for the six months ended 30 June 2023. This increase was primarily due to increases in the total student enrolments and tutoring hours for the six months ended 30 June 2023.

The following table sets forth the Group's revenue for the periods indicated based on the Group's internal records:

	Unaudited		Change
	Six months ended 30 June 2023 RMB'000	Six months ended 30 June 2022 RMB'000	
Non-academic literary programme and others	232,216	178,966	29.8%
Tutoring programme	19,107	12,462	53.3%
Total	251,323	191,428	31.3%

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 2023		Six months ended 30 June 2022		Change	
	Student enrolments	Tutoring hours	Student enrolments	Tutoring hours	Student enrolments	Tutoring hours
Non-academic literary programme	107,908	2,675,300	83,646	2,068,795	29.0%	29.3%
Tutoring programme	8,622	212,300	5,671	138,704	52.0%	53.1%
Total	116,530	2,887,600	89,317	2,207,499	30.5%	30.8%

2. Cost of sales

The cost of sales of the Group increased by 16.1% from RMB126.8 million for the six months ended 30 June 2022 to RMB147.3 million for the six months ended 30 June 2023. This increase was primarily due to an increase in teacher compensation in line with the increase in revenue. The increase was partially offset by a decrease in amortisation of right-of-use assets.

3. Gross profit and gross profit margin

As a result of the foregoing, the gross profit of the Group increased by 61.1% from RMB64.6 million for the six months ended 30 June 2022 to RMB104.1 million for the six months ended 30 June 2023. The gross profit margin of the Group increased from 33.7% for the six months ended 30 June 2022 to 41.4% for the six months ended 30 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

4. Selling expenses

The selling expenses of the Group increased by 227.8% from RMB1.6 million for the six months ended 30 June 2022 to RMB5.1 million for the six months ended 30 June 2023. The increase was primarily due to the increases in advertising and exhibition expenses and in customer service personnel expenses of the livestreaming e-commerce business.

5. Administrative expenses

The administrative expenses of the Group increased by 44.2% from RMB35.0 million for the six months ended 30 June 2022 to RMB50.4 million for the six months ended 30 June 2023. This increase was mainly due to the increases in administrative personnel expenses and office expenses.

6. Research and development expenses

The research and development expenses of the Group increased by 28.1% from RMB6.8 million for the six months ended 30 June 2022 to RMB8.7 million for the six months ended 30 June 2023. The increase was primarily due to an increase in research and development personnel expenses.

7. Other income – net

The other net income of the Group increased by 39.0% from RMB3.0 million for the six months ended 30 June 2022 to RMB4.1 million for the six months ended 30 June 2023. This increase was primarily due to (i) an increase in finance income of RMB0.6 million and (ii) an increase of RMB0.3 million in government grant.

8. Other gains/(losses) – net

The Group recorded other net gains of RMB5.7 million for the six months ended 30 June 2023 as compared with the other net losses of RMB78.9 million for the six months ended 30 June 2022, primarily attributable to: (i) a decrease in fair value losses on financial assets of RMB84.2 million, (ii) a decrease of RMB1.5 million in net losses on disposals of property, plant and equipment and (iii) an increase in net foreign exchange gains of RMB0.8 million. The increase was partially offset by a decrease of RMB4.1 million in lease modification.

9. Finance costs

The finance costs of the Group decreased by 27.5% from RMB3.8 million for the six months ended 30 June 2022 to RMB2.8 million for the six months ended 30 June 2023, primarily due to the decreases in interest expenses on lease liabilities and borrowings.

10. Profit/(loss) before income tax

As a result of the foregoing, the Group recorded a profit before income tax of RMB46.9 million for the six months ended 30 June 2023 as compared to the loss before income tax of RMB58.5 million for the six months ended 30 June 2022.

11. Income tax (expense)/credit

The income tax expense of the Group were approximately RMB4.4 million for the six months ended 30 June 2023 as compared to the income tax credit of RMB25.7 million for six months ended 30 June 2022. The increase was primarily due to the increase in assessable profit.

MANAGEMENT DISCUSSION AND ANALYSIS

12. Profit/(loss) for the period attributable to equity holders

As a result of the foregoing, the Group recorded a profit for the period attributable to equity holders of RMB42.9 million for the six months ended 30 June 2023 as compared to the loss for the period attributable to equity holders of RMB32.0 million for the six months ended 30 June 2022.

Adjusted profit/(loss) for the period attributable to equity holders

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

The following table reconciles the Group's adjusted profit/(loss) for the periods attributable to equity holders presented to the most directly comparable financial measure calculated and presented in accordance with IFRS:

	Unaudited For the six months ended 30 June		Percentage Change
	2023 RMB'000	2022 RMB'000	
Profit/(loss) for the period attributable to equity holders	42,938	(32,027)	234.1%
Add: Share option benefit expenses (Note 1)	3,573	—	N/A
Adjusted profit/(loss) for the period attributable to equity to holders	46,511	(32,027)	245.2%

Note:

- (1) Share option benefit expenses: These expenses were incurred in connection with the share options granted to the employees of the Group on 6 February 2023, which are recognised over the share options' respective vesting period starting from the grant date to the vesting date. These expenses are non-cash and are not directly relevant to the Group's operating performance.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity, financial resources and capital structure

The total equity of the Group as at 30 June 2023 was RMB416.2 million (31 December 2022: RMB371.4 million). The Group generally financed its operations with internally generated cash flows. As at 30 June 2023, the Group's cash and cash equivalents decreased by 41.6% from RMB298.7 million as at 31 December 2022 to RMB174.5 million. As at 30 June 2023, the current assets of the Group amounted to RMB300.8 million (31 December 2022: RMB432.6 million), including RMB183.6 million (31 December 2022: RMB298.8 million) in bank balances and cash, RMB92.3 million (31 December 2022: RMB117.3 million) in financial assets at fair value through profit or loss, and other current assets of RMB25.0 million (31 December 2022: RMB16.6 million). The current liabilities of the Group amounted to RMB229.2 million (31 December 2022: RMB300.8 million), of which RMB128.9 million (31 December 2022: RMB181.5 million) were contract liabilities, RMB35.4 million (31 December 2022: RMB34.2 million) were lease liabilities and RMB65.0 million (31 December 2022: RMB85.1 million) were other payables and accruals. The Group did not have bank borrowings as at 30 June 2023 and 31 December 2022. The Group's gearing ratio as at 30 June 2023 was 0% (31 December 2022: 0%), based on the bank borrowings divided by the equity attributable to the shareholders. As at 30 June 2023, the Group had net current assets of RMB71.6 million (31 December 2022: RMB131.9 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) listed and 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2023 were denominated in RMB and HK\$. 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 2023. The Group will endeavour to keep abreast of the changing market conditions and proactively identify investment opportunities with a view to broadening its revenue base and enhancing its future financial performance and profitability. The Directors are confident in the future growth of the Company. Save as disclosed in this interim report, 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 2023.

Save as disclosed in this interim report, the Group did not have any plans for significant investments as at 30 June 2023.

Dividends

The Board does not recommend the payment of a interim dividend for the six months ended 30 June 2023 (For the six months ended 30 June 2022: nil).

Contingent liabilities

As at 30 June 2023, 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 2022: nil).

Pledge of assets

The Group did not have any pledge of assets as at 30 June 2023 and 31 December 2022.

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 1,757 employees as at 30 June 2023 (31 December 2022: 1,350 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

Save as disclosed in this interim report, there were no significant events affecting the Group after 30 June 2023.

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 2023, 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 2023.

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, Mr. Yang Xuezhi and Ms. Yim Ka Man. 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 2023 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 2023.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2023, 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	219,130,000	39.42%
Mr. Qi Mingzhi	Beneficial owner	12,818,000	2.31%

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 2023, 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 2023, 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	219,130,000	39.42%
Yu Xi International ⁽¹⁾	Interest in a controlled corporation	219,130,000	39.42%

Note:

- (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.

Save as disclosed above, as at 30 June 2023, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

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

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

The Share Option Scheme is valid and effective for a period of 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 five years and ten months as at the date of this interim report.

Details of the options to subscribe for Shares pursuant to the Share Option Scheme and the movement during the six months ended 30 June 2023 are set out below:

Name/class of grantees	Date granted	Exercise price per Share	Number of share options				Outstanding as at 30 June 2023
			As at 1 January 2023	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	
Employees of the Group	6 February 2023	HK\$1.62	—	27,785,000 (Note 1)	—	—	27,785,000
Total			—	27,785,000 (Note 1)	—	—	27,785,000

Note:

- (1) On 6 February 2023, the Company granted share options (the "Share Options") to the grantees under the Share Option Scheme, which will entitle them to subscribe for an aggregate of 27,785,000 new Shares. Subject to the achievement of certain performance targets, the Options will vest in three tranches: (i) 33% to be vested within fifteen (15) days after the date of publication of the annual results announcement of the Company for the year ending 31 December 2023 on the website of the Stock Exchange, provided that the vesting period shall be no less than 12 months as set out in Rule 17.03F of the Listing Rules; (ii) 33% to be vested within fifteen (15) days after the date of publication of the annual results announcement of the Company for the year ending 31 December 2024 on the website of the Stock Exchange; and (iii) the remaining 34% to be vested within fifteen (15) days after the date of publication of the annual results announcement of the Company for the year ending 31 December 2025 on the website of the Stock Exchange. Options that have vested may be exercised at any time for a period of two years from the vesting date. All outstanding or unexercised Options shall lapse after 15 April 2028.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The value of the Share Options granted is HK\$0.81 to HK\$1.01 per option, based on the binomial valuation model. The significant inputs into the model were share price of HK\$1.62 as at the grant date, exercise price shown above, standard deviation of expected share price returns of 86.32%, expected life of options of two years, expected zero dividend payout rate and annual risk-free interest rate of 3.29% to 3.57%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices of comparable companies. The trinomial model is developed to estimate the fair value of European share options. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

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 11,481,000 Shares on the market for the benefit of 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, 7,281,000 Shares had been awarded to the Selected Participants and 4,200,000 Shares were held by the Trustee pursuant to the Scheme. The Board will constantly review and determine at its absolute discretion such number of awarded Shares to be awarded to the Selected Participants under the Scheme with such vesting conditions as the Board may deem appropriate.

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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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, 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. The Group is in the process of preparing the launch of a tutorial centre in Hong Kong, which has already obtained a certificate of registration from the Education Bureau in Hong Kong and is currently identifying and recruiting suitable teachers and other relevant staff. The Company is of the view that the foregoing steps are meaningful endeavours that are reasonable and appropriate to comply with the Qualification Requirement.

Foreign Investment Law

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 2023 and up to the date of this interim report.

By Order of the Board
Scholar Education Group

Chen Qiyuan

Chairman of the Board and Executive Director

Qi Mingzhi

Executive Director and Chief Executive Officer

Hong Kong, 23 August 2023

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
“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
“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

DEFINITIONS

“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