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读书郎

## Readboy Education Holding Company Limited

讀書郎教育控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2385)

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board (the “**Board**”) of directors (the “**Directors**”) of Readboy Education Holding Company Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company (together with its subsidiaries, the “**Group**”) for the six months ended 30 June 2022 (“**2022 Interim**”) together with comparative figures for the six months ended 30 June 2021 (“**2021 Interim**”). These interim results have been reviewed by the Company’s audit committee.

#### FINANCIAL HIGHLIGHTS

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>(Loss)/profit for the period</b>	<b>(42,388)</b>	29,091
Add:		
Listing expenses	12,115	14,651
Less:		
Changes in fair value of financial liabilities at fair value through profit or loss	<b>(47,789)</b>	2,171
<b>Adjusted net profit for the period (a non-HKFRS measure) <sup>(1)</sup></b>	<b><u>17,516</u></b>	<b><u>41,571</u></b>

Note:

- (1) We define adjusted net profit for the period by adding back the listing expenses and subtracting the changes in fair value of financial liabilities at fair value through profit or loss to the loss or profit recorded for the period. We believe that the presentation of non-HKFRS measures, when shown in conjunction with the corresponding HKFRS measures, provides useful information to investors and management. For further details, please refer to the paragraph headed “Non-HKFRS Measures” in this announcement.

## **BUSINESS REVIEW**

Year 2022 is a milestone of the Company as the shares of the Company were successfully listed on the Main Board of the Stock Exchange on 12 July 2022 (the “**Listing**”). The net proceeds from the initial public offering of shares of the Company were approximately HK\$364.6 million, which will be used in accordance with the purposes as set out in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 29 June 2022 (the “**Prospectus**”).

For the six months ended 30 June 2022, the Group were engaged in the production and sales of personal student tablets, smart classroom solutions, wearable products, other products and advertisement and content licensing in China.

We design, develop, manufacture and market smart learning devices empowered by digital educational resources targeting primary and secondary school students in China, creating a flexible, efficient, effective, interactive and personalised learning experience. We design and develop our smart learning devices by utilising our in-house research and development capacities, with a substantial portion of the manufacturing and assembling process managed by ourselves.

We currently primarily offer our products under one brand, namely Readboy (讀書郎). Our Readboy brand was recognised as a reputable technology-powered education brand in China, including the Parents’ Most Trusted Education Brand for Kids in 2018 and the Technical Leading Education Brand in 2018, both recognised by Tencent News Annual Education Event, the Most Trusted Education Brand in 2019 awarded by Xinhua Net Education Forum. Our major product types include (1) personal student tablets; (2) smart classroom solutions; (3) wearable products and (4) other products including teaching and learning accessories, such as smart reader pens and smart scanner pens.

### **Personal Student Tablets**

Our personal student tablets are designed for personal end-users who are primary and secondary (including middle and high school) students aged 6 to 18, equipped with digital educational resources, mainly synchronous lesson preparation, review and learning materials, which are supplemental to the in-school education for compulsory school education, and certain selected featured learning resources. Courseware is pre-installed and is extendable while connecting to our online learning platform which offers pre-recorded video resources.

Revenue derived from the sales of personal student tablets decreased by approximately 23.1% from RMB299.6 million in 2021 Interim to RMB230.5 million in 2022 Interim. The decrease was mainly due to the resurgent outbreak of COVID-19 in various cities in China and the tightening of pandemic control measures during 2022 Interim, which affected supply chain and distributor business to a certain extent, resulting in lower sales of personal student tablets.

## **Smart Classroom Solutions**

Our smart classroom solutions typically refer to the smart educational devices embedded with smart classroom management functions, which provide a connected and interactive learning environment for school teachers and students on one hand and enable parents to monitor the learning status of their children on the other hand. Currently, primary and secondary schools are our target customers of smart classroom solutions and we expect our products to enhance the way of teaching and learning digitally, promoting teaching quality and efficiency.

Revenue derived from the sales of smart classroom solutions decreased by approximately 36.7% from RMB8.1 million in 2021 Interim to RMB5.1 million in 2022 Interim. The decrease was mainly due to the delay or cancellation of promotional activities for smart classroom solutions resulting from the resurgent outbreak of COVID-19 in China during 2022 Interim, leading to the decrease in sales of smart classroom solutions in the period.

## **Wearable Products**

We believe wearable education gadgets play an increasingly significant role in the new era of education by providing a wireless and hand-free access to various visual and audio educational resources beyond classroom in pockets of time. Such devices have expanded education scenarios and fueled the students with additional fun and motivation in learning during fragmentary time. In this regard, we have developed smartwatches specifically focusing on educational features and functions, for example they are embedded with Chinese and English Word of the Day for vocabularies learning, besides the traditional functions of GPS, video calls, health monitoring and emergency assistance.

Revenue from the sales of wearable products decreased by 61.5% from RMB34.1 million in 2021 Interim to RMB13.1 million in 2022 Interim, primarily due to the resurgent outbreak of COVID-19 in China in various cities and the tightening of pandemic control measures during 2022 Interim, which affected supply chain and distributor business to a certain extent, resulting in lower sales of wearable products.

## **Other Products**

We identify emerging market needs and trends, and from time to time develop teaching and learning accessories that are compatible to our smart learning devices, aiming to make learning more productive and efficient. We currently offer smart reader pens, which working with our online content, can identify and read the Chinese or English words and sentences out loud. Our smart scanner pens can translate the selected Chinese or English sentences instantly without connecting to the Internet. Revenue from the sales of these accessory products increased by 7.4% from RMB7.5 million in 2021 Interim to RMB8.1 million in 2022 Interim.

## Distribution Network

We primarily rely on third-party offline distributors for the sales of our products. We also distribute through online channels comprising of our self-operated online storefronts on mainstream e-commerce marketplaces and a limited number of online distributors.

The table below sets forth the revenue contribution by our sales channels.

	For the six months ended 30 June 2022 (unaudited)		For the six months ended 30 June 2021 (unaudited)	
	RMB'000	%	RMB'000	%
Online distributors	22,649	8.7	38,788	10.9
Self-operated online platforms	27,503	10.6	13,229	3.7
Offline distributors	206,668	79.6	297,332	83.7
Others <sup>(1)</sup>	2,951	1.1	5,858	1.7
<b>Total</b>	<b>259,771</b>	<b>100.0</b>	<b>355,207</b>	<b>100.0</b>

*Note (1):* Revenue derived from others during 2021 Interim and 2022 Interim represented the portion of revenue from (i) third parties who placed in-app advertisements with us and (ii) third parties who offered our licensed digital educational resources on their platforms under profit-sharing arrangements.

## Readboy Institute of Education Technology

We strive to explore educational resources and deliver the high quality digital educational resources to the Chinese students. In 2017, we established Readboy Institute of Education Technology. It is our in-house educational resource research and development center which is mainly responsible for content research, educational resource design and development, courseware and pre-recorded video resource production and other relevant supportive services.

## FINANCIAL REVIEW

### Revenue

The revenue of the Group decreased by approximately 26.9% from RMB355.2 million in 2021 Interim to RMB259.8 million in 2022 Interim. The decrease was primarily resulted from the decrease in sales of personal student tablets and wearable products due to more stringent preventive measures nationwide in pursuit of a zero-COVID-19 case goal during 2022 Interim, which affected our production schedule and the business of our offline distributors.

	For the six months ended June 30			
	2022		2021	
	<i>RMB'000</i> <i>(unaudited)</i>	%	<i>RMB'000</i> <i>(unaudited)</i>	%
Sales of personal student tablets	<b>230,501</b>	<b>88.7</b>	299,601	84.3
Sales of smart classroom solutions	<b>5,131</b>	<b>2.0</b>	8,109	2.3
Sales of wearable products	<b>13,133</b>	<b>5.1</b>	34,138	9.6
Other products	<b>8,055</b>	<b>3.1</b>	7,501	2.1
Advertisement and content licensing	<b>2,951</b>	<b>1.1</b>	5,858	1.7
<b>Total</b>	<b>259,771</b>	<b>100.0</b>	355,207	100.0

### Cost of Sales

Our cost of sales decreased by approximately 27.7% from RMB267.1 million in 2021 Interim to RMB193.3 million in 2022 Interim. The decrease was primarily due to (i) the decrease in the sales of tablets during 2022 Interim which resulted in the corresponding decrease in cost of sales; (ii) a higher material cost level during 2021 Interim primarily attributable to the unstable supply of raw materials and difficulty in procuring the relevant materials in 2021 Interim which drove up the material prices during the period. The material cost level was observed to be normalised during 2022 Interim as the supply of raw materials gradually returned to normal during 2022 Interim.

### Gross Profit and Gross Profit Margin

Our gross profit decreased by approximately 24.5% from RMB88.1 million in 2021 Interim to RMB66.5 million in 2022 Interim, primarily due to the decrease in revenue as discussed above. The gross profit margin increased from 24.8% in 2021 Interim to 25.6% in 2022 Interim, primarily due to the tightening control of discounts offered on sales of smart classroom solutions during 2022 Interim, resulting in a slight increase in the overall gross profit margin for 2022 Interim.

## **Other Income and Gains**

Other income and gains increased by approximately 26.9% from RMB24.2 million in 2021 Interim to RMB30.7 million in 2022 Interim, which was mainly due to the increase in the sales of raw materials and accessory parts, net foreign exchange differences and government grants.

## **Selling and Distribution Expenses**

Our selling and distribution expenses increased by approximately 29.4% from RMB31.1 million in 2021 Interim to RMB40.3 million in 2022 Interim, which was primarily due to increased advertising and marketing effort in line with the launch of new products and the expansion of marketing channel, e.g. social media, as part of the Group's strategy.

## **Administrative Expenses**

Our administrative expenses remained relatively stable at RMB25.8 million in 2021 Interim and RMB25.6 million in 2022 Interim.

## **Research and Development Expenses**

Our research and development expenses decreased by 13.7% from RMB18.8 million in 2021 Interim to RMB16.2 million in 2022 Interim, primarily due to the decrease in number of research and development staff, resulting in a corresponding reduction in salaries.

## **Other Expenses**

Our other expenses increased by approximately 29.2% from RMB10.7 million in 2021 Interim to RMB13.8 million in 2022 Interim, primarily due to the higher average cost of raw materials and accessory parts sold in 2022 Interim.

## **Finance Costs**

Our finance costs increased by approximately 140.0% from RMB40,000 in 2021 Interim to RMB96,000 in 2022 Interim, primarily due to the increase of incurred interest on lease liabilities.

## **Changes in fair value of financial liabilities at fair value through profit or loss**

The changes in fair value of financial liabilities at fair value through profit or loss were related to the issue of an aggregate of 67,288 shares to three pre-IPO Investors at a total consideration of US\$22.7 million (equivalent to RMB147.0 million) on 24 March 2021. We have recorded a loss in fair value of financial liabilities at fair value through profit or loss of approximately of RMB47.8 million in 2022 Interim (a gain of RMB2.7 million in 2021 Interim) mainly due to an increase in the value of the Group's equity, which was measured based on the valuation techniques determined by the independent and qualified valuer as disclosed in the Prospectus.

## **(Loss)/Profit Before Tax**

As a result of the foregoing, our profit before tax was RMB28.0 million in 2021 Interim and our loss before tax was RMB46.5 million in 2022 Interim.

## **Income Tax Credit**

We recorded income tax credit of RMB4.1 million in 2022 Interim, mainly as a result of preferential tax reduction for one subsidiary and tax losses incurred by certain subsidiaries resulting from operating loss or deferred tax losses. Income tax credit amounted to RMB1.1 million in 2021 Interim.

## **(Loss)/Profit for the Period**

As a result of the foregoing, we recognised net loss of RMB42.4 million and net profit of RMB29.1 million for 2022 Interim and 2021 Interim, respectively. The decrease was mainly attributable to the decrease in revenue by approximately RMB95.4 million, an increase in selling and distribution expenses of approximately RMB9.1 million and loss recognised from changes in fair value of financial liabilities at fair value through profit or loss of approximately RMB47.8 million due to an increase in the value of the Company's equity which was measured based on the valuation techniques determined by the independent and qualified valuer.

## **Non-HKFRS Measures**

To supplement the Group's unaudited consolidated financial statements, which are presented in accordance with HKFRS, we also present adjusted net profit as additional financial measures, which are not required by, or presented in accordance with, HKFRS. Adjusted net profit, as we present it, represents profit for the period before listing expenses and changes in fair value of financial liabilities at fair value through profit or loss. Listing expenses are expenses in relation to the initial public offering of the shares of the Company. Changes in fair value of financial liabilities at fair value through profit or loss are non-cash expenses in connection with the shares we issued to our pre-IPO investors. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares which has been adjusted retrospectively for the effect of the issues relating to the capitalisation issue in July 2022. We believe that the presentation of non-HKFRS measures, when shown in conjunction with the corresponding HKFRS measures, provides useful information to investors and management.

While these non-HKFRS measures provide additional financial measures for investors to assess our operating performance, the use of these non-HKFRS measures has certain limitations because they do not reflect all items of income and expense that affect our operations. Our presentation of these non-HKFRS measures should not be construed as an inference that our future results will be unaffected by such unusual item.

These non-HKFRS measures should not be considered in isolation or construed as a substitute for analysis of HKFRSs financial measures. In addition, as these measures may not be calculated in the same manner by all companies, our adjusted net profit (a non-HKFRS measure) may not be comparable to the same or similarly titled measures presented by other companies.

The following table reconciles loss/profit for the periods indicated under HKFRSs to adjusted net profit (a non-HKFRS measure):

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>(Loss)/profit for the period</b>	<b>(42,388)</b>	29,091
Add:		
Listing expenses	<b>12,115</b>	14,651
Less:		
Changes in fair value of financial liabilities at fair value through profit or loss	<b>(47,789)</b>	2,171
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<b>Adjusted net profit for the period (a non-HKFRS measure)</b>	<b>17,516</b>	41,571
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*Note:*

- (1) We define adjusted net profit for the period by adding back the listing expenses and subtracting the changes in fair value of financial liabilities at fair value through profit or loss to the loss or profit recorded for the period. We believe that the presentation of non-HKFRS measures, when shown in conjunction with the corresponding HKFRS measures, provides useful information to investors and management. For further details, please refer to the paragraph headed “Non-HKFRS Measures” in this announcement.

## **LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES**

The Group has always pursued a prudent treasury management policy and actively manages its liquidity position to cope with daily operation and any demands for capital for future development.

The Group funded and is expected to continue to fund its operations principally from cash generated from operations, net proceeds from the initial public offering of shares of the Company and bank loans.

## **Cash Position**

As at 30 June 2022, the Group had cash and cash equivalents of RMB317.7 million (as at 31 December 2021: RMB333.3 million), which primarily consisted of deposits in bank.

## **Gearing Ratio**

As at 30 June 2022, our gearing ratio, which is calculated as total liabilities divided by total assets, was 70.9%, as compared with 68.1% as at 31 December 2021. The increase was mainly due to the Group's total assets decreased at a slightly higher rate than its total liabilities during the period.

## **Contingent Liabilities and Guarantees**

As at 30 June 2022, the Group did not have significant contingent liabilities, guarantees or any litigations or claims of material importance.

## **Significant Investments, Major Acquisitions and Disposals**

During the six months ended 30 June 2022, the Group did not have any significant investments, or conduct material acquisitions or disposals of subsidiaries, joint ventures and associates. Save as disclosed in the sections headed "Business" and "Future Plans and Use of Proceeds" in the Prospectus, the Group did not have any specific plans for significant investment or acquisition of material capital assets or other businesses.

## **Charge on Group Assets**

As at 30 June 2022, the Group did not pledge any group assets (as at 31 December 2021: Nil).

## **EMPLOYEE REMUNERATION**

As at 30 June 2022, the Group had a total of 546 full-time employees (574 full-time employees as at 31 December 2021). For the six months ended 30 June 2022, the Group recognised staff costs of approximately RMB32.73 million (RMB32.66 million for 2021 Interim). The Group provided employees with salaries and benefits that, in its opinion, were competitive with market standards and regularly reviewed the remuneration policies based on employees' contributions and industry standards. The Group also contributed to medical insurance, pension insurance, maternity insurance, unemployment insurance, work-related injury insurance and housing provident funds for our employees and paid relevant insurance premiums. In addition, the Group also engaged external experts to provide internal training courses for its employees from time to time. Further, the Group has adopted a post-IPO restricted share unit scheme and post-IPO share option scheme to reward the eligible participants their past contribution to the success of the Group and to provide incentives for their continuing contribution.

## **OUTLOOK FOR THE SECOND HALF OF 2022**

Looking ahead, we expect the market environment will remain challenging and volatile, with expected inflation in input costs and uncertainty of the operating environment as a result of the COVID-19 impacts in the near term.

Moving into the second half of 2022, we are in the process of developing devices adopting 5G technologies, in anticipation of the era of 5G, which will support faster transmission speed and lower latency.

In addition, we are planning to accelerate the structural reform of our distribution network by promoting the single-layer distribution model while continuing to expand the geographic coverage of the network and deepen its penetration into additional lower-tier cities.

We shall also continue to actively promote the adoption of our smart classroom solutions nationwide. We plan to further enhance our educational resources research and development efforts on localised educational content and special teaching functions, so as to offer customised smart classroom solutions that better respond to the needs of different users.

Meanwhile, the Group will continue to explore other suitable business and investment opportunities to drive its business growth.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022	2021
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
<b>Revenue</b>	5	259,771	355,207
Cost of sales		<u>(193,266)</u>	<u>(267,138)</u>
Gross profit		66,505	88,069
Other income and gains	5	30,698	24,189
Selling and distribution expenses		(40,252)	(31,111)
Administrative expenses		(25,599)	(25,800)
Research and development expenses		(16,194)	(18,773)
Other expenses		(13,794)	(10,674)
Finance costs		(96)	(40)
Changes in fair value of financial liabilities at fair value through profit or loss		<u>(47,789)</u>	<u>2,171</u>
<b>(LOSS)/PROFIT BEFORE TAX</b>	6	<b>(46,521)</b>	<b>28,031</b>
Income tax credit	7	<u>4,133</u>	<u>1,060</u>
<b>(LOSS)/PROFIT AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD</b>		<b><u>(42,388)</u></b>	<b><u>29,091</u></b>
Attributable to			
Owners of the Company		(42,299)	29,091
Non-controlling interests		<u>(89)</u>	<u>—</u>
<b>(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	8		
Basic			
— For (loss)/profit for the period		<u>RMB(0.15) yuan</u>	<u>RMB0.10 yuan</u>
Diluted			
— For (loss)/profit for the period		<u>RMB(0.15) yuan</u>	<u>RMB0.09 yuan</u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2022*

		30 June 2022	31 December 2021
	<i>Notes</i>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	<i>10</i>	47,257	48,453
Investment properties		13,413	13,606
Right-of-use assets		3,231	3,103
Other intangible assets		6,682	6,074
Deferred tax assets		36,680	32,548
Other non-current assets		1,129	1,853
		<hr/>	<hr/>
Total non-current assets		<b>108,392</b>	105,637
<b>CURRENT ASSETS</b>			
Inventories		249,920	258,219
Trade receivables	<i>11</i>	49,497	47,551
Prepayments, other receivables and other assets		20,266	48,155
Time deposit		—	20,000
Cash and cash equivalents		317,692	333,340
		<hr/>	<hr/>
Total current assets		<b>637,375</b>	707,265
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>12</i>	84,382	68,299
Other payables, accruals and contract liabilities		150,036	197,748
Lease liabilities		2,222	1,318
Amounts due to shareholders		85,521	117,561
Tax payable		8,376	7,018
		<hr/>	<hr/>
Total current liabilities		<b>330,537</b>	391,944
<b>NET CURRENT ASSETS</b>		<b>306,838</b>	315,321
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>415,230</b>	420,958
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		1,226	1,935
Financial liabilities at fair value through profit or loss		168,154	120,365
Contract liabilities		28,600	39,720
		<hr/>	<hr/>
Total non-current liabilities		<b>197,980</b>	162,020
Net assets		<b>217,250</b>	258,938
		<hr/> <hr/>	<hr/> <hr/>

	<b>30 June</b>	31 December
	<b>2022</b>	2021
<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Audited)
<b>EQUITY</b>		
Equity attributable to owners of the parent		
Share capital	1	1
Reserves	<u>216,638</u>	<u>258,937</u>
	<b>216,639</b>	258,938
Non-controlling interests	<u>611</u>	<u>—</u>
<b>Total equity</b>	<b><u>217,250</u></b>	<b><u>258,938</u></b>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

## 1. CORPORATE AND GROUP INFORMATION

Readboy Education Holding Company Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands on 8 February 2021. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box, 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the “**Group**”) were principally engaged in the production and sale of personal student tablets, smart classroom solutions, wearable products, other products and advertisement and content licensing in the People’s Republic of China (the “**PRC**”).

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 12 July 2022 (the “**Listing**”).

## 2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s consolidated financial statements included in the Accountants’ Report set forth in Appendix I to the Company’s prospectus dated on 29 June 2022.

The interim condensed consolidated financial information has been prepared under the historical cost convention, except for financial liabilities at fair value through profit or loss which have been measured at fair value. The interim condensed financial information is presented in Renminbi (“**RMB**”), and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

### 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period's financial information.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The application of these revised standards in the current period has had no material impact on the Group's financial performance and positions for the current and prior period and/or on the disclosures set out in the interim condensed consolidated financial information.

### 4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and has five reportable operating segments as follows:

- (a) Production and sale of personal student tablets;
- (b) Production and sale of smart classroom solutions;
- (c) Production and sale of wearable products;
- (d) Production and sale of other products; and
- (e) Advertisement and content licensing.

## Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments.

	Six months ended 30 June 2022 (Unaudited)					Total RMB'000
	Personal student tablets RMB'000	Smart classroom solutions RMB'000	Wearable products RMB'000	Other products RMB'000	Advertisement and content licensing RMB'000	
<b>Segment revenue</b> (note 5)						
Sales to external customers	230,501	5,131	13,133	8,055	2,951	<u>259,771</u>
<b>Segment results</b>	57,798	2,067	2,208	2,217	2,215	66,505
<b>Reconciliation:</b>						
Other income and gains						30,698
Selling and distribution expenses						(40,252)
Administrative expenses						(25,599)
Research and development expenses						(16,194)
Other expenses						(13,794)
Finance costs						(96)
Changes in fair value of financial liabilities at fair value through profit or loss						<u>(47,789)</u>
<b>Loss before tax</b>						<u>(46,521)</u>
	Six months ended 30 June 2021 (Unaudited)					Total RMB'000
	Personal student tablets RMB'000	Smart classroom solutions RMB'000	Wearable products RMB'000	Other products RMB'000	Advertisement and content licensing RMB'000	
<b>Segment revenue</b> (note 5)						
Sales to external customers	299,601	8,109	34,138	7,501	5,858	<u>355,207</u>
<b>Segment results</b>	74,545	1,265	4,863	2,476	4,920	88,069
<b>Reconciliation:</b>						
Other income and gains						24,189
Selling and distribution expenses						(31,111)
Administrative expenses						(25,800)
Research and development expenses						(18,773)
Other expenses						(10,674)
Finance costs						(40)
Changes in fair value of financial liabilities at fair value through profit or loss						<u>2,171</u>
<b>Profit before tax</b>						<u>28,031</u>

## Geographical information

During the period, the Group operated within one geographical location because all of its revenue was generated in the PRC and all of its long-term assets/capital expenditure were located/incurred in the PRC. Accordingly, no geographical information is presented.

## Information about major customers

No revenue from goods or services provided to a single customer amounted to 10% or more of the total revenue for the six months ended 30 June 2021 and 2022.

## 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<u>Revenue from contracts with customers</u>		
Devices	164,867	234,510
Digital educational resources and services	65,634	65,091
	<hr/>	<hr/>
Personal student tablets	230,501	299,601
Devices	2,615	6,188
Digital educational resources and services	2,516	1,921
	<hr/>	<hr/>
Smart classroom solutions	5,131	8,109
Wearable products	13,133	34,138
Other products	8,055	7,501
Advertisement and content licensing	2,951	5,858
	<hr/>	<hr/>
	<b>259,771</b>	<b>355,207</b>
	<hr/> <hr/>	<hr/> <hr/>

## Revenue from contracts with customers

### *Disaggregated revenue information*

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Types of goods or services</b>		
<u>Sale of goods</u>		
Devices	<b>167,482</b>	240,698
Wearable products	<b>13,133</b>	34,138
Other products	<b>8,055</b>	7,501
	<b>188,670</b>	282,337
<u>Provision of services</u>		
Digital educational resources and services	<b>68,150</b>	67,012
Advertisement and content licensing	<b>2,951</b>	5,858
	<b>71,101</b>	72,870
Total revenue from contracts with customers	<b>259,771</b>	355,207
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	<b>188,670</b>	282,337
Services transferred at a point in time	<b>3,330</b>	6,756
Services transferred over time	<b>67,771</b>	66,114
Total revenue from contracts with customers	<b>259,771</b>	355,207

## Other income and gains

An analysis of other income and gains is as follows:

	For the six months ended	
	30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Sales of raw materials and accessory parts	12,030	9,661
Rental income on investment properties and equipment	1,286	1,310
Bank interest income	1,772	1,775
Investment income from structured deposit	804	1,086
Net foreign exchange differences	3,286	—
Repair and maintenance service income	4,823	3,953
Government grants	2,685	676
Value added tax refund	3,114	3,797
Trademark licensing income	504	1,532
Others	394	399
	<u>30,698</u>	<u>24,189</u>

## 6. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging/(crediting):

	<i>Notes</i>	<b>For the six months ended</b>	
		<b>30 June</b>	
		<b>2022</b>	<b>2021</b>
		<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Cost of devices, wearable products and other products*		<b>174,838</b>	245,294
Cost of digital educational resources and services *		<b>17,692</b>	20,906
Cost of advertisement and content licensing*		<b>736</b>	938
Research and development expenses**		<b>31,512</b>	32,235
Employee benefit expense (excluding directors' and chief executive officer's remuneration)			
Wages and salaries		<b>26,893</b>	26,382
Pension scheme contributions, social welfare and other welfare		<b>5,255</b>	5,374
		<b>32,148</b>	31,756
Depreciation of property, plant and equipment		<b>2,127</b>	2,068
Depreciation of investment properties		<b>193</b>	193
Depreciation of right-of-use assets		<b>982</b>	406
Amortisation of other intangible asset***		<b>3,169</b>	6,727
Impairment of financial assets****	<i>11</i>	<b>373</b>	142
Write-down of inventories to net realisable value*****		<b>262</b>	74
Net foreign exchange differences		<b>(3,286)</b>	965
Listing expenses		<b>12,115</b>	14,651
Auditor's remuneration		<b>599</b>	—
Product warranty provision*****		<b>4,039</b>	7,719
Changes in fair value of financial liabilities at fair value through profit or loss		<b>47,789</b>	(2,171)

\* These types of costs include expenses relating to depreciation of property, plant and equipment, amortisation of copyrights, write-down of inventories and staff costs which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

\*\* Included in cost of sales and research and development expenses in profit or loss.

\*\*\* Included in cost of sales and administrative expenses in profit or loss.

\*\*\*\* Included in administrative expenses in profit or loss.

\*\*\*\*\* Included in cost of sales in profit or loss.

\*\*\*\*\* Included in selling and distribution expenses in profit or loss.

## 7. INCOME TAX

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act of the Cayman Islands and, accordingly, it is not subject to income tax from businesses carried out in the Cayman Islands.

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong for the six months ended 30 June 2021 and 2022.

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

All of the Group's subsidiaries registered in the PRC and have operations in Mainland China are subject to PRC enterprise income tax on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws based on a statutory rate of 25% for the six months ended 30 June 2021 and 2022.

Pursuant to relevant laws and regulations in the PRC and with approval from the tax authorities in charge, one of the Group's subsidiaries Readboy Educational Technology Company Limited 讀書郎教育科技有限公司 (“**Readboy Technology**”), is qualified as a high and new technology enterprise and entitled to a preferential tax rate of 15% from 2020 to 2022. Therefore, for Readboy Technology, it was entitled to this preferential tax rate for the six months ended 30 June 2021 and 2022.

Pursuant to the relevant laws and regulations in the PRC and with approval from the tax authorities in charge, two of the Group's subsidiaries Zhuhai Readboy Network Education Company Limited 珠海讀書郎網絡教育有限公司 (“**Zhuhai Readboy**”) and Zhuhai Readboy Software Technology Company Limited 珠海讀書郎軟件科技有限公司 (“**Zhuhai Technology**”), are entitled to an exemption from income tax for the first two years, commencing from the first year that it generates taxable profit, and a deduction of 50% on the income tax rate for the following three years. Therefore, for Zhuhai Readboy, it was entitled to a preferential tax rate of 12.5% for the six months ended 30 June 2021 and a statutory rate of 25% for the six months ended 30 June 2022. For Zhuhai Technology, it was entitled to income tax exemption for the six months ended 30 June 2021 and 2022.

Income tax in the interim condensed consolidated statement of profit or loss and other comprehensive income represents:

	For the six months ended	
	30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax — Mainland China	—	1,210
Deferred	(4,133)	(2,270)
Total tax credit for the period	<u>(4,133)</u>	<u>(1,060)</u>

## 8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amounts is based on the (loss)/profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 281,086,267 (six months ended 30 June 2021: 281,086,267), for the purpose of computing basic earnings per share. The number of ordinary shares has been adjusted retrospectively for the effect of the issues relating to the capitalisation issue in July 2022 (note 13), with 281,086,267 shares in aggregate, and as if the capitalisation issues had been completed on 1 January 2021.

The calculation of the diluted (loss)/earnings per share amounts is based on the (loss)/profit for the period attributable to ordinary equity holders of the parent, adjusted to reflect the changes in fair value of financial liabilities at fair value through profit or loss, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares which has been adjusted retrospectively for the effect of the issues relating to the capitalisation issue in July 2022, as used in the basic (loss)/earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted (loss)/earnings per share are based on:

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
(Loss)/earnings:		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic (loss)/earnings per share calculation	<b>(42,299)</b>	29,091
Less: Changes in fair value of financial liabilities at fair value through profit or loss	<b>(47,789)</b>	2,171
Profit attributable to ordinary equity holders of the parent before changes in fair value of financial liabilities at fair value through profit or loss	<b>5,490*</b>	26,920

	<b>Number of shares</b>	
	<b>For the six months</b>	
	<b>ended 30 June</b>	
	<b>2022</b>	2021
	<b>(Unaudited)</b>	(Unaudited)
Shares:		
Weighted average number of ordinary shares in issue during the period used in the basic (loss)/earnings per share calculation	<b>281,086,267</b>	<b>281,086,267</b>
Effect of dilution-weighted average number of ordinary shares:		
Ordinary shares with redemption right	<u><b>18,913,733</b></u>	<u><b>10,240,585</b></u>
	<u><b>300,000,000*</b></u>	<u><b>291,326,852</b></u>

\* Because the diluted loss per share amount is decreased when taking the ordinary shares with redemption right into account, the ordinary shares with redemption right had an anti-dilutive effect on the basic loss per share for the period and were ignored in the calculation of diluted loss per share. Therefore, the diluted loss per share amount is based on the loss for the period of RMB42,299,000, and the weighted average number of ordinary shares of 281,086,267 in issue during the period.

## **9. DIVIDEND**

No interim dividend was proposed during the period (six months ended 30 June 2021: Nil).

## **10. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 June 2022, the Group acquired assets at a cost of RMB962,000 (30 June 2021: RMB471,000).

Assets with a net book value of RMB31,000 were disposed of by the Group during the six months ended 30 June 2022 (30 June 2021: RMB10,000), resulting in a net loss on disposal of RMB8,000 (30 June 2021: net gain of RMB1,000).

## 11. TRADE RECEIVABLES

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
Trade receivables	50,659	48,340
Impairment	(1,162)	(789)
	<u>49,497</u>	<u>47,551</u>

An ageing analysis of the trade receivables as at the end of the reporting period, based on the demand note date and net of loss allowance, is as follows:

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
Within 30 days	24,025	19,552
31 to 180 days	15,995	27,125
181 to 365 days	9,477	874
	<u>49,497</u>	<u>47,551</u>

## 12. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
Within 90 days	62,423	56,849
91-180 days	7,702	11,344
181-365 days	14,257	106
	<u>84,382</u>	<u>68,299</u>

### **13. EVENTS AFTER THE REPORTING PERIOD**

In connection with the listing of the shares of the Company on the Stock Exchange, 52,000,000 new ordinary shares with a nominal value of HK\$0.001 each were issued at a price of HK\$7.60 per ordinary share including share premium for a total cash consideration of HK\$395,200,000, before deducting underwriting fees, commissions and related expenses. In addition, with the listing, 298,932,712 shares were issued by way of capitalisation. Dealing of the shares of the Company on the Stock Exchange commenced on 12 July 2022.

The investment from pre-IPO investors will be derecognised from financial liabilities at fair value through profit or loss and reclassified under the equity upon the lapse of redemption right upon the completion of the listing on 12 July 2022.

## OTHER INFORMATION

### INTERIM DIVIDEND

The Board has resolved that no dividend will be paid for the six months ended 30 June 2022 (2021 Interim: nil).

### COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of its shareholders and to enhance its corporate value and accountability. The Board and the management of the Company are committed to the maintenance of good corporate governance practices and procedures.

The Company has adopted the corporate governance code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules as its own code on corporate governance. To the best knowledge of the Directors, the Company has complied with all applicable code provisions under the CG Code, except for the deviation as described below, since the listing to the date of this announcement.

Pursuant to Code Provision C.2.1 of the CG Code, the roles of chairman of the Board and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

The roles of chairman of the Board and chief executive officer of our Company are currently performed by Mr. Qin Shuguang (“**Mr. Qin**”). In view of Mr. Qin’s substantial contribution to our Group since our establishment and his extensive experience, we consider that having Mr. Qin acting as both our chairman and chief executive officer will provide strong and consistent leadership to our Group and facilitate the efficient execution of our business strategies. We consider it appropriate and beneficial to our business development and prospects that Mr. Qin continues to act as both our chairman and chief executive officer after the Listing, and therefore currently do not propose to separate the functions of chairman and chief executive officer. While this would constitute a deviation from Code Provision C.2.1 of the CG Code, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of our Company, given that: (i) there are sufficient checks and balances in the Board, as a decision to be made by our Board requires approval by at least a majority of our Directors, and our Board comprises three independent non-executive Directors, which is in compliance with the requirement under the Listing Rules; (ii) Mr. Qin and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of our Company and will make decisions for our Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of our Company. Moreover, the overall strategic and other key business, financial, and operational policies of our Group are made collectively after thorough discussion at both Board and senior management levels.

The Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether separation of the roles of chairman of the Board and chief executive is necessary.

### **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS (THE “MODEL CODE”)**

The Company has adopted the Model Code as its own code of conduct regarding the securities transactions by the Directors and the Group’s senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company or its securities. All Directors have confirmed, following specific enquiry made by the Company, that they have complied with the Model Code since the listing to the date of this announcement. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group since the listing to the date of this announcement.

### **USE OF NET PROCEEDS FROM THE LISTING**

With the shares of the Company listed on the Stock Exchange on 12 July 2022, the net proceeds from the initial public offering of shares of the Company were approximately HK\$364.6 million, which will be utilised for the purposes as set out in the Prospectus. As at the date of this announcement, the Company has not utilised any net proceeds. Unutilised net proceeds were applied to short-term demand deposits with authorised financial institution and/or licensed bank.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities since the listing to the date of this announcement.

### **SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

The Company was successfully listed on the Main Board of the Stock Exchange on 12 July 2022. On the day of listing, 52,000,000 shares were issued at an issue price of HK\$7.60 per share by way of the initial public offering of the shares of the Company. All the shares of the Company issued rank pari passu with other shares of the Company in issue in all respects.

Save as disclosed above, the Group has no other significant events after 30 June 2022 that are required to be disclosed.

## **AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS**

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee consists of two independent non-executive Directors and one non-executive Director, namely Mr. Li Xinshou, Ms. Kong Fanhua and Mr. Chen Zhiyong. Mr. Li Xinshou is the chairman of the Audit Committee.

The Audit Committee has reviewed the Group’s unaudited interim results for 2022 Interim, and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made. The audit committee has also reviewed the effectiveness of risk management and internal control system of the Group, and considered the risk management and internal control system to be effective and adequate.

## **PUBLICATION OF 2022 INTERIM RESULTS AND INTERIM REPORT**

This unaudited consolidated interim results announcement of the Group for 2022 Interim is published on the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company’s website at [www.readboy.com](http://www.readboy.com). The 2022 interim report containing all applicable information required under the Listing Rules will be despatched to the shareholders and published on the above websites in September 2022.

## **APPRECIATION**

On behalf of the Board, we would like to take this opportunity to express our gratitude to the management and staff of the Group for their commitment and contribution. We would also like to express our appreciation to the guidance from the regulators and continued support from the shareholders of the Company and our clients.

By order of the Board  
**Readboy Education Holding Company Limited**  
**Qin Shuguang**  
*Chairman*

Hong Kong, 18 August 2022

*As at the date of this announcement, the Board comprises Mr. Qin Shuguang, Ms. Liu Zhilan, Mr. Chen Jiafeng and Mr. Deng Denghui as executive Directors; Mr. Chen Zhiyong and Mr. Shen Jianfei as non-executive Directors; and Mr. Li Xinshou, Ms. Kong Fanhua and Prof. Li Renfa as independent non-executive Directors.*

*This announcement is available for viewing on the Company’s website at [www.readboy.com](http://www.readboy.com) and the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk).*