



中國科培教育集團有限公司

China Kepei Education Group Limited

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

Stock Code 股份代號 : 1890

INTERIM REPORT 2022
中期報告





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Company Profile

China Kepei Education Group Limited (the “Company”), together with its subsidiaries (collectively referred to as the “Group”, “we”, “our” or “us”), is a leading provider of private vocational education services in China focusing on profession-oriented and vocational education. As of 28 February 2022, we operated and consolidated four schools, namely, Guangdong Polytechnic College, Zhaoqing Science and Technology Secondary Vocational School* (肇慶市科技中等職業學校) (“Zhaoqing School”), Harbin Institute of Petroleum* (哈爾濱石油學院) and Huaibei Polytechnic College (collectively, the “PRC Schools”), and a degree-granting undergraduate-level education school operated under the entrustment agreement with the Group, namely, Maanshan College.

We are committed to providing students with high-quality profession-oriented and vocational education and helping them to meet the growing and changing market demands. We are primarily focused on engineering majors to better capture local employment demands, balanced with economics, management, education and art majors to offer well-rounded education services. We endeavor to provide students with various profession-oriented and application-oriented training and internship opportunities in collaboration with research institutions and enterprises, through which we foster practical skills and market competitiveness of our students.

Through over 22 years of operating private vocational education in China, we believe that we have established a strong reputation, which helps us attract high-quality students and teachers and pave the way for our success. We intend to maintain and strengthen our market position in the private vocational education industry in China.

* denotes English translation of the name of a Chinese company or entity and is provided for identification purpose only.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Ye Nianqiao (*Chairman and Chief Executive Officer*)
Dr. Zhang Xiangwei
Mr. Zha Donghui
Ms. Li Yan
Mr. Ye Xun

Non-executive Director

Mr. Wang Chuanwu

Independent Non-executive Directors

Dr. Xu Ming
Dr. Deng Feiqi
Mr. Lu Chao

AUDIT COMMITTEE

Dr. Xu Ming (*Chairman*)
Mr. Wang Chuanwu
Dr. Deng Feiqi

REMUNERATION COMMITTEE

Dr. Deng Feiqi (*Chairman*)
Mr. Zha Donghui
Mr. Lu Chao

NOMINATION COMMITTEE

Mr. Ye Nianqiao (*Chairman*)
Dr. Deng Feiqi
Mr. Lu Chao

JOINT COMPANY SECRETARIES

Ms. Li Yan
Mr. Lee Kwok Fai Kenneth (*resigned on 7 January 2022*)
Ms. Ng Ka Man (*appointed on 7 January 2022*)

AUTHORIZED REPRESENTATIVES

Mr. Ye Nianqiao
Mr. Lee Kwok Fai Kenneth (*resigned on 7 January 2022*)
Ms. Ng Ka Man (*appointed on 7 January 2022*)

REGISTERED OFFICE

Maples Corporate Services Limited
P.O. Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Gaoyao District
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Guangdong Province
the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
P.O. Box 1093, Boundary Hall
Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

Corporate Information

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the PRC

As to Cayman Islands law:

Maples and Calder (Hong Kong) LLP
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AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
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Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

INVESTOR RELATIONS

Mr. Zheng Chaoran
Investor Relations Director
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STOCK CODE

1890

COMPANY'S WEBSITE

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Pro Forma Interim Results

On 31 August 2021, we announced the change of our financial year-end date from 31 December to 31 August so as to align the financial year of the Group with the academic year of the schools operated by the Group in the PRC, which ends in August each year, therefore, the interim results of 2022 covered a period of six months from 1 September 2021 to 28 February 2022 (the “Reporting Period”). To provide meaningful comparative information, the Group prepared pro forma interim results of 2021 covering the six months period from 1 September 2020 to 28 February 2021 (the “Pro Forma Period”), and such pro forma figures are contained in the section headed “Management Discussion and Analysis” on page 6 to 21 of this interim report and have not been audited.

| | For the six months ended | | | Percentage Change (%) |
|-----------------------|--------------------------|------------------------|-------------------|-----------------------------|
| | 28 February | | Change RMB'000 | |
| | 2022 | 2021 | | |
| | RMB'000 (Unaudited) | RMB'000 (Pro forma) | | |
| Revenue | 703,327 | 497,789 | 205,538 | +41.3 |
| Cost of Sales | 246,540 | 159,322 | 87,218 | +54.7 |
| Gross profit | 456,787 | 338,467 | 118,320 | +35.0 |
| Profit before tax | 397,400 | 280,274 | 117,126 | +41.8 |
| Profit for the period | 380,913 | 282,140 | 98,773 | +35.0 |
| Adjusted EBITDA* | 514,047 | 382,251 | 131,796 | +34.5 |
| Core net profit** | 387,639 | 331,412 | 56,227 | +17.0 |

* Adjusted EBITDA is defined as to earnings before interest, income tax expenses, depreciation and amortization after adjusting for the item which is not indicative of the Group's operating performance.

** Core net profit was derived from the profit for the period after adjusting for the items which are not indicative of the Group's operational performance. Please refer to the section of “Financial Review” in this report for details of the reconciliation of the profit for the period to the core net profit of the Group.

| | As of 28 February | | Change | Percentage Change (%) |
|--|-----------------------------|----------------|--------|-----------------------------|
| | 2022 | 2021 | | |
| | Number of students enrolled | 119,948 | | |

Management Discussion and Analysis

BUSINESS OVERVIEW

The Group is the largest vocational education group in the Pearl River Delta and Yangtze River Delta, the two most important economic regions in China. Our education businesses services cover the entire modern vocational education system, including the secondary-level vocational program, higher-level vocational program and undergraduate-level vocational program (including application-oriented undergraduate program and college level program). Since the establishment of our first school in 2000, the Group has been adhering to the mission of building a skills-based society, cultivating more high-quality technological talents, and providing powerful talents with skills in contributing to the comprehensive construction of a modern socialist country. As 28 February 2022, the Group had an aggregate of 109,824 students enrolled at the schools we operated and consolidated, namely, Guangdong Polytechnic College, Zhaoqing School, Harbin Institute of Petroleum* (哈爾濱石油學院), and Huaibei Polytechnic College, and a total of 10,124 students enrolled at Maanshan College, which is operated under the entrusted management agreement with the Group.

Adhering to the Direction of Socialist Education and Implementing Party and Government Work

By adhering to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era (習近平新時代中國特色社會主義思想), following the leadership of the Communist Party of China and the correct direction of operating schools, striving to strengthen moral education and cultivate talents, comprehensively implementing the Party's education policies, and abiding by the philosophy of teacher-student-centered, quality-oriented and practical-oriented to serve local communities, our schools are committed to talent education and development for the Party and the PRC and cultivating high-quality professionals that serve the needs of local social and economic development.

Stressing on studying Party history and carrying out activities, namely "Doing Practical Things for the Masses" (我為群眾辦實事) at all schools and colleges of the Group, we strived to solve the pressing problems of teachers and students. Guangdong Polytechnic College won the National Award in the National Party History Competition of Private Colleges (全國民辦高校黨史競賽國家級獎項) and was accredited as one of the "National Advanced Non-Governmental Organizations" (全國先進民間組織) by the Ministry of Civil Affairs.

Management Discussion and Analysis

Focusing on High-Quality Development as the Core of Operating Schools, Strengthening Connotation Construction and Increasing Investments in Operating Schools

(1) Building a High-Quality Teaching Staff Team and Enhancing Teachers' Remuneration Packages

In order to implement the Opinions on Comprehensively Deepening the Reform of Teaching Staff Team in the New Era 《關於全面深化新時代教師隊伍建設改革的意見》 issued by the Central Government and the State Council, the Group has been committed to building a high-quality “dual-qualification” (雙師雙能型) teaching staff team with solid theoretical knowledge, rich practical experience and ability and innovative skills. During the Reporting Period, the Group introduced over 500 high-quality teachers, marking a significant increase in the number of teachers with intermediate and above titles. By formulating the Measures for the Recognition of Dual-Qualification Teachers 《雙師雙能型教師認定辦法》, the Group has been actively encouraging teachers to receive professional skills training and participate in practical training and exchanges held by famous enterprises, so as to enhance the remuneration packages of dual-qualification teachers. With a view to improve the academic structure of the teaching staff team and encourage teachers to obtain doctoral degrees on-the-job, the Group has formulated the Implementation Measures for Encouraging Teachers to Obtain Doctoral Degrees On-the-job 《鼓勵教師在職攻讀博士學位實施辦法》. A reward of RMB100,000 will be given to teachers who have obtained doctoral degrees.

Our efforts on teaching staff team construction have achieved remarkable results. Two teachers from Guangdong Polytechnic College were named as “Outstanding Teachers in Southern Guangdong” (南粵優秀教師) by the Provincial Party Committee and the Provincial Government and 15 teachers were named as Role Model of the Teachers' Code of Morality (師德標兵) by the schools. Guangdong Polytechnic College was awarded the Outstanding Contribution Unit by the University Open Online Courses of Local Colleges (地方高校優課聯盟) and the Excellent Online and Offline Hybrid Teaching Cases by the University Open Online Courses (優課聯盟) in 2021. The teaching staff team of the School of Foreign Languages was also accredited as one of the first batch of outstanding ideological and political cases of undergraduate colleges in Guangdong Province.

Management Discussion and Analysis

(2) Construction of High-Standard Modern Campus and Experimental Training Rooms

The new campus of Huaibei Polytechnic College, which is located in the Yangtze River Delta Region with high construction standards, modernization elements and high-quality teaching requirements for vocational education, was put into use during the Reporting Period and was highly recognized by the education authorities, local governments, students and parents. The enrollment rate of Huaibei Polytechnic College for the first school year reached 100% with a high student registration rate of 95.6%, ranking among the top private colleges in the province. The Group invested in the construction of various Internet of Things laboratories, integrated VR+logistics laboratories, ERP laboratories, artificial intelligence (smart) classrooms and laser processing training rooms to meet the needs of modern vocational education. In terms of digitalization, the digital welcome system, all-in-one card system and dormitory management system integrated with Tencent Micro School have improved the students' living experience at school. Cooperating with certain online teaching platforms such as Chaoxing (超星), University Open Online Courses (優課聯盟), Treenity (智慧樹) and Chinese University MOOC (中國大學MOOC), we have been providing online teaching for teachers and students on campus, effectively improving informationization, optimizing the teaching environment for teachers and students and enhancing teaching efficiency.

(3) Emphasizing on All-Round Development of Students and Enhancing the Employment Competitiveness

Attaching great importance to the employment of students, we are committed to meeting the employment needs of enterprises through multiple channels and providing our students with sufficient employment and internship opportunities. In 2021, the mutual selection sessions on campus invited over 3,000 enterprises to offer more than 120,000 jobs. In 2021, the employment rates of our schools and Guangdong Polytechnic College were over 90% and 97.5% respectively, which have been among the highest in the respective provinces. Employment units included certain well-known enterprises such as CATL, Xiaopeng Motors, Midea, TCL and BYD. The overall number of students who started their own businesses, pursued postgraduate studies and entered for the national civil service examinations has been increasing steadily.

We emphasize on all-round development of our students, and encourage and support our students to participate in various competitions during their studies. Our students have won over 30 national awards and 100 provincial honors, including national awards such as the "Challenge Cup" Extracurricular Academic Science and Technology Competition ("挑戰杯"課外學術科技作品競賽), China International College Students' "Internet+" Innovation and Entrepreneurship Competition (中國國際"互聯網+"大學生創新創業大賽) and Chinese College Students Computer Design Competition (中國大學生計算機設計大賽).

Management Discussion and Analysis

Deepening Industry-Education Integration, Tapping into Emerging Industries and Optimizing Professional Structure

Based on the current local economic and social development, we added new majors to key strategic emerging industries and other traditional competitive industries and continuously optimized the professional structure. During the Reporting Period, new majors such as new energy vehicle application and maintenance, digital media art and cross-border e-commerce were added. In addition, mechanical and electronic engineering and computer science and technology became the provincial first-class undergraduate majors in the Reporting Period. In terms of school-enterprise cooperation and industry-education integration, we cooperated with various industry leaders such as Xiaopeng Motors, iFLYTEK, Midea Group, McQuay, Yum! Brands and Genki Forest to establish industry colleges and practical training bases for school-enterprise cooperation and education. By closely monitoring the trend of industrial upgrade and technological changes, we have been cultivating professional technical talents in line with the development of the local real economy and industrial upgrade. 20 industry-education cooperation projects of the Group's colleges have been selected into the List of Industry-Education Cooperation and Education Projects (產學合作協同育人項目立項名單) issued by the Department of Higher Education of the Ministry of Education.

Caring for the Society and Bringing the Core Values of Socialism into Practice

Our schools constantly participate in social welfare activities. Since the students at Guangdong Polytechnic College voluntarily donated more than 400,000 milliliters of blood and two students successfully donated bone marrow, Guangdong Polytechnic College was awarded as the only “National Red Cross Model Unit” (全國紅十字模範單位) among private schools in the whole province. The party members, teachers and students participated in volunteer works organized by the Party organizations at all levels of the schools, including visiting local homes for the elderly, nursing homes for children with disabilities and rural primary schools. In response to the national conscription work, Guangdong Polytechnic College recruited 355 people to join the army for the 2021/2022 school year, which was more than twice as requested. As such, Guangdong Polytechnic College won the title of the “Advanced Unit in the Conscription Work of Guangdong Province” (廣東省徵兵工作先進單位) for three consecutive years.

Management Discussion and Analysis

The Schools Operated by the Group

Guangdong Polytechnic College: A degree-granting undergraduate-level education institution established in 2005 which offers undergraduate, junior college and adult education programs. It offers 34 undergraduate majors and 26 junior college majors, in a wide range of subject areas. Its core majors include computer science and technology, electrical engineering and automation, electronic information engineering and mechanical design;

Zhaoqing School: A secondary vocational school established in 2000 which provides secondary vocational education in 12 majors, including automobile servicing, electronic commerce and electromechanical technology application.

Harbin Institute of Petroleum: A degree-granting undergraduate-level education institution established in 2003 and was consolidated by the Company since April 2021. It offers undergraduate and adult education programs. It offers 34 undergraduate majors in a wide range of subject areas. Its core majors include mechatronic engineering, computer science and technology, petroleum engineering and electronic information engineering; and

Huaibei Polytechnic College: A degree-granting undergraduate-level education institution established in 2003, formerly known as Huaibei Normal University Information College, and was approved by the Ministry of Education for conversion in June 2021 as a private regular undergraduate institution, namely Huaibei Polytechnic College. It offers 20 undergraduate majors in a wide range of subject areas such as electronic and information engineering and e-commerce. Huaibei Polytechnic College has commenced operation in the new campus in September 2021.

Management Discussion and Analysis

Revenue

For the six months ended 28 February 2022, the Group experienced revenue growth at its schools, which was in line with the expansion of its business and student enrollment. Revenue increased by RMB205.5 million, or 41.3%, from RMB497.8 million for the Pro Forma Period to RMB703.3 million for the six months ended 28 February 2022. The Group typically charges students fees comprising tuition fees, boarding fees and other education service fees. Tuition fees remained as the major revenue, accounting for approximately 92.3% of the total revenue of the Group for the six months ended 28 February 2022.

To provide meaningful comparative information of revenue generated from tuition fees, boarding fees and other education service fees charged by the PRC Schools for the interim period, the Group prepared unaudited and pro forma amounts of revenue covering the six-month period ended 28 February 2022 and 28 February 2021, and such pro forma amounts are detailed in the following table and have not been audited.

| | For the six months ended | | | Percentage Change (%) |
|--------------------------------|---|--------------------------------|-------------------|-----------------------------|
| | 28 February 2022 RMB'000 (Unaudited) | 2021 RMB'000 (Pro forma) | Change RMB'000 | |
| Tuition fees | | | | |
| Undergraduate program | 520,664 | 330,923 | 189,741 | +57.3 |
| Junior college program | 42,580 | 50,543 | (7,963) | (15.8) |
| Adult college program | 44,624 | 34,359 | 10,265 | +29.9 |
| Secondary vocational education | 41,458 | 40,035 | 1,423 | +3.6 |
| Total tuition fees | 649,326 | 455,860 | 193,466 | +42.4 |
| Boarding fees | 48,563 | 35,871 | 12,692 | +35.4 |
| Other education service fees | 5,438 | 6,058 | (620) | (10.2) |
| Total | 703,327 | 497,789 | 205,538 | +41.3 |

The tuition fees and boarding fees increased were mainly attributed to: (i) the increase in the number of student enrolments and average tuition fees of Guangdong Polytechnic College and Zhaoqing School; (ii) the consolidation of the financial results of Harbin Institute of Petroleum acquired by the Group since April 2021, and (iii) the commenced operation of Huaibei Polytechnic College since September 2021.

Management Discussion and Analysis

Student Enrollment

The following table sets out information relating to the student enrollment for the schools of the Group as at the date indicated:

| | Numbers of Students Enrolled | | Change | Percentage Change (%) |
|------------------------------------|------------------------------|--------|---------|-----------------------|
| | As of 28 February | | | |
| | 2022 | 2021 | | |
| Undergraduate program ¹ | 55,344 | 38,998 | 16,346 | +41.9 |
| Junior college program | 4,744 | 6,325 | (1,581) | (25.0) |
| Adult college program ² | 50,704 | 38,833 | 11,871 | +30.6 |
| Secondary vocational program | 9,156 | 8,468 | 688 | +8.1 |
| Total | 119,948 | 92,624 | 27,324 | +29.5 |

1. As of 28 February 2021, the total numbers of 9,736 undergraduate program students from Harbin Institute of Petroleum, which is operated under the entrusted management agreement with the Group, were included in the Group's undergraduate program.

As of 28 February 2022, the total numbers of 10,124 undergraduate program students from Maanshan College, which is operated under the entrusted management agreement with the Group, were included in the Group's undergraduate program.

2. As of 28 February 2021, the total numbers of 938 adult college program students from Harbin Institute of Petroleum, which is operated under the entrusted management agreement with the Group, were included in the Group's adult college program.

The student enrollment information was based on the records as of 28 February 2022. As of 28 February 2022, the total number of enrolled students of the Group was 119,948, representing an increase of 29.5% from the enrolled students as of 28 February 2021.

Management Discussion and Analysis

School Utilisation Rate

School utilisation rate is calculated by boarding student enrollment for a particular school year divided by school capacity for such school year. The school capacity is calculated by the number of beds available in student dormitories.

| | School Capacity As at 28 February | | School Utilisation Rate As at 28 February | |
|--------------|--------------------------------------|--------|--|-------|
| | 2022 | 2021 | 2022 | 2021 |
| Total | 77,302 | 52,302 | 76.5% | 97.0% |

Future Plans

Introducing Various Favourable Industrial Policies to Ensure Promising Prospects of Vocational Education

On 12 October 2021, the Central Government and the State Council of the People's Republic of China promulgated the Opinions on Promoting High-Quality Development of Modern Vocational Education (《關於推動現代職業教育高質量發展的意見》) (the "Policy") and issued a notice to the government authorities requiring the implementation of the Policy. In order to promote the development of vocational education, there are several preferential measures under the Policy, including but not limited to encouraging listed companies and industry leaders to invest in vocational education, encouraging vocational schools and enterprises to jointly establish industrial colleges, encouraging vocational schools to establish vocational education and practical training bases with social capital, and introducing preferential measures such as financing, government funding, land and credit facilities for vocational education providers. In February 2022, the Ministry of Education announced the focus of vocational education in 2022 and clearly supported the vocational education and private higher education industry. On 20 April 2022, the revised Vocational Education Law was approved by the Standing Committee of the National People's Congress, which will come into effect on 1 May 2022. In accordance with the new law, vocational education and general education shall be equally important. All sectors of the society are encouraged to extensively involve in vocational education. Enterprises and other sectors of the society are encouraged to and provided with guidance and support to establish

Management Discussion and Analysis

vocational schools and vocational training institutions according to law. In addition, enterprises are also encouraged to participate in industry-education integration and school-enterprise cooperation. The new Vocational Education Law also clarifies that ordinary higher education institutions offering tertiary education, bachelor's degree and above courses may provide higher vocational education. The Group's education business covers higher vocational education (including applied undergraduate education and tertiary education) and secondary vocational education under the new Vocational Education Law. The education courses provided by all our schools are encouraged by the new Vocational Education Law. It is expected that the Group will continue to benefit from the favourable policies on vocational education.

In strengthening the Group's position as a leading provider of private vocational education, the Group will leverage its extensive school-enterprise relationships in Pearl River Delta and Yangze River Delta regions to develop more industrial colleges in the schools operated by the Group and cultivate more high-quality technical and skilled talents to meet the needs of regional economy. In addition, the Group will actively promote school-enterprise cooperation and industry-education integration to enable the close connection between major settings and industry needs.

Management Discussion and Analysis

FINANCIAL REVIEW

The interim financial results for the six months ended 28 February 2022 and the Pro Forma Period are as follows:

| | For the six months ended | | | Percentage Change (%) |
|-----------------------------------|---|---------------------------------|-------------------|-----------------------------|
| | 28 February 2022 RMB'000 (Unaudited) | 2021 RMB'000 (Pro forma)* | Change RMB'000 | |
| Revenue | 703,327 | 497,789 | 205,538 | +41.3 |
| Cost of Sales | (246,540) | (159,322) | (87,218) | +54.7 |
| Gross profit | 456,787 | 338,467 | 118,320 | +35.0 |
| Other income and gains | 56,307 | 46,589 | 9,718 | +20.9 |
| Selling and distribution expenses | (2,751) | (2,173) | (578) | +26.6 |
| Administrative expenses | (74,126) | (65,208) | (8,918) | +13.7 |
| Other expenses | (4,586) | (24,303) | 19,717 | (81.1) |
| Finance costs | (34,231) | (8,179) | (26,052) | >+100.0 |
| Share of losses of: | | | | |
| A joint venture | - | (442) | 442 | (100.0) |
| An associate | - | (4,477) | 4,477 | (100.0) |
| PROFIT BEFORE TAX | 397,400 | 280,274 | 117,126 | +41.8 |
| Income tax (expenses)/credit | (16,487) | 1,866 | (18,353) | >(100.0) |
| PROFIT FOR THE PERIOD | 380,913 | 282,140 | 98,773 | +35.0 |
| Attributable to: | | | | |
| Owner of the parent | 380,913 | 282,140 | 98,773 | +35.0 |

* The pro forma interim results for the six months ended 28 February 2021 are comprised of: (1) the financial results for the period from 1 September 2020 to 31 December 2020, and it is derived from the 2020 annual financial results after deduction of the unaudited financial results for the eight months from 1 January 2020 to 31 August 2020; and (2) the unaudited financial results for the two months from 1 January 2021 to 28 February 2021.

Management Discussion and Analysis

Revenue

Revenue represents the value of services rendered during the Reporting Period. The Group mainly derives revenue from tuition fees and boarding fees of its schools collected from students.

The Group's revenue increased by RMB205.5 million, or 41.3%, from RMB497.8 million for the Pro Forma Period to RMB703.3 million for the six months ended 28 February 2022. This increase was primarily the result of: (i) revenue from tuition fees increased by RMB193.4 million, or 42.4%, from RMB455.9 million for the Pro Forma Period to RMB649.3 million for the six months ended 28 February 2022; and (ii) revenue from boarding fees increased by RMB12.7 million, or 35.4%, from RMB35.9 million for the Pro Forma Period to RMB48.6 million for the six months ended 28 February 2022.

The tuition fees and boarding fees increased were mainly attributed to: (i) the increase in the number of student enrolments and average tuition fees of Guangdong Polytechnic College and Zhaoqing School; (ii) the consolidation of the financial results of Harbin Institute of Petroleum acquired by the Group since April 2021, and (iii) the commencement of operation of Huaibei Polytechnic College in September 2021.

Cost of Sales

Cost of sales consists primarily of staff costs, depreciation and amortisation, utilities, teaching supplies, cost of cooperative education, student study and practice fees, office expenses, training expenses, student subsidies, travel and transportation expenses, cost of repairs, property management fees and other costs.

Cost of sales increased by RMB87.2 million, or 54.7%, from RMB159.3 million for the Pro Forma Period to RMB246.5 million for the six months ended 28 February 2022. This increase was primarily the result of: (i) increase in staff costs primarily as a result of the increase in the number of teachers and increased salaries and benefits payable to the Group's teachers; (ii) the consolidation of the financial results of Harbin Institute of Petroleum acquired by the Group since April 2021 and (iii) the commencement of operation of Huaibei Polytechnic College in September 2021.

Gross Profit and Gross Profit Margin

Gross profit increased by RMB118.3 million, or 35.0%, from RMB338.5 million for the Pro Forma Period to RMB456.8 million for the six months ended 28 February 2022, which was in line with the growth of the Group's business.

Management Discussion and Analysis

Other Income and Gains

Other income and gains primarily consist of government grants, interest income from bank deposits, rental income from lease of campus properties and venues to independent third parties, management service income and exchange gain.

Other income and gains increased by RMB9.7 million, or 20.9%, from RMB46.6 million for the Pro Forma Period to RMB56.3 million for the six months ended 28 February 2022. This increase was primarily due to: (i) the increase of RMB2.7 million in the management service income from September 2021 to February 2022; and (ii) the increase of RMB7.2 million in rental income from lease of campus properties and venues to independent third parties in relation to the increase of rentable area under the schools operated by the Group.

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of advertising expenses, student admission expenses and business entertainment expenses. Selling and distribution expenses increased by RMB0.6 million, or 26.6%, from RMB2.2 million for the Pro Forma Period to RMB2.8 million for the six months ended 28 February 2022, which was mainly because of the continuing investment of the Group's brand building and students' enrollment promotion.

Administrative Expenses

Administrative expenses primarily consist of the administrative staff salaries, share-based payment expenses under restricted share award scheme, office-related expenses, depreciation and amortisation of office buildings, equipment and right of use assets, audit fee, travel expenses and others. Administrative expenses increased by RMB8.9 million, or 13.7%, from RMB65.2 million for the Pro Forma Period to RMB74.1 million for the six months ended 28 February 2022. This increase was primarily due to: (i) the increase numbers of management professionals to get involve in the Group's daily managing operation, and (ii) the increase in depreciation from consolidating the financial result of Harbin Institute of Petroleum and Huaibei Polytechnic College.

Management Discussion and Analysis

Other Expenses

Other expenses primarily consist of expenses relating to exchange loss, loss relating to change in fair value of financial assets and other cost. Other expenses decreased by RMB19.7 million, or 81.1%, from RMB24.3 million for the Pro Forma Period to RMB4.6 million for the six months ended 28 February 2022. This decrease was primarily due to: (i) the decrease of RMB24.3 million in exchange loss due to appreciation of Renminbi (“RMB”) against US Dollar (“USD”) during the six months ended 28 February 2022, which resulted in exchange gain in the current period; and (ii) the increase of RMB4.4 million in loss relating to change in fair value of financial assets.

Finance Costs

Finance costs primarily consist of the interest expenses for the interest-bearing bank and other borrowings and lease liabilities. Finance costs increased by RMB26.0 million, or 317.1%, from RMB8.2 million for the Pro Forma Period to RMB34.2 million for the six months ended 28 February 2022, which was mainly due to the increased average interest-bearing bank and other borrowings in response to the establishment of the new campus of Huaibei Polytechnic College and the consideration paid or payable in relation to the acquisition of Harbin Institute of Petroleum and Maanshan College.

Core Net Profit

Core net profit was derived from the profit for the period after adjusting the expenses related to the share-based payments under restricted share award scheme, additional depreciation and amortisation due to the fair value adjustments to the acquired identifiable assets and foreign exchange gain or loss, which are not indicatives of the Group’s operational performance. This is not a Hong Kong Financial Reporting Standards (“HKFRSs”) measure. The Group presents this item because the Group considers it an important supplemental measure of the Group’s operational performance used by the Group’s management as well as analysts or investors.

To provide meaningful comparative information of core net profit of the Group’s interim result, the Group prepared pro forma amounts of core net profit covering the six-month period ended 28 February 2022 and 28 February 2021, and such pro forma amounts are detailed in the following table and have not been audited.

Management Discussion and Analysis

| | Six months ended | | Change | Percentage Change |
|--|------------------|-------------|----------|-------------------|
| | 28 February 2022 | 2021 | | |
| | RMB'000 | RMB'000 | RMB'000 | (%) |
| | (Unaudited) | (Pro forma) | | |
| Profit for the period | 380,913 | 282,140 | 98,773 | +35.0 |
| Add: | | | | |
| Additional depreciation and amortisation due to the fair value adjustments to the acquired identifiable assets | 5,218 | – | 5,218 | N/A |
| Share-based payments under the restricted share award scheme | 4,037 | 24,983 | (20,946) | (83.8) |
| Foreign exchange loss | – | 24,289 | (24,289) | (100.0) |
| Less: | | | | |
| Foreign exchange gain | 2,529 | – | 2,529 | N/A |
| Core net profit for the period | 387,639 | 331,412 | 56,227 | +17.0 |

Core net profit increased by RMB56.2 million, or 17.0%, from RMB331.4 million for the Pro Forma Period to RMB387.6 million for the six months ended 28 February 2022.

Capital Expenditures

Capital expenditures during the six months ended 28 February 2022 primarily related to the maintaining and upgrading existing school premises and purchasing additional educational facilities and equipment. For the six months ended 28 February 2022, the Group's capital expenditures were RMB383.7 million.

Management Discussion and Analysis

Liquidity and Financial Resources

The Group's primary uses cash to fund its working capital requirements, purchase of property, plant and equipment and loan repayment and related interest expenses. As at the date of this report, the Group has funded its operations principally with the cash generated from its operations and bank and other borrowings. In the future, the Group believes that its liquidity requirements will be satisfied with a combination of cash flows generated from its operating activities, bank loans, other borrowings and other funds raised from the capital markets from time to time. As of 28 February 2022, the Group had cash and cash equivalents of RMB1,455.2 million.

The balance of interest-bearing bank and other borrowings as at 28 February 2022 was RMB1,961.7 million. The interest-bearing bank and other borrowings of RMB680.9 million are repayable within a year. The Group had adequate liquidity to meet its daily management and capital expenditure requirements and control internal operating cash flows.

Capital Structure

The Group's financial department is responsible for its financial risk management which operates according to policies implemented and approved by the senior management. As at 28 February 2022, all the interest-bearing bank and other borrowings were denominated in RMB and Hong Kong dollar ("HKD"), while cash and cash equivalents were primarily held in RMB, HKD and USD. The Group plans to maintain an appropriate mix of financial equity and debt to ensure an efficient capital structure. The outstanding balances of interest-bearing bank and other borrowings as at 28 February 2022 were at fixed interest rates for loans denominated in RMB and HKD.

Significant Investments, Acquisitions and Disposals

Save as disclosed in this report, there were no significant investments held by the Company as at 28 February 2022, nor other material acquisitions and disposals of subsidiaries, associated companies or joint ventures by the Company.

Future Plan for Material Investments and Capital Assets

Save as disclosed in this report, the Group did not have other plans for material investments and capital assets as at 28 February 2022.

Gearing Ratio

The gearing ratio of the Group, which was calculated as total interest-bearing bank and other borrowings divided by total equity as at the end of the relevant financial year/period, increased from approximately 44.9% as at 31 August 2021 to 55.7% as at 28 February 2022, primarily due to the increase in the Group's total interest-bearing bank and other borrowings.

Management Discussion and Analysis

Foreign Exchange Risk Management

The functional currency of the Company is RMB. The majority of the Group's revenue and expenditures are denominated in RMB. As at 28 February 2022, certain bank balances were denominated in HKD and USD. During the six months ended 28 February 2022, the Group did not experience any significant difficulties in or impacts on its operations or liquidity due to fluctuations in currency exchange rates. The directors of the Company (the "Directors") believe that the Group has sufficient foreign exchange to meet its own foreign exchange requirements and will adopt practical and effective measures to prevent exposure to exchange rate risk. The Group did not enter into any financial instrument for hedging purpose.

Contingent Liabilities

As at 28 February 2022, the Group did not have any significant contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened (as at 31 August 2021: nil).

Pledge of Assets

As at 28 February 2022, certain of the Group's furniture and fixtures, and electronic devices with a net carrying value of RMB107.9 million (as at 31 August 2021: RMB128.6 million) and time deposits amounting to RMB85.0 million (as at 31 August 2021: RMB50.0 million) were pledged to secure certain of the Group's other borrowings.

Employees and Remuneration Policy

As at 28 February 2022, the Group had 3,268 employees (as at 28 February 2021: 2,751 employees).

The remuneration policy and package of the Group's employees are periodically reviewed in accordance with industry practice and results performance of the Group. The Group provides external and internal training programs to its employees. The Group participates in various employee social security plans for its employees that are administered by local governments, including housing, pension, medical insurance, occupational injury insurance, maternity insurance and unemployment insurance.

The total remuneration cost incurred by the Group for the six months ended 28 February 2022 was RMB151.4 million (for the six months ended 28 February 2021: RMB97.0 million).

Events After the Reporting Period

The Group had no significant event after the Reporting Period required to be disclosed.

Corporate Governance and Other Information

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code and the Corporate Governance Report (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) as its own code of corporate governance.

The Company has complied with all applicable code provisions under the CG Code during the six months ended 28 February 2022, save and except for the deviation from code provision C.2.1 of the CG Code (“Code provision C.2.1”) as follows:

Code provision C.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Ye Nianqiao (“Mr. Ye”) is the chairman (the “Chairman”) and chief executive officer (the “CEO”) of the Company. Mr. Ye is the founder of the Group and has been responsible for managing the operation and overall strategic planning of the Group since its establishment. The Directors believe that vesting the roles of both the Chairman and the CEO in Mr. Ye is beneficial to the business outlook and management of the Group and can ensure consistent leadership within the Group for a more effective and efficient overall strategic planning for the Group. After considering all the corporate governance measures that have been taken, the board of directors (the “Board”) considers that the balance of power and authority will not be impaired by the present arrangement and the current structure will enable the Company to make and implement decisions more promptly and effectively. Thus, the Company does not separate the roles of Chairman and CEO. The Board will continue to review and consider separating the roles of Chairman and CEO of the Company when appropriate after taking into account of the then overall circumstances of the Group. The Company will also continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuer” (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions of the Directors. Having made specific enquiry of all the Directors, each of the Directors has confirmed that he/she has complied with the required standard as set out in the Model Code during the six months ended 28 February 2022.

Corporate Governance and Other Information

INTERIM DIVIDEND

The Board has resolved the payment of an interim dividend of HK\$0.06 per share for the six months ended 28 February 2022 (for the six months ended 30 June 2021: nil). The interim dividend will be paid on or about Wednesday, 31 August 2022 to the shareholders whose names appear on the register of members of the Company on Friday, 19 August 2022.

CLOSURE OF THE REGISTER OF MEMBERS

In order to ascertain shareholder's entitlement to the interim dividend, the register of members of the Company will be closed from Wednesday, 17 August 2022 to Friday, 19 August 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be qualified for the interim dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 16 August 2022.

AUDIT COMMITTEE

The Board has established an audit committee (the "Audit Committee"), which comprises three members, including two independent non-executive Directors namely Dr. Xu Ming (chairman) and Dr. Deng Feiqi and one non-executive Director namely Mr. Wang Chuanwu. The primary duties of the Audit Committee are to review and supervise the Company's financial reporting system, internal control system and risk management system.

The Audit Committee, together with the Board, has reviewed the unaudited interim condensed consolidated results of the Group for the six months ended 28 February 2022 and was of the opinion that the interim results and interim report had been prepared in accordance with the relevant accounting standards and that adequate disclosures had been made in accordance with the requirements of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 28 February 2022, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Corporate Governance and Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 28 February 2022, the interests and short positions of the Directors and chief executive 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 Securities and Futures Ordinance (Cap 571) (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Model Code were as follows:

| Name of Director or chief executive | Capacity/Nature of Interest | Number of Shares ⁽²⁾ | Number of Underlying Shares ⁽³⁾ | Approximate Percentage of Shareholding in the Company ⁽¹⁾ |
|-------------------------------------|---|---------------------------------|--|--|
| Ye Nianqiao | Founder of a discretionary trust ⁽⁴⁾ | 675,280,000 (L) | – | 33.51% |
| | Interest of spouse ⁽⁵⁾ | 375,000,000 (L) | – | 18.61% |
| Ye Xun | Founder of a discretionary trust ⁽⁶⁾ | 300,000,000 (L) | – | 14.89% |
| | Beneficial owner | 280,000 (L) | 420,000 (L) | 0.03% |
| Ye Nianjiu | Founder of a discretionary trust ⁽⁷⁾ | 150,000,000 (L) | – | 7.44% |
| | Beneficial owner | 320,000 (L) | 480,000 (L) | 0.04% |
| Zhang Xiangwei | Beneficial owner | 800,000 (L) | 1,200,000 (L) | 0.10% |
| Zha Donghui | Beneficial owner | 480,000 (L) | 720,000 (L) | 0.06% |
| Li Yan | Beneficial owner | 400,000 (L) | 600,000 (L) | 0.05% |
| Wang Chuanwu | Beneficial owner | 320,000 (L) | 480,000 (L) | 0.04% |
| Xu Ming | Beneficial owner | 160,000 (L) | 240,000 (L) | 0.02% |

Corporate Governance and Other Information

Notes:

1. As at 28 February 2022, the total number of issued shares is 2,015,248,667 shares.
2. The letter “L” denoted the person’s long position in the shares.
3. Interests in restricted shares granted pursuant to the restricted share award scheme.
4. Qiaoge Company Limited is wholly-owned by Ye Liya Limited, which is in turn wholly-owned by a trust, the trustee of which is Cantrust (Far East) Limited. The trust is a discretionary trust set up by Mr. Ye Nianqiao as founder who can influence how the trustee exercises his discretion. Qiaoge Company Limited is accustomed to act in accordance with the directions of Mr. Ye Nianqiao. By virtue of Part XV of the SFO, Mr. Ye Nianqiao is deemed to be interested in the shares held by Qiaoge Company Limited.
5. Mr. Ye Nianqiao is the husband of Ms. Shu Liping. By virtue of Part XV of the SFO, Mr. Ye Nianqiao is deemed to be interested in the shares indirectly held by Ms. Shu Liping through Shuye Company Limited. Shuye Company Limited is beneficially and wholly-owned by Ms. Shu Liping through Shu Feiya Limited, which is in turn wholly owned by a discretionary trust set up by Ms. Shu Liping as founder who can influence how the trustee exercises her discretion. Shuye Company Limited is accustomed to act in accordance with the directions of Ms. Shu Liping.
6. Chenye Company Limited is wholly-owned by Ye Kasi Limited, which is in turn wholly-owned by a discretionary trust set up by Mr. Ye Xun as founder who can influence how the trustee exercises his discretion. Chenye Company Limited is accustomed to act in accordance with the directions of Mr. Ye Xun. By virtue of Part XV of the SFO, Mr. Ye Xun is deemed to be interested in the shares held by Chenye Company Limited.
7. Weixin Company Limited is wholly-owned by Huanleye Limited, which is in turn wholly-owned by a discretionary trust set up by Mr. Ye Nianjiu as founder who can influence how the trustee exercises his discretion. Weixin Company Limited is accustomed to act in accordance with the directions of Mr. Ye Nianjiu. By virtue of Part XV of the SFO, Mr. Ye Nianjiu is deemed to be interested in the shares held by Weixin Company Limited.

Save as disclosed above, as at 28 February 2022, none of the Directors or the chief executive 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) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or required to be 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.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, at no time during the six months ended 28 February 2022 was the Company or any of its subsidiaries, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

Corporate Governance and Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 28 February 2022, to the best knowledge of the Directors, the following persons (other than the Directors or chief executive of the Company) had an interest or a short position in the shares or underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

| Name of Shareholder | Nature of Interest | Number of Shares ⁽²⁾ | Approximate Percentage of Shareholding in the Company ⁽¹⁾ |
|---|---|---------------------------------|--|
| Cantrust (Far East) Limited | Trustee ⁽³⁾ | 675,280,000 (L) | 33.51% |
| Ye Liya Limited | Interest in a controlled corporation ⁽³⁾ | 675,280,000 (L) | 33.51% |
| Qiaoge Company Limited | Beneficial owner ⁽³⁾ | 675,280,000 (L) | 33.51% |
| Shu Liping | Founder of a discretionary trust ⁽⁴⁾ | 375,000,000 (L) | 18.61% |
| | Interest of spouse ⁽⁴⁾ | 675,280,000 (L) | 33.51% |
| Cantrust (Far East) Limited | Trustee ⁽⁴⁾ | 375,000,000 (L) | 18.61% |
| Shu Feiya Limited | Interest in a controlled corporation ⁽⁴⁾ | 375,000,000 (L) | 18.61% |
| Shuye Company Limited | Beneficial owner ⁽⁴⁾ | 375,000,000 (L) | 18.61% |
| Cantrust (Far East) Limited | Trustee ⁽⁵⁾ | 300,000,000 (L) | 14.89% |
| Ye Kasi Limited | Interest in a controlled corporation ⁽⁵⁾ | 300,000,000 (L) | 14.89% |
| Chenye Company Limited | Beneficial owner ⁽⁵⁾ | 300,000,000 (L) | 14.89% |
| Cantrust (Far East) Limited | Trustee ⁽⁶⁾ | 150,000,000 (L) | 7.44% |
| Huanleye Limited | Interest in a controlled corporation ⁽⁶⁾ | 150,000,000 (L) | 7.44% |
| Weixin Company Limited | Beneficial owner ⁽⁶⁾ | 150,000,000 (L) | 7.44% |
| SKYLINE MIRACLE LIMITED | Beneficial owner ⁽⁷⁾ | 146,666,667 (L) | 7.28% |
| Gabriel Li | Interest in a controlled corporation ⁽⁷⁾ | 146,666,667 (L) | 7.28% |
| Lam Lai Ming | Interest in a controlled corporation ⁽⁷⁾ | 146,666,667 (L) | 7.28% |
| AREO HOLDINGS LIMITED | Interest in a controlled corporation ⁽⁷⁾ | 146,666,667 (L) | 7.28% |
| ORCHID ASIA V GROUP, LIMITED | Interest in a controlled corporation ⁽⁷⁾ | 136,400,000 (L) | 6.77% |
| ORCHID ASIA V GROUP MANAGEMENT, LIMITED | Interest in a controlled corporation ⁽⁷⁾ | 136,400,000 (L) | 6.77% |
| ORCHID ASIA VII GP, LIMITED | Interest in a controlled corporation ⁽⁷⁾ | 136,400,000 (L) | 6.77% |
| OAVII HOLDINGS, L.P. | Interest in a controlled corporation ⁽⁷⁾ | 136,400,000 (L) | 6.77% |
| ORCHID ASIA VII, L.P. | Interest in a controlled corporation ⁽⁷⁾ | 136,400,000 (L) | 6.77% |

Corporate Governance and Other Information

Notes:

1. As at 28 February 2022, the total number of issued shares is 2,015,248,667 shares.
2. The letter “L” denoted the person’s long position in the shares.
3. Qiaoge Company Limited is wholly-owned by Ye Liya Limited, which is in turn wholly-owned by a trust, the trustee of which is Cantrust (Far East) Limited. The trust is a discretionary trust set up by Mr. Ye Nianqiao as founder who can influence how the trustee exercises his discretion. Qiaoge Company Limited is accustomed to act in accordance with the directions of Mr. Ye Nianqiao. By virtue of Part XV of the SFO, Mr. Ye Nianqiao is deemed to be interested in the shares held by Qiaoge Company Limited.
4. Shuye Company Limited is wholly-owned by Shu Feiya Limited, which is in turn wholly owned by a discretionary trust set up by Ms. Shu Liping as founder who can influence how the trustee exercises her discretion. Shuye Company Limited is accustomed to act in accordance with the directions of Ms. Shu Liping. By virtue of Part XV of the SFO, Ms. Shu Liping is deemed to be interested in the shares held by Shuye Company Limited. Mr. Ye Nianqiao is the husband of Ms. Shu Liping. By virtue of Part XV of the SFO, Ms. Shu Liping is deemed to be interested in the shares indirectly held by Mr. Ye Nianqiao through Qiaoge Company Limited.
5. Chenye Company Limited is wholly-owned by Ye Kasi Limited, which is in turn wholly-owned by a discretionary trust set up by Mr. Ye Xun as founder who can influence how the trustee exercises his discretion. Chenye Company Limited is accustomed to act in accordance with the directions of Mr. Ye Xun. By virtue of Part XV of the SFO, Mr. Ye Xun is deemed to be interested in the shares held by Chenye Company Limited.
6. Weixin Company Limited is wholly-owned by Huanleye Limited, which is in turn wholly-owned by a discretionary trust set up by Mr. Ye Nianjiu as founder who can influence how the trustee exercises his discretion. Weixin Company Limited is accustomed to act in accordance with the directions of Mr. Ye Nianjiu. By virtue of Part XV of the SFO, Mr. Ye Nianjiu is deemed to be interested in the shares held by Weixin Company Limited.
7. Skyline Miracle Limited, was beneficially owned by Orchid Asia VII, L.P. as to 93% and Orchid Asia VII Co-Investment, Limited as to 7%. Orchid Asia VII, L.P. was wholly controlled by OAVII Holdings, L.P. (in its capacity as general partner of Orchid Asia VII, L.P.), which was in turn wholly controlled by Orchid Asia VII GP, Limited (in its capacity as general partner of OAVII Holdings, L.P.), which was in turn wholly owned by Orchid Asia V Group Management, Limited, which was in turn wholly owned by Orchid Asia V Group, Limited, which was in turn wholly owned by Areo Holdings Limited. Areo Holdings Limited was wholly owned by Ms. Lam Lai Ming. Areo Holdings Limited was also controlled by Mr. Gabriel Li by virtue of his directorship therein. Accordingly, Ms. Lam Lai Ming and Mr. Gabriel Li were taken to be interested in the Conversion Shares in which Areo Holdings Limited was interested by virtue of Part XV of the SFO.

Save as disclosed above, as at 28 February 2022, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required pursuant to section 336 of the SFO, to be entered in the register referred to therein.

Corporate Governance and Other Information

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 10 January 2019 (the “Share Option Scheme”), under which the Company may issue options to purchase up to a total of 200,000,066 Shares to the Directors, senior management and employees. The Share Option Scheme is valid and effective for a period of ten years commencing on 10 January 2019.

From 10 January 2019 (date of the adoption of the Share Option Scheme) to 28 February 2022, no option under the Share Option Scheme has been granted, exercised, cancelled and lapsed.

RESTRICTED SHARE AWARD SCHEME

The Company has adopted a restricted share award scheme (the “Restricted Share Award Scheme”) on 22 June 2020 to (i) recognize and reward the selected participants for their past contributions to the Company and provide them with the opportunities to acquire the interests in the Company; (ii) provide incentives for the selected participants to continuously make substantial contributions for the long-term growth of the Company in the future; (iii) attract and retain talented participants who may be beneficial to the growth and development of the Company; (iv) further align the interests of the selected participants with the shareholders through ownership of shares by the selected participants, so as to bring more efficient and long lasting returns to the Company, the shareholders and the selected participants and to promote the realization of the strategic objectives of the Company; and (v) establish an operating performance-oriented long-term incentive mechanism for the Company. The Restricted Share Award Scheme became effective on 22 June 2020. Subject to earlier termination by the Board, the Restricted Share Award Scheme shall be valid and effective for a period of five years from the adoption date. The maximum number of shares which can be awarded under the Restricted Share Award Scheme and to a selected participant are limited to 2% of the issued share capital of the Company as at the adoption date.

The Company shall comply with the relevant Listing Rules when granting the restricted shares. If awards are made to the directors or substantial shareholders of the Group, such awards shall constitute connected transaction under Chapter 14A of the Listing Rules and the Company shall comply with the relevant requirements under the Listing Rules.

Corporate Governance and Other Information

The table below shows details of the restricted shares granted under the Restricted Share Award Scheme during the Reporting Period:

| | Date of Grant | Number of Restricted Shares | | | | | Outstanding as at 28 February 2022 | Vesting Period |
|--------------------------------------|----------------|------------------------------------|-------------------------------------|---------------------------------------|---------------------------------------|------------------------------------|------------------------------------|----------------|
| | | Outstanding as at 1 September 2021 | Granted during the Reporting Period | Exercised during the Reporting Period | Forfeited during the Reporting Period | Outstanding as at 28 February 2022 | | |
| Directors | | | | | | | | |
| Dr. Zhang Xiangwei | 14 August 2020 | 1,200,000 | - | - | - | 1,200,000 | 1.5 years | |
| Mr. Zha Donghui | 14 August 2020 | 720,000 | - | - | - | 720,000 | 1.5 years | |
| Ms. Li Yan | 14 August 2020 | 600,000 | - | - | - | 600,000 | 1.5 years | |
| Mr. Ye Xun | 14 August 2020 | 420,000 | - | - | - | 420,000 | 1.5 years | |
| Mr. Wang Chuanwu | 14 August 2020 | 480,000 | - | - | - | 480,000 | 1.5 years | |
| Dr. Xu Ming | 14 August 2020 | 240,000 | - | - | - | 240,000 | 1.5 years | |
| Directors of the Subsidiary | | | | | | | | |
| Mr. Ye Nianjiu | 14 August 2020 | 480,000 | - | - | - | 480,000 | 1.5 years | |
| Ms. Wang Yi Ning | 14 August 2020 | 480,000 | - | - | - | 480,000 | 1.5 years | |
| Mr. Zhang Dongsheng | 14 August 2020 | 420,000 | - | - | - | 420,000 | 1.5 years | |
| Ms. Chai Weisi (Former director) | 14 August 2020 | 390,000 | - | - | - | 390,000 | 1.5 years | |
| Ms. Liu Xiangping | 14 August 2020 | 390,000 | - | - | - | 390,000 | 1.5 years | |
| Mr. Zhang Zongshan (Former director) | 14 August 2020 | 390,000 | - | - | - | 390,000 | 1.5 years | |
| Mr. Li Huiyou (Former director) | 14 August 2020 | 240,000 | - | - | - | 240,000 | 1.5 years | |
| Mr. Tan Jinxing (Former director) | 14 August 2020 | 240,000 | - | - | - | 240,000 | 1.5 years | |
| Sub-total | | 6,690,000 | - | - | - | 6,690,000 | | |
| Employees in aggregate | | | | | | | | |
| 7 employees | 22 June 2020 | 1,980,000 | - | - | - | 1,980,000 | 1.5 years | |
| Sub-total | | 1,980,000 | - | - | - | 1,980,000 | | |
| Total | | 8,670,000 | - | - | - | 8,670,000 | | |

Corporate Governance and Other Information

As at 28 February 2022, no restricted shares has been granted under the Restricted Share Award Scheme and 25,565,973 restricted shares remaining in the pool, representing approximately 1.27% of the total issued share capital as at the date of this interim report. The remaining life of the Restricted Share Award Scheme was around three years as at the date of this interim report.

Details of the purpose and movement of the restricted shares granted during the Reporting Period are set out under note 12 to the unaudited interim condensed consolidated financial statements in this interim report. For more details of the Restricted Share Award Scheme, please refer to the Company's announcement dated 22 June 2020.

Unaudited Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 28 February 2022

| | Notes | For the six months ended | |
|---|-------|---|---|
| | | 28 February 2022 RMB'000 (Unaudited) | 30 June 2021 RMB'000 (Unaudited) |
| REVENUE | 4 | 703,327 | 634,222 |
| Cost of sales | | (246,540) | (182,534) |
| Gross profit | | 456,787 | 451,688 |
| Other income and gains | 4 | 56,307 | 39,681 |
| Selling and distribution expenses | | (2,751) | (3,052) |
| Administrative expenses | | (74,126) | (68,744) |
| Other expenses | | (4,586) | (525) |
| Finance costs | | (34,231) | (18,448) |
| Share of losses of: | | | |
| A joint venture | | – | (421) |
| An associate | | – | (2,676) |
| PROFIT BEFORE TAX | 5 | 397,400 | 397,503 |
| Income tax (expense)/credit | 6 | (16,487) | 5,265 |
| PROFIT FOR THE PERIOD | | 380,913 | 402,768 |
| Attributable to: | | | |
| Owners of the parent | | 380,913 | 402,768 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | 8 | | |
| Basic | | | |
| – For profit for the period | | RMB0.1898 | RMB0.2013 |
| Diluted | | | |
| – For profit for the period | | RMB0.1894 | RMB0.2005 |

Unaudited Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 28 February 2022

| | For the six months ended | |
|--|---|---|
| | 28 February 2022 RMB'000 (Unaudited) | 30 June 2021 RMB'000 (Unaudited) |
| PROFIT FOR THE PERIOD | 380,913 | 402,768 |
| OTHER COMPREHENSIVE LOSS | | |
| Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods: | | |
| Equity investment designated at fair value through other comprehensive income: | | |
| Changes in fair value | (3,657) | (25,916) |
| Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods | (3,657) | (25,916) |
| OTHER COMPREHENSIVE LOSS FOR THE PERIOD | (3,657) | (25,916) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 377,256 | 376,852 |
| Attributable to: | | |
| Owners of the parent | 377,256 | 376,852 |

Unaudited Interim Condensed Consolidated Statement of Financial Position

28 February 2022

| | Notes | 28 February 2022 RMB'000 (Unaudited) | 31 August 2021 RMB'000 (Audited) |
|--|-------|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 9 | 3,174,390 | 2,992,446 |
| Right-of-use assets | | 760,401 | 768,614 |
| Goodwill | | 692,121 | 692,121 |
| Other intangible assets | | 396,640 | 401,251 |
| An equity investment designated at fair value through other comprehensive income | | 4,190 | 7,847 |
| Prepayments for non-current assets | | 352,603 | 324,439 |
| Time deposits | | 85,000 | 25,000 |
| Total non-current assets | | 5,465,345 | 5,211,718 |
| CURRENT ASSETS | | | |
| Trade receivables | 10 | 53,373 | 43,420 |
| Prepayments, other receivables and other assets | | 362,375 | 149,251 |
| Financial assets at fair value through profit or loss | | 59,284 | 63,714 |
| Time deposits | | 25,010 | 50,000 |
| Cash and cash equivalents | | 1,455,208 | 1,228,699 |
| Total current assets | | 1,955,250 | 1,535,084 |
| CURRENT LIABILITIES | | | |
| Contract liabilities | 4 | 659,238 | 330,147 |
| Other payables and accruals | | 944,269 | 1,498,048 |
| Dividend payable | 7 | 260,389 | 164,295 |
| Interest-bearing bank and other borrowings | | 680,949 | 810,779 |
| Lease liabilities | | 2,211 | 1,666 |
| Tax payable | | 4,438 | 2,850 |
| Deferred income | | 1,641 | 1,514 |
| Total current liabilities | | 2,553,135 | 2,809,299 |
| NET CURRENT LIABILITIES | | (597,885) | (1,274,215) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 4,867,460 | 3,937,503 |

Unaudited Interim Condensed Consolidated Statement of Financial Position (continued)

28 February 2022

| | Note | 28 February 2022 RMB'000 (Unaudited) | 31 August 2021 RMB'000 (Audited) |
|---|------|---|---|
| <hr/> | | | |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 4,867,460 | 3,937,503 |
| <hr/> | | | |
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing bank and other borrowings | | 1,280,747 | 645,294 |
| Lease liabilities | | 4,950 | 6,315 |
| Deferred tax liabilities | | 50,401 | 35,502 |
| Deferred income | | 9,087 | 9,983 |
| <hr/> | | | |
| Total non-current liabilities | | 1,345,185 | 697,094 |
| <hr/> | | | |
| Net assets | | 3,522,275 | 3,240,409 |
| <hr/> | | | |
| EQUITY | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | 11 | 137 | 137 |
| Reserves | | 3,522,138 | 3,240,272 |
| <hr/> | | | |
| Total equity | | 3,522,275 | 3,240,409 |
| <hr/> | | | |

Unaudited Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 28 February 2022

| | Attributable to owners of the parent | | | | | | | | |
|---|--------------------------------------|---|---------------------------------|--------------------------|--------------------------------------|--------------------------------|--------------------|------------------|-----------|
| | Share capital | Shares held for the restricted share award scheme | Capital reserve – share premium | Capital reserve – others | Statutory and other reserves surplus | Restricted share award reserve | Fair value reserve | Retained profits | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | Note 11 | Note 12 | | | | Note 12 | | | |
| At 1 September 2021 (audited) | 137 | (49,396) | 571,438 | 12,356 | 677,773 | 20,261 | (30,608) | 2,038,448 | 3,240,409 |
| Profit for the period | - | - | - | - | - | - | - | 380,913 | 380,913 |
| Other comprehensive loss for the period: | | | | | | | | | |
| Change in fair value of an equity investment at fair value through other comprehensive income | - | - | - | - | - | - | (3,657) | - | (3,657) |
| Total comprehensive income for the period | - | - | - | - | - | - | (3,657) | 380,913 | 377,256 |
| Final 2021 dividend declared | - | - | (99,427) | - | - | - | - | - | (99,427) |
| Equity-settled restricted share award scheme | - | - | - | - | - | 4,037 | - | - | 4,037 |
| Transfer from retained profits | - | - | - | - | 40,862 | - | - | (40,862) | - |
| At 28 February 2022 (unaudited) | 137 | (49,396)* | 472,011* | 12,356* | 718,635* | 24,298* | (34,265)* | 2,378,499* | 3,522,275 |

* These reserve accounts comprise the consolidated reserves of RMB3,522,138,000 in the unaudited interim condensed consolidated statement of financial position as at 28 February 2022.

Unaudited Interim Condensed Consolidated Statement of Changes in Equity (continued)

For the six months ended 28 February 2022

| | Attributable to owners of the parent | | | | | | | | |
|---|--------------------------------------|---|---------------------------------|--------------------------|------------------------------|--------------------------------|--------------------|------------------|-----------|
| | Share capital | Shares held for the restricted share award scheme | Capital reserve – share premium | Capital reserve – others | Statutory and other reserves | Restricted share award reserve | Fair value reserve | Retained profits | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | Note 11 | Note 12 | | | | Note 12 | | | |
| At 1 January 2021 (audited) | 137 | (82,326) | 771,153 | 14,231 | 639,038 | 19,048 | 7,415 | 1,805,031 | 3,173,727 |
| Profit for the period | - | - | - | - | - | - | - | 402,768 | 402,768 |
| Other comprehensive loss for the period: | | | | | | | | | |
| Change in fair value of an equity investment at fair value through other comprehensive income | - | - | - | - | - | - | (25,916) | - | (25,916) |
| Total comprehensive income for the period | - | - | - | - | - | - | (25,916) | 402,768 | 376,852 |
| Final 2020 dividend declared | - | - | (199,715) | - | - | - | - | - | (199,715) |
| Equity-settled restricted share award scheme | - | - | - | - | - | 24,982 | - | - | 24,982 |
| Transfer from retained profits | - | - | - | - | 99,170 | - | - | (99,170) | - |
| At 30 June 2021 (unaudited) | 137 | (82,326)* | 571,438* | 14,231* | 738,208* | 44,030* | (18,501)* | 2,108,629* | 3,375,846 |

* These reserve accounts comprise the consolidated reserves of RMB3,375,709,000 in the unaudited interim condensed consolidated statement of financial position as at 30 June 2021.

Unaudited Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 28 February 2022

| | Notes | For the six months ended | |
|---|-------|---|---|
| | | 28 February 2022 RMB'000 (Unaudited) | 30 June 2021 RMB'000 (Unaudited) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | 397,400 | 397,503 |
| Adjustments for: | | | |
| Finance costs | | 34,231 | 18,448 |
| Exchange differences, net | 5 | (2,529) | 373 |
| Share of losses of a joint venture and an associate | | – | 3,097 |
| Remeasurement gain of the previously held equity interests in an associate | 4 | – | (12,433) |
| Remeasurement loss of the previously held equity interests in a joint venture | 5 | – | 142 |
| Bank interest income | 4 | (4,137) | (6,585) |
| Interest income on loans to an associate | 4 | – | (3,231) |
| Interest expense on other borrowings | 4 | – | 3,231 |
| Dividend income from an equity investment designated at fair value through other comprehensive income | 4 | – | (830) |
| Fair value loss/(gain), net: | | | |
| Financial assets at fair value through profit or loss | 5 | 4,430 | (3,868) |
| Government grants related to asset released | 4 | (769) | (664) |
| Gain on disposal of items of property, plant and equipment | 4 | (27) | – |
| Depreciation of property, plant and equipment | 5 | 67,696 | 51,048 |
| Depreciation of right-of-use assets | 5 | 8,213 | 4,391 |
| Amortisation of other intangible assets | 5 | 5,155 | 4,899 |
| Provision for/write back of expected credit losses of trade receivables | 5 | 3,348 | (243) |
| Equity-settled restricted share award expenses | | 4,037 | 24,982 |
| | | 517,048 | 480,260 |
| Increase in trade receivables | | (13,301) | (6,065) |
| Increase in prepayments, other receivables and other assets | | (33,830) | (36,506) |
| Decrease in other payables and accruals | | (108,260) | (33,570) |
| Increase/(decrease) in contract liabilities | | 329,091 | (555,787) |
| Cash generated from/(used in) operations | | 690,748 | (151,668) |
| Bank interest received | | 5,607 | 6,354 |
| Net cash flows from/(used in) operating activities | | 696,355 | (145,314) |

Unaudited Interim Condensed Consolidated Statement of Cash Flows (continued)

For the six months ended 28 February 2022

| | For the six months ended | |
|---|---|---|
| | 28 February 2022 RMB'000 (Unaudited) | 30 June 2021 RMB'000 (Unaudited) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Dividend received from an equity investment designated at fair value through other comprehensive income | – | 830 |
| Advances for acquisition of subsidiaries | (40,000) | (100,000) |
| Acquisition of subsidiaries | (307,640) | (182,824) |
| Loans to an entrusted school | (175,513) | – |
| Increase in an amount due to a third party | – | 2,002 |
| Purchases of items of property, plant and equipment | (383,749) | (183,247) |
| Proceeds from disposal of items of property, plant and equipment | 1,866 | 2 |
| (Increase)/decrease in time deposits | (35,010) | 100,000 |
| Net cash flows used in investing activities | (940,046) | (363,237) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| New bank and other borrowings | 541,873 | 779,832 |
| Repayments of bank loans and other borrowings | (36,250) | (150,000) |
| Interest paid | (33,799) | (17,185) |
| Principal portion of lease payments | (820) | (792) |
| Net cash flows from financing activities | 471,004 | 611,855 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | |
| Cash and cash equivalents at beginning of period | 1,228,699 | 1,294,204 |
| Effect of foreign exchange rate changes, net | (804) | (373) |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 1,455,208 | 1,397,135 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and cash equivalents as stated in the statement of financial position and in the statement of cash flows | 1,455,208 | 1,397,135 |

Notes to Unaudited Interim Condensed Consolidated Financial Statements

28 February 2022

1. CORPORATE AND GROUP INFORMATION

China Kepei Education Group Limited was incorporated in the Cayman Islands on 24 August 2017 as an exempted company with limited liability under the Companies ACT of the Cayman Islands. The address of the registered office of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company was listed on the Main Board of the Stock Exchange of Hong Kong Limited on 25 January 2019.

The principal activity of the Company is investment holding. During the period, the Company and its subsidiaries were principally engaged in providing private higher education services in the PRC.

2.1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 28 February 2022 have been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 August 2021.

The Group has prepared the financial statements on the basis of going concern. The Group recorded net current liabilities of RMB597,885,000 as at 28 February 2022. Included therein were the contract liabilities of RMB659,238,000 as at 28 February 2022, which will be settled by education services to be provided by the Group. In view of the net current liabilities position, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance when assessing whether the Group will have sufficient financial resources to continue as a going concern and meet its liabilities as and when they fall due in the foreseeable future.

The Directors have prepared a cashflow forecast for the Group which covers a period of twelve months from the end of the reporting period. Taking into account the positive cashflows from operation, adequate loan facilities from reputable financial institutions as at 28 February 2022 and the ability of management in adjusting the pace of its operation expansion, the Directors consider that the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due. Therefore, there are no material uncertainties that may cast significant doubt over going concern assumption and the Directors formed a judgement that there is a reasonable expectation that the Group has adequate resources to operate for the foreseeable future.

The unaudited interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

28 February 2022

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the eight months ended 31 August 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial statements. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

| | |
|--|--|
| Amendments to HKFRS 3 | <i>Reference to the Conceptual Framework</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 nature of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group adopted the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group was not affected by these amendments on the date of transition.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

2.2 CHANGES IN ACCOUNTING POLICIES (continued)

- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information.
- (d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments are as follows:
- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022.
 - HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

These amendments had no significant impact on the unaudited interim condensed consolidated financial statements of the Group.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

28 February 2022

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of education services in the PRC.

HKFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. The information reported to the Directors, who are the chief operating decision makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the Directors review the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

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

Information about major customers

No revenue from services provided to a single customer accounted for 10% or more of the total revenue of the Group during the period.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

| | Notes | For the six months ended | |
|---|-------|---|---|
| | | 28 February 2022 RMB'000 (Unaudited) | 30 June 2021 RMB'000 (Unaudited) |
| Revenue | | | |
| <i>Revenue from contracts with customers</i> | | | |
| Tuition fees | (a) | 649,326 | 588,406 |
| Boarding fees | (a) | 48,563 | 40,445 |
| Other education service fees | (b) | 5,438 | 5,371 |
| | | 703,327 | 634,222 |
| Other income and gains | | | |
| Management service income | (c) | 34,435 | 5,189 |
| Bank interest income | | 4,137 | 6,585 |
| Interest income on loans to an associate | | – | 3,231 |
| Interest expense on other borrowings | | – | (3,231) |
| Dividend income from an equity investment designated at fair value through other comprehensive income | | – | 830 |
| Remeasurement gain of the previously held equity interests in an associate | | – | 12,433 |
| Rental income | | 13,046 | 6,905 |
| Government grants | | | |
| Related to assets | | 769 | 664 |
| Related to income | | 1,364 | 3,207 |
| Fair value gain, net | | | |
| Financial assets at fair value through profit or loss | | – | 3,868 |
| Exchange gain, net | | 2,529 | – |
| Gain on disposal of items of property, plant and equipment | | 27 | – |
| | | 56,307 | 39,681 |

Notes to Unaudited Interim Condensed Consolidated Financial Statements

28 February 2022

4. REVENUE, OTHER INCOME AND GAINS (continued)

Notes:

- (a) Tuition fees and boarding fees mainly represented income received from the provision of education and boarding services to the students, which was recognised over time, i.e. the academic year, of the services rendered.
- (b) Other education service fees mainly represented income received from the provision of other education services including training service to the students, which was amortised over time, i.e. the training periods of the services rendered.
- (c) Pursuant to the share management agreement dated 15 July 2021 in relation to the acquisition of Maanshan College (馬鞍山學院), the entire management of Maanshan College was entrusted to a subsidiary of the Company with effect from the effective date of the entrustment until the completion of acquisition. In consideration for the management services provided by the subsidiaries of the Company, the Group shall be entitled to management service income during the term of the share management agreement. (Six months ended 30 June 2021: pursuant to the share management agreement in relation to the acquisition of Harbin Institute of Petroleum (哈爾濱石油學院), the entire management of Harbin Institute of Petroleum was entrusted to a subsidiary of the Company with effect from the effective date of the entrustment until the completion of acquisition. In consideration for the management services provided by the subsidiaries of the Company, the Group shall be entitled to management service income during the term of the share management agreement. On 29 March 2021, the Group completed the acquisition of Harbin Institute of Petroleum and terminated the share management agreement, and consolidated the financial result of the school into the Group after then.)

Contract liabilities

The Group receives tuition and boarding fees from students in advance prior to the beginning of each academic year. The performance obligation is satisfied proportionately over the relevant period of the applicable program. The students are entitled to refund of the payment in relation to the proportionate service not yet provided.

Significant changes in the contract liability balances during the period are as follows:

| | Six months ended 28 February 2022 RMB'000 (Unaudited) | Eight months ended 31 August 2021 RMB'000 (Audited) |
|--|--|--|
| At the beginning of the period | 330,147 | 524,366 |
| Revenue recognised that was included in the balance of contract liabilities at the beginning of the period | (164,926) | (524,366) |
| Increases due to cash received, excluding amounts recognised as revenue during the period | 494,017 | 330,147 |
| At the end of the period | 659,238 | 330,147 |

4. REVENUE, OTHER INCOME AND GAINS (continued)

Contract liabilities (continued)

Revenue recognised in relation to contract liabilities

The following table shows the amounts of revenue recognised in the current period that were included in the contract liabilities at the beginning of the reporting period:

| | For the six months ended | |
|--|---|---|
| | 28 February 2022 RMB'000 (Unaudited) | 30 June 2021 RMB'000 (Unaudited) |
| Revenue recognised that was included in the balance of contract liabilities at the beginning of the period | | |
| Tuition fees | 152,018 | 484,901 |
| Boarding fees | 12,908 | 39,465 |
| | 164,926 | 524,366 |

Unsatisfied performance obligations

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 28 February 2022 are as follows:

| | 28 February 2022 RMB'000 (Unaudited) | 31 August 2021 RMB'000 (Audited) |
|---------------|---|---|
| | Expected to be recognised within one year | |
| Tuition fees | 614,251 | 304,650 |
| Boarding fees | 44,987 | 25,497 |
| | 659,238 | 330,147 |

The amounts of transaction prices associated with unsatisfied or partially unsatisfied performance obligations do not include variable consideration which is constrained.

There were no contract assets at the end of the reporting period recognised in the unaudited interim condensed consolidated statement of financial position.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

28 February 2022

5. PROFIT BEFORE TAX

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

| | Note | For the six months ended | |
|--|------|---|---|
| | | 28 February 2022 RMB'000 (Unaudited) | 30 June 2021 RMB'000 (Unaudited) |
| Employee benefit expense (excluding directors' and chief executive's remuneration): | | | |
| Wages and salaries | | 123,888 | 94,257 |
| Pension scheme contributions | | 16,807 | 11,939 |
| Equity-settled restricted share award expenses | | 5,562 | 14,435 |
| | | 146,257 | 120,631 |
| Depreciation of property, plant and equipment | | 67,696 | 51,048 |
| Depreciation of right-of-use assets | | 8,213 | 4,391 |
| Amortisation of other intangible assets | | 5,155 | 4,899 |
| Provision for/write back of impairment of trade receivables* | | 3,348 | (243) |
| Remeasurement gain of the previously held equity interests in an associate | 4 | – | (12,433) |
| Remeasurement loss of the previously held equity interests in a joint venture | | – | 142 |
| Gain on disposal of items of property, plant and equipment | 4 | (27) | – |
| Auditor's remuneration | | 2,000 | 2,000 |
| Exchange differences, net** | | (2,529) | 373 |
| Fair value loss/(gain), net: | | | |
| Financial assets at fair value through profit or loss*** | | 4,430 | (3,868) |
| Dividend income from an equity investment at fair value through other comprehensive income | 4 | – | (830) |
| Bank interest income | 4 | (4,137) | (6,585) |

* The provision for/write back of expected credit losses on trade receivables is included in administrative expenses in the unaudited interim condensed consolidated statement of profit or loss.

** The exchange gain is included in other income and gains and exchange loss is included in other expenses in the unaudited interim condensed consolidated statement of profit or loss.

*** The fair value gain is included in other income and gains and fair value loss is included in other expenses in the unaudited interim condensed consolidated statement of profit or loss.

6. INCOME TAX

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.

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

Huanan Education Group Limited, the Company's directly held subsidiary, was incorporated in the British Virgin Islands ("BVI") as an exempted company with limited liability under the BVI Companies ACT and accordingly is not subject to income tax from business carried out in the BVI.

China Kepei Education (Hong Kong) Limited, a subsidiary incorporated in Hong Kong, is subject to income tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong. No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the period.

Pursuant to the decision (the "2016 Decision") of the Standing Committee of the National People's Congress on Amending the Private Schools Promotion Law of the PRC 《全國人民代表大會常務委員會關於修改〈中華人民共和國民辦教育促進法〉的決定》, which was promulgated on 7 November 2016 and came into force on 1 September 2017, private schools are no longer being classified as either schools for which the school sponsor(s) require reasonable returns or schools for which the school sponsor(s) do not require reasonable returns. Instead, the school sponsor(s) of a private school may choose for the school to be a for-profit private school or a non-profit private school, with the exception that schools providing nine-year compulsory education must be non-profit.

On 14 May 2021, the State Council released the Implementation Rules for the Private Schools Promotion Law of the PRC 《中華人民共和國民辦教育促進法實施條例》 with an effective date of 1 September 2021 (the "2021 Implementation Rules"). The 2021 Implementation Rules are the detailed implementation rules of the Private Schools Promotion Law of the PRC. Pursuant to the 2016 Decision and the 2021 Implementation Rules, a private school may enjoy the preferential tax policies, which are not defined under neither the 2016 Decision nor the 2021 Implementation Rules, as stipulated by the related government authorities and a non-profit school may enjoy the same tax policies as enjoyed by a public school.

The local governments of Guangdong, Heilongjiang and Anhui province, where the Group's PRC Schools registered, have promulgated the Implementation Opinions on Encouraging Private Entities and Individuals to Operate Schools and Promote Healthy Development of Private Education ("Local Implementation Opinions").

6. INCOME TAX (continued)

According to the Implementing Opinions of the Guangdong Provincial Government on Encouraging Private Entities and Individuals to Operate Schools and Promote the Healthy Development of Private Education (《廣東省人民政府關於鼓勵社會力量興辦教育促進民辦教育健康發展的實施意見》), which was promulgated by the People's Government of Guangdong Province on 4 May 2018, school sponsors of private schools which were established and registered in Guangdong prior to 7 November 2016 may choose for the schools to be for-profit private schools or non-profit private schools at their own discretion, except for the schools providing compulsory education, which must be non-profit. However, the Implementing Measures of Classification Registration for Private Schools (《關於民辦學校分類登記的實施辦法》), which was promulgated by five departments of the Guangdong province government and came into effect on 30 December 2018, do not specify a deadline for the existing private schools to elect to be registered as non-profit or for-profit private schools.

According to the Local Implementation Opinions of Heilongjiang and Anhui provinces, the Group's PRC Schools are required to complete classification registration of the school as a for-profit private school or a non-profit private school by 1 September 2022 and 1 September 2023, respectively.

As at the date of these unaudited interim condensed consolidated financial statements, the PRC Schools have not yet registered as for-profit private schools or non-profit private schools and remain as private non-enterprise units.

Considering that the relevant tax policies regarding schools for which the school sponsor(s) require reasonable returns or schools for which the school sponsor(s) do not require reasonable returns remain unchanged and the PRC Schools remain as private non-enterprise units and, in accordance with the tax compliance confirmations obtained from the local tax authorities and the Group's external legal advisor's comments on the preferential tax treatments for the current period, the PRC Schools did not pay corporate income tax for the income from academic educational services and have enjoyed the preferential tax treatments during the period. In the event the PRC Schools elect to register as for-profit private schools, the PRC Schools may be subject to corporate income tax ("CIT") at a rate of 25% in respect of service fees they receive from the provision of academic educational services going forward, if they do not enjoy any preferential tax treatment.

Pursuant to the PRC CIT Law and the respective regulations, the Group's non-school subsidiaries which operate in Mainland China are generally subject to CIT at a rate of 25% on the taxable income.

6. INCOME TAX (continued)

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates.

| | For the six months ended | |
|--|---|---|
| | 28 February 2022 RMB'000 (Unaudited) | 30 June 2021 RMB'000 (Unaudited) |
| Current – Mainland China | | |
| Charge for the period | 1,588 | 981 |
| Deferred | 14,899 | (6,246) |
| Total tax charge/(credit) for the period | 16,487 | (5,265) |

7. DIVIDENDS

| | For the six months ended | |
|--|---|---|
| | 28 February 2022 RMB'000 (Unaudited) | 30 June 2021 RMB'000 (Unaudited) |
| Final dividend declared – HK\$0.06 per ordinary share (six months ended 30 June 2021: HK\$0.12) | 99,427 | 199,715 |

A final dividend of HK\$0.06 per share in respect of the eight months ended 31 August 2021 has been proposed by the board of directors and was approved by the shareholders at the annual general meeting of the Company on 25 February 2022.

| | For the six months ended | |
|--|---|---|
| | 28 February 2022 RMB'000 (Unaudited) | 30 June 2021 RMB'000 (Unaudited) |
| Interim dividend proposed subsequent to the reporting period – HK\$0.06 per ordinary share (six months ended 30 June 2021: nil) | 101,058 | – |

Subsequent to the end of the current interim period, the Director have determined to pay an interim dividend of HK\$0.06 (six months ended 30 June 2021: nil) per share, amounting to RMB101,058,000 (six months ended 30 June 2021: nil), to the shareholders of the Company.

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8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the adjusted weighted average number of ordinary shares of 2,006,578,667 (six months ended 30 June 2021: 2,000,798,667) in issue during the period, which reflects the ordinary shares held for the restricted share award scheme (the “Restricted Shares”) of the Company (the “Restricted Share Award Scheme”) during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic 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 earnings per share are based on:

| | For the six months ended | |
|---|---------------------------------|-------------|
| | 28 February | 30 June |
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Earnings | | |
| Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation | 380,913 | 402,768 |

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

| | Number of shares | |
|---|--------------------------|-----------------|
| | For the six months ended | |
| | 28 February 2022 | 30 June 2021 |
| Shares | | |
| Number of ordinary shares in issue at the beginning of the period | 2,015,248,667 | 2,015,248,667 |
| Weighted average number of ordinary shares held for the Restricted Share Award Scheme | (8,670,000) | (14,450,000) |
| Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation | 2,006,578,667 | 2,000,798,667 |
| Effect of dilution – weighted average number of ordinary shares: Restricted Shares under the Restricted Share Award Scheme (note 12) | 5,016,059 | 8,272,197 |
| Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculations | 2,011,594,726 | 2,009,070,864 |

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 28 February 2022, the Group acquired assets at a cost of RMB251,479,000 (six months ended 30 June 2021: RMB148,021,000, excluding property, plant and equipment acquired through business combinations during the period).

Assets with a net book value of RMB1,839,000 were disposed of by the Group during the six months ended 28 February 2022 (six months ended 30 June 2021: RMB2,000), resulting in a net disposal gain of RMB27,000 (six months ended 30 June 2021: nil).

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10. TRADE RECEIVABLES

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

| | 28 February 2022 RMB'000 (Unaudited) | 31 August 2021 RMB'000 (Audited) |
|---------------|---|---|
| Within 1 year | 33,151 | 29,983 |
| 1 to 2 years | 12,698 | 4,895 |
| 2 to 3 years | 3,905 | 6,599 |
| Over 3 years | 3,619 | 1,943 |
| | 53,373 | 43,420 |

11. SHARE CAPITAL

| | 28 February 2022 RMB'000 (Unaudited) | 31 August 2021 RMB'000 (Audited) |
|---|---|---|
| Issued and fully paid: | | |
| 2,015,248,667 (31 August 2021: 2,015,248,667) ordinary shares | 137 | 137 |

12. RESTRICTED SHARE AWARD SCHEME

The Company operates the Restricted Share Award Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Restricted Share Award Scheme include the Company's directors, including independent non-executive directors, and other employees of the Group. The Restricted Share Award Scheme was adopted by the Board upon recommendation from the remuneration committee of the Board on 22 June 2020 (the "Adoption Date") and shall be valid and effective for a period of 5 years commencing on the Adoption Date.

Pursuant to the Restricted Share Award Scheme, the Restricted Shares will be satisfied by (i) existing shares to be acquired by the Trustee on or off the market; and/or (ii) new shares to be allotted and issued by the Company to the Trustee. The total number of the Restricted Shares underlying all grants to be made pursuant to the Restricted Share Award Scheme shall not exceed 2% of the number of issued shares as at the Adoption Date; and the maximum number of the Restricted Shares which may be awarded to any one selected participant shall not exceed 1% of the number of issued shares as at the Adoption Date.

Upon the adoption of the Restricted Share Award Scheme, the Company appointed an independent third party trustee for the administration of the Restricted Share Award Scheme pursuant to the Scheme Rules.

The Board may, at its sole discretion, determine which eligible participant(s) shall be entitled to receive grants of the Restricted Shares under the Restricted Share Award Scheme, together with the number of shares to which each selected eligible participant shall be entitled, and make the relevant grant of the Restricted Shares to the selected eligible participants under the Restricted Share Award Scheme, subject to such conditions as the Board may deem appropriate at its discretion.

The Company shall (i) issue and allot shares to the Trustee under the general or specific mandates granted or to be granted by the shareholders at the general meetings from time to time; and/or (ii) transfer to the Trustee the necessary funds and instruct the Trustee to acquire shares through on-market or off-market transactions at the prevailing market price or at price within a specified price range, so as to satisfy the award. The Restricted Shares will be held in trust for the selected eligible participants until the end of each vesting period. When the selected eligible participant has satisfied all vesting conditions specified by the Board at the time of making the award and become entitled to the Restricted Shares, the Trustee shall transfer the relevant Restricted Shares to that selected eligible participant.

On 22 June 2020, the Board has approved, subject to acceptance of the selected eligible participants (the "Grantees") and other conditions, the grant of an aggregate of 14,450,000 Restricted Shares to the Grantees, of which (i) 3,300,000 Restricted Shares are granted to 7 employees of the Company; and (ii) 11,150,000 Restricted Shares are proposed to be granted to 6 Directors and 8 current and former directors of the subsidiaries.

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12. RESTRICTED SHARE AWARD SCHEME (continued)

On 14 August 2020, the proposal of granting the Restricted Shares to 6 Directors and 8 current and former directors of the subsidiaries has been approved in the extraordinary general meeting of the Company.

On 26 August 2020, 14,450,000 shares were issued by the Company to the Trustee, representing approximately 0.72% of the number of issued shares as at that date and approximately 0.72% of the enlarged issued shares after the said issue.

Neither the selected eligible participants nor the Trustee may exercise any of the voting rights in respect of any Restricted Shares that have not yet been vested.

The fair value of the Restricted Shares granted was RMB77,639,850 (RMB5.37 each). During the six months ended 28 February 2022, a share award expense of RMB4,037,000 (six months ended 30 June 2021: RMB24,982,000) was recognised in the unaudited interim condensed consolidated statement of profit or loss.

At the date of the unaudited interim condensed financial statements, 4,740,000 Restricted Shares held by the Trustee have been awarded to the eligible participants, 1,040,000 Restricted Shares were forfeited, and the Company had 8,670,000 Restricted Shares outstanding under the Restricted Share Award Scheme, which represented approximately 0.43% of the Company's shares in issue as at that date.

13. CONTINGENT LIABILITIES

As at 28 February 2022, the Group did not have any significant contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened (31 August 2021: nil).

14.COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

| | 28 February 2022 RMB'000 (Unaudited) | 31 August 2021 RMB'000 (Audited) |
|-----------------------------------|---|---|
| Contracted, but not provided for: | | |
| Buildings | 146,020 | 51,508 |
| Acquisition of subsidiaries | 310,000 | 350,000 |
| | 456,020 | 401,508 |

At the end of the reporting period, the Group did not have significant capital commitments that are authorised but not contracted for.

15.RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

| | For the six months ended | |
|---|---|---|
| | 28 February 2022 RMB'000 (Unaudited) | 30 June 2021 RMB'000 (Unaudited) |
| Salaries, allowances and benefits in kind | 2,510 | 1,549 |
| Pension scheme contributions | 82 | 24 |
| Equity-settled restricted share award expense | 4,596 | 19,278 |
| | 7,188 | 20,851 |

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16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 28 February 2022, the fair values of the Group's financial assets and liabilities approximated to their respective carrying amounts.

Management has assessed that the fair values of trade receivables, cash and cash equivalents, time deposits, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals and the current portion of interest-bearing bank and other borrowings and lease liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting period, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values of those financial assets measured at fair value:

The fair values of a listed equity investment and a fund are based on quoted market prices.

The fair values of the non-current interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 28 February 2022 was assessed to be insignificant.

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 28 February 2022

| | Fair value measurement using | | | Total |
|--|--|--|--|--------|
| | Quoted prices in active markets (Level 1) RMB'000 (Unaudited) | Significant observable inputs (Level 2) RMB'000 (Unaudited) | Significant unobservable inputs (Level 3) RMB'000 (Unaudited) | |
| An equity investment designated at fair value through other comprehensive income | 4,190 | - | - | 4,190 |
| Financial assets at fair value through profit or loss | 59,284 | - | - | 59,284 |
| | 63,474 | - | - | 63,474 |

As at 31 August 2021

| | Fair value measurement using | | | Total |
|--|---|---|---|--------|
| | Quoted prices in active markets (Level 1) RMB'000 | Significant observable inputs (Level 2) RMB'000 | Significant unobservable inputs (Level 3) RMB'000 | |
| An equity investment designated at fair value through other comprehensive income | 7,847 | - | - | 7,847 |
| Financial assets at fair value through profit or loss | 63,714 | - | - | 63,714 |
| | 71,561 | - | - | 71,561 |

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16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

As at 28 February 2022

| | Fair value measurement using | | | Total |
|--|--|--|--|-----------|
| | Quoted prices in active markets (Level 1) RMB'000 (Unaudited) | Significant observable inputs (Level 2) RMB'000 (Unaudited) | Significant unobservable inputs (Level 3) RMB'000 (Unaudited) | |
| Non-current interest-bearing bank and other borrowings | - | 1,280,747 | - | 1,280,747 |

As at 31 August 2021

| | Fair value measurement using | | | Total |
|--|---|---|---|---------|
| | Quoted prices in active markets (Level 1) RMB'000 | Significant observable inputs (Level 2) RMB'000 | Significant unobservable inputs (Level 3) RMB'000 | |
| Non-current interest-bearing bank and other borrowings | - | 645,294 | - | 645,294 |

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2021: nil).



中國科培教育集團有限公司

China Kepei Education Group Limited