China Kepei Education Group Limited
中國科培教育集團有限公司

(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

2020
INTERIM REPORT
中期報告

Contents

Corporate 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 higher education in China focusing on profession-oriented education. As of 30 June 2020, we had an aggregate of 71,925 students enrolled at the schools we operated and consolidated, namely, Guangdong Polytechnic College and Zhaoqing Science and Technology Secondary Vocational School* (肇慶市科技中等職業學校) ("Zhaoqing School"), and a total of 9,366 students enrolled at Harbin Institute of Petroleum* (哈爾濱石油學院) ("Harbin College"), which is operated under an entrustment agreement with the Group.

We are committed to providing students with high-quality profession-oriented education and helping them to meet the growing and changing market demand. We focus on engineering majors in order to better capture the 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 training and internship opportunities in collaboration with research institutions and enterprises, through which we foster practical skills and market competitiveness of our students. We have also built our reputation on the high initial employment rate of our graduates. For the 2018/2019 school year**, Guangdong Polytechnic College achieved a provincial leading initial employment rate of 97.8% for the graduates from its undergraduate programs.

Through over 20 years of private higher education operation 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 higher education industry in China.

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

** a school year generally starts from September 1 of each calendar year to August 31 of the following calendar year

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
Dr. Li Xiaolu

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Dr. Deng Feiqi *(Chairman)*
Mr. Zha Donghui
Dr. Li Xiaolu

NOMINATION COMMITTEE

Mr. Ye Nianqiao *(Chairman)*
Dr. Deng Feiqi
Dr. Li Xiaolu

JOINT COMPANY SECRETARIES

Ms. Li Yan
Ms. Leung Suet Wing

AUTHORIZED REPRESENTATIVES

Mr. Ye Nianqiao
Ms. Leung Suet Wing

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

Qifu Road
Gaoyao District
Zhaoqing City
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

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

LEGAL ADVISORS

As to Hong Kong law:
Fangda Partners
26/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

As to PRC law:
Commerce & Finance Law Offices
6/F, NCI Tower
A12 Jianguomenwai Avenue,
Chaoyang District, Beijing
PRC

As to Cayman Islands law:
Maples and Calder (Hong Kong) LLP
53rd Floor, The Center
99 Queen's Road
Central
Hong Kong

COMPLIANCE ADVISOR

First Shanghai Capital Limited
19/F, Wing On House
71 Des Voeux Road Central
Hong Kong

AUDITOR

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

INVESTOR RELATIONS

Mr. Zheng Chaoran
Investor Relations Director
Email: ir@kepeieducation.com

STOCK CODE

1890

COMPANY'S WEBSITE

www.chinakepeiedu.com

Financial Highlight

	For six months ended 30 June			Percentage
	2020	2019	**Change**	**Change**
	RMB'000	RMB'000	RMB'000	(%)
Revenue	**418,920**	359,284	59,636	+16.6
Gross profit	**309,459**	252,421	57,038	+22.6
Profit for the period	**320,568**	244,581	75,987	+31.1
Core net profit*	**311,335**	245,233	66,102	+27.0
EPS (RMB per share)	**0.16**	0.13	0.03	+23.1

* 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.

Management Discussion and Analysis

BUSINESS OVERVIEW

The Group is a leading provider of private higher education services in China focusing on profession-oriented education. As of 30 June 2020, the Group had an aggregate of 71,925 students enrolled at the schools we operated and consolidated, namely, Guangdong Polytechnic College and Zhaoqing School, and a total of 9,366 students enrolled at Harbin College, which is operated under an entrustment agreement with the Group.

Market Position

With over 20 years' experience in operating higher education institutions in China, the Group is a leading provider of private higher education services in China. According to the recent market research, Guangdong Polytechnic College ranked the first among the private higher education institutions (excluding independent colleges) in South China in terms of the number of newly admitted students and student enrollment. Zhaoqing School ranked the first in terms of student enrollment among the private specialized secondary schools in Guangdong Province.

The Group is committed to providing students with high-quality profession-oriented education and helping them to meet the growing and changing market demand. It focuses on engineering majors in order to better capture local employment demands, balanced with economics, management, education and art majors to offer well-rounded education services. It endeavors to provide students with various profession-oriented training and internship opportunities in collaboration with research institutions and enterprises, through which it fosters practical skills and market competitiveness of its students.

Acquisition Progress of Harbin College

On 13 January 2020, the Group entered into an agreement with an independent third party to acquire 100% equity interest of Harbin College. Harbin College was a high-quality undergraduate college founded in 2003 with a provincial leading employment rate of 96.2% and student registration rate of 97.1% for the 2019/2020 school year. It is located in Harbin, Heilongjiang province with a total of 9,366 undergraduate students. In March 2020, the Group changed the board of directors of Harbin College and entered into an entrustment agreement with Harbin College. The transfer of sponsor interest and the registration with the relevant government department is now in process. The Group believes that the acquisition marks the Group's first step to expand the school network in China and increase its market share. The Group sees great potential in Harbin College to increase both the student base and tuition fee. The Group will leverage its leading industry experience to streamline the operation of Harbin College and enhance its operation and financial performance. The Group intends to implement the Group's centralized management system to improve its operational efficiencies, increase the school capacity, expand the course offering, optimize the pricing strategies and as a result improve the profitability of the Group as a whole.

Pursuant to an entrustment agreement (the "Entrustment Agreement") entered into between the Company and Harbin College in March 2020, the Company shall be entitled to 100% of the net profit of Harbin College during the term of the Entrustment Agreement. The revenue of RMB32.0 million from management service of the Group, which is included in other income and gains, was recognized during the six months ended 30 June 2020. All the management service income was derived from the Harbin College. Upon the approval by the relevant educational authorities and the completion of registration with the relevant provincial civil affairs authorities, all financial results of the relevant entities will be consolidated to the Group's financial results, including the revenue, and the current management fee arrangement will be terminated. The Group will also enter into structured contracts that are in compliance with the applicable PRC laws and regulations and the Listing Rules with Harbin College afterwards.

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. As of 30 June 2020, it has a total of 64,316 students enrolled, consisting of 23,823 undergraduate students, 6,833 junior college students and 33,660 adult college students. It offers 49 majors, consisting of 29 undergraduate majors and 20 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. As of 30 June 2020, it has a total of 7,609 students enrolled; and

Harbin College: A degree-granting undergraduate-level education institution established in 2003 and was entrusted to a subsidiary of the Company in March 2020. It offers undergraduate and adult education programs. As of 30 June 2020, it has a total of 9,366 undergraduate students. It offers 31 undergraduate majors in a wide range of subject areas. Its core majors include mechatronic engineering, computer science and technology, petroleum engineering, electronic information engineering.

Revenue

For the six months ended 30 June 2020, the Group experienced revenue growth at its schools, which was in line with the expansion of its business and student enrollment. Revenue increased from RMB359.3 million for the six months ended 30 June 2019 to RMB418.9 million for the six months ended 30 June 2020. 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 98.8% of the total revenue of the Group for the six months ended 30 June 2020.

The table below summarises the amount of revenue generated from tuition fees, boarding fees and other education service fees charged by Guangdong Polytechnic College and Zhaoqing School (the "PRC Schools") for the periods indicated:

	For six months ended 30 June			Percentage
	2020	2019	**Change**	**Change**
	RMB'000	RMB'000	RMB'000	(%)
Tuition fees				
Undergraduate program	**281,034**	217,993	63,041	+28.9
Junior college program	**60,230**	63,871	(3,641)	(5.7)
Adult college program	**35,237**	23,301	11,936	+51.2
Upgrade of junior college students to undergraduate students	**2,609**	2,131	478	+22.4
Secondary vocational education	**34,587**	21,870	12,717	+58.1
Total tuition fees	**413,697**	329,166	84,531	+25.7
Boarding fees	**5,162**	27,994	(22,832)	(81.6)
Other education service fees	**61**	2,124	(2,063)	(97.1)
Total	**418,920**	359,284	59,636	+16.6

The increase of the total revenue of the Group for the six months ended 30 June 2020 was mainly due to the increase of the Group's student enrollment and average tuition fee. The boarding fees decreased significantly mainly because the students did not return to the campus during the six months ended 30 June 2020 due to the impact of COVID-19 and the PRC Schools refunded the boarding fees of RMB26 million to the students. For Harbin College, it recorded refund of boarding fee of approximately RMB6 million for the six months ended 30 June 2020.

The Group will increase the tuition fee and boarding fee standard for certain programs in the 2020/2021 school year. The following table sets out the tuition fee information for the schools for the school years indicated:

	Tuition Fees/ School Year		Boarding Fees/ School Year	
	2019/2020	**2020/2021**	2019/2020	**2020/2021**
School	RMB	**RMB**	RMB	**RMB**
Consolidated schools				
Guangdong Polytechnic College				
— Undergraduate program	23,800	**26,800**	1,800–2,000	**1,800–6,000**
— Junior college program	17,800	**18,800**	1,800–2,000	**1,800–6,000**
— On-campus adult college program	5,900–13,300	**7,400–16,800**	1,600	**1,800–2,000**
— Off-campus adult college program	680–980	**680–980**	N/A	**N/A**
Zhaoqing School				
— Secondary vocational education	7,200–11,100	**8,000–12,400**	1,170–1,570	**1,380**
Non-consolidated school operated under the Entrustment Agreement				
Harbin College[3]				
— Undergraduate program	18,000–19,800	**19,800–21,800**	1,500	**1,500**

Notes:

(1) Tuition fees and boarding fees shown above only apply to newly enrolled students in the relevant school years.

(2) The tuition fees range excluded the "2+2" undergraduate and junior college program offered by Guangdong Polytechnic College, which was generally charged higher than the ordinary program.

(3) The Group entered into the Entrustment Agreement with Harbin College in March 2020. The acquisition of Harbin College by the Group is still pending for the approval from Ministry of Education and registration with the provincial civil affairs authorities. Therefore, Harbin College was not a consolidated subsidiary of the Group as of 30 June 2020.

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 As of 30 June 2020	2019	Change	Percentage Change (%)
Consolidated schools				
Guangdong Polytechnic College				
Undergraduate program	23,823	19,977	3,846	+19.3
Junior college program	6,833	7,610	(777)	(10.2)
On-campus adult college program	4,783	2,239	2,544	+113.6
Off-campus adult college program	28,877	14,876	14,001	+94.1
Subtotal	64,316	44,702	19,614	+43.9
Zhaoqing School				
Secondary vocational program	7,609	8,258	(649)	(7.9)
Non-consolidated school operated under the Entrustment Agreement				
Harbin College(1)				
Undergraduate program	9,366	N/A	N/A	N/A
Total	81,291	52,960	28,331	+53.5

Note:

(1) The Group entered into the Entrustment Agreement with Harbin College in March 2020. The acquisition of Harbin College by the Group is still pending for the approval from Ministry of Education and registration with the provincial civil affairs authorities. Therefore, Harbin College was not a consolidated subsidiary of the Group as of 30 June 2020.

The student enrollment information was based on the records as of 30 June 2020. As of 30 June 2020, the total number of enrolled students of the Group was 81,291, representing an increase of 53.5% from the enrolled students as of 30 June 2019.

Rapid Growth of Student Enrollment Quota

Guangdong Polytechnic College achieved a rapid growth in the enrollment quota of undergraduate program and junior college program for the 2020/2021 school year, of which the undergraduate enrollment quota (including top-up degree program (專升本項目)) increased by 38% and the junior college enrollment quota increased by 143%. Guangdong Polytechnic College has provided top-up degree program starting from the 2019/2020 school year. The enrollment quota for top-up degree program in the 2020/2021 school year is 3,600 students which is 11 times compared with that of last year. The Group believes that the rapid increase of student enrollment quota for the 2020/2021 school year will contribute to the strong organic growth of the Group in the future.

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 30 June		School Utilisation Rate As at 30 June	
	2020	2019	**2020**	2019
Consolidated schools				
Guangdong Polytechnic College	**34,386**	29,148	**77.3%**	89.8%
Zhaoqing School	**8,116**	6,829	**83.2%**	86.0%
Non-consolidated school operated under the Entrustment Agreement				
Harbin College(1)	**9,440**	9,440	**99.2%**	94.7%
Total	**51,942**	45,417	**82.2%**	89.1%

In order to meet the strong increase of organic growth, the Group increased the capacity of Guangdong Polytechnic College by around 5,200 students and Zhaoqing School by around 1,300 students during the six months ended 30 June 2020. The third phase of the construction of the new Dinghu (鼎湖) campus of Guangdong Polytechnic College was completed in the first half of 2020, and has further expanded the capacity of Guangdong Polytechnic College by around 3,100 students. Besides the new Dinghu campus, the Group has expanded the capacity of Gaoyao (高要) campus of Guangdong Polytechnic College by around 2,400 students.

Note:

(1) The Group entered into the Entrustment Agreement with Harbin College in March 2020. The acquisition of Harbin College by the Group is still pending for the approval from Ministry of Education and registration with the provincial civil affairs authorities. Therefore, Harbin College was not a consolidated subsidiary of the Group as of 30 June 2020.

Future Plans

In strengthening the Group's position as a leading provider of private higher education focusing on profession-oriented education, the Group plans to pursue the following business strategies:

(i) Expand the Group's school network through strategic mergers and acquisitions

The Group will target at the mergers and acquisitions of: (1) private regular undergraduate institutions; (2) independent colleges; and (3) high-quality private junior colleges which focus on applied science and target to cultivate applied science talents. The Group will continue to look for potential target for mergers and acquisitions.

In terms of geographical coverage, the Group will explore expansion opportunities in South China and Southwest China, where there is also a relative scarcity of higher education resources, as well as other areas in China with market potential. The Group plans to use proceeds from the listing of the Company (the "Listing") on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 25 January 2019 (the "Listing Date"), supplemented by the Group's working capital, to fund its potential mergers and acquisitions plans.

The management team of the Group will leverage its extensive experience to further increase competitiveness in student admission and graduate employment, and thus receive higher tuition fees and achieve business growth. The Group aims to enhance education quality by transplanting its profession-oriented teaching method and market-oriented major and curriculum offering to the acquired schools. With respect to graduate employment, the Group plans to share its employment information and resources as well as extensive school-enterprise relationships with newly acquired schools. The Group will also implement centralised management over its entire school network, optimise pricing strategy and lower the operating costs of newly acquired schools.

(ii) Increase the capacity of the schools

The Group plans to further upgrade the Gaoyao campus of Guangdong Polytechnic College, with the focus on the expansion and upgrade of the dormitories and supporting facilities. The construction of the dormitories in the Gaoyao campus with a capacity of around 4,600 students is expected to be completed in the second half of 2021. In addition, the Group intends to increase the capacity of Harbin College by around 3,000 students in the second half of 2021. The Group plans to use proceeds from the Listing, supplemented by the Group's working capital, to fund such expansion and upgrade.

(iii) Further expand service offering and diversify revenue sources

a. Optimise tuition fees and boarding fees

The Group will raise tuition fees and boarding fees for the 2020/2021 school year to reflect its increased operating costs and the adjustment of its major and curriculum offering. The Group believes its leading position and established reputation enable it to further increase its tuition fees while maintaining competitiveness in student admission.

b. Expand service offering

Guangdong Polytechnic College has provided top-up degree program (專升本項目) starting from the 2019/2020 school year. The enrollment quota for top-up degree program in 2020/2021 school year is 3,600 students which is 11 times compared with that of last year. The Group expects that it will enroll more students through this program in the 2020/2021 school year due to the expansion plan formulated by the Ministry of Education. In addition, the Group plans to further expand the adult college program by cooperating with more partner education institutions to accommodate various needs of adult college students who might be in the workforce. Furthermore, the Group will expand the course offering of the Qualification Examination Center for Guangdong Polytechnic College to improve competitiveness of graduates on the job market. It encourages all of its students to obtain at least one occupational qualification upon graduation.

FINANCIAL REVIEW

Revenue

Revenue represents the value of services rendered during the six months ended 30 June 2020. The Group mainly derives revenue from tuition fees and boarding fees its schools collect from students. Revenue increased by RMB59.6 million, or 16.6%, from RMB359.3 million for the six months ended 30 June 2019 to RMB418.9 million for the six months ended 30 June 2020. This increase was primarily the result of: (i) revenue from tuition fees increasing by RMB84.5 million, or 25.7%, from RMB329.2 million for the six months ended 30 June 2019 to RMB413.7 million for the six months ended 30 June 2020; and (ii) revenue from boarding fees decreased by RMB22.8 million, or 81.6%, from RMB28.0 million for the six months ended 30 June 2019 to RMB5.2 million for the six months ended 30 June 2020. The tuition fees increased mainly because: (i) the number of undergraduate students and adult college program of Guangdong Polytechnic College increased; and (ii) the Group raised tuition fees for programs of the PRC Schools for the 2019/2020 school year. The boarding fees decreased because the students did not return to the campus during the six months ended 30 June 2020 due to the impact of COVID-19 and the PRC Schools refunded the boarding fees to the students.

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 remain stable for the six months ended 30 June 2020 compared to that of the six months ended 30 June 2019.

Gross Profit and Gross Profit Margin

Gross profit increased by RMB57.1 million, or 22.6% from RMB252.4 million for the six months ended 30 June 2019 to RMB309.5 million for the six months ended 30 June 2020, which was in line with the growth of the Group's business. Gross profit margin increased from 70.3% for the six months ended 30 June 2019 to 73.9% for the six months ended 30 June 2020, which was mainly due to the increase of the Group's student enrollments and average tuition fee.

Other Income and Gains

Other income and gains primarily consist of government grants, interest income from bank deposits, foreign exchange gain, rental income from lease of campus properties and venues to independent third parties, management service income, dividend income and gains relating to change in fair value of financial asset. Other income and gains increased significantly by RMB16.6 million, or 36.0%, from RMB46.0 million for the six months ended 30 June 2019 to RMB62.6 million for the six months ended 30 June 2020. This increase was primarily due to: (i) an increase of RMB32.0 million in the management service income from Harbin College commencing from March 2020 to June 2020; and (ii) a decrease of RMB13.9 million in the fair value gain in the convertible bond recognized in 2019.

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of advertising expenses, student admission expenses and business entertainment expenses. Selling and distribution expenses decreased by RMB1.9 million, or 46.8%, from RMB4.1 million for the six months ended 30 June 2019 to RMB2.2 million for the six months ended 30 June 2020, which was mainly because the national college entrance exam was postponed to July 2020 due to the impact of COVID-19 and therefore our advertising and student recruitment expenses incurrence has been delayed to the third quarter of 2020.

Administrative Expenses

Administrative expenses primarily consist of the administrative staff salaries, office-related expenses, depreciation of office buildings and equipment and travel expenses. Administrative expenses decreased by RMB3.9 million, or 8.4%, from RMB46.4 million for the six months ended 30 June 2019 to RMB42.5 million for the six months ended 30 June 2020. This decrease was primarily due to the decrease of the expenses related to the issuance of new shares incurred during the six months ended 30 June 2019.

Finance Costs

Finance costs primarily consist of the interest expenses for the interest-bearing bank and other borrowings and lease liabilities. Due to the increased average interest-bearing bank and other borrowings during the six months ended 30 June 2020, the finance costs of the Group increased by RMB0.3 million compared to that of the six months ended 30 June 2019.

Core Net Profit

Core net profit was derived from the profit for the period after adjusting the expenses related to the foreign exchange gain, 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. The following table reconciles from profit for the period to core net profit for both financial periods:

	For six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Profit for the period	**320,568**	244,581
Add:		
Expenses related to the issuance of shares	–	17,840
Less:		
Change in fair value of convertible bond	–	13,941
Foreign exchange gain	**9,233**	3,247
Core net profit	**311,335**	245,233

Core net profit increased by RMB66.1 million, or 27.0%, from RMB245.2 million for the six months ended 30 June 2019 to RMB311.3 million for the six months ended 30 June 2020.

Capital Expenditures

Capital expenditures during the six months ended 30 June 2020 primarily related to the establishment of new school premises, maintaining and upgrading existing school premises and purchasing additional educational facilities and equipment for the PRC Schools. For the six months ended 30 June 2020, the Group's capital expenditures were RMB132.0 million.

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, bank and other borrowings and net proceeds from the Listing. 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 30 June 2020, the Group had cash and cash equivalents of RMB863.2 million.

The balance of interest-bearing bank and other borrowings as at 30 June 2020 was RMB385.9 million. The interest-bearing bank and other borrowings of RMB151.3 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 30 June 2020, all the interest-bearing bank and other borrowings were denominated in RMB, 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 30 June 2020 were at fixed interest rates for loans denominated in RMB.

Significant Investments, Acquisitions and Disposals

Save as disclosed in this report, there were no significant investments held by the Company as at 30 June 2020, 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 30 June 2020.

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 3.6% as at 31 December 2019 to 13.2% as at 30 June 2020, primarily due to the increase in the Group's total interest-bearing bank and other borrowings.

Foreign Exchange Risk Management

The functional currency of the Company is Renminbi ("RMB"). The majority of the Group's revenue and expenditures are denominated in RMB. As at 30 June 2020, certain bank balances were denominated in HKD and USD. During the six months ended 30 June 2020, 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 30 June 2020, the Group did not have any significant contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened (as at 31 December 2019: nil).

Pledge of Assets

As at 30 June 2020, certain of the Group's furniture and fixtures, and electronic devices with a net carrying amount of approximately RMB223.9 million (as at 31 December 2019：nil) were pledged to secure interest-bearing bank and other borrowings.

Employees and Remuneration Policy

As at 30 June 2020, the Group had 2,273 employees (as at 30 June 2019: 2,122 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 30 June 2020 was RMB61.4 million (for the six months ended 30 June 2019: RMB58.1 million).

Impact on the Group of the COVID-19 pandemic

Since the outbreak of the COVID-19 pandemic, the PRC government has implemented various emergency precaution measures to contain the spread of the coronavirus, including but not limited to closure of schools and delays in classroom commencement during the outbreak period. In response to the outbreak, the Group has put in place a series of alternative action plans for students in the schools operated by the Group during the schools closure period, which include implementation of on-line modules and website distance learning activities, so as to ensure students can keep track of the school curriculum and prepare for the exams and assessments.

During the six months ended 30 June 2020, the schools operated by the Group have arranged the refund of boarding fees to the students in accordance with the relevant guideline on refund of boarding fees to the students due to the COVID-19 pandemic outbreak issued by local competent education authorities. In addition, the Group has implemented rent concession for shop and canteen tenants affected by the COVID-19 pandemic. The Group recorded refund of boarding fee of approximately RMB26 million in aggregate for Guangdong Polytechnic College and Zhaoqing School. For Harbin College, it recorded refund of boarding fee of approximately RMB6 million for the six months ended 30 June 2020. Save as disclosed above, there was no significant impact on the financial position of the Group since the outbreak of the COVID-19 pandemic up to the date of this report.

Events After the Reporting Period

On 22 June 2020, the board of Directors (the “Board”) has adopted a restricted share award scheme (the “Restricted Share Award Scheme”) and granted 3,300,000 restricted shares to 7 employees of the Company (who are non-connected person of the Company). On 14 August 2020, the Shareholders have approved the grant of 11,150,000 restricted shares under the Restricted Share Award Scheme to 6 Directors and 8 current and former directors of the subsidiaries of the Company (who are connected persons of the Company) at the extraordinary general meeting. On 26 August 2020, the Company issued a total of 14,450,000 new Shares under the relevant grant as mentioned above. For further details, please refer to the announcement and circular of the Company dated 22 June 2020 and 24 July 2020, respectively.

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 30 June 2020, save and except for the deviation from code provision A.2.1 of the CG Code as follows:

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Ye Nianqiao 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 more effective and efficient overall strategic planning for the Group. After considering all the corporate governance measures that have been taken, 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 30 June 2020.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

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 results of the Group for the six months ended 30 June 2020 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.

CHANGES TO DIRECTORS' INFORMATION

Save as disclosed herein, the Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2020, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

USE OF NET PROCEEDS FROM LISTING

The Company issued 354,132,000 new Shares (after exercising the over-allotment option in February 2019) with par value of USD0.00001 at the issue price of HK$2.48 per Share in connection with the Listing. The net proceeds after deducting underwriting commission and issuing expenses incurred from the Listing were approximately HK$792.3 million (equivalent to approximately RMB686.8 million).

The following sets forth a summary of the utilisation of the net proceeds:

Purpose	Percentage to total amount	Net proceeds RMB (million)	Utilised amount (at 30 June 2020) RMB (million)	Unutilised amount (at 30 June 2020) RMB (million)	Expected timeline for utilizing the unutilized net proceeds[1]
Acquire additional schools	44.9%	308.4	308.4	–	–
Expand the existing schools owned or operated by the Group	37.6%	258.2	96.2	162.0	2020 to 2021
Repay loans from third-party financial institutions	7.5%	51.5	–	51.5	2020 to 2021
Fund the working capital and general corporate purposes	10.0%	68.7	68.7	–	–
Total	100.0%	686.8	473.3	213.5	

Note:

(1) The expected timeline for utilizing the remaining proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.

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

As at 30 June 2020, 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 its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were 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 or short positions which they were taken or deemed to have 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]	Approximate Percentage of Shareholding in the Company[1]
Ye Nianqiao	Interest in a controlled corporation[3]	675,000,000 (L)	33.74%
	Interest of spouse[4]	375,000,000 (L)	18.74%
Ye Xun	Interest in a controlled corporation[5]	300,000,000 (L)	14.99%

Notes:

1. As at 30 June 2020, the total number of issued Shares is 2,000,798,667 Shares.

2. The letter "L" denotes the person's long position in the Shares.

3. Qiaoge Company Limited is wholly-owned by 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. 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.

5. Chenye Company Limited is beneficially and wholly-owned by 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.

Save as disclosed above, as at 30 June 2020, 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 30 June 2020 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.

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

As at 30 June 2020, 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)]
Qiaoge Company Limited	Beneficial owner	675,000,000 (L)	33.74%
Shuye Company Limited	Beneficial owner[(3)]	375,000,000 (L)	18.74%
Shu Liping	Interest in a controlled corporation[(3)]	375,000,000 (L)	18.74%
	Interest of spouse[(3)]	675,000,000 (L)	33.74%
Chenye Company Limited	Beneficial owner	300,000,000 (L)	14.99%
SKYLINE MIRACLE LIMITED	Beneficial owner[(4)]	146,666,667 (L)	7.33%
Gabriel Li	Interest in a controlled corporation[(4)]	146,666,667 (L)	7.33%
Lam Lai Ming	Interest in a controlled corporation[(4)]	146,666,667 (L)	7.33%
AREO HOLDINGS LIMITED	Interest in a controlled corporation[(4)]	146,666,667 (L)	7.33%
ORCHID ASIA V GROUP, LIMITED	Interest in a controlled corporation[(4)]	136,400,000 (L)	6.82%
ORCHID ASIA V GROUP MANAGEMENT, LIMITED	Interest in a controlled corporation[(4)]	136,400,000 (L)	6.82%
ORCHID ASIA VII GP, LIMITED	Interest in a controlled corporation[(4)]	136,400,000 (L)	6.82%
OAVII HOLDINGS, L.P.	Interest in a controlled corporation[(4)]	136,400,000 (L)	6.82%
ORCHID ASIA VII, L.P.	Interest in a controlled corporation[(4)]	136,400,000 (L)	6.82%

Notes:

1. As at 30 June 2020, the total number of issued Shares is 2,000,798,667 Shares.

2. The letter "L" denotes the person's long position in the Shares.

3. Shuye Company Limited is wholly-owned by 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.

4. 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 30 June 2020, 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.

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 30 June 2020, no option under the Share Option Scheme has been granted, exercised, cancelled and lapsed.

Unaudited Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2020

	Notes	Six months ended 30 June 2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
REVENUE	4	**418,920**	359,284
Cost of sales		**(109,461)**	(106,863)
Gross profit		**309,459**	252,421
Other income and gains	4	**62,561**	45,998
Selling and distribution expenses		**(2,176)**	(4,094)
Administrative expenses		**(42,539)**	(46,429)
Other expenses		**—**	(26)
Finance costs		**(1,849)**	(1,582)
Share of losses of:			
A joint venture		**(304)**	(649)
An equity method investment		**(664)**	—
PROFIT BEFORE TAX	5	**324,488**	245,639
Income tax expense	6	**(3,920)**	(1,058)
PROFIT FOR THE PERIOD		**320,568**	244,581
Attributable to:			
Owners of the parent		**320,568**	244,581
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic			
— For profit for the period		**0.16**	0.13
Diluted			
— For profit for the period		**0.16**	0.13

Unaudited Interim Condensed Consolidated Statement of Comprehensive (Loss)/Income

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PROFIT FOR THE PERIOD	**320,568**	244,581
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**(2,582)**	5,106
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	**(2,582)**	5,106
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	**(2,582)**	5,106
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**317,986**	249,687
Attributable to:		
Owners of the parent	**317,986**	249,687

Unaudited Interim Condensed Consolidated Statement of Financial Position

30 June 2020

	Notes	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	**1,518,509**	1,422,592
Right-of-use assets		**204,728**	207,973
Investment in a joint venture		**1,866**	2,170
Equity method investment		**141,031**	141,695
Equity investments designated at fair value through other comprehensive income		**60,071**	62,653
Financial assets at fair value through profit or loss		**—**	50,136
Prepayments for non-current assets		**518,494**	93,045
Total non-current assets		**2,444,699**	1,980,264
CURRENT ASSETS			
Trade receivables	10	**33,693**	29,658
Prepayments, other receivables and other assets		**152,851**	29,481
Financial assets at fair value through profit or loss		**56,269**	271,966
Amounts due from a related party	14(c)	**151,563**	—
Cash and cash equivalents		**863,159**	1,111,749
Total current assets		**1,257,535**	1,442,854
CURRENT LIABILITIES			
Contract liabilities	4	**36,349**	411,870
Other payables and accruals		**144,115**	105,931
Dividend payable		**183,205**	—
Interest-bearing bank and other borrowings		**151,301**	—
Lease liabilities		**1,567**	1,526
Tax payable		**4,790**	870
Deferred income		**808**	808
Total current liabilities		**522,135**	521,005
NET CURRENT ASSETS		**735,400**	921,849
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,180,099**	2,902,113

30 June 2020

	Note	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,180,099**	2,902,113
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**234,626**	100,000
Lease liabilities		**8,247**	9,039
Deferred income		**12,532**	3,161
Total non-current liabilities		**255,405**	112,200
Net assets		**2,924,694**	2,789,913
EQUITY			
Equity attributable to owners of the parent			
Share capital	11	**136**	136
Reserves		**2,924,558**	2,789,777
Total equity		**2,924,694**	2,789,913

Unaudited Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Attributable to owners of the parent						
	Share capital RMB'000 Note 11	Capital reserve – share premium RMB'000	Capital reserve – others RMB'000	Statutory and other surplus reserves RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2020 (audited)	136	872,069	14,231	492,569	24,198	1,386,710	2,789,913
Profit for the period	–	–	–	–	–	320,568	320,568
Other comprehensive loss for the period:							
Change in fair value of equity investments at fair value through other comprehensive	–	–	–	–	(2,582)	–	(2,582)
Total comprehensive (loss)/income for the period	–	–	–	–	(2,582)	320,568	317,986
Final 2019 dividend declared	–	(183,205)	–	–	–	–	(183,205)
Transfer from retained profits	–	–	–	73,674	–	(73,674)	–
At 30 June 2020 (unaudited)	136	688,864*	14,231*	566,243*	21,616*	1,633,604*	2,924,694

* These reserve accounts comprise the consolidated reserves of RMB2,924,558,000 in the unaudited interim condensed consolidated statement of financial position as at 30 June 2020.

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

For the six months ended 30 June 2020

	Attributable to owners of the parent						
	Share capital RMB'000 Note 11	Capital reserve – share premium RMB'000	Capital reserve – others RMB'000	Statutory and other surplus reserves RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2019 (audited)	–	–	14,129	387,255	–	1,031,181	1,432,565
Profit for the period	–	–	–	–	–	244,581	244,581
Other comprehensive income for the period:							
Change in fair value of equity investments at fair value through other comprehensive income	–	–	–	–	5,106	–	5,106
Total comprehensive income for the period	–	–	–	–	5,106	244,581	249,687
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	–	–	–	–	(4,569)	4,569	–
Injection from the shareholders	–	–	102	–	–	–	102
Capitalisation issue of shares	102	(102)	–	–	–	–	–
Conversion of the convertible redeemable bond	10	318,749	–	–	–	–	318,759
Issue of shares for the Initial Public Offering ("IPO")	24	758,720	–	–	–	–	758,744
Issuance of shares under the over-allotment option	–	1,693	–	–	–	–	1,693
Share issue expenses	–	(31,167)	–	–	–	–	(31,167)
Final 2018 dividend declared	–	(175,824)	–	–	–	–	(175,824)
Transfer from retained profits	–	–	–	57,137	–	(57,137)	–
At 30 June 2019 (unaudited)	136	872,069*	14,231*	444,392*	537*	1,223,194*	2,554,559

* These reserve accounts comprise the consolidated reserves of RMB2,554,423,000 in the unaudited interim condensed consolidated statement of financial position as at 30 June 2019.

Unaudited Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Notes	Six months ended 30 June 2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**324,488**	245,639
Adjustments for:			
Finance costs		**1,849**	1,582
Exchange gain, net	4	**(9,233)**	(3,247)
Share of losses of a joint venture and an equity method investment		**968**	649
Bank interest income	4	**(7,256)**	(9,859)
Interest income on loans to a related party	4	**(1,517)**	—
Interest expense on other borrowings	4	**1,517**	—
Interest income from financial assets at fair value through profit or loss	4	**—**	(1,652)
Dividend income from an equity investment designated at fair value through other comprehensive income	4	**(1,180)**	—
Fair value gain, net:			
Convertible redeemable bond	4	**—**	(13,941)
Financial assets at fair value through profit or loss	4	**(6,527)**	(4,520)
Government grants related to asset released	4	**(404)**	(404)
Depreciation of property, plant and equipment	5	**36,023**	30,788
Depreciation of right-of-use assets	5	**3,160**	2,861
(Write back)/provision for expected credit losses of trade receivables	5	**(137)**	1,086
(Gain)/loss on disposal of items of property, plant and equipment	5	**(29)**	26
		341,722	249,008
Increase in trade receivables		**(3,898)**	(3,107)
Increase in prepayments, other receivables and other assets		**(25,329)**	(1,743)
Increase/(decrease) in other payables and accruals		**5,358**	(8,765)
Decrease in contract liabilities		**(375,521)**	(333,413)
Cash used in operations		**(57,668)**	(98,020)
Bank interest received		**9,215**	6,569
Net cash flows used in operating activities		**(48,453)**	(91,451)

Unaudited Interim Condensed Consolidated Statement of Cash Flows (continued)

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Net cash flows used in operating activities	**(48,453)**	(91,451)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from financial assets at fair value through profit or loss	**1,360**	—
Dividend received from an equity investment designated at fair value through other comprehensive income	**1,180**	—
Advances for acquisition of subsidiaries	**(450,000)**	—
Advances of deposits to a third party	**(100,000)**	—
Decrease/(increase) in prepayments for non-current assets	**24,551**	(22,648)
Loans to a related party	**(150,000)**	—
Purchases of items of property, plant and equipment	**(96,232)**	(33,838)
Proceeds from disposal of items of property, plant and equipment	**41**	34
Capital injection in an equity method investment	**(200)**	—
Receipt of government grants	**9,775**	—
Purchase of financial assets at fair value through profit or loss	**—**	(104,776)
Proceeds from disposal of financial assets at fair value through profit or loss	**271,000**	277,758
Purchase of equity investments designated at fair value through other comprehensive income	**—**	(56,613)
Proceeds from disposal of equity investments designated at fair value through other comprehensive income	**—**	22,726
Net cash flows (used in)/from investing activities	**(488,525)**	82,643
CASH FLOWS FROM FINANCING ACTIVITIES		
Injection from the shareholders	**—**	102
Proceeds from issue of shares	**—**	760,437
Share issue expenses	**—**	(20,143)
New bank and other borrowings	**284,000**	—
Repayments of bank loans	**—**	(10,000)
Interest paid	**(4,179)**	(7,607)
Principal portion of lease payments	**(666)**	(96)
Dividends paid	**—**	(44,066)
Net cash flows from financing activities	**279,155**	678,627

Unaudited Interim Condensed Consolidated Statement of Cash Flows (continued)

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(257,823)**	669,819
Cash and cash equivalents at beginning of period	**1,111,749**	432,921
Effect of foreign exchange rate changes, net	**9,233**	3,247
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**863,159**	1,105,987
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	**863,159**	1,105,987

Notes to Unaudited Interim Condensed Consolidated Financial Statements

30 June 2020

1 Corporate information

China Kepei Education Group Limited (the "Company") was incorporated in the Cayman Islands on 24 August 2017 as an exempted company with limited liability under the Companies Law 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 (the "Stock Exchange") on 25 January 2019.

The principal activity of the Company is investment holding. During the period, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in providing private education services in the People's Republic of China (the "PRC").

2.1 Basis of preparation

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2020 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 for the year ended 31 December 2019.

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

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, 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.

Amendment to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

2.2 Changes in accounting policies and disclosures (continued)

Except for the Amendments to HKFRS 3 and Amendments to HKFRS 9, HKAS 39 and HKFRS 7, which are not relevant to the preparation of the Group's unaudited interim condensed consolidated financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's office buildings have been reduced or waived by the lessors as a result of the covid-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the covid-19 pandemic during the period ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB85,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2020.

(b) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's unaudited interim condensed consolidated financial statements.

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 of the Company (the "Director"), 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.

3 Operating segment information (continued)

Geographical information

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

Information about major customers

No revenue from services provided to a single customer amounted to 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:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Revenue from contracts with customers		
Tuition fees	**413,697**	329,166
Boarding fees	**5,162**	27,994
Other education service fees*	**61**	2,124
	418,920	359,284
Other income and gains		
Management service income**	**31,962**	—
Bank interest income	**7,256**	9,859
Interest income on loans to a related party***	**1,517**	—
Interest expense on other borrowings***	**(1,517)**	—
Interest income from financial assets at fair value through profit or loss	**—**	1,652
Dividend income from an equity investments designated at fair value through other comprehensive income	**1,180**	—
Rental income	**5,399**	8,977
Government grants		
Related to assets	**404**	404
Related to income	**571**	3,265
Fair value gains, net		
Convertible redeemable bond	**—**	13,941
Financial assets at fair value through profit or loss	**6,527**	4,520
Exchange gain, net	**9,233**	3,247
Gain on disposal of items of property, plant and equipment	**29**	—
Service income	**—**	133
	62,561	45,998

* During the period, 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 the training periods of the services rendered.

4 Revenue, other income and gains (continued)

** Pursuant to entrustment agreement in relation to the acquisition of Harbin College, the entire management of Harbin College shall be 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 subsidiary of the Company, the Group shall be entitled to 100% of the net profit of Harbin College during the term of the entrustment agreement.

*** During the six months ended 30 June 2020, pursuant to an agreement entered into between the Group and Huaibei Kepei Education Investment development Company Limited (淮北科培教育投資開發有限公司) ("Huaibei Kepei"), Huaibei Kepei would reimburse the interest expenses incurred by the Group in respect of certain other borrowings.

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/year are as follows:

	Six months ended 30 June 2020 RMB'000 (Unaudited)	Year ended 31 December 2019 RMB'000 (Audited)
At the beginning of the period/year	411,870	334,564
Revenue recognised that was included in the balance of contract liabilities at the beginning of the period/year	(385,769)	(334,564)
Increases due to cash received, excluding amounts recognised as revenue during the period/year	19,787	411,870
Transfer to refund liabilities	(9,539)	—
At the end of the period/year	36,349	411,870

4 Revenue, other income and gains (continued)

Contract liabilities (continued)

(1) 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:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue recognised that was included in the balance of contract liabilities at the beginning of the period		
Tuition fees	**382,295**	306,795
Boarding fees	**3,474**	27,769
	385,769	334,564

(2) Unsatisfied performance obligations

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June 2020 are as follows:

	30 June	31 December
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Expected to be recognised within one year		
Tuition fees	**20,481**	382,295
Boarding fees	**15,868**	29,575
	36,349	411,870

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

5 Profit before tax

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**55,347**	46,485
Pension scheme contributions (defined contribution scheme)	**3,869**	6,702
	59,216	53,187
Depreciation of property, plant and equipment	**36,023**	30,788
Depreciation of right-of-use assets	**3,160**	2,861
(Write back)/provision for expected credit losses of trade receivables*	**(137)**	1,086
(Gain)/loss on disposal of items of property, plant and equipment	**(29)**	26
Auditor's remuneration	**1,200**	800
Exchange gain, net	**(9,233)**	(3,247)
Fair value gain net:		
Convertible redeemable bond	**—**	(13,941)
Financial assets at fair value through profit or loss	**(6,527)**	(4,520)

* The (write back)/provision for expected credit losses of trade receivables is included in administrative 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 Law of the Cayman Islands and accordingly is not subject to income tax.

6 Income tax (continued)

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.

China Kepei Education (Hong Kong) Limited, a subsidiary incorporated in Hong Kong, is subject to income tax at the rate of 16.5%. 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.

According to the Implementation Rules for the Law for Promoting Private Education (the "Implementation Rules"), private schools, whether requiring reasonable returns or not, may enjoy preferential tax treatments. Private schools of which the sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. As a result, private schools providing academic qualification education are eligible to enjoy the income tax exemption treatment if the sponsors of such schools do not require reasonable returns.

The sponsor of Guangdong Polytechnic College does not require reasonable returns and therefore Guangdong Polytechnic College has applied the corporate income tax exemption treatment since its establishment in accordance with the historical tax returns filed with the relevant tax authorities.

The sponsor of Zhaoqing Science and Technology Secondary Vocational School requires reasonable returns. The Implementation Rules provide that the relevant authorities under the State Council may introduce preferential tax treatments and related policies applicable to private schools requiring reasonable returns. During the period, no separate policies, regulations or rules have been introduced by the authorities in this regard. In accordance with the historical tax returns filed with the relevant tax authorities, Zhaoqing Science and Technology Secondary Vocational School has applied the preferential tax treatments since its establishment.

As a result, no income tax expense was recognised for the PRC Schools during the period.

Pursuant to the PRC Corporate Income Tax Law and the respective regulations, the Group's non-school subsidiaries which operate in Mainland China are generally subject to Corporate Income Tax ("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.

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current — Mainland China		
Charge for the period	**3,920**	1,058

7 Dividends

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Final dividend declared — HK$0.10 per ordinary share (six months ended 30 June 2019: HK$0.10)	**183,205**	175,824

A final dividend of HK$0.10 per share in respect of the year ended 31 December 2019 has been proposed by the board of directors and was approved by the shareholders at the annual general meeting of the Company on 5 June 2020 (six months ended 30 June 2019: RMB175,824,000).

8 Earnings per share attributable to ordinary equity holders of the parent

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent of RMB320,568,000 (six months ended 30 June 2019: RMB244,581,000), and the weighted average number of ordinary shares of 2,000,798,667 (six months ended 30 June 2019: 1,934,270,976) in issue during the period, as adjusted to reflect the rights issue during the period.

8 Earnings per share attributable to ordinary equity holders of the parent (continued)

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2020 and 2019.

The calculations of basic and diluted earnings per share are based on:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**320,568**	244,581

	Number of shares Six months ended 30 June	
	2020	2019
Shares		
Number of issued shares on 1 January	**2,000,798,667**	1,000
Effect of Share Split on 10 January 2019	**–**	999,000
Effect of Capitalisation Issue on 10 January 2019	**–**	1,499,000,000
Effect of conversion of the convertible redeemable bond on 25 January 2019	**–**	102,965,142
Effect of the IPO (excluding shares issued under the over-allotment option) on 25 January 2019	**–**	330,737,094
Effect of the Over-allotment on 22 February 2019	**–**	568,740
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**2,000,798,667**	1,934,270,976

9 Property, plant and equipment

During the six months ended 30 June 2020, the Group acquired assets with a cost of RMB131,952,000 (six months ended 30 June 2019: RMB36,049,000) as additions to property, plant and equipment.

Assets with a net book value of RMB12,000 were disposed of by the Group during the six months ended 30 June 2020 (six months ended 30 June 2019: RMB60,000), resulting in a net gain on disposal of RMB29,000 (six months ended 30 June 2019, net loss: RMB26,000).

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:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 1 year	**20,200**	20,249
1 to 2 years	**7,796**	6,089
2 to 3 years	**3,459**	2,305
Over 3 years	**2,238**	1,015
	33,693	29,658

11 Share capital

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Authorised:		
5,000,000,000 ordinary shares of a par value of US$0.00001 each as at 30 June 2020 (31 December 2019: 5,000,000,000 ordinary shares of a par value of US$0.00001 each)	333	333
Issued and fully paid:		
2,000,798,667 ordinary shares as at 30 June 2020 (31 December 2019: 2,000,798,667 ordinary shares)	136	136

12 Contingent liabilities

As at 30 June 2020, the Group did not have any significant contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened (31 December 2019: Nil).

13 Commitments

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Contracted, but not provided for:		
Buildings	53,276	49,441
Acquisition of Harbin College	1,000,000	—
Total	1,053,276	49,441

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

14 Related party transactions

The Directors are of the view that the following company is a related party that had material transactions or balance with the Group during the period.

(a) Name and relationship of a related party

Name	Relationship
Huaibei Kepei	An equity method investment of the Group

(b) In addition to the transactions detailed elsewhere in this financial statements, the Group had the following transactions with Huaibei Kepei during the period:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loans to Huaibei Kepei	**150,000**	—
Interest income on loans to Huaibei Kepei	**1,517**	—

The loans to Huaibei Kepei is unsecure, at an effective interest rate of 8.69% with no fixed terms of repayment.

(c) Amounts due from a related party

	30 June	31 December
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Huaibei Kepei	**151,563**	—

The amounts due from Huaibei Kepei was unsecured, interest-bearing and had no fixed terms of repayment.

14 Related party transactions (continued)

(d) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries, allowances and benefits in kind	**4,229**	5,447
Pension scheme contributions	**170**	242
	4,399	5,689

15 Fair value and fair value hierarchy of financial instruments

As at 30 June 2020, the carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Management has assessed that the fair values of trade receivables, amounts due from a related party, cash and cash equivalents, financial assets included in prepayments, other receivables and other assets, financial assets at fair value through profit or loss, 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:

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 30 June 2020 was assessed to be insignificant.

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

15 Fair value and fair value hierarchy of financial instruments (continued)

The Group invests in unlisted investments, which represent wealth management products issued by banks. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2020 and 31 December 2019:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted investments	Discounted cash flow method	Interest return rate	Wealth management product: 30 June 2020: Nil (31 December 2019: 2.70%–3.60%)	30 June 2020: Nil (31 December 2019: 100 basis point increase/decrease in interest return rate would result in increase/decrease in fair value by RMB348,000)

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 30 June 2020

	Fair value measurement using			
	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)	Total RMB'000 (Unaudited)
Equity investments designated at fair value through other comprehensive income	60,071	–	–	60,071
Financial assets at fair value through profit or loss	56,269	–	–	56,269
	116,340	–	–	116,340

15 Fair value and fair value hierarchy of financial instruments (continued)

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	Total RMB'000 (Audited)
Equity investment designated at fair value through other comprehensive income	62,653	—	—	62,653
Financial assets at fair value through profit or loss	50,136	—	271,966	322,102
	112,789	—	271,966	384,755

The movements in fair value measurements within Level 3 during the period were as follows:

Unlisted investments — wealth management product

	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
At 1 January	**271,966**	246,106
Total gains recognised in the statement of profit or loss included in other income and gains	**394**	6,172
Purchases	**—**	104,776
Disposals	**(272,360)**	(277,758)
At 30 June	**—**	79,296

15 Fair value and fair value hierarchy of financial instruments (continued)

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

As at 30 June 2020

	Fair value measurement using			
	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)	Total RMB'000 (Unaudited)
Interest-bearing bank and other borrowings	—	234,626	—	234,626

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	Total RMB'000 (Audited)
Interest-bearing bank and other borrowings	—	100,000	—	100,000

15 Fair value and fair value hierarchy of financial instruments (continued)

Fair value hierarchy (continued)

Liabilities measured at fair value:

The movements in fair value measurements within Level 3 during the period were as follows:

	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
At 1 January	–	332,700
Fair value adjustment	–	(13,941)
Conversion into ordinary shares of the Company	–	(318,759)
At 30 June	–	–

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.

China Kepei Education Group Limited
中國科培教育集團有限公司