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China Vocational Education Holdings Limited 中國職業教育控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1756)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED FEBRUARY 28, 2022

The Board is pleased to announce the unaudited consolidated interim results of the Group for the six months ended February 28, 2022, together with comparative figures for the corresponding period in 2021.

HIGHLIGHTS

	As at February 28, 2022	As at February 28, 2021	Change	% change
Number of Schools	3	3	—	—
Student enrollment	48,468	48,946	(478)	(0.98%)
	Six months ended February 28, 2022 (RMB'000)	Six months ended February 28, 2021 (RMB'000)	Change (RMB'000)	% change
Revenue	459,465	445,372	14,093	3.2%
Gross profit	249,786	239,373	10,413	4.4%
Profit for the period	142,927	139,583	3,344	2.4%
Adjusted net profit ⁽¹⁾	141,844	156,240	(14,396)	(9.2%)
Earnings per share (RMB)	0.120	0.116	0.004	3.4%
Gross profit ratio	54.4%	53.7%		
Operating profit ratio	43.7%	37.7%		
Net Profit ratio	31.1%	31.3%		
Adjusted Net Profit ratio ⁽²⁾	30.9%	35.1%		

Notes:

- (1) Adjusted net profit is a non-HKFRSs financial measure, which is derived from the profit for the period after adjusting interest expenses on discount of compensation payable for the Conversion of Huali College, exchange gains/(losses) and fair value gains on investment properties.
- (2) Adjusted net profit ratio under non-HKFRS financial measures for the period is calculated on adjusted net profit under non-HKFRS financial measures for the period divided by revenue for the respective period.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Revenue represents the value of services rendered during the six months ended February 28, 2022. The Group derives revenue from tuition fees and boarding fees of its schools collected from students. Revenue increased by RMB14.1 million, or 3.2%, from RMB445.4 million for the six months ended February 28, 2021 to RMB459.5 million for the six months ended February 28, 2022. This increase was primarily the result of: (i) revenue from tuition fees increasing by RMB12.4 million, or 3.0%, from RMB410.9 million for the six months ended February 28, 2021 to RMB423.3 million for the six months ended February 28, 2022; and (ii) revenue from boarding fees increasing by RMB1.8 million, or 5.2%, from RMB34.4 million for the six months ended February 28, 2021 to RMB36.2 million for the six months ended February 28, 2022. The tuition fees increased mainly because: (i) the number of students of Huali Technician College increased from 9,857 in the 2020/2021 school year to 11,463 in the 2021/2022 school year; and (iii) the Group raised tuition fees for programs of both Huali College and Huali Vocational College for the 2021/2022 school year. The boarding fees increased as a result of the increase of the average boarding fees.

Cost of Sales

Cost of sales consists primarily of staff costs, depreciation and amortization, joint tuition support fee, school consumables, property management and maintenance, utilities expenses and others. Cost of sales increased by RMB3.7 million, or 1.8%, from RMB206.0 million for the six months ended February 28, 2021 to RMB209.7 million for the six months ended February 28, 2022. Such increase was primarily the result of an increase in staff costs, depreciation and amortisation and property management and maintenance fees. Staff costs increased by RMB1.6 million, or 2.6%, from RMB63.2 million for the six months ended February 28, 2021 to RMB64.8 million for the six months ended February 28, 2022, primarily as a result of increased salaries and benefits paid and payable to the Group's teachers. Depreciation and amortisation increased by RMB20.4 million, from RMB50.7 million for the six months ended February 28, 2021 to RMB71.0 million for the six months ended February 28, 2022, mainly as a result of the increase in the fixed assets for the period. Property management and maintenance fees increased by RMB1.3 million, from RMB14.5 million for the six months ended February 28, 2021 to RMB15.8 million for the six months ended February 28, 2022, mainly as the result of increased maintenance and repair expenses for equipments.

Gross Profit and Gross Profit Margin

Gross profit increased by RMB10.4 million, or 4.4% from RMB239.4 million for the six months ended February 28, 2021 to RMB249.8 million for the six months ended February 28, 2022, which was in line with the growth of the Group's business. Gross profit margin increased slightly from 53.7% for the six months ended February 28, 2021 to 54.4% for the six months ended February 28, 2022, which was mainly due to the increase in the Group's revenue generated.

Selling Expenses

Selling expenses primarily consisting of marketing staff costs, promotion expense and other expenses, decreased by RMB10.4 million, or 52.3% from RMB20.0 million for the six months ended February 28, 2021 to RMB9.5 million for the six months ended February 28, 2022, which was due to the decrease in promotion expenses resulting from the change of marketing strategies for the 2021/2022 school year.

Administrative Expenses

Administrative expenses primarily consist of administrative staff costs, traveling and entertainment expenses, depreciation of property, plant and equipment relating to office buildings, office expenses, utilities expenses, and other miscellaneous expenses. Administrative expenses increased by RMB10.7 million, or 22.8% from RMB46.9 million for the six months ended February 28, 2021 to RMB57.6 million for the six months ended February 28, 2022. Such increase was primarily due to: (i) the administrative staff costs increasing by RMB4.4 million, from RMB27.0 million for the six months ended February 28, 2021 to RMB31.4 million for the six months ended February 28, 2022; and (ii) the other expenses increasing by RMB6.3 million, from RMB2.4 million for the six months ended February 28, 2021 to RMB8.7 million for the six months ended February 28, 2022.

Other Income

Other income consists of rental income, service income, bookselling income and others. Rental income mainly represents the rental in respect of the leasing of certain places to a telecommunication company as signal stations, as well as certain of the Group's investment properties, which were leased to a related party as school and third parties as stores respectively. Other income increased by RMB3.8 million, from RMB10.6 million for the six months ended February 28, 2021 to RMB14.4 million for the six months ended February 28, 2022 which was mainly due to an increase in service income for the six months ended February 28, 2022.

Other Gains/(Losses) — Net

Other gains/(losses) — net primarily consist of gains arising from the change in fair value of investment properties as well as exchange gains/(losses). Other gains/(losses) — net increased by RMB18.8 million, from losses of RMB15.3 million for the six months ended February 28, 2021 to gains of RMB3.5 million for the six months ended February 28, 2022, which was due to the change from exchange losses amounting to RMB17.4 million for the six months ended February 28, 2021 to exchange gains amounting to RMB3.4 million for the six months ended February 28, 2022.

Finance Expenses — Net

Finance expenses — net primarily consist of interest expenses on discount of long-term payable and interest expenses on borrowings. Finance income primarily consists of bank interest income. Due to the increased average borrowings during the six months ended February 28, 2022, the Group's total interest expenses increased by RMB28.2 million compared to that of the six months ended February 28, 2021. While certain borrowings were borrowed for the development of school premises, the corresponding interest was capitalized and resulted in a decrease in finance costs.

Adjusted Net Profit

Adjusted net profit under non-HKFRS financial measures is defined as profit for the period attributable to owners of the Company excluding interest expenses on discount of compensation payable for the Conversion of Huali College, exchange gains/(losses) and fair value gains on investment properties. As such items are non-recurring in nature and not related to the performance of the Group's operation, the Directors consider that the presentation of the Group's adjusted net profit under non-HKFRS financial measures by eliminating the impact of certain non-recurring items can better reflect the operational performance during the respective periods. Furthermore, the Group's management also uses the non-HKFRS financial measures to assess the Group's operating performance and formulate business plans. The Group believes that the non-HKFRS financial measures provide useful information to the investors about its core business operations, which they can use to evaluate the Group's operating results and understand its consolidated results of operations in the same manner as the management. The following table reconciles profit for the period to adjusted net profit for the period for the six months ended February 28, 2021 and February 28, 2022:

	As at February 28 2022 RMB'000	As at February 28 2021 RMB'000	Change RMB'000	Change %
Profit for the period	142,927	139,583	3,344	2.4%
Add: Interest expenses on discount of compensation payable for the Conversion of Huali College	2,321	0	2,321	N/A
Less: Exchange gains/(losses)	(3,404)	17,357	(20,761)	(119.6%)
Less: Fair value gains on investment properties	0	(700)	700	(100%)
Adjusted net profit for the period	<u>141,844</u>	<u>156,240</u>	<u>(14,396)</u>	<u>(9.2%)</u>

Adjusted net profit decreased by RMB14.4 million, or 9.2%, from RMB156.2 million for the six months ended February 28, 2021 to RMB141.8 million for the six months ended February 28, 2022.

Capital Expenditures

Capital expenditures during the six months ended February 28, 2022 primarily related to the establishment of new school premises and maintaining and upgrading existing school premises. For the six months ended February 28, 2022, the Group's capital expenditures were RMB509.2 million.

Liquidity, Financial Resources and Debt Ratio

The Group's primary uses of cash are to fund its working capital requirements, purchase of property, plant and equipment, loan repayment and related interest expenses. As at the date of this announcement, the Group has funded its operations principally with the cash generated from its operations, borrowings, shareholder contributions 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 at February 28, 2022, the Group had cash and cash equivalents of RMB557.6 million.

The balance of borrowings as at February 28, 2022 was RMB2,550.4 million. Borrowings of RMB1,972.1 million are repayable within five years. The Group had adequate liquidity to meet its daily management and capital expenditure requirements and is able to control its internal operating cash flows.

The Group's debt ratio as at February 28, 2022, represented by borrowings as a percentage of total assets, was 40.0% (August 31, 2021: 36.7%).

Contingent Liabilities

As at February 28, 2022 and August 31, 2021, the Group had no significant contingent liability.

BUSINESS OVERVIEW

We are a leading large-scale private higher education and vocational education group in South China, offering applied science-focused and practice-oriented programs and vocational education and training business. As at February 28, 2022, we had an aggregate of 48,468 students enrolled at our three schools, namely Huali College, Huali Vocational College and Huali Technician College.

Our schools offer private higher education and private vocational education in a wide range of fields in applied sciences with an aim to prepare our students with the necessary knowledge base, skill sets and accreditations to secure jobs and pursue careers in particular professions, trades and industries. As at February 28, 2022, we offered 38 undergraduate programs, 44 junior college programs and 26 vocational programs.

Our Schools

We operate three schools in Guangdong Province, all of which grant government accredited degrees or certifications, including:

- Huali College (including Zengcheng campus and Jiangmen campus): an independently established private general undergraduate college, offering four- to five-year undergraduate programs⁽¹⁾ granting bachelor degrees accredited by the MOE;
- Huali Vocational College (including Zengcheng campus and Yunfu campus): a formal higher education institution, offering three-year vocational programs granting junior college diplomas accredited by the MOE; and
- Huali Technician College (including Zengcheng campus and Yunfu campus): a private technician school primarily offering three-year, full-time vocational programs⁽²⁾ granting technician diplomas of Huali Technician College accredited by the Department of Human Resources and Social Security of Guangdong Province and short-term intensive vocational programs.

Notes:

- (1) Generally, Huali College offers four-year undergraduate programs and a five-year undergraduate program in architecture.
- (2) Generally, Huali Technician College offers three-year vocational programs as well as two-, four- and five-year programs to students of different education levels pursuing different types of technician diplomas.

Student Enrollment

As at February 28, 2022, we had an aggregate of 48,468 students⁽¹⁾ enrolled in our three schools, comprising 17,662 students at Huali College, 19,343 students at Huali Vocational College and 11,463 students at Huali Technician College.

School	As at February 28, 2022	As at February 28, 2021	Change	% change
Huali College	17,662	18,336	(674)	(3.68%)
Zengcheng campus	17,115	18,336	(1,221)	(6.66%)
Jiangmen campus	547	0	547	N/A
Huali Vocational College	19,343	20,753	(1,410)	(6.79%)
Zengcheng campus	14,328⁽²⁾⁽³⁾	16,461 ⁽⁴⁾	(2,133)	(12.96%)
Yunfu campus	5,015	4,292	723	16.85%
Huali Technician College	11,463	9,857	1,606	16.29%
Zengcheng campus	9,629	8,093	1,536	18.98%
Yunfu campus	1,834	1,764	70	3.97%
Total	<u>48,468</u>	<u>48,946</u>	(478)	(0.98%)

Notes:

- (1) Including 340 students of Huali Technician College who also take junior college courses at Huali Vocational College (the “**Continuing Education Program**”) and obtain a junior college diploma awarded by Huali Vocational College, subject to, among other things, passing the National Higher Education Entrance Exam for Adults. Each student participating in the Continuing Education Program is required to pay additional tuition fee of RMB3,000 to Huali Vocational College. In order to reflect such business practice, the number of students of Huali Technician College who also participate in the Continuing Education Program was included in the number of students of Huali Vocational College, and the revenue from the additional tuition fees paid for the Continuing Education Program was fully included in the revenue from tuition fees of Huali Vocational College and Huali Technician college.
- (2) Including 2,827 students who are social personnel enrolled under the national policy of enrollment expansion of Higher Vocational Education, having passed the exam designed independently by Huali Vocational College. These students shall pay tuition fee of RMB8,000 per academic year to Huali Vocational College, and take junior college courses mainly through on-line and obtain a junior college diploma awarded by Huali Vocational College upon graduation.
- (3) Including 340 students of Huali Technician College who also participate in the Continuing Education Program.
- (4) Including 1,288 students of Huali Technician College who also participate in the Continuing Education Program.

Tuition Fees and Boarding Fees

For the six months ended February 28, 2022, the Group’s schools recorded revenue growth, which was in line with the expansion of its business and student enrollment. Revenue increased from RMB445.4 million for the six months ended February 28, 2021 to RMB459.5 million for the six months ended February 28, 2022. The Group typically charges students fees comprising tuition fees and boarding fees. Tuition fees remained as the Group’s major revenue for the six months ended February 28, 2022, accounting for approximately 92.1% of the total revenue of the Group for the six months ended February 28, 2022.

The table below summarizes the amount of revenue generated from the tuition fees and boarding fees charged by the Group for the periods indicated:

	Six months ended February 28, 2022 (RMB'000)	Six months ended February 28, 2021 (RMB'000)	Change (RMB'000)	% change
Tuition fees				
Huali College	241,575	231,487	10,088	4.4%
Huali Vocational College	121,772	123,241	(1,469)	(1.2%)
Huali Technician College	59,960	56,195	3,765	6.7%
	<u>423,307</u>	<u>410,923</u>	12,384	3.0%
Boarding fees				
Huali College	14,376	14,495	(119)	(0.8%)
Huali Vocational College	12,884	13,417	(553)	(4.0%)
Huali Technician College	8,898	6,537	2,361	36.1%
	<u>36,158</u>	<u>34,449</u>	1,709	5.0%
Total Revenue	<u><u>459,465</u></u>	<u><u>445,372</u></u>	14,093	3.2%

The increase in the total revenue of the Group for the six months ended February 28, 2022 was mainly due to the increase in average tuition fees.

The following table sets out the tuition fee rates of our schools for the 2020/2021 and 2021/2022 academic years:

School	Tuition fee rates ⁽¹⁾ in academic year	
	2021/2022	2020/2021
	(RMB)	(RMB)
Huali College		
Four- to five-year undergraduate program ⁽²⁾	28,800–32,800	28,800–32,800
— Zengcheng campus	28,800–32,800	28,800–32,800
— Jiangmen campus	28,800–29,800	—
International program	36,800	36,800
Bilingual program	31,800	31,800
Huali Vocational College		
Three-year junior college program	9,880–19,880	9,880–17,880
— Zengcheng campus	16,880–19,880	15,880–17,880
— Yunfu campus	9,880–12,880	9,880
International program	25,880–30,880	25,880–30,880
Bilingual program	12,880	17,880
Huali Technician College		
Three-year vocational program ⁽³⁾	6,800–15,100	6,300–12,300
— Zengcheng campus	9,800–15,100	8,800–12,300
— Yunfu campus	6,800–8,100	6,300–7,500

Notes:

- (1) Tuition fee rates shown above for all of our schools are applicable to students admitted in the relevant academic year only.
- (2) Generally, Huali College offers four-year undergraduate programs, and a five-year undergraduate program in architecture.
- (3) Generally, Huali Technician College offers three-year vocational programs, as well as two-, four- and five-year programs to students of different education levels pursuing different types of technician diplomas of Huali Technician College. In addition, we offer students at Huali Technician College a dual-diploma program, in which students are permitted to take junior college courses at Huali Vocational College and obtain a junior college diploma awarded by Huali Vocational College, subject to, among other things, passing the National Higher Education Entrance Exam for adults.

During the six months ended February 28, 2022, our boarding fee rates ranged from RMB600 to RMB6,000 per academic year depending on the location, room size and number of students housed in each room. Especially, we offered some studio apartments since the academic year 2020/2021, for which the boarding fee rates range from RMB4,700 to RMB14,000 per academic year.

School Utilization Rate

School utilization rate is calculated by dividing the number of boarding student enrollment in a particular academic year by the school capacity in the same academic year. The school capacity of each campus is calculated by the number of beds available in student dormitories. The following table sets out the school utilization rate of our schools for the 2020/2021 and 2021/2022 academic years:

	Academic Year	
	2021/2022	2020/2021
Zengcheng campus		
School capacity	28,971	30,079
School utilization rate	82.1%	92.7%
Yunfu campus		
School capacity	8,635	8,000
School utilization rate	69.3%	65.3%
Jiangmen campus		
School capacity	2,340	—
School utilization rate	23.4%	—

Awards and Recognitions Received During the Reporting Period

The Company and the three schools received numerous awards and recognitions during the Reporting Period in recognition of the quality of education we provide and the outstanding achievements of our operations. The following table sets forth some of the awards and recognitions we have received:

	Award/ Recognition	Awarding Organization(s)	Awarded Entity
October, 2021	Investment and Financing Mode Innovation Practice Award (投融資模式創新實踐大獎)	Shanghai People's Radio (上海人民廣播電臺)	Company
December, 2021	Advanced Unit of Vocational Capacity Construction in Guangdong Province in 2021 (2021 年度廣東省職業 能力建設先進單位)	Guangdong Vocational Capacity Construction Association (廣東省職業能力 建設協會)	Huali Technician College

OUTLOOK

In continuing to strengthen the Group's position as a leading private higher education and vocational education group, the Group plans to pursue the following:

Endogenous growth

(i) Development of New Campuses

The Group will increase student enrollment through expanding the business operations in its existing schools and further promote the internal growth of the Group. The Group will continue to make demand-driven investments in its existing schools, improve and acquire school facilities, improve the quality of schools' education, enhancing student enrollment scale.

Jiangmen Binhai campus: The policy of increasing the gross enrollment rate of higher education, as well as large population inflow in Guangdong Province will provide more room for the growth of new enrollments in higher education in the future. The Group has entered into an agreement with the Jiangmen Xinhui District Government, Xinhui Branch, which will provide up to 1,258 Mu of land to the Group to build a new campus for Huali College, which is expected to accommodate 25,000 students. As at February 28, 2022, the Group has acquired a total site area of 596,223 sq.m. (approximately 894 Mu). The first-phase campus with a capacity of 4,000 students has been put into use in September 2021, and accommodated 547 students as at February 28, 2022. The second-phase campus is under construction and its construction progress depends on the number of student enrollment in the coming future.

Jiangmen Yamen campus: The construction of the new campus of Huali Technician College in Jiangmen City has been proceeding as planned. The first phase with a capacity of 6,000 students is under construction and is expected to be completed by the end of August 2022. The new campus is expected to be put into use in September 2022.

With the completion of Jiangmen Binhai and Jiangmen Yamen new campuses, the Group's total four campuses in the core regions of the Greater Bay Area will offer considerable capacity for students.

(ii) Further Optimizing the Pricing of Tuition Fees and Boarding Fees

The Group will moderately raise its tuition fees and boarding fees from time to time to reflect the changes in market demand, its increasing operating costs and the adjustment of its curriculum offerings. The Group believes that its leading position, established reputation and high-quality teaching services will enable it to further increase its tuition fees and boarding fees, while maintaining the competitiveness of the Group in the market.

(iii) Strategic Deployment of Vocational Education and Training Business

The Group continues to cooperate with industry-leading institutions in vocational education and training to strengthen and broaden the training of high-level skilled talents at all education levels. The Group has offered vocational education business featuring high growth and high gross margin and undertake the PRC Government's vocational skills improvement and training business during the Reporting Period, which is expected to become a new revenue driver for the Group. The Group expects that the revenue of this business segment will achieve a considerable growth in the future.

Expanding the Group’s network through mergers and acquisitions

The Group has been actively seeking M&A targets including private regular undergraduate colleges, independent colleges and regular junior colleges with attractive growth potential in areas of China with developed economy, large population, low gross enrollment rate and large number of student pool to expand the Group’s school network coverage.

With the strength of the Group’s long operation history, strong brand reputation, high-quality of education services, outstanding students’ employment and sufficient resources of college-enterprise cooperation, we will strive to combine the private educational resources, expand market share and continuously improve the quality of education to provide better educational services for students.

In general, the Group strives to maintain and strengthen its leading position in the private higher education industry and private vocational education industry in South China, to continue to increase the number of students through expanding the business operation of its existing schools, and further expand the school network in China and abroad.

SIGNIFICANT EVENT AFTER REPORTING PERIOD

Save as disclosed below, there was no significant event affecting the Company nor any of its subsidiaries after the Reporting Period and up to the date of this announcement. Reference is made to the announcement of the Company dated 20 April 2022 (the “**Announcement**”). Subsequent to the passing of the special resolution regarding the proposed change of company name at the annual general meeting of the Company held on January 21, 2022, the Company has received the copies of the Certificate of Incorporation on Change of Name issued by the Registrar of Companies in the Cayman Islands on February 2, 2022 and Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company issued by the Registrar of Companies in Hong Kong on March 7, 2022.

As set out in the Announcement, the English name of the Company has been changed from “Huali University Group Limited” to “China Vocational Education Holdings Limited” and the dual foreign name in Chinese of the Company has been changed from “华立大学集团有限公司” to “中國職業教育控股有限公司”.

USE OF NET PROCEEDS FROM THE COMPANY’S INITIAL PUBLIC OFFERING

The Company issued 300,000,000 new Shares with a par value of US\$0.0001 at an issue price of HK\$3.26 per Share in connection with the Listing. The net proceeds from the Listing, after deducting underwriting commission and other expenses, were approximately HK\$946.0 million (equivalent to approximately RMB850.9 million).

The following table sets forth a summary of the utilization of the net proceeds from the Listing:

Purpose	%	Net Proceed (RMB' Million)	Utilized	Unutilized	Expected
			amount as at February 28, 2022 (RMB' Million)	amount as at February 28, 2022 (RMB' Million)	timeline for utilizing the remaining net proceeds
Expansion of existing schools by constructing additional buildings for Huali College and Huali Vocational College	53.0%	451.0	(451.0)	—	—
Establishment of a new junior college in Jiangmen City, Guangdong Province	37.0%	314.8	(235.0)	79.8	2022–2023
Working capital and general corporate purposes	10.0%	85.1	(75.1)	10.0	2022–2023
Total	100.0%	850.9	(761.1)	89.8	

EMPLOYEES AND REMUNERATION POLICIES

Recruitment

We strictly comply with the PRC Labor Law, the PRC Labor Contract Law, the PRC Employment Promotion Law, the PRC Labor Dispute Mediation and Arbitration Law as well as other applicable provincial and local labor laws and regulations in our recruitment process. We prohibit discrimination of staff by age, sex, race, nationality, religion or disability to ensure that everyone has equal employment opportunities and prospects.

We recruit teachers based on the size of our current student enrollment and the number of newly admitted students at the beginning of each academic year. We primarily seek to recruit (i) high quality and experienced teachers who are knowledgeable in both theory and practice and hold the necessary academic credentials and professional qualifications (i.e. diplomas and professional certificates); and (ii) teachers who have work experience in the relevant industries. We also invite industry experts from entities with which we have cooperative relationships to give lectures or teach classes as adjunct faculty members of our schools.

Our schools carry out their recruitment works based on our employee manual and our teachers' recruitment policy, and continuously improve and refine their recruitment processes. We actively approach talents through participating in talent recruitment fairs and industry conferences, and encourage our staff to take advantage of social media to refer and recommend talented candidates to join us. In addition, we provide continuing trainings to our teachers so that they can stay abreast of the changes in market demand, new teaching theories and/or methodologies, changing teaching and testing standards.

Remuneration

As at February 28, 2022, the Group had 2,065 employees (as at February 28, 2021: 2,203). The remuneration packages of the employees of the Group are determined with reference to individual qualification, experience and performance, contribution to the Group, prevailing market rate and our remuneration policy.

The remuneration policy of our schools is formulated under the guidance of PRC laws and is based on industry characteristics as well as various market factors. The staff congress, president's office and board of directors of our schools collectively approve the compensation range of their employees. Our schools determine their respective compensation standards based on employment by function (teachers and administrative personnel) and position. Our schools pay a fixed annual salary to senior management and top talents such as directors, deans/department heads, administrative heads and professors. Our schools participate in social insurance plans (pension, medical, unemployment, work injury and maternity insurance) under the guidance of the relevant national, provincial and municipalities policies, and provide a variety of benefits for their employees.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended February 28, 2022 (for the six months ended February 28, 2021: Nil).

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles of the code provisions set out in the CG Code. During the six months ended February 28, 2022, the Company had complied with all the code provisions set out in the CG Code, except for the deviation from code provision C.2.1 of part 2 of the CG Code as described below.

Under code provision C.2.1 of part 2 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Zhang Zhifeng is the chairman of the Board and chief executive officer of the Company. The Board considers that Mr. Zhang Zhifeng is the founder of the Group and has extensive experience in the private higher education industry in the PRC and is responsible for the overall strategic planning and business development of the Group, the Board believes that vesting the roles of both chairman of the Board and chief executive officer in Mr. Zhang Zhifeng provides the Group with strong and consistent leadership to improve the Company's efficiency in decision-making and execution, and effectively capture business opportunities. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises highly experienced individuals. There are three independent non-executive Directors in the Board. All of them possess adequate independence and therefore the Board considers the Company has achieved balance and provided sufficient protection of its interests.

The Board believes that good corporate governance is essential in enhancing the confidence of the Shareholders, potential investors and business partners and is consistent with the Board's pursuit of value creation for the Shareholders. The Company is committed to enhancing its corporate governance practices appropriate to the conduct and growth of its business and to reviewing such practices from time to time to ensure that the Company complies with the statutory and professional standards and is aligned with the latest development.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the Group's code of conduct to regulate the securities transactions of the Directors and the relevant employees of the Group who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities. Having made specific enquiries, all Directors confirmed that they had complied with the required standards set out in the Model Code throughout the six months ended February 28, 2022. In addition, the Company is not aware of any non-compliance of the Model Code by the relevant employees of the Group during the six months ended February 28, 2022.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

AUDIT COMMITTEE AND REVIEW OF UNAUDITED CONSOLIDATED FINANCIAL INFORMATION

The Audit Committee consists of three independent non-executive Directors, namely Ms. Chiu Lai Kuen Susanna, M.H., J.P. (Chairperson), Mr. Yang Ying and Mr. Ding Yi. The main duties of the Audit Committee are to assist the Board in providing an independent review of the completeness, accuracy and fairness of the financial information of the Group, as well as the efficiency and effectiveness of the Group's operations and internal controls. The Audit Committee has reviewed the unaudited consolidated financial statements of the Group for the six months ended February 28, 2022, including the accounting principles and practices adopted by the Group.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hualiuniversity.com). The interim report of the Company for the six months ended February 28, 2022 will be dispatched to the Shareholders and made available on the same websites in due course.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED FEBRUARY 28, 2022

(All amounts expressed in RMB unless otherwise stated)

		Six months ended	
	<i>Note</i>	February 28, 2022 RMB'000 (Unaudited)	February 28, 2021 RMB'000 (Unaudited)
Revenue	6	459,465	445,372
Cost of sales	9	(209,679)	(205,999)
Gross profit		249,786	239,373
Selling expenses	9	(9,527)	(19,976)
Administrative expenses	9	(57,546)	(46,866)
Other income	7	14,402	10,600
Other gains/(losses) — net	8	3,473	(15,344)
Operating profit		200,588	167,787
Finance income		3,092	5,621
Finance expenses		(47,683)	(22,015)
Finance expenses — net	10	(44,591)	(16,394)
Profit before income tax		155,997	151,393
Income tax expenses	11	(13,070)	(11,810)
Profit for the period		142,927	139,583

		Six months ended	
	<i>Note</i>	February 28, 2022 RMB'000 (Unaudited)	February 28, 2021 RMB'000 (Unaudited)
Other comprehensive income			
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Revaluation gains arising from transfer of property, plant and equipment and corresponding right-of-use assets to investment properties, net of tax		<u>534</u>	<u>—</u>
Other comprehensive income for the period, net of tax		<u>534</u>	<u>—</u>
Total comprehensive income for the period		<u><u>143,461</u></u>	<u><u>139,583</u></u>
Profit and other comprehensive income attributable to:			
— Owner of the Company		<u><u>143,461</u></u>	<u><u>139,583</u></u>
Earnings per share for profit attributable to owner of the Company (expressed in RMB per share)			
Basic and diluted	12	<u><u>0.120</u></u>	<u><u>0.116</u></u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS AT FEBRUARY 28, 2022

(All amounts expressed in RMB unless otherwise stated)

	<i>Note</i>	As at February 28, 2022 RMB'000 (Unaudited)	As at August 31, 2021 RMB'000 (Audited)
ASSETS			
Non-current assets			
Right-of-use assets		1,415,975	1,438,565
Property, plant and equipment		4,006,679	3,708,910
Investment properties		183,352	179,400
Intangible assets		21,945	21,609
Deferred income tax assets		156	—
Prepayments		121,083	37,387
		<u>5,749,190</u>	<u>5,385,871</u>
Current assets			
Prepayments		1,651	1,482
Trade and other receivables	13	51,731	16,526
Amounts due from related parties		21,361	25,900
Other financial assets at amortized cost		—	6,450
Restricted cash		1,375	12,246
Cash and cash equivalents		557,641	880,752
		<u>633,759</u>	<u>943,356</u>
Total assets		<u><u>6,382,949</u></u>	<u><u>6,329,227</u></u>
EQUITY			
Share capital and share premium		603,188	652,296
Statutory surplus reserves		125,568	125,568
Other reserves		339,060	338,526
Retained earnings		1,711,942	1,569,015
Total equity		<u>2,779,758</u>	<u>2,685,405</u>

	<i>Note</i>	As at February 28, 2022 <i>RMB'000</i> (Unaudited)	As at August 31, 2021 <i>RMB'000</i> (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings		2,206,386	2,096,850
Accruals and other payables		72,323	217,369
Deferred income tax liabilities		46,069	43,832
Amounts due to related parties		—	50,864
		<u>2,324,778</u>	<u>2,408,915</u>
Current liabilities			
Accruals and other payables	14	419,662	377,189
Amounts due to related parties		53,730	45,415
Contract liabilities		434,887	567,766
Current income tax liabilities		26,152	20,748
Deferred revenue		11	254
Borrowings		343,971	223,535
		<u>1,278,413</u>	<u>1,234,907</u>
Total liabilities		<u>3,603,191</u>	<u>3,643,822</u>
Total equity and liabilities		<u><u>6,382,949</u></u>	<u><u>6,329,227</u></u>

NOTES

FOR THE SIX MONTHS ENDED FEBRUARY 28, 2022

1 General information

China Vocational Education Holdings Limited (the “**Company**”, formerly known as Huali University Group Limited) was incorporated in the Cayman Islands on May 24, 2016 as an exempted company with limited liability under the Companies Act (as revised) of the Cayman Islands. The address of the Company’s registered office is P.O. Box 309, Uglan House, Grand Cayman, KY1-1104, the Cayman Islands. The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in providing private tertiary education services, including tuition services and student accommodation services in the People’s Republic of China (the “**PRC**”).

The ultimate holding company of the Company is HL-Diamond Limited. The directors of the Company (“**Directors**”) consider the ultimate controlling party to be Mr. Zhang Zhifeng, who is also an executive director and the chairman of the Company (the “**Owner**”).

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since November 25, 2019.

This interim condensed consolidated financial information (the “**Interim Financial Information**”) is presented in Renminbi (“**RMB**”), unless otherwise stated. The Interim Financial Information was approved for issue by the board of Directors on April 28, 2022 and has not been audited.

The outbreak of the 2019 Novel Coronavirus (the “**COVID-19**”) had brought unprecedented challenges and added uncertainties to the economy. COVID-19 may affect the financial performance and position of the industry of education. Since the outbreak of COVID-19, the Group kept continuous attention on the situation of the COVID-19 and reacted actively to its impact on the financial position and operating results of the Group. As at the date the condensed consolidated interim financial information are authorized for issue, COVID-19 does not have any material adverse impact on the financial position and operating result of the Group.

2 Basis of preparation

This Interim Financial Information for the six months ended February 28, 2022 has been prepared in accordance with Hong Kong Accounting Standard 34, “Interim financial reporting” issued by Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This Interim Financial Information should be read in conjunction with the annual consolidated financial statements for the year ended August 31, 2021 (“**2021 Financial Statements**”) and any public announcement made by the Company during the six months ended February 28, 2022.

As at February 28, 2022, the Group had net current liabilities of RMB644,654,000, and there is no capital commitment in relation to construction and acquisition of property, plant and equipment within twelve months. The Group’s total borrowings as at February 28, 2022 amounted to RMB2,550,357,000 of which RMB345,076,000 are repayable within the coming twelve months and interest payable amounting to RMB109,542,000 is expected to be accrued and paid within the coming twelve months, while its cash and cash equivalents amounted to RMB557,641,000 as at the same date.

Management closely monitors the Group’s financial performance and liquidity position. A number of measures have been put in place by management to improve the financial position and alleviate the liquidity pressure. As at February 28, 2022, the Group had unused long-term banking facilities totaling RMB829,616,000. Management is of the opinion that such banking facilities are adequate for the capital expenditure and working capital purpose of the Group covering a period for more than twelve months from February 28, 2022.

Also, management has prepared cash flow projections of the Group covering a period of not less than twelve months from February 28, 2022 on the basis that (i) the Group will continue to generate operating cash inflows; and (ii) there is continuous availability of the bank facilities.

The Directors have reviewed the Group’s cash flow projection and have made due enquiries and considered the basis and assumptions of management’s projections as described above. The Directors are of the opinion that, taking into account the Group’s future operational performance and the expected future operating cash inflows; and the continuous availability of bank facilities, the Group will have sufficient financial resources to support its operations and to meet its financial obligations as and when they fall due in the coming twelve months from February 28, 2022. Accordingly, the Interim Financial Information has been prepared on a going concern basis.

3 Accounting policies

The accounting policies applied are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax as disclosed in Note 11.

(a) New and amended standards adopted by the Group

No new standard or amendment has been applied by the Group for the first time for the reporting period commencing September 1, 2021.

(b) Certain new accounting standards and interpretations have been published that are not mandatory for February 28, 2022 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions:

		Effective for accounting periods beginning on or after
Accounting Guideline 5 (revised)	Revised Accounting Guideline 5 Merger Accounting	January 1, 2022
HKFRS 3 (Amendments)	Business combinations	January 1, 2022
HKAS 16 (Amendments)	Property, plant and equipment	January 1, 2022
HKAS 37 (Amendments)	Provisions, contingent liabilities and contingent assets	January 1, 2022
Annual Improvements	Annual Improvements to HKFRS standards 2018–2020 (amendments)	January 1, 2022
HKAS 1 (Amendment)	Presentation of financial statements’ on classification of liabilities	January 1, 2023
HKFRS 17	Insurance contracts	January 1, 2023
HK Interpretation 5 (Amendment)	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	January 1, 2023
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

4 Estimates and assumption

The preparation of the Interim Financial Information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Interim Financial Information, the significant judgments were made by management in applying the Group's accounting policies and the key sources of estimation. Estimates and assumption were the same as those applied to the 2021 Financial Statements.

5 Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and fair value interest rate risk) and liquidity risk.

This Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2021 Financial Statements.

There have been no changes in any risk management policies during the six months ended February 28, 2022.

5.2 Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group expects to continue to fund its future cash flow needs through internally generated cash flows from operations and borrowings from financial institutions.

The table below analyzes the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	Between 2 and 5 years <i>RMB'000</i>	Over 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
As at February 28, 2022					
(Unaudited)					
Bank borrowings (principal plus interests)	454,618	725,826	1,129,875	773,354	3,083,673
Accruals and other payables (excluding non-financial liabilities)	402,508	53,330	25,644	—	481,482
Amounts due to related parties	54,116	—	—	—	54,116
Total	<u>911,242</u>	<u>779,156</u>	<u>1,155,519</u>	<u>773,354</u>	<u>3,619,271</u>
As at August 31, 2021					
(Audited)					
Bank borrowings (principal plus interests)	326,261	395,392	1,406,947	580,010	2,708,610
Accruals and other payables (excluding non-financial liabilities)	363,077	153,043	80,692	—	596,812
Amounts due to related parties	45,415	53,487	—	—	98,902
Total	<u>734,753</u>	<u>601,922</u>	<u>1,487,639</u>	<u>580,010</u>	<u>3,404,324</u>

5.3 Fair value estimation

Financial instruments carried at fair value or where fair value was disclosed can be categorized by levels of the inputs to valuation techniques used to measure fair value. The inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The carrying amounts of the Group’s financial assets including cash and cash equivalents, restricted cash, trade and other receivables, amounts due from related parties and financial liabilities including current accruals and other payables, current amounts due to related parties, and current borrowings, approximate their fair values due to their short maturities. The fair values of non-current borrowings are estimated based on discounted cash flow using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the respective balance sheet dates. The carrying amount of the Group’s non-current accruals and other payables and non-current amounts due to related parties also approximate their fair values because they are recognized by taking into account the imputed interest rates.

6 Segment information

The Group is principally engaged in provision of private tertiary education and ancillary services in the PRC. The Group’s chief operating decision-maker (“**CODM**”) has been identified as the executive director who considers the business from the service perspective.

Information reported to the CODM, for the purpose of resource allocation and assessment of segment performance, is on a school by school basis. Each individual school constitutes an operating segment. The services provided and type of customers are similar in each operating segment, and each operating segment is subject to similar regulatory environment. Accordingly, their segment information is aggregated as a single reportable segment. CODM assesses the performance of the reportable segment based on the revenue and gross profit for the period of the Group as presented in the consolidated statements of comprehensive income. No analysis of the Group’s assets and liabilities is regularly provided to the management of the Group for review.

Approximately 86% of the carrying values of the Group’s assets are situated in the PRC mainland. All of the Group’s revenue are derived from activities in, and from customers located in the PRC mainland and no geographical segment analysis is prepared.

Revenues for the six months ended February 28, 2022 and February 28, 2021 are as follows:

	Six months ended	
	February 28, 2022	February 28, 2021
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)
Recognized over time		
— Tuition fees	423,307	410,923
— Boarding fees	36,158	34,449
	<u>459,465</u>	<u>445,372</u>

Tuition fees and boarding fees are recognized proportionately over each school year. No customers individually accounted for more than 10% of the Group’s revenue during the six months ended February 28, 2022 and February 28, 2021.

7 Other income

	Six months ended	
	February 28, 2022 <i>RMB'000</i> (Unaudited)	February 28, 2021 <i>RMB'000</i> (Unaudited)
Service income	5,807	3,747
Rental income	5,391	5,612
Bookselling income	2,769	584
Others	435	657
	<u>14,402</u>	<u>10,600</u>

8 Other gains/(losses) — net

	Six months ended	
	February 28, 2022 <i>RMB'000</i> (Unaudited)	February 28, 2021 <i>RMB'000</i> (Unaudited)
Exchange gains/(losses)	3,404	(17,357)
Losses on disposals of property, plant and equipment	(447)	—
Fair value gains on investment properties	—	700
Others	516	1,313
	<u>3,473</u>	<u>(15,344)</u>

9 Expenses by nature

	Six months ended	
	February 28, 2022 RMB'000 (Unaudited)	February 28, 2021 RMB'000 (Unaudited)
Employee benefit expenses	98,546	92,280
Depreciation of property, plant and equipment	55,909	35,783
Joint tuition support fees (<i>Note a</i>)	30,746	39,468
Depreciation of right-of-use assets	17,160	17,944
Property management fees	14,016	14,100
Utilities expenses	10,221	9,465
School consumables	7,945	19,835
Promotion expenses	7,102	17,845
Office expenses	7,010	6,498
Travel and entertainment expenses	4,390	4,551
Rental expenses	3,818	3,126
Amortization of intangible assets	2,982	2,044
Other taxes	1,910	2,555
Equipment maintenance fees	1,754	404
Consultancy and professional service fees	1,661	1,948
Training expenses	1,473	607
Insurance expenses	1,059	1,348
Network expenses	1,013	1,169
Bank charges	619	368
Auditors' remuneration	—	449
Other expenses	7,418	1,054
	<hr/>	<hr/>
Total cost of sales, selling expenses and administrative expenses	276,752	272,841
	<hr/> <hr/>	<hr/> <hr/>

- (a) Guangzhou Huali College (the “**Huali College**”) entered into an agreement of Cooperation with Guangdong University of Technology, the joint sponsor of Huali College, under which the Group would pay joint tuition support fees to Guangdong University of Technology in each academic year based on 17% of the tuition income from students covered by the agreement of Huali College. The Group expects that the agreement will remain enforceable until the completion of the Transitional Cooperation Agreement of Huali College, which has set out certain arrangements in relation to the management of Huali College during the transitional period of the Conversion of Huali College.

10 Finance expenses — net

	Six months ended	
	February 28, 2022 <i>RMB'000</i> (Unaudited)	February 28, 2021 <i>RMB'000</i> (Unaudited)
Finance expenses:		
— Interest expenses on bank borrowings	47,637	42,405
Less: interest expenses capitalized in property, plant and equipment	(17,344)	(23,300)
— Interest expenses on other borrowing due to a related party	8,625	2,910
— Interest expenses on discount of long-term payable for construction	6,444	—
— Interest expenses on discount of compensation payable for the Conversion of Huali College	2,321	—
	<u>47,683</u>	<u>22,015</u>
Finance income:		
— Bank interest income	<u>(3,092)</u>	<u>(5,621)</u>
Net finance expenses	<u>44,591</u>	<u>16,394</u>

11 Income tax expenses

(a) *Cayman Islands profits tax*

The Company and its direct subsidiary were incorporated in the Cayman Islands as exempted companies with limited liability under the Companies Act of the Cayman Islands and accordingly, are exempted from income tax.

(b) *Hong Kong profits tax*

No provision for Hong Kong profits tax was provided as the Group did not have assessable profits in Hong Kong during the period.

(c) *PRC corporate income tax (“CIT”)*

The CIT rate applicable to the Group’s entities located in the Mainland China (the “**PRC entities**”) is 25% according to the Corporate Income Tax Law of the People’s Republic of China effective on January 1, 2008.

According to the Implementation Rules for the Law for Promoting Private Education (“**Implementing Rules**”), private schools, whether requiring reasonable returns or not, may enjoy preferential tax treatment. The Implementing Rules provide that the private schools for which the sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools, and relevant authorities under the State Council may introduce preferential tax treatments and related policies applicable to private schools requiring reasonable returns. Despite the fact that no separate policies, regulations or rules have been introduced by the authorities during the period and up to date of this announcement, based on the historical tax returns filed to the relevant tax authorities, the colleges within the Group have historically enjoyed preferential tax treatment since their establishment.

Management considered that no CIT would be imposed by the local tax bureau on the income from provision of formal educational services based on the PRC relevant tax regulation. As a result, no income tax expense was recognized for the income from the provision of educational services in respect of the PRC Operating Entities during the period.

Certain wholly-owned subsidiaries of the Group registered in minority autonomous regions, the PRC enjoyed preferential CIT rate, of which the tax rate for Xizang Huali Shengda Information Technology Limited (西藏華立盛大信息科技有限公司) is 15% based on the relevant tax regulations of Tibet Autonomous Region, and the tax rate for Guangdong Huaqin Property Management Co.,Ltd, Guangdong Huali Teconology Co., Ltd, Guangdong Huashi Education Support Service Co., Ltd and Guangdong Shengli Teconology Co., Ltd is also 15% based on the relevant tax preferential policy granted to Ruyuan Yao Autonomous County.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated in the periods subsequent to January 1, 2008.

(d) United States of America (“USA”) corporate income tax

No provision for USA corporate income tax was provided as the Group did not have assessable profits in USA during the period.

- (e)** Income tax expenses recognised based on management’s estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months ended February 28, 2022 is 7.2% (six months ended February 28, 2021: 6.8%).

Analysis of the Group's Income tax expenses:

	Six months ended	
	February 28, 2022	February 28, 2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax on profits for the period (<i>Note i</i>)	11,167	9,825
Deferred income tax (<i>Note ii</i>)	7	534
Deferred withholding tax (<i>Note iii</i>)	1,896	1,451
	13,070	11,810

- (i) Current tax on profits for the period mainly represent tax imposed on dormitory management fee earned by Huali Investment from the PRC Operating Entities, services income earned by wholly foreign owned subsidiaries of the Group from the PRC Operating Entities, rental income, service income and other taxable subsidies.
- (ii) Deferred income tax for the six months ended February 28, 2022 represents tax on the tax loss and timing differences on recognition of rental income while deferred income tax for the six months ended February 28, 2021 represents revaluation gains of investment properties and timing differences on recognition of rental income.
- (iii) As at February 28, 2022, deferred income tax liabilities of RMB1,896,000 was recognized on the temporary differences arising from the services income earned by wholly foreign owned subsidiaries of the Company from the PRC Operating Entities.

As at February 28, 2022 and August 31, 2021, deferred income tax liabilities of RMB156,777,000 and RMB145,815,000 have not been recognized for the withholding tax that would be payable on the unremitted earnings amounted to RMB1,844,441,000 and RMB1,715,473,000 of the PRC Operating Entities, respectively. Such earnings are expected to be retained by the PRC Operating Entities for reinvestment purposes and would not be remitted to the School Sponsor in the foreseeable future based on management's estimation of overseas funding requirements.

12 Earnings per share

(a) Basic

The basic earnings per share is calculated on the profit attributable to owner of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended	
	February 28, 2022	February 28, 2021
	(Unaudited)	(Unaudited)
Profit attributable to owner of the Company (RMB'000)	143,461	139,583
Weighted average number of ordinary shares in issue (thousands shares)	1,200,000	1,200,000
Basic earnings per share (expressed in RMB per share)	0.120	0.116

(b) Diluted

Diluted earnings per share presented is the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued during the period.

13 Trade and other receivables

	As at February 28, 2022 RMB'000 (Unaudited)	As at August 31, 2021 RMB'000 (Audited)
Trade receivables		
— Tuition fees receivables from students	22,332	3,677
— Government subsidies receivables granted to students for tuition fees deduction	19,497	3,792
— Boarding fees receivables from students	253	129
	<u>42,082</u>	<u>7,598</u>
Other receivables		
— Utilities receivables from campus logistics service providers	4,037	2,387
— Deposits	2,400	2,400
— Receivables for rental income	1,428	326
— Staff advance	365	35
— Tuition fees receivables from financial institution	23	1,045
— Interest receivables	—	204
— Others	1,396	2,531
	<u>9,649</u>	<u>8,928</u>
	<u>51,731</u>	<u>16,526</u>

As at February 28, 2022 and August 31, 2021, the aging analysis of the trade receivables based on the recognition date is as follows:

	As at February 28, 2022 RMB'000 (Unaudited)	As at August 31, 2021 RMB'000 (Audited)
Less than 1 year	40,130	7,132
1 to 2 years	1,952	466
	<u>42,082</u>	<u>7,598</u>

Other than other receivables of RMB310,000 as at August 31, 2021 which were denominated in US\$, all other trade and other receivables at respective balance sheet dates are denominated in RMB.

As at February 28, 2022 and August 31, 2021, the Group's maximum exposure to credit risk was the carrying value of each class of trade and other receivables mentioned above. The Group does not hold any other collateral as security.

Management has closely monitored the credit qualities and the collectability of these receivables and considers that the expected credit risks of them are minimal in view of the history of cooperation with them and forward looking information. The loss allowance provision for these balances was not material and no provision was recorded during the six months ended February 28, 2022 and the year ended August 31, 2021.

As at February 28, 2022 and August 31, 2021, the fair values of trade and other receivables approximate their carrying amounts.

14 Accruals and other payables and amounts due to related parties

	As at February 28, 2022 <i>RMB'000</i> (Unaudited)	As at August 31, 2021 <i>RMB'000</i> (Audited)
Payables for non-current assets	189,986	228,008
Compensation payable for the Conversion of Huali College	100,989	152,008
Payable for joint tuition support fees	62,122	78,441
Dividend payables	48,753	62,160
Government subsidies payable to students	28,719	17,792
Employee benefits payable	19,239	12,448
Payable for property management service	14,751	7,916
Miscellaneous fee received from students	11,744	20,714
Interest payable	6,264	4,978
Network and telecommunication fee payable	4,595	3,280
Other taxes payable	1,379	1,664
Auditor's remuneration payable	—	1,620
Others	3,444	3,529
	<u>491,985</u>	<u>594,558</u>

	As at February 28, 2022 RMB'000 (Unaudited)	As at August 31, 2021 RMB'000 (Audited)
Less: non-current portion		
Payable for construction and purchase of property, plant and equipment	(23,012)	(118,701)
Compensation payable for the Conversion of Huali College	(49,311)	(98,668)
	<u>419,662</u>	<u>377,189</u>
Current portion		
Amounts due to related parties		
— Current	53,730	45,415
— Non-Current	—	50,864
	<u>53,730</u>	<u>96,279</u>

(a) As at February 28, 2022 and August 31, 2021, the ageing analysis of the payable for joint tuition support fees was as follows:

	As at February 28, 2022 RMB'000 (Unaudited)	As at August 31, 2021 RMB'000 (Audited)
Less than 1 year	<u>62,122</u>	<u>78,441</u>

15 Capital Commitments

As at February 28, 2022 and August 31, 2021, the Group had the following capital commitments on construction and purchase of property, plant and equipment:

	As at February 28, 2022 RMB'000 (Unaudited)	As at August 31, 2021 RMB'000 (Audited)
Contracted but not provided for	591,510	472,387
Authorized but not contracted for	—	7,812
	<u>591,510</u>	<u>480,199</u>

DEFINITIONS

“academic year”	the academic year for all our schools, which generally starts on September 1 of each calendar year and ends on August 31, of the next calendar year
“Audit Committee”	the audit committee of the Board
“Board”	the board of directors of the Company
“BVI”	the British Virgin Islands
“CG Code”	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
“China” or “PRC”	the People’s Republic of China and for the purposes of this announcement only, except where the context requires otherwise, references to China or the PRC exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“Company”	China Vocational Education Holdings Limited (中國職業教育控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board (stock code: 1756)
“consolidated affiliated entities”	the entities the Company controls through the structured contracts as further elaborated in the section headed “Structured Contracts” in the Prospectus, namely Huali Investment, Huali College, Huali Vocational College and Huali Technician College, and each a “consolidated affiliated entity”
“Controlling Shareholder(s)”	has the meaning as defined in the Listing Rules and, unless the context otherwise requires, refers to Mr. Zhang, Trust Co and Huali Education
“Conversion of Huali College”	the conversion of Huali College from a private independent college into an independently established private general undergraduate college in the PRC
“Director(s)”	the director(s) of the Company
“Group”, “We”, “us”, or “our”	the Company, its subsidiaries and its consolidated affiliated entities
“HKFRSs”	Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Huali College”	Guangzhou Huali College (廣州華立學院) (formerly known as Huali College Guangdong University of Technology (廣東工業大學華立學院)), a private independent college established under the laws of the PRC on January 1, 2006, was converted into an independently established private general undergraduate college with the official approval by MOE in May 2021, and a consolidated affiliated entity
“Huali Education”	Huali Education Holdings Limited, a limited liability company incorporated in BVI and wholly owned by Trust Co and one of our Controlling Shareholders
“Huali Investment”	Guangzhou Huali Investment Company Limited (廣州華立投資有限公司), being the School Sponsor of each of the PRC Operating Entities, a company established in the PRC with limited liability on June 15, 1999 and a consolidated affiliated entity
“Huali Technician College”	Guangdong Province Huali Technician College (廣東省華立技師學院), a private tertiary vocational school established under the laws of the PRC on August 20, 2003, of which the School Sponsor’s interest is wholly owned by Huali Investment, and a consolidated affiliated entity
“Huali Vocational College”	Guangzhou Huali Science and Technology Vocational College (廣州華立科技職業學院), a formal higher education institution established under the laws of the PRC on July 19, 2005, of which the school sponsor’s interest is wholly owned by Huali Investment, and a consolidated affiliated entity
“Listing”	the listing of the Shares on the Main Board on the Listing Date
“Listing Date”	November 25, 2019, the date on which the Shares were listed and on which dealings in the Shares were first permitted to take place on the Main Board
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the Main Board of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“MOE”	the Ministry of Education of the PRC (中華人民共和國教育部)
“Mr. Zhang”	Mr. Zhang Zhifeng, chairman of the Company, executive Director and one of our Controlling Shareholders
“Mu”	the Chinese urban land area unit, whereby a mu equals to approximately 666.67 square meters
“PRC Operating Entities”	the Company’s consolidated affiliated entities, namely, Huali College, Huali Vocational College and Huali Technician College

“Prospectus”	the prospectus of the Company dated November 14, 2019
“Reporting Period”	the six months ended February 28, 2022
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“School Sponsor(s)”	the individual(s) or entity(ies) that funds or holds interests in an educational institution
“Shareholder(s)”	holder(s) of the Share(s)
“Shares”	ordinary shares in the Company of par value US\$0.0001 each
“South China”	Guangdong Province, Guangxi Province and Hainan Province of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Trust Co”	Huali-Diamond Limited, a holding vehicle incorporated in BVI indirectly controlled by UBS Trustee (B.V.I.) Limited, the trustee of HL-Diamond Trust, to hold the entire issued share capital of Huali Education and one of our Controlling Shareholders
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent

The English names of the PRC entities (including schools), PRC laws or regulations, and the PRC government authorities referred to in this announcement are merely translations from their Chinese names and are for identification purposes. If there is any inconsistency, the Chinese names shall prevail.

By order of the Board
**China Vocational Education
Holdings Limited**
Zhang Zhifeng
Chairman

Hong Kong, April 28, 2022

As at the date of this announcement, the executive Directors are Mr. Zhang Zhifeng, Mr. Ye Yaming, Mr. Zhang Yude and Mr. Zou Kang; and the independent non-executive Directors are Ms. Chiu Lai Kuen Susanna, M.H., J.P., Mr. Yang Ying and Mr. Ding Yi.