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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED AUGUST 31, 2022

HIGHLIGHTS

	As at August 31, 2022	As at August 31, 2021	Change	Percentage change
Number of Schools	3	3	—	—
Student enrollment	47,131	46,669	462	1.0%
	Year ended August 31, 2022 (RMB'000)	Year ended August 31, 2021 (RMB'000)	Change (RMB'000)	Percentage change
Revenue	907,762	881,656	26,106	3.0%
Gross profit	482,151	470,513	11,638	2.5%
Profit for the year	259,784	143,459	116,325	81.1%
Adjusted net profit ⁽¹⁾	263,838	299,148	(35,310)	(11.8%)
Earnings per share (RMB)	0.216	0.120	0.096	80.0%
Gross profit ratio	53.1%	53.4%	(0.3)	
Operating profit ratio	42.3%	25.5%	16.8	
Net Profit ratio	28.6%	16.3%	12.3	
Adjusted Net Profit ratio ⁽²⁾	29.1%	33.9%	(4.8)	

Notes:

- (1) Adjusted net profit is a non-HKFRSs financial measure, which is derived from the profit for the year after adjusting compensation fee for the Conversion of Huali College in May 2021, interest expenses on discount of compensation payable for the Conversion of Huali College, net exchange gains/(losses) and fair value gains on investment properties.
- (2) Adjusted net profit ratio under non-HKFRSs financial measures is calculated on adjusted net profit under non-HKFRSs financial measures for the year divided by revenue for the respective year.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

The Group's revenue mainly represents income derived from tuition fees and boarding fees for the education services provided in the normal course at its PRC operating schools. For the year ended August 31, 2022, the Group's revenue was approximately RMB907.8 million, representing an increase of approximately 3.0% year-on-year from approximately RMB881.7 million for the corresponding period of last year, which was attributable to the increases in both student enrollment and average tuition fees during the Reporting Period.

Cost of Sales

Cost of sales consists primarily of staff costs, depreciation and amortisation, joint tuition support fees, school consumables, property management and maintenance fees, utilities expenses and others. For the year ended August 31, 2022, the Group's cost of sales amounted to approximately RMB425.6 million, increased by approximately 3.5% year-on-year from approximately RMB411.1 million for the year ended August 31, 2021.

Gross Profit and Gross Profit Margin

For the year ended August 31, 2022, the Group recorded a gross profit of approximately RMB482.2 million, representing an increase of approximately 2.5% year-on-year from approximately RMB470.5 million for the year ended August 31, 2021. For the year ended August 31, 2022, the Group achieved a gross profit margin of 53.1% down by 0.3 percentage points year-on-year as compared with the corresponding period of last year. The growth in gross profit was mainly attributable to the increasing average tuition fees and student enrollment, while partially offset by the increase in cost of sales for the year ended August 31, 2022.

Selling Expenses

Selling expenses, primarily consisting of marketing staff costs, promotion expenses and other expenses, decreased by approximately 23.8% from approximately RMB26.1 million for the year ended August 31, 2021 to approximately RMB19.9 million for the year ended August 31, 2022, which was due to a decrease in promotion expenses resulting from the change in marketing strategies for the 2021/2022 academic 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, auditors' remuneration and other miscellaneous expenses. Administrative expenses increased by approximately 11.6%, from RMB103.2 million for the year ended August 31, 2021 to approximately RMB115.2 million for the year ended August 31, 2022.

Other Income

Other income primarily consists of rental income, government subsidies, training service income, bookselling income and others. For the year ended August 31, 2022, the Group recorded other income of approximately RMB35.9 million, representing an increase of approximately 2.3% year-on-year from approximately RMB35.1 million for the year ended August 31, 2021.

Other Gains/(Losses) — Net

Other gains/(losses) — net primarily consist of compensation fee for the Conversion of Huali College, net exchange gains/(losses), losses on disposals of property, plant and equipment, fair value gains on investment properties and others. For the year ended August 31, 2022, the Group's other gains amounted to approximately RMB1.1 million, representing an increase of approximately RMB153.0 million year-on-year compared with approximately RMB151.9 million losses for the year ended August 31, 2021. It was mainly attributable to the compensation fee for the Conversion of Huali College for the corresponding period of last year.

Finance Expenses — Net

The Group's finance expenses — net include any costs incurred by interest expenses on bank and other borrowings (after deducting amounts capitalised in the cost of property, plant and equipment), interest expenses on discount of compensation payable for the Conversion of Huali College and interest income generated from bank deposits. For the year ended August 31, 2022, the Group recorded finance expenses of approximately RMB111.1 million, representing an increase of approximately 75.0% year-on-year as compared with approximately RMB63.5 million for the year ended August 31, 2021, which was mainly attributable to the increase in bank and other borrowings raised during the year ended August 31, 2022. For the year ended August 31, 2022, the Group recorded finance income of approximately RMB6.1 million, representing a decrease of approximately 30.7% year-on-year as compared with approximately RMB8.7 million for the year ended August 31, 2021.

Profit Before Taxation

For the year ended August 31, 2022, the Group recorded a profit before taxation of approximately RMB278.9 million, representing an increase of approximately 64.4% year-on-year from approximately RMB169.6 million for the year ended August 31, 2021.

Taxation

For the year ended August 31, 2022, the Group recorded approximately RMB19.2 million in taxation, representing a decrease of approximately 26.8% year-on-year from approximately RMB26.2 million for the year ended August 31, 2021. As of August 31, 2022, the Group did not have any taxation related disputes with any authorities, or any other unresolved taxation issues.

Adjusted Net Profit

Adjusted net profit under non-HKFRSs financial measures is defined as profit for the year attributable to owners of the Company excluding non-recurring compensation fee for the Conversion of Huali College in May 2021, interest expenses on discount of compensation payable for the Conversion of Huali College, net 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-HKFRSs financial measures by eliminating the impact of certain non-recurring items can reflect the operational performance better during the respective years. Furthermore, the Group's management also uses the non-HKFRSs financial measures to assess the Group's operating performance and formulate business plans. The Group believes that the non-HKFRSs 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.

Adjusted net profit is calculated by adjusting profit for the Reporting Period of approximately RMB259.8 million (year ended August 31, 2021: approximately RMB143.5 million), interest expenses on discount of compensation payable for the Conversion of Huali College of approximately RMB4.7 million (year ended August 31, 2021: RMB1.2 million), net exchange gains of approximately RMB0.5 million (year ended August 31, 2021: net exchange losses of approximately RMB18.2 million), fair value gains on investment properties of approximately RMB0.2 million (year ended August 31, 2021: approximately RMB14.6 million), and compensation fee for the Conversion of Huali College of nil (year ended August 31, 2021: RMB150.8 million). The Group's adjusted net profit decreased by approximately 11.8% from approximately RMB299.1 million for the year ended August 31, 2021 to approximately RMB263.8 million for the year ended August 31, 2022.

Property, Plant and Equipment

As at August 31, 2022, the Group's property, plant and equipment amounted to approximately RMB4,152.6 million, representing an increase of approximately 12.0% year-on-year from approximately RMB3,708.9 million recorded as at August 31, 2021. Such increase was a result of the establishment of new campus in Jiangmen, Guangdong Province, including the construction of Jiangmen campus of Huali College and the construction of Jiangmen campus of Huali Technician College.

Capital Expenditures

For the year ended August 31, 2022, the Group recorded approximately RMB605.4 million in capital expenditures, representing a decrease of approximately 47.3% from approximately RMB1,148.5 million for the year ended August 31, 2021, which was mainly due to the payment for the land purchase of Jiangmen campus of Huali College during the corresponding period of last year, and the decrease in the expenditure for constructing new campus buildings for the year ended August 31, 2022 as compared with the corresponding period of last year.

Bank Balances and Cash

As at August 31, 2022, the Group had bank balances and cash of approximately RMB805.3 million, representing a decrease of approximately 9.8% from approximately RMB893.0 million as at August 31, 2021.

Liquidity, Financial Resources and Debt Ratio

As at August 31, 2022, the Group had liquid funds (representing bank balances and cash and financial assets at amortized cost) of approximately RMB805.3 million (August 31, 2021: RMB899.4 million) and borrowings of approximately RMB2,449.4 million (August 31, 2021: RMB2,320.4 million).

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

Foreign Exchange Risk Management

For the Group's operation in the PRC, the major revenue and expenses are denominated in RMB, while there are certain monetary assets and monetary liabilities that are denominated in Hong Kong dollars and United States dollars, which would expose the Group to foreign exchange risk. The Group currently does not have a foreign currency hedging policy. However, the management of the Company monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

Material Acquisitions and Disposals

The Group did not have any material acquisitions or disposals for the year ended August 31, 2022.

Charge on the Group's Assets

As at August 31, 2022, the Group pledged the charging right of the service fees from Huali Technician College, Huali Vocational College and Huali College, owned by a group entity according to the contractual arrangements and the equity interest of certain group entities as securities for the banking facilities granted to the Group.

Save as disclosed above, there was no other material charge on the Group's assets as at August 31, 2022.

Contingent Liabilities

As at August 31, 2022, the Group had no significant contingent liabilities.

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. As at August 31, 2022, we had an aggregate of 47,131 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 August 31, 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;
- 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 August 31, 2022, we had an aggregate of 47,131 students⁽¹⁾ enrolled in our three schools, comprising 17,622 students at Huali College, 18,338 students at Huali Vocational College and 11,171 students at Huali Technician College.

School	As at August 31, 2022	As at August 31, 2021	Change	Percentage change
Huali College	17,622	18,307	(685)	(3.7%)
— Zengcheng campus	17,080	18,307	(1,227)	(6.7%)
— Jiangmen campus	542	—	542	—
Huali Vocational College	18,338	18,822	(484)	(2.6%)
— Zengcheng campus	13,380 ⁽²⁾⁽³⁾	14,596 ⁽⁴⁾⁽⁵⁾	(1,216)	(8.3%)
— Yunfu campus	4,958	4,226	732	17.3%
Huali Technician College	11,171	9,540	1,631	17.1%
— Zengcheng campus	9,377	7,827	1,550	19.8%
— Yunfu campus	1,794	1,713	81	4.7%
Total	47,131	46,669	462	1.0%

Notes:

- (1) Including 633 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 an 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 participated 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 2,822 students who are social personnel enrolled under the national policy of enrollment expansion of Higher Vocational Education (the “**Enrollment Expansion Program for Higher Vocational Education**”), having passed the exam designed independently by Huali Vocational College. Each of these students shall pay a tuition fee of RMB8,000 per academic year to Huali Vocational College, and participate in junior college courses mainly through on-line platform and obtain a junior college diploma awarded by Huali Vocational College upon graduation.
- (3) Including 633 students of Huali Technician College who also participate in the Continuing Education Program.
- (4) Including 1,367 students of Huali Technician College who also participate in the Continuing Education Program.
- (5) Including 1,294 students who participate in the Enrollment Expansion Program for Higher Vocational Education.

Tuition Fees and Boarding Fees

For the year ended August 31, 2022, the Group’s schools recorded revenue growth, which was in line with the expansion of its business and student enrollment. Revenue increased from RMB881.7 million for the year ended August 31, 2021 to RMB907.8 million for the year ended August 31, 2022. The Group typically charges students fees comprising tuition fees and boarding fees. Tuition fees remained as the Group’s major revenue for the year ended August 31, 2022, accounting for approximately 92.1% of the total revenue of the Group for the year ended August 31, 2022.

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

	As at August 31, 2022 (RMB'000)	As at August 31, 2021 (RMB'000)	Change (RMB'000)	Percentage change
Tuition fees				
Huali College	482,689	462,431	20,258	4.4%
Huali Vocational College	236,685	248,177	(11,492)	(4.6%)
Huali Technician College	117,096	102,716	14,380	14.0%
	<u>836,470</u>	<u>813,324</u>	23,146	2.8%
Boarding fees				
Huali College	28,568	29,128	(560)	(1.9%)
Huali Vocational College	25,610	26,589	(979)	(3.7%)
Huali Technician College	17,114	12,615	4,499	35.7%
	<u>71,292</u>	<u>68,332</u>	2,960	4.3%
Total Revenue	<u><u>907,762</u></u>	<u><u>881,656</u></u>	26,106	3.0%

The increase in the total revenue of the Group for the year ended August 31, 2022 was mainly due to the increase in student enrollment and average tuition fees.

The following table sets forth the information relating to student enrollment and average tuition fees per student for the financial years for each of our schools, respectively:

School	Student Enrollment Academic Year ⁽¹⁾		Average Tuition Fees per student ⁽²⁾ Year Ended August 31	
	2021/2022	2020/2021	2022 (RMB)	2021 (RMB)
Huali College	17,622	18,307	27,391	25,260
— Zengcheng campus	17,080	18,307	—	—
— Jiangmen campus	542	—	—	—
Huali Vocational College	18,338	18,822	12,907	13,185
— Zengcheng campus	13,380	14,596	—	—
— Yunfu campus	4,958	4,226	—	—
Huali Technician College	11,171	9,540	10,482	10,767
— Zengcheng campus	9,377	7,827	—	—
— Yunfu campus	1,794	1,713	—	—
Total	<u><u>47,131</u></u>	<u><u>46,669</u></u>	17,748	17,428

Notes:

- (1) Except as specified otherwise in this announcement, we present our business operating data as at August 31 for each of the academic year.
- (2) Average tuition fees equal to the revenue from tuition fees for the relevant financial year divided by the student enrollment for the corresponding academic year.

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
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 year ended August 31, 2022, our boarding fee rates ranged from RMB600 to RMB14,000 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	80.9%	92.7%
Yunfu campus		
School capacity	8,635	8,000
School utilization rate	68.2%	65.3%
Jiangmen campus		
School capacity	2,340	—
School utilization rate	23.2%	—

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
September, 2021	University Students Love Anchor Volunteer Service Team (大學生愛心主播志願服務隊)	Guangzhou Zengcheng District Live E-commerce Association (廣州市增城區電商直播協會)	Huali Vocational College
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)	The Company
October, 2021	Guangdong University (Undergraduate Group) Influence of New Media in 2021 "Third Prize" (2021年度廣東高校(本科院校組)新媒體影響力「三等獎」)	Guangdong University New Media Union (廣東高校新媒體聯盟)	Huali College

	Award/ Recognition	Awarding Organization(s)	Awarded Entity
October, 2021	Guangdong University (Undergraduate Group) Influence of New Media in 2021 “Second Prize” (2021 年度廣東高校 (本科院校組) 新媒體影響力「二等獎」)	Guangdong University New Media Union (廣東高校新媒體聯盟)	Huali Vocational College
November, 2021	“A Century of Greater Bay Area” Skills + New Media Innovation Competition — “ Outstanding Organization Award” (「百年初心看灣區」技能 + 新媒體 創意大賽 —— 「優秀組織獎」)	Human Resource and Social Security Department of Guangdong Province (廣東省人力資源和社會保障廳)	Huali Technician College
December, 2021	Guangdong Private University Party’s History Knowledge Contest “Second Prize of Undergraduate Group” (廣東省民辦高校黨史知識 競賽「本科組二等獎」)	Guangdong Private Education Association (廣東省民辦教育協會)	Huali College
December, 2021	Guangdong Private University Party’s History Knowledge Contest “Outstanding Organization Award” (廣東省民辦高校黨史知識競賽「優 秀組織獎」)	Guangdong Private Education Association (廣東省民辦教育協會)	Huali College
December, 2021	(2020-2021) Advanced Armed Forces ((2020-2021) 先進武裝部隊)	Guangdong National Security Education Society (廣東省國防教育學會)	Huali Vocational College
December, 2021	Guangdong Private University Party’s History Knowledge Contest “Outstanding Organization Award” (廣東省民辦高校黨史知識競賽「優 秀組織獎」)	Guangdong Private Education Association (廣東省民辦教育協會)	Huali Vocational College
December, 2021	Guangdong Private University Party’s History Knowledge Contest “Third Prize of Specialty Group” (廣東省民辦高校黨史知識競賽「專 科組三等獎」)	Guangdong Private Education Association (廣東省民辦教育協會)	Huali Vocational College

	Award/ Recognition	Awarding Organization(s)	Awarded Entity
December, 2021	Guangdong Private University Students Choir Competition “Excellent Works Award” (廣東省民辦高校大學生合唱比賽「優秀作品獎」)	Guangdong Private Education Association (廣東省民辦教育協會)	Huali Vocational College
December, 2021	Guangdong Vocational Skills Contest Advertising Design Competition “Outstanding Organization Award” (廣東省職業技能競賽廣告設計競賽「優秀組織獎」)	Advertising Design Competition Committee of Guangdong Vocational Skills Contest (廣東省職業技能大賽廣告設計職業技能競賽組委會)	Huali Technician College
December, 2021	5th Guangdong “Academy Award” Youth Teachers and Students Art Design Competition in 2021— “Third Prize (Group Section)” of the Vocational High School Group (2021年第五屆廣東省「學院獎」青年師生設計藝術大賽—中職組「團體三等獎」)	Awarded jointly by the Trade Union Committee on Industries of Guangdong (廣東省工業工會委員會) and the Creative and Design Industry Research Association of Guangdong (廣東省創意設計產業研究會)	Huali Technician College
December, 2021	5th Guangdong “Academy Award” Youth Teachers and Students Art Design Competition in 2021— “Outstanding Organization Award” (2021年第五屆廣東省「學院獎」青年師生設計藝術大賽—「優秀組織獎」)	Awarded jointly by the Trade Union Committee on Industries of Guangdong (廣東省工業工會委員會) and the Creative and Design Industry Research Association of Guangdong (廣東省創意設計產業研究會)	Huali Technician College
December, 2021	Selected Chinese Communist Party Course and Top Lecturer Election in New Economic Organization and New Social Organization of Zengcheng District—“Selected Chinese Communist Party Course” (增城區兩新組織精品黨課及金牌講師評選活動—「精品黨課」)	The Organization Department of the CPC Guangzhou Zengcheng District Committee (中共廣州市增城區委組織部)	Huali Technician College
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

	Award/ Recognition	Awarding Organization(s)	Awarded Entity
December, 2021	School-enterprise Cooperation of Jiangsu Jingdong Information Technology Co., Ltd. in 2021 “Distinguished Contribution Award” (2021 年度江蘇京東資訊技術有限公司校企合作院校「卓越貢獻獎」)	Jiangsu Jingdong Information Technology Co., Ltd. (江蘇京東資訊技術有限公司)	Huali Technician College
December, 2021	“Inspection and Maintenance of New Energy Vehicle” (「新能源汽車檢測與維修」) was selected as the key major of technical schools in Guangdong Province (廣東省技工院校重點專業) in 2022	Vocational Education and Management Office of the Human Resources and Social Security Department of Guangdong Province (廣東省人力資源和社會保障廳技工教育管理處)	Huali Technician College
June, 2022	Logistics Management 1+X Certificate System Pilot “Excellent Pilot College” in 2021 (2021 年度物流管理 1+X 證書制度試點「優秀試點院校」)	Beijing Zhong Wu Lian Logistics Procurement Training Center (北京中物聯物流採購培訓中心)	Huali Vocational College

OUTLOOK

We believe that China’s private higher and vocational education industry will show a trend of steady growth, with unlimited potential and opportunities. Especially, strongly favorable policies have been announced for vocational education.

In October 2021, the Central Committee of the Communist Party of China and the General Office of the State Council issued the Opinions on Promoting the High-Quality Development of Modern Vocational Education (《關於推動現代職業教育高質量發展的意見》) (the “**Guidelines**”). The Guidelines state that vocational education is an important part of the national education system and human resource development of the PRC and that it shoulders the important responsibility of cultivating diverse talents, passing on technical skills, and promoting employment and entrepreneurship. In the new journey of building a socialist modernized country in an all-round way, vocational education has a bright future and great prospects. The Guidelines also set a goal that by 2025, vocational education shall have more distinctive types, a modern vocational education system shall have been basically completed, and the construction of a skill-based society shall advance in an all-round way. The school operation landscape shall become more optimized, and the environment for school operation shall be greatly improved. With the size of vocational undergraduate education enrollment accounting for not less than 10% of the size of higher vocational education enrollment, the appeal and training quality of vocational education shall have improved significantly.

The Vocational Education Law of the People’s Republic of China (《中華人民共和國職業教育法》) (the “**Vocational Education Law**”), newly revised and effective from May 1, 2022, states that vocational education is a type of education that has the same importance as general education, an important part of the national education system and human resource development, and an important way to cultivate diversified talents, inherit technical skills and promote employment and entrepreneurship. At the same time, it encourages the development of various levels and forms of vocational education, promotes the deep participation of enterprises in vocational education, and encourages enterprises to provide high-quality vocational education.

The private higher and vocational education business carried out by the Group is in line with the direction of encouragement and support of national policies, with a strong potential for development in the future.

Business Development Strategies

In order to continue to strengthen the Group’s position as a leading private higher education and vocational education group, the Group plans to implement the following business strategies:

Endogenous growth

In order to further promote its endogenous growth, the Group will continue to conduct demand-driven construction of its existing schools and new campuses, improve and acquire school facilities and equipment, improve the quality of education and expand student enrollment scale.

Zengcheng campus of Huali College: In April 2022, the Group began to build three more dormitory buildings with a total gross floor area of approximately 36,000 sq. m. to meet the development needs of the school in the coming years. These dormitory buildings are expected to be put into use in the first half of 2023 and further increase the capacity of Huali College by over 5,000 students.

Jiangmen Yamen campus of Huali Technician College: The new campus of Huali Technician College in Jiangmen is under construction according to the original construction progress. The total planned area of the campus is approximately 253,300 sq. m. (approximately 380 Mu), which is expected to accommodate over 20,000 students. The new campus is expected to be put into use in September 2023.

Optimizing the pricing

The Group will continue to improve the quality of education and gradually optimize the pricing of tuition fees and boarding fees 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 allow it to further increase tuition fees and boarding fees, while continuing to maintain the market competitiveness of the Group’s colleges and schools.

Expanding the vocational education and training business

Leveraging on the Group's strategic advantages in education's operational history, brand reputation, quality of education services, students' employment and resources of college-enterprise cooperation, the Group is actively expanding the vocational education and training business, including adult continuing education qualification improvement, vocational skill level certificate examination training and vocational skill level certification, which is expected to become a new revenue growth point for the Group. The Group expects that the revenue of this business segment will achieve a considerable growth in the future.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, the Company does not have other future plans for material investments or capital assets.

RECENT DEVELOPMENTS OF REGULATORY FRAMEWORK

Classification Registration

Our business is regulated by, among others, the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》). On November 7, 2016, the Decision on Amending the Law for Promoting Private Education of the PRC (Order of the President of the PRC No. 55) (關於修改《中華人民共和國民辦教育促進法》的決定) (中華人民共和國主席令第55號) (the “**Amendment**”) was promulgated. The Amendment came into force on September 1, 2017. The Amendment establishes a new classification system for private schools by whether they are established and operated for profit-making purposes, and the sponsors of private schools may at their own discretion choose to establish non-profit or for-profit private schools.

According to the Implementing Measures on Classification Registration of Private Schools (《民辦學校分類登記實施細則》) (December 30, 2016), if an existing private school chooses to register as a non-profit private school, it shall amend its articles of association in accordance with the relevant laws, continue its school operation and complete new registration formalities. If an existing private school chooses to register as a for-profit private school, it shall make financial settlement of books of account, clarify the ownership of the schools' land, buildings and accumulations with the consent of the relevant departments of the people's government at or below the provincial level, pay relevant taxes and fees, obtain new school operation licenses, apply for re-registration and continue the school operations.

The Amendment is silent on the specific measures regarding how existing schools can choose to become for-profit private schools, which, according to the Amendment, shall be regulated by the corresponding laws and regulations to be promulgated by the local government authorities. The Guangdong government has promulgated implementation regulations under the Amendment, including the Implementation Opinions of the Government of Guangdong Province on Encouraging the Operation of Education by Social Forces and Promoting the Healthy Development of Private Education (《廣東省人民政府關於鼓勵社會力量興辦教育促進民辦教育健康發展的實施意見》) promulgated by the Government of Guangdong Province on April 24, 2018, the Implementation Measures for the Supervision and Administration of For-Profit Private Schools (《關於營利性民辦學校監督管理實施辦法》), which were issued jointly by the Department of Education of Guangdong Province, Department of Human Resources and Social Security of Guangdong Province and Department of Market Supervision and Administration of Guangdong Province and came into effect on December 30, 2018, and the Implementation Measures on Classification Registration of Private Schools (《關於民辦學校分類登記實施辦法》), which were issued jointly by the Department of Education of Guangdong Province, Department of Human Resources and Social Security of Guangdong Province, Department of Civil Affairs of Guangdong Province, Guangdong Provincial Committee of the Communist Party of China Organization Committee Office and Department of Market Supervision and Administration of Guangdong Province and came into effect on December 30, 2018.

The above local regulations provide a framework procedure for the classification and registration of existing private schools in relevant provinces as for-profit private schools or non-profit private schools, but do not further specify the process of classification and registration, for example, (i) when should we notify the relevant authorities regarding our decision for our schools to be for-profit or non-profit schools; (ii) the preferential tax treatments that may be enjoyed by a for profit school or a non-profit school, respectively; (iii) whether respective public funding can be obtained by a for-profit school and a non-profit school; and (iv) respective costs for a for-profit and a non-profit school to obtain land use rights.

Under the existing regulatory environment and based on the current interpretation of the Amendment and the relevant implementing regulations, we intend to register our three schools as for-profit private schools subject to the further detailed local rules and regulations regarding the conversion of existing schools as and when promulgated and brought into effect by relevant local government authorities.

There are uncertainties regarding the interpretation and application of the Amendment with respect to various aspects of the operations of private schools, such as the respective preferential tax treatment which may be enjoyed by for-profit private schools and non-profit private schools. Accordingly, as of the date of this announcement, we were not able to fully evaluate or quantify the potential impact that the implementation of the Amendment may have on our business operations.

The Implementation Rules

On April 7, 2021, the State Council issued the Implementation Rules for the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法實施條例》) (the “**Implementation Rules**”) and the Implementation Rules have been effective from September 1, 2021.

Based on our current understanding and interpretation of the Implementation Rules, there would not be any substantive implications for the legal framework of any of our PRC operation. We intend to register our three schools as for-profit private schools in light of the Amendment and the relevant implementing regulations in effect.

Pursuant to the Implementation Rules, public schools shall not sponsor or participate in sponsoring for-profit private schools while public schools of vocational education could absorb the capital, technology, management and other elements of enterprises to sponsor or participate in sponsoring for-profit private schools of vocational education.

In addition, the Implementation Rules will not have any impact on our expansion strategy through acquisition.

SUBSEQUENT EVENTS AFTER REPORTING PERIOD

There was no significant event affecting the Company nor any of its subsidiaries after the Reporting Period and as of the date of this announcement.

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	Utilized amount as at August 31, 2022	Unutilized amount as at August 31, 2022
		<i>RMB’ million</i>	<i>RMB’ million</i>	<i>RMB’ million</i>
Expansion of existing schools by constructing additional buildings for Huali College and Huali Vocational College	53.00%	451.0	(451.0)	—
Establishment of a new junior college in Jiangmen, Guangdong Province	37.00%	314.8	(314.8)	—
Working capital and general corporate purposes	10.00%	85.1	(85.1)	—
	100.00%	850.9	(850.9)	—

EMPLOYEES AND REMUNERATION POLICIES

Recruitment

We strictly comply with the PRC Labor Law (《中華人民共和國勞動法》), the PRC Labor Contract Law (《中華人民共和國勞動合同法》), the PRC Employment Promotion Law (《中華人民共和國就業促進法》), the PRC Labor Dispute Mediation and Arbitration Law (《中華人民共和國勞動爭議調解仲裁法》) 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 lessons as adjunct faculty members of our schools.

Our schools carry out the recruitment works based on our employee manual and our teachers' recruitment policy, and continuously improve and refine our 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 August 31, 2022, the Group had 2,131 employees (as at August 31, 2021: 2,157). 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 remuneration range of our employees. Our schools determine the respective remuneration 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 our employees.

DIVIDEND

The Board has resolved not to declare any final dividend for the year ended August 31, 2022 (year ended August 31, 2021: HK\$0.0502 (equivalent to RMB0.0409) per Share, amounting to HK\$60,240,000 (equivalent to RMB49,108,000)).

ANNUAL GENERAL MEETING

The forthcoming AGM will be held on January 13, 2023. Notice convening the forthcoming AGM will be published and dispatched to the Shareholders.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, January 10, 2023 to Friday, January 13, 2023, both days inclusive, during which period no transfer of Shares will be registered. The record date for the entitlement to attend and vote at the AGM is Friday, January 13, 2023. In order to be eligible to attend and vote at the forthcoming AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, January 9, 2023.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association, or the applicable laws of the Cayman Islands where the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

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 year ended August 31, 2022.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this announcement, based on the information publicly available to the Company and to the knowledge of the Directors, the Company continues to meet the prescribed minimum percentage of public float under the Listing Rules (i.e. at least 25% of the Company's total issued share capital are held by the public at all times as of the date of this announcement).

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles of the code provisions set out in the CG Code. During the Reporting Period, the Company had complied with all the code provisions set out in the CG Code, except for the deviation from the code provision C.2.1 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 year ended August 31, 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 year ended August 31, 2022.

AUDIT COMMITTEE AND REVIEW OF 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 annual results of the Group for the year ended August 31, 2022, including the accounting principles and practices adopted by the Group, and has discussed the internal control and financial reporting process with the management of the Group and the external auditor.

SCOPE OF WORK ON THE ANNUAL RESULTS ANNOUNCEMENT BY AUDITOR

The figures in respect of this preliminary announcement of the Group's results for the year ended August 31, 2022 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.

CHANGE OF COMPANY WEBSITE

The Board hereby announces that the website of the Company will be changed from "www.hualiuniversity.com" to "www.cveduholdings.com" with effect from December 9, 2022.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cveduholdings.com). The annual report of the Company for the year ended August 31, 2022 will be dispatched to the Shareholders and made available on the same websites in due course.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED AUGUST 31, 2022

		Year ended August 31,	
	<i>Note</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue	3	907,762	881,656
Cost of sales	6	(425,611)	(411,143)
Gross profit		482,151	470,513
Selling expenses	6	(19,919)	(26,066)
Administrative expenses	6	(115,200)	(103,200)
Other income	4	35,929	35,120
Other gains/(losses) — net	5	1,077	(151,928)
Operating profit		384,038	224,439
Finance income		6,050	8,735
Finance expenses		(111,144)	(63,543)
Finance expenses — net	7	(105,094)	(54,808)
Profit before income tax		278,944	169,631
Income tax expenses	8	(19,160)	(26,172)
Profit for the year		259,784	143,459
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		534	2,408
Other comprehensive income for the year, net of tax		534	2,408
Total comprehensive income for the year		260,318	145,867
Total comprehensive income attributable to:			
— Owners of the Company		260,318	145,867
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
Basic and diluted	9	0.216	0.120

CONSOLIDATED BALANCE SHEET

AS AT AUGUST 31, 2022

		As at August 31,	
		2022	2021
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Right-of-use assets		1,394,089	1,438,565
Property, plant and equipment		4,152,634	3,708,910
Investment properties		183,570	179,400
Intangible assets		19,416	21,609
Deferred income tax assets		120	—
Prepayments		67,865	37,387
		<u>5,817,694</u>	<u>5,385,871</u>
Current assets			
Prepayments		5,856	1,482
Trade and other receivables	11	28,712	16,526
Amounts due from related parties		10,999	25,900
Financial assets at amortized cost		—	6,450
Restricted cash		1,443	12,246
Cash and cash equivalents		803,845	880,752
		<u>850,855</u>	<u>943,356</u>
Total assets		<u>6,668,549</u>	<u>6,329,227</u>
EQUITY			
Share capital and share premium		603,188	652,296
Statutory surplus reserves		128,817	125,568
Other reserves		339,060	338,526
Retained earnings		1,825,550	1,569,015
Total equity		<u>2,896,615</u>	<u>2,685,405</u>

		As at August 31,	
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		2,169,701	2,096,850
Accruals and other payables	12	183,496	217,369
Amounts due to related parties	12	—	50,864
Deferred income tax liabilities		47,290	43,832
		<u>2,400,487</u>	<u>2,408,915</u>
Current liabilities			
Accruals and other payables	12	314,619	377,189
Amounts due to related parties	12	60,648	45,415
Contract liabilities		689,157	567,766
Current income tax liabilities		20,066	20,748
Borrowings		279,718	223,535
Deferred revenue		7,239	254
		<u>1,371,447</u>	<u>1,234,907</u>
Total liabilities		<u>3,771,934</u>	<u>3,643,822</u>
Total equity and liabilities		<u>6,668,549</u>	<u>6,329,227</u>

NOTES

1 General information

China Vocational Education Holdings Limited (the “**Company**”) 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 consider the ultimate controlling party to be Mr. Zhang Zhifeng, who is also an executive director and the chairman of the Board.

The Company’s shares have been listed on the Main Board of the Stock Exchange since November 25, 2019.

The Company changed its name from Huali University Group Limited to China Vocational Education Holding Limited on February 2, 2022.

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 that these consolidated financial statements are authorized for issue, COVID-19 does not have any material adverse impact on the financial position and operating result of the Group.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

(i) *Going concern assumption*

As at August 31, 2022, the Group's current liabilities exceeded its current assets by RMB520,592,000. The Group also had significant capital commitment in relation to construction of property, plant and equipment out of which RMB266,726,000 was expected to be incurred within the coming twelve months. The Group's total borrowings as at August 31, 2022 amounted to RMB2,449,419,000, and RMB279,718,000 was repayable within the coming twelve months (included in current liabilities) and interest payable amounting to RMB103,595,000 is expected to be accrued and paid within the coming twelve months.

In view of such circumstances, the Directors of the Company have given careful consideration of the future liquidity and operating performance of the Group and its available source of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. The Directors of the Company have reviewed a cash flow projection of the Group prepared by management covering a period of not less than twelve months from August 31, 2022 taking into account the Group's unutilised long-term bank facilities of approximately RMB776,616,000 for its capital expenditure and an unutilised long-term bank facility of RMB30,000,000 for its working capital. The Group maintains regular communication with its banks and the Directors are confident that the Group is able to comply with the bank covenants of its existing bank facilities and such bank facilities will continue to be available to the Group.

The Directors are of the opinion that, taking into account the Group's available internal financial resources, the Group's expected net cash inflows from its operating activities and the continuous availability of the Group's bank facilities, the Group will have sufficient financial resources to fulfil its financial obligations as and when they fall due in the coming twelve months from August 31, 2022. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

(ii) *Compliance with HKFRSs and HKCO*

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) and requirements of the Hong Kong Companies Ordinance (“**HKCO**”) Cap. 622.

(iii) *Historical cost convention*

The consolidated financial statements have been prepared on a historical cost basis as modified by the revaluation of investment properties which are carried at fair value.

(iv) *New and amended standards adopted by the Group*

(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 application for the year ended August 31, 2022 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)	Reference to the Conceptual Framework	January 1, 2022
HKAS 16 (Amendments)	Property, plant and equipment — Proceeds before Intended Use	January 1, 2022
HKAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract	January 1, 2022
Annual Improvements	Annual Improvements to HKFRS standards 2018–2020 (Amendments)	January 1, 2022
HKAS 1 (Amendments)	Presentation of financial statements’ on classification of liabilities	January 1, 2023
HKFRS 17	Insurance contracts	January 1, 2023

		Effective for accounting periods beginning on or after
HK Interpretation 5 (Amendments)	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	January 1, 2023
HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	January 1, 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards, interpretation and amendments, certain of which are relevant to the Group's operations.

3 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 directors who consider 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 year 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.

As at August 31, 2022, approximately 87% 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.

Revenue during the years ended August 31, 2022 and 2021 are as follows:

	Year ended August 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Recognized over time		
— Tuition fees	836,470	813,324
— Boarding fees	71,292	68,332
	<u>907,762</u>	<u>881,656</u>

Tuition fees and boarding fees are recognized proportionately over each academic year. No customers individually accounted for more than 10% of the Group's revenue during the years ended August 31, 2022 and 2021.

4 Other income

	Year ended August 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Rental income	10,642	11,199
Government subsidies	10,228	7,819
Training service income	8,835	4,555
Bookselling income	3,676	7,213
Service income of school-enterprise cooperation projects	2,519	1,101
Interest income on other financial assets at amortized cost	29	903
Service income from a related party	—	2,330
	<u>35,929</u>	<u>35,120</u>

5 Other gains/(losses) — net

	Year ended August 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Net exchange gains/(losses)	482	(18,242)
Fair value gains on investment properties	200	14,561
Losses on disposals of property, plant and equipment	(466)	(73)
Compensation fee for the Conversion of Huali College	—	(150,849)
Others	861	2,675
	<u>1,077</u>	<u>(151,928)</u>

6 Expenses by nature

	Year ended August 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Employee benefit expenses	200,063	190,301
Depreciation of property, plant and equipment	115,298	79,610
Joint tuition support fees (<i>Note a</i>)	61,207	78,441
Depreciation of right-of-use assets	36,486	33,041
Property management fee	28,032	28,200
Utilities expenses	19,647	21,903
Marketing expenses	15,021	21,596
School consumables	13,567	31,522
Office expenses	10,423	10,258
Other taxes	10,235	1,207
Travel and entertainment expenses	8,825	10,782
Maintenance fees	8,034	3,433
Rental expenses	7,542	7,582
Amortization of intangible assets	6,167	4,887
Auditors' remuneration		
— Audit services	2,690	2,849
Training expenses	2,460	1,094
Consultancy and professional service fees	2,058	3,523
Insurance expenses	1,481	1,370
Student activities expenses	1,156	1,120
Other expenses	10,338	7,690
	<hr/>	<hr/>
Total cost of sales, selling expenses and administrative expenses	560,730	540,409
	<hr/> <hr/>	<hr/> <hr/>

- (a) Huali College, a group entity entered into an agreement of cooperation with Guangdong University of Technology, the joint sponsor of Huali College, under which the Group will 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 from a private independent college into an independently established private general undergraduate college in the PRC (the “**Conversion of Huali College**”).

7 Finance expenses — net

	Year ended August 31,	
	2022	2021
	RMB'000	RMB'000
Finance income:		
— Bank interest income	6,050	8,735
Finance expenses:		
— Interest expenses on bank borrowings	(102,527)	(86,701)
— Interest expenses on other borrowings due to a related party	(18,290)	(10,222)
— Interest expenses on discount of long-term payables for property, plant and equipment	(8,454)	(787)
Less: Interest expenses capitalized in property, plant and equipment (<i>Note (a)</i>)	22,863	35,326
— Interest expenses on discount of compensation payable for the Conversion of Huali College	(4,736)	(1,159)
	<u>(111,144)</u>	<u>(63,543)</u>
Net finance expenses	<u>(105,094)</u>	<u>(54,808)</u>

- (a) The capitalization rate used to determine the amount of borrowing costs to be capitalized is the interest rate applicable to the entity's borrowings for construction during the year. The capitalization rates were 4.60% and 4.75% for the years ended August 31, 2022 and 2021 respectively.

8 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 (as revised) 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 years ended August 31, 2022 and 2021.

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

The corporate income tax 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 (the “**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 years ended August 31, 2022 and 2021 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 XZ Huali 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 Technology Co.,Ltd, Guangdong Huashi Education Support Service Co.,Ltd. Guangdong Shengli Technology Co.,Ltd and Guangdong Mairong Catering 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 years ended August 31, 2022 and 2021.

Analysis of the Group’s income tax expense is as follows:

	Year ended August 31,	
	2022	2021
	RMB’000	RMB’000
Current tax on profits for the year	16,000	19,604
Deferred income tax	236	4,424
Deferred withholding tax	2,924	2,144
	19,160	26,172

9 Earnings per share

(a) Basic

The basic earnings per share is calculated on the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended August 31, 2022 and 2021.

	Year ended August 31,	
	2022	2021
Profit attributable to owners of the Company (RMB’000)	259,784	143,459
Weighted average number of ordinary shares in issue (thousand shares)	1,200,000	1,200,000
Basic earnings per share (expressed in RMB)	0.216	0.120

(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 years ended August 31, 2022 and 2021.

10 Dividends

	Year ended August 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Final dividend, declared and paid, of RMB0.0409 (2021: RMB0.0626) per ordinary share (<i>Note(a)</i>)	49,108	75,120
Special dividend, proposed and declared, of nil (2021: RMB0.0518) per ordinary share (<i>Note(b)</i>)	—	62,160
	<u>49,108</u>	<u>137,280</u>
Total dividends provided for or paid	<u>49,108</u>	<u>137,280</u>

During the year ended August 31, 2022, dividends were distributed out of the Company's share premium and were paid in cash (2021: same).

- (a) A final dividend for the year ended August 31, 2021 of HK\$0.0502 (equivalent to RMB0.0409) per ordinary share, totaling approximately HK\$60,240,000 (equivalent to RMB49,108,000) has been declared in the Company's Annual General Meeting on January 21, 2022 and paid during the year ended August 31, 2022.

A final dividend for the year ended August 31, 2020 of RMB0.0626 per ordinary share, totaling approximately RMB75,120,000 has been declared in the Company's Annual General Meeting on January 20, 2021 and paid during the year ended August 31, 2021.

- (b) A special dividend for the year ended August 31, 2021 of RMB0.0518 per ordinary share, totaling approximately RMB62,160,000 has been declared by the Board on July 21, 2021 and paid during the year ended August 31, 2022.

- (c) Dividends not recognized at the end of the reporting years

	Year ended August 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Proposed final dividend of nil (2021: RMB0.0411) per ordinary share	—	49,320
	<u>—</u>	<u>49,320</u>

In respect of the year ended August 31, 2022, no dividend is to be proposed at the annual general meeting to be held on January 13, 2023.

11 Trade and other receivables

	As at August 31,	
	2022	2021
	RMB'000	RMB'000
Trade receivables		
— Tuition fees receivables from students	12,951	3,677
— Boarding fees receivables from students	172	129
— Government subsidies receivables granted to students for tuition fees deduction	—	3,792
	13,123	7,598
Other receivables		
— Utilities receivables from campus logistics service providers	4,672	2,387
— Tuition fees receivables from financial institution	3,939	1,045
— Deposits	2,400	2,400
— Receivables for rental income	2,085	326
— Interest receivables	—	204
— Others	2,493	2,566
	15,589	8,928
	28,712	16,526

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

	As at August 31,	
	2022	2021
	RMB'000	RMB'000
Less than 1 year	11,645	7,132
1 to 2 years	1,478	466
	13,123	7,598

Other than other receivables of RMB310,000 as at August 31, 2021 which were denominated in US\$, all other trade and other receivables of the Group were denominated in RMB as at August 31, 2022 and 2021.

As at August 31, 2022 and 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 years ended August 31, 2022 and 2021.

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

12 Accruals and other payables and amounts due to related parties

	As at August 31,	
	2022	2021
	RMB'000	RMB'000
Payable for construction and purchase of non-current assets	224,472	228,008
Compensation payable for the Conversion of Huali College	103,404	152,008
Payable for joint tuition support fees (<i>Note (a)</i>)	61,207	78,441
Government subsidies payable to students	31,740	17,792
Miscellaneous fee received from students (<i>Note (b)</i>)	24,623	20,714
Payable for property management service	16,540	7,916
Employee benefits payable	13,067	12,448
Interest payable	7,654	4,978
Network and telecommunication fee payable	3,528	3,280
Other taxes payable	2,472	1,664
Payable for canteen suppliers	2,260	—
Auditor's remuneration payable	2,138	1,620
Dividend payables	—	62,160
Others	5,010	3,529
	498,115	594,558
Less: non-current portion		
Payable for construction of non-current assets	(133,005)	(118,701)
Compensation payable for the Conversion of Huali College	(50,491)	(98,668)
Current portion	314,619	377,189
Amounts due to related parties		
— Current	60,648	45,415
— Non-Current	—	50,864
	60,648	96,279

(a) As at August 31, 2022 and 2021, the aging analysis of the payables for joint tuition support fees was as follows:

	As at August 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Less than 1 year	<u>61,207</u>	<u>78,441</u>

(b) The amounts represent the miscellaneous fee received from students which would be paid out by the Group on behalf of students.

(c) As at August 31, 2022 and 2021, the fair values of current accruals and other payables and current amounts due to related parties approximated their carrying amounts due to their short-term maturities.

(d) As at August 31, 2022 and 2021, the non-current accruals and other payables and non-current amounts due to related parties were initially recognized at fair value at discount rate available to the Group and subsequently measured at amortized cost using the effective interest rate method.

DEFINITIONS

“academic year”	the academic year for all our school, which generally starts on September 1 of each calendar year and ends on August 31, of the next calendar year
“AGM”	annual general meeting of the Company to be held on January 13, 2023
“Articles of Association”	the articles of association of the Company, as amended from time to time
“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 detailed 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
“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, which was converted into an independently established private general undergraduate college with the official approval by MOE in May 2021, and a consolidated affiliated entity of the Company
“Huali Education”	Huali Education Holdings Limited, a limited liability company incorporated in BVI and wholly owned by Trust Co
“Huali (HK) Education”	Huali (HK) Education Investment Limited (香港華立教育投資有限公司), a limited liability company incorporated in Hong Kong on May 18, 2016 and an indirect wholly owned subsidiary of the Company
“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 entity of the Company
“Huali Shengrong”	Guangzhou Huali Shengrong Education Technology Company Limited (廣州華立盛榮教育科技有限公司), a wholly foreign-owned enterprise with limited liability established under the laws of the PRC on December 27, 2016, which is wholly owned by Huali (HK) Education
“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 of the Company
“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 of the Company

“Implementation Rules”	the Regulations of the Implementation Rules for the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法實施條例》) issued by the State Council on April 7, 2021, and effective from September 1, 2021
“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 are listed dealings in the Shares first commence 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 Board, executive Director and one of our Controlling Shareholders
“Mu”	the Chinese land area unit, whereby a mu equals to approximately 666.67 sq. m.
“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 year ended August 31, 2022
“RMB”	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
“sq. m.”	square meter(s)
“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
“US\$”	United States dollars, the lawful currency of the United States
“XZ Huali”	Xizang Huali Shengda Information Technology Limited (西藏華立盛大信息科技有限公司), an enterprise established under the laws of PRC on January 18, 2017, which is a wholly owned subsidiary of Huali Shengrong
“%”	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, November 29, 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.