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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, 2023

The Board is pleased to announce the unaudited consolidated interim results of the Group for the six months ended February 28, 2023, together with comparative figures for the corresponding period in 2022.

HIGHLIGHTS

	As at February 28, 2023	As at February 28, 2022	Change	Percentage change
Number of Schools	3	3	–	–
Student enrollment	54,109	48,468	5,641	11.6%
	Six months Ended February 28, 2023 (RMB'000)	Six months Ended February 28, 2022 (RMB'000)	Change (RMB'000)	Percentage change
Revenue	548,044	459,465	88,579	19.3%
Gross Profit	322,875	249,786	73,089	29.3%
Profit for the period	215,055	142,927	72,128	50.5%
Adjusted net profit ⁽¹⁾	216,532	141,844	74,688	52.7%
Earnings per share (RMB)	0.179	0.120	0.059	49.2%
Gross profit ratio	58.9%	54.4%		
Operating profit ratio	48.9%	43.7%		
Net Profit ratio	39.2%	31.1%		
Adjusted Net Profit ratio ⁽²⁾	39.5%	30.9%		

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, net exchange gains 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

The Group's revenue mainly represents income derived from tuition fees and boarding fees for the education services provided in the regular courses of its operating schools in China. For the six months ended February 28, 2023, the Group's revenue was approximately RMB548.0 million, representing an increase of approximately 19.3% from approximately RMB459.5 million for the corresponding period of last year, which was attributable to the increases in the number of 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 six months ended February 28, 2023, the Group's cost of sales amounted to approximately RMB225.2 million, increased by approximately 7.4% from approximately RMB209.7 million for the six months ended February 28, 2022.

Gross Profit and Gross Profit Margin

For the six months ended February 28, 2023, the Group recorded a gross profit of approximately RMB322.9 million, representing an increase of approximately 29.3% from approximately RMB249.8 million for the corresponding period of last year. For the six months ended February 28, 2023, the Group achieved a gross profit margin of 58.9% raised by 4.5% as compared with the corresponding period of last year. The growth in gross profit was mainly attributable to the increase of average tuition fees and student enrollment, while partially offset by the increase in cost of sales for the six months ended February 28, 2023.

Selling Expense

Selling expenses, primarily consisting of marketing staff costs, marketing expenses and other expenses, decreased by approximately 33.7% from approximately RMB9.5 million for the six months ended February 28, 2022 to approximately RMB6.3 million for the six months ended February 28, 2023, which was due to a decrease in marketing expenses resulting from the change in marketing strategies for the 2022/2023 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 and other miscellaneous expenses. Administrative expenses increased by approximately 14.3% from approximately RMB57.5 million for the six months ended February 28, 2022 to approximately RMB65.7 million for the six months ended February 28, 2023.

Other Income

Other income primarily consists of service income, rental income, government subsidies and bookselling income. For the six months ended February 28, 2023, the Group recorded other income of approximately RMB17.0 million, representing an increase of approximately 18.1% from approximately RMB14.4 million for the corresponding period of last year.

Other Gains – Net

Other gains – net primarily consist of net exchange gains, gains/(losses) on disposals of property, plant and equipment, fair value gains on investment properties and others. For the six months ended February 28, 2023, the Group recorded other gains to approximately RMB0.3 million, representing a decrease of approximately RMB3.2million compared with approximately RMB3.5 million 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 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 six months ended February 28, 2023, the Group recorded finance expense of approximately RMB52.2 million, representing an increase of approximately 9.4% from approximately RMB47.7 million for the corresponding period of last year. For the six months ended February 28, 2023, the Group recorded finance income of approximately RMB3.6 million, representing an increase of approximately 16.1% from approximately RMB3.1 million for the corresponding period of last year.

Profit Before Taxation

For the six months ended February 28, 2023, the Group recorded a profit before taxation of approximately RMB219.6 million, representing an increase of approximately 40.8% from approximately RMB156.0 million for the corresponding period of last year.

Taxation

For the six months ended February 28, 2023, the Group recorded approximately RMB4.5 million in taxation, representing a decrease of approximately 65.6% from approximately RMB13.1 million for the corresponding period of last year. As at February 28, 2023, the Group did not have any taxation related disputes with any government authorities, or any other unresolved taxation issues.

Adjusted Net Profit

Adjusted net profit under non-HKFRSs 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, net exchange gains, 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 the Group's core business operations, which can be used to evaluate the Group's operating results and apprehend 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 RMB215.1 million (six months ended February 28, 2022: approximately RMB142.9 million), interest expenses on discount of compensation payable to the Conversion of Huali College of approximately RMB1.6 million (six months ended February 28, 2022: approximately RMB2.3 million), net exchange gains of RMB27,000 (six months ended February 28, 2022: net exchange losses of approximately RMB3.4 million) and fair value gains on investment properties of approximately RMB0.1 million (six months ended February 28, 2022: nil). The Group's adjusted net profit increased by approximately 52.7% from approximately RMB141.8 million for the six months ended February 28, 2022 to approximately RMB216.5 million for the six months ended February 28, 2023.

Property, Plant and Equipment

As at February 28, 2023, the Group's property, plant and equipment amounted to approximately RMB4,412.0 million, representing an increase of approximately 10.1% from approximately RMB4,006.7 million as at February 28, 2022.

Capital Expenditures

For the six months ended February 28, 2023, the Group recorded approximately RMB296.7 million in capital expenditures, representing a decrease of approximately 41.7% from approximately RMB509.2 million for the corresponding period of last year, which was mainly due to the decrease in the expenditure for constructing new campus buildings for the six months ended February 28, 2023.

Bank Balances and Cash

As at February 28, 2023, the Group had bank balance and cash of approximately RMB538.4 million, representing a decrease of approximately 3.4% from approximately RMB557.6 million as at February 28, 2022.

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, 2023, the Group had cash and cash equivalents of RMB538.4 million.

The balance of borrowings as at February 28, 2023 was RMB2,471.7 million. Borrowings of RMB1,811.0 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, 2023, represented by borrowings as a percentage of total assets, was 37.0% (August 31, 2022: 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 necessary.

Material Acquisitions and Disposals

The Group did not have any material acquisitions or disposals during the Reporting Period.

Charge on the Group's Assets

As at February 28, 2023, 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 February 28, 2023.

Contingent Liabilities

As at February 28, 2023, 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 and vocational education and trainings. As at February 28, 2023, we had an aggregate of 54,109 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 of preparing 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, 2023, we offered 38 undergraduate majors and 1,850 undergraduate programs, 48 junior college majors and 785 junior college programs, 28 vocational majors and 1,244 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, 2023, we had an aggregate of 54,109 students⁽¹⁾ enrolled in our three schools, comprising 21,615 students at Huali College, 21,582 students at Huali Vocational College and 10,912 students at Huali Technician College.

School	As at February 28, 2023	As at February 28, 2022	Change	Percentage change
Huali College	21,615	17,662	3,953	22.4%
– Zengcheng campus	19,727	17,115	2,612	15.3%
– Jiangmen campus	1,888	547	1,341	245.2%
Huali Vocational College	21,582	19,343	2,239	11.6%
– Zengcheng campus	13,312⁽²⁾⁽³⁾	14,328 ⁽⁴⁾⁽⁵⁾	(1,016)	(7.1%)
– Yunfu campus	8,270	5,015	3,255	64.9%
Huali Technician College	10,912	11,463	(551)	(4.8%)
– Zengcheng campus	9,124	9,629	(505)	(5.2%)
– Yunfu campus	1,788	1,834	(46)	(2.5%)
Total	<u>54,109</u>	<u>48,468</u>	5,641	11.6%

Notes:

- 1) Including 159 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 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 2,748 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 a tuition fee of RMB8,000 per academic year to Huali Vocational College, and take junior college courses mainly online and obtain a junior college diploma awarded by Huali Vocational College upon graduation (the “**Enrollment Expansion Program**”).
- 3) Including 159 students of Huali Technician College who also participate in the Continuing Education Program.
- 4) Including 340 students of Huali Technician College who also participate in the Continuing Education Program.
- 5) Including 2,827 students who also participate in the Enrollment Expansion Program.

Tuition Fees and Boarding Fees

For the six months ended February 28, 2023, the Group's schools recorded revenue growth, which was in line with the expansion of its business and student enrollment. Revenue increased from RMB459.5 million for the six months ended February 28, 2022 to RMB548.0 million for the six months ended February 28, 2023. 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, 2023, accounting for approximately 93.0% of the total revenue of the Group for the six months ended February 28, 2023.

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, 2023 (RMB'000)	Six months ended February 28, 2022 (RMB'000)	Change (RMB'000)	Percentage change
Tuition fees				
Huali College	311,545	241,575	69,970	29.0%
Huali Vocational College	140,611	121,772	18,839	15.5%
Huali Technician College	57,320	59,960	(2,640)	(4.4%)
	<u>509,476</u>	<u>423,307</u>	86,169	20.4%
Boarding fees				
Huali College	21,113	14,376	6,737	46.9%
Huali Vocational College	10,844	12,884	(2,040)	(15.8%)
Huali Technician College	6,611	8,898	(2,287)	(25.7%)
	<u>38,568</u>	<u>36,158</u>	2,410	6.7%
Total Revenue	<u>548,044</u>	<u>459,465</u>	88,579	19.3%

The increase in the total revenue of the Group for the six months ended February 28, 2023 was mainly due to the increase in the number of student enrollment and average tuition fees.

The following table sets out the tuition fee rates of our schools for the 2021/2022 and 2022/2023 academic years:

School	Tuition fee rates ⁽¹⁾ in academic year	
	2022/2023	2021/2022
	(RMB)	(RMB)
Huali College		
Four- to five-year undergraduate program ⁽²⁾	25,500-34,800	28,800-32,800
– Zengcheng campus	25,500-34,800	28,800-32,800
– Jiangmen campus	28,800-31,800	28,800-29,800
International program	26,500-36,800	36,800
Bilingual program	27,500-31,800	31,800
Huali Vocational College		
Three-year junior college program	9,880-25,880	9,880-19,880
– Zengcheng campus	16,880-25,880	16,880-19,880
– Yunfu campus	9,880-15,880	9,880-12,880
International program	25,880	25,880-30,880
Bilingual program	Not applicable	12,880
Huali Technician College		
Three-year vocational program ⁽³⁾	6,800-15,300	6,800-15,100
– Zengcheng campus	10,000-15,300	9,800-15,100
– Yunfu campus	6,800-8,100	6,800-8,100

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, 2023, our boarding fee rates ranged from RMB700 to RMB14,000 per academic year depending on the location, room size and number of students housed in each room.

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 2021/2022 and 2022/2023 academic years:

	Academic year	
	2022/2023	2021/2022
Zengcheng campus		
School capacity	29,556	28,971
School utilization rate	92.1%	82.1%
Yunfu campus		
School capacity	7,590	8,635
School utilization rate	76.0%	69.3%
Jiangmen campus		
School capacity	2,072	2,340
School utilization rate	91.1%	23.4%

Awards and Recognitions Received During the Reporting Period

The Company and the three schools received numerous awards and recognitions for the six months ended February 28, 2023 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, 2022	Outstanding Unit for Science Popularization Work (科普工作優秀單位)	Guangzhou Joint Conference Office for Science Popularization Work (廣州市科普工作聯席會議辦公室)	Huali College

	Award/ Recognition	Awarding Organization(s)	Awarded Entity
September, 2022	2021 Higher Vocational Education Teacher Teaching Innovation Team – Big Data and Accounting Major Teacher Teaching Innovation Team (2021年高職教育教師教學創新團隊-大數據與會計專業教師教學創新團隊)	Department of Education of Guangdong Province (廣東省教育廳)	Huali Vocational College
September, 2022	Guangdong Provincial Green School (廣東省綠色學校)	Department of Education of Guangdong Province (廣東省教育廳)	Huali Vocational College
September, 2022	Outstanding Organizational Unit for the Mental Health Activity Month of Guangdong Technical Colleges in 2022 (2022年廣東省技工院校心理健康活動月「優秀組織單位」)	Guangdong Vocational Training and Vocational Education Association (廣東省職業培訓和技工教育協會)	Huali Technician College
December, 2022	Guangzhou Entrepreneurial Training Designated Institution (廣州市創業培訓定點機構)	Human Resources and Social Security Bureau of Guangzhou (廣州市人力資源和社會保障局)	Huali College
December, 2022	Second Prize of Guangdong University's New Media Influence (Vocational and Technical Group) (廣東高校新媒體影響力(高職高專組)二等獎)	Guangdong University New Media Alliance (廣東高校新媒體聯盟)	Huali Vocational College
December, 2022	2022 Innovation Award for College Employment Work (2022年度高校就業工作創新獎)	www.eol.cn (中國教育線上)	Huali Vocational College
December, 2022	The 21st “Contemporary Cup” National Preschool Teacher Professional Skills Competition “National Outstanding Organization Award for Promoting the Specialization of Preschool Teachers” (第二十一屆「當代杯」全國幼兒教師職業技能大賽「全國促進幼兒教師專業化優秀組織獎」)	Preschool Education Research Association, Contemporary Preschool Education Network (學前教育研究會、當代學前教育網)	Huali Technician College

	Award/ Recognition	Awarding Organization(s)	Awarded Entity
December, 2022	The 21st “Contemporary Cup” National Preschool Teachers Professional Skills Competition “Advanced Unit” (第二十一屆「當代杯」全國幼兒教師職業技能大賽「先進單位」)	Preschool Education Research Association、Contemporary Preschool Education Network (學前教育研究會、當代學前教育網)	Huali Technician College
January, 2023	The Third Batch of Water-saving Universities in Guangdong Province (廣東省第三批節水型高校)	Department of Water Resources of Guangdong Province (廣東省水利廳)	Huali College
January, 2023	Advanced Unit of Vocational Capacity Construction in Guangdong Province in 2022 (2022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
January, 2023	The “Second Prize” of the First National Defense Education Featured Project Promotion Exhibition Activity of Guangdong Technical Colleges (廣東省技工院校第一屆國防教育特色項目推優展示活動「二等獎」)	Guangdong Vocational Training and Vocational Education Association (廣東省職業培訓和技工教育協會)	Huali Technician College
January, 2023	The “Outstanding Organizational Unit” of the First National Defense Education Featured Project Promotion and Exhibition Activity of Guangdong Technical Colleges (廣東省技工院校第一屆國防教育特色項目推優展示活動「優秀組織單位」)	Guangdong Vocational Training and Vocational Education Association (廣東省職業培訓和技工教育協會)	Huali Technician College

OUTLOOK

In the report of the 20th National Congress of the Communist Party of China, it was proposed that China should provide education to meet the people's expectations, promote collaborative innovation in vocational education, higher education, and continuing education and promote integration between vocational education and general education, between industry and education, and between science and education, better establish vocational education as a category in the educational system, and further point the way forward for the development of vocational education. We believe that the private higher and vocational education business carried out by the Group is highly in line with the national direction to promote the high-quality development of vocational education, and with the favourable policies in the education industry, vocational education has bright prospects in the future.

Looking into the future, the Group will leverage on the location advantage in the Guangdong-Hong Kong-Macao Greater Bay Area, firmly follow the formal vocational education development path of high-quality and high-level, vigorously advance the fundamental purpose of serving students, and closely follow the direction of economic development to cultivate local regional economic-oriented skilled talents with high-quality. To focus on endogenous growth, the Group continues to expand its campuses. The Group's capacity has been further increased with the completion of the expansion of the old campus and new campus put into use and it is far higher than the capacity of similar institutions, which can fully support the long-term and stable growth of students, and provide a solid foundation for the development of business diversification. Moreover, while consolidating the construction of formal vocational education, the Group is also vigorously expanding its second curve business of vocational education. The Group will focus on the asset-light model and develop diversified non-formal vocational education business to achieve sustainable long-term development.

SIGNIFICANT EVENT AFTER REPORTING PERIOD

There was no significant event affecting the Company or any of its subsidiaries after the Reporting Period and up to the date of this announcement.

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, 2023, the Group had 2,189 employees (as at February 28, 2022: 2,065). 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 resolved not to declare any dividend for the Reporting Period (six months ended February 28, 2022: 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, 2023, 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 separated 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, 2023. 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, 2023.

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, 2023.

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 MH JP (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, 2023, 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.cveduholdings.com). The interim report of the Company for the six months ended February 28, 2023 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, 2023**

(All amounts expressed in RMB unless otherwise stated)

		Six months ended	
	<i>Note</i>	February 28, 2023	February 28, 2022
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Revenue	6	548,044	459,465
Cost of sales	9	<u>(225,169)</u>	<u>(209,679)</u>
Gross profit		322,875	249,786
Selling expenses	9	(6,295)	(9,527)
Administrative expenses	9	(65,741)	(57,546)
Other income	7	16,990	14,402
Other gains – net	8	<u>297</u>	<u>3,473</u>
Operating profit		268,126	200,588
Finance income		3,637	3,092
Finance expenses		(52,193)	(47,683)
Finance expenses – net	10	<u>(48,556)</u>	<u>(44,591)</u>
Profit before income tax		219,570	155,997
Income tax expenses	11	<u>(4,515)</u>	<u>(13,070)</u>
Profit for the period		<u>215,055</u>	<u>142,927</u>

	Six months ended	
<i>Note</i>	February 28, 2023	February 28, 2022
	RMB'000	RMB'000
	(Unaudited)	(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	—	534
Other comprehensive income for the period, net of tax	—	534
Total comprehensive income for the period	<u>215,055</u>	<u>143,461</u>
Profit and other comprehensive income attributable to:		
– Owners of the Company	<u>215,055</u>	<u>143,461</u>
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)		
Basic and diluted	<i>12</i> <u>0.179</u>	<u>0.120</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS AT FEBRUARY 28, 2023

(All amounts expressed in RMB unless otherwise stated)

	<i>Note</i>	As at February 28, 2023 RMB'000 (Unaudited)	As at August 31, 2022 RMB'000 (Audited)
ASSETS			
Non-current assets			
Right-of-use assets		1,372,203	1,394,089
Property, plant and equipment		4,411,979	4,152,634
Investment properties		183,670	183,570
Intangible assets		16,453	19,416
Deferred income tax assets		162	120
Prepayments		73,991	67,865
		<u>6,058,458</u>	<u>5,817,694</u>
Current assets			
Prepayments		7,404	5,856
Trade and other receivables	13	58,647	28,712
Amounts due from related parties		14,638	10,999
Restricted cash		1,621	1,443
Cash and cash equivalents		538,352	803,845
		<u>620,662</u>	<u>850,855</u>
Total assets		<u><u>6,679,120</u></u>	<u><u>6,668,549</u></u>
EQUITY			
Share capital and share premium		603,188	603,188
Statutory surplus reserves		128,817	128,817
Other reserves		339,060	339,060
Retained earnings		2,040,605	1,825,550
Total equity		<u>3,111,670</u>	<u>2,896,615</u>

	<i>Note</i>	As at February 28, 2023 <i>RMB'000</i> (Unaudited)	As at August 31, 2022 <i>RMB'000</i> (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings		2,168,803	2,169,701
Accruals and other payables	<i>14</i>	58,449	183,496
Deferred income tax liabilities		48,225	47,290
		<u>2,275,477</u>	<u>2,400,487</u>
Current liabilities			
Accruals and other payables	<i>14</i>	362,290	314,619
Amounts due to related parties	<i>14</i>	69,574	60,648
Contract liabilities		532,856	689,157
Current income tax liabilities		23,076	20,066
Deferred revenue		1,234	7,239
Borrowings		302,943	279,718
		<u>1,291,973</u>	<u>1,371,447</u>
Total liabilities		<u>3,567,450</u>	<u>3,771,934</u>
Total equity and liabilities		<u>6,679,120</u>	<u>6,668,549</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED FEBRUARY 28, 2023

1 GENERAL INFORMATION

China Vocational Education Holdings 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 24, 2023 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 is authorized for issue, COVID-19 doesn't 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, 2023 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, 2022 ("**2022 Financial Statements**") and any public announcement made by the Company during the six months ended February 28, 2023.

As at February 28, 2023, the Group's current liabilities exceeded its current assets by RMB671,311,000. The Group also had significant capital commitment in relation to construction of property, plant and equipment out of which RMB243,160,000 was expected to be incurred within the coming twelve months. The Group's total borrowings as at February 28, 2023 amounted to RMB2,471,746,000, and RMB302,943,000 was repayable within the coming twelve months (included in current liabilities) and interest payable amounting to RMB111,264,000 is expected to be accrued and paid within the coming twelve months, while its cash and cash equivalents amounted to RMB538,352,000 as at the same date.

In view of such circumstances, the Directors 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 have reviewed a cash flow projection of the Group prepared by management covering a period of not less than twelve months from February 28, 2023 taking into account the Group's unutilized long-term bank facilities of approximately RMB522,981,000 for its capital expenditure and an unutilized long-term bank facility of RMB110,000,000 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 positive and stable 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 February 28, 2023. Accordingly, the interim condensed consolidated financial information has been prepared on a going concern basis.

3 ACCOUNTING POLICIES

The accounting policies applied are consistent 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

The Group has applied the following amendments or annual improvements for the first time for their annual reporting period commencing September 1, 2022:

Amendment to HKAS 16	Property, Plant and Equipment—Proceeds before Intended Use
Amendments to HKAS 37 Annual Improvements	Onerous Contracts – Cost of Fulfilling a Contract Annual Improvements to HKFRS Standards 2018-2020 (Amendments)
Amendments to HKFRS 3 Accounting Guideline 5 (revised)	Reference to the Conceptual Framework Merger Accounting for Common Control Combinations

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

- (b) **Certain new accounting standards and interpretations have been published that are not mandatory for February 28, 2023 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
HKFRS 17 and amendments to HKFRS 17	Insurance contracts and the Related Amendments	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendment to HKAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants	1 January 2024
Amendment to HKAS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKFRS 10 and HKAS 28	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 that applied to the 2022 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 2022 Financial Statements.

There have been no changes in any risk management policies during the six months ended February 28, 2023.

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 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, 2023					
(Unaudited)					
Borrowings (principal plus interests)	414,207	482,488	1,284,041	802,465	2,983,201
Accruals and other payables (excluding non-financial liabilities)	344,850	62,180	–	–	407,030
Amounts due to related parties	69,574	–	–	–	69,574
Total	828,631	544,668	1,284,041	802,465	3,459,805

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at August 31, 2022 (Audited)					
Borrowings (principal plus interests)	385,524	778,616	1,013,215	708,536	2,885,891
Accruals and other payables (excluding non-financial liabilities)	299,530	191,485	–	–	491,015
Amounts due to related parties	<u>60,718</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>60,718</u>
Total	<u><u>745,772</u></u>	<u><u>970,101</u></u>	<u><u>1,013,215</u></u>	<u><u>708,536</u></u>	<u><u>3,437,624</u></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 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 99% 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, 2023 and February 28, 2022 are as follows:

	Six months ended	
	February 28, 2023	February 28, 2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Recognized over time		
– Tuition fees	509,476	423,307
– Boarding fees	38,568	36,158
	<u>548,044</u>	<u>459,465</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, 2023 and February 28, 2022.

7 OTHER INCOME

	Six months ended	
	February 28, 2023 <i>RMB'000</i> (Unaudited)	February 28, 2022 <i>RMB'000</i> (Unaudited)
Service income	8,414	5,807
Rental income	5,562	5,391
Government subsidies	1,681	435
Bookselling income	1,333	2,769
	<u>16,990</u>	<u>14,402</u>

8 OTHER GAINS – NET

	Six months ended	
	February 28, 2023 <i>RMB'000</i> (Unaudited)	February 28, 2022 <i>RMB'000</i> (Unaudited)
Fair value gains on investment properties	100	–
Gains/(losses) on disposals of property, plant and equipment	44	(447)
Net exchange gains	27	3,404
Others	126	516
	<u>297</u>	<u>3,473</u>

9 EXPENSES BY NATURE

	Six months ended	
	February 28, 2023	February 28, 2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Employee benefit expenses	120,376	98,546
Depreciation of property, plant and equipment	67,321	55,909
Joint tuition support fees <i>(Note a)</i>	17,861	30,746
Depreciation of right-of-use assets	16,811	17,160
Property management fees	15,321	14,016
School consumables	12,287	7,945
Utilities expenses	7,808	10,221
Office expenses	7,690	7,555
Training expenses	4,370	1,473
Travel and entertainment expenses	4,047	4,390
Marketing expenses	3,563	7,102
Amortization of intangible assets	3,317	2,982
Allowance granted to poverty students	2,518	468
Other taxes	1,768	1,910
Consultancy and professional service fees	1,547	1,661
Maintenance fees	996	1,754
Insurance expenses	900	1,059
Rental expenses	114	3,818
Other expenses	8,590	8,037
	<hr/>	<hr/>
Total cost of sales, selling expenses and administrative expenses	<u>297,205</u>	<u>276,752</u>

- (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 from a private independent college into an independently established private general undergraduate college in the PRC (the “**Conversion of Huali College**”).

10 FINANCE EXPENSES – NET

	Six months ended	
	February 28, 2023	February 28, 2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Finance income:		
– Bank interest income	<u>3,637</u>	<u>3,092</u>
Finance expenses:		
– Interest expenses on bank borrowings	(48,710)	(47,637)
– Interest expenses on other borrowing due to a related party	(9,178)	(8,625)
– Interest expenses on discount of long-term payable for property, plant and equipment	(1,523)	(6,444)
Less: interest expenses capitalized in property, plant and equipment	8,822	17,344
– Interest expenses on discount of compensation payable for the Conversion of Huali College	<u>(1,604)</u>	<u>(2,321)</u>
	<u>(52,193)</u>	<u>(47,683)</u>
Net finance expenses	<u><u>(48,556)</u></u>	<u><u>(44,591)</u></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 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 six months ended February 28, 2023 and 2022.

(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 (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 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 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 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, 2023 is 1.7% (six months ended February 28, 2022: 7.2%).**

Analysis of the Group’s Income tax expenses:

	Six months ended	
	February 28, 2023	February 28, 2022
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)
Current tax on profits for the period (<i>Note i</i>)	3,622	11,167
Deferred income tax (<i>Note ii</i>)	114	7
Deferred withholding tax (<i>Note iii</i>)	779	1,896
	<u>4,515</u>	<u>13,070</u>

- (i) Current tax on profits for the period mainly represent tax imposed on services income earned by wholly foreign owned subsidiaries of the Group from the PRC Operating Entities, rental income, service income and joint tuition income from two universities, and other taxable subsidies.
- (ii) Deferred income tax represents tax on the revaluation gains of investment properties, temporary differences on the recognition of rental income and tax losses carry forwards to the extent that the realisation of the related benefit through the future taxable profits is probable.
- (iii) As at February 28, 2023, deferred income tax liabilities of RMB779,000 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, 2023 and August 31, 2022, deferred income tax liabilities of RMB186,502,000 and RMB167,345,000 have not been recognized for the withholding tax that would be payable on the unremitted earnings amounted to RMB2,194,144,000 and RMB1,968,760,000 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 owners of the Company by the weighted average number of ordinary shares in issue during the six months ended February 28, 2023 and 2022.

	Six months ended	
	February 28, 2023 (Unaudited)	February 28, 2022 (Unaudited)
Profit attributable to owners of the Company (RMB'000)	215,055	143,461
Weighted average number of ordinary shares in issue (thousands shares)	<u>1,200,000</u>	<u>1,200,000</u>
Basic earnings per share (expressed in RMB per share)	<u><u>0.179</u></u>	<u><u>0.120</u></u>

(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 six months ended February 28, 2023 and 2022.

13 TRADE AND OTHER RECEIVABLES

	As at February 28, 2023 <i>RMB'000</i> (Unaudited)	As at August 31, 2022 <i>RMB'000</i> (Audited)
Trade receivables		
– Tuition fees receivables from students	29,836	12,951
– Government subsidies receivables granted to students for tuition fees deduction	17,051	–
– Boarding fees receivables from students	482	172
	<u>47,369</u>	<u>13,123</u>
Other receivables		
– Utilities receivables from campus logistics service providers	4,685	4,672
– Receivables for rental income	2,530	2,085
– Tuition fees receivables from financial institution	109	3,939
– Deposits	–	2,400
– Others	3,954	2,493
	<u>11,278</u>	<u>15,589</u>
	<u>58,647</u>	<u>28,712</u>

As at February 28, 2023 and August 31, 2022, the aging analysis of the trade receivables based on the recognition date is as followings:

	As at February 28, 2023 RMB'000 (Unaudited)	As at August 31, 2022 RMB'000 (Audited)
Less than 1 year	42,400	11,645
1 to 2 years	<u>4,969</u>	<u>1,478</u>
	<u>47,369</u>	<u>13,123</u>

All trade and other receivables of the Group were denominated in RMB as at February 28, 2023 and August 31, 2022.

As at February 28, 2023 and August 31, 2022, 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, 2023 and the year ended August 31, 2022.

As at February 28, 2023 and August 31, 2022, 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, 2023 RMB'000 (Unaudited)	As at August 31, 2022 RMB'000 (Audited)
Payables for construction and purchase of non-current assets	247,677	224,472
Compensation payable for the Conversion of Huali College	51,678	103,404
Payable for joint tuition support fees (<i>Note a</i>)	42,344	61,207
Payables for property management service	16,417	16,540
Employee benefits payables	16,389	13,067
Miscellaneous fee received from students	11,132	24,623
Government subsidies payable to students	8,033	31,740
Interest payable	7,058	7,654
Payables for canteen suppliers	5,329	2,260
Network and telecommunication fee payable	4,617	3,528
Other taxes payable	2,703	2,472
Auditor's remuneration payable	–	2,138
Others	7,362	5,010
	<u>420,739</u>	<u>498,115</u>
Less: non-current portion		
Payable for construction and purchase of property, plant and equipment	(58,449)	(133,005)
Compensation payable for the Conversion of Huali College	–	(50,491)
Current portion	<u>362,290</u>	<u>314,619</u>
Amounts due to related parties		
– Current	<u>69,574</u>	<u>60,648</u>

(a) As at February 28, 2023 and August 31, 2022, the aging analysis of the payable for joint tuition support fees was as follows:

	As at February 28, 2023 RMB'000 (Unaudited)	As at August 31, 2022 RMB'000 (Audited)
Less than 1 year	<u>42,344</u>	<u>61,207</u>

15 CAPITAL COMMITMENTS

As at February 28, 2023 and August 31, 2022, the Group had the following capital commitments on construction and purchase of property, plant and equipment:

	As at February 28, 2023 <i>RMB'000</i> (Unaudited)	As at August 31, 2022 <i>RMB'000</i> (Audited)
Contracted but not provided for	<u>462,651</u>	<u>627,237</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 of the Company
“Huali Education”	Huali Education Holdings Limited, a limited liability company incorporated in BVI and wholly owned by Trust Co
“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 of the Company
“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
“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, our chairman, executive Director and one of our Controlling Shareholders
“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, 2023
“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
“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 24, 2023

As at the date of this announcement, the executive directors of the Company are Mr. Zhang Zhifeng, Mr. Ye Yaming, Mr. Zhang Yude and Mr. Zou Kang; and the independent non-executive directors of the Company are Ms Chiu Lai Kuen Susanna MH JP, Mr. Yang Ying and Mr. Ding Yi.