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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 29, 2024

The Board is pleased to announce the unaudited consolidated interim results of the Group for the six months ended February 29, 2024, together with comparative figures for the corresponding period in 2023.

HIGHLIGHTS

	As at February 29, 2024	As at February 28, 2023	Change	Percentage change
Number of Schools	3	3	–	–
Student enrollment	54,077	54,109	(32)	(0.1%)
	Six months Ended February 29, 2024 (RMB'000)	Six months Ended February 28, 2023 (RMB'000)	Change (RMB'000)	Percentage change
Revenue	640,111	548,044	92,067	16.8%
Gross Profit	344,807	322,875	21,932	6.8%
Profit for the period	219,908	215,055	4,853	2.3%
Adjusted net profit ⁽¹⁾	228,690	216,532	12,158	5.6%
Earnings per share (RMB)	0.183	0.179	0.004	2.2%
Gross profit ratio	53.9%	58.9%	(5.0%)	
Operating profit ratio	44.9%	48.9%	(4.0%)	
Net Profit ratio	34.4%	39.2%	(4.8%)	
Adjusted Net Profit ratio ⁽²⁾	35.7%	39.5%	(3.8%)	

Notes:

- (1) Adjusted net profit is a non-HKFRSs financial measure, which is derived from the profit for the period after adjusting imputed interest expenses on discount of other borrowings and interest payable due to a related party, net exchange gains, imputed interest expenses on discount of compensation payable for the Conversion of Huali College 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 course at the PRC Operating Entities. For the six months ended February 29, 2024, the Group's revenue was approximately RMB640.1 million, representing an increase of approximately 16.8% year-on-year from approximately RMB548.0 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 amortization, joint tuition support fees, school consumables, property management and maintenance fees, utilities expenses and others. For the six months ended February 29, 2024, the Group's cost of sales amounted to approximately RMB295.3 million, increased by approximately 31.1% year-on-year from approximately RMB225.2 million for the six months ended February 28, 2023.

Gross Profit and Gross Profit Margin

For the six months ended February 29, 2024, the Group recorded a gross profit of approximately RMB344.8 million, representing an increase of approximately 6.8% year-on-year from approximately RMB322.9 million for the six months ended February 28, 2023. For the six months ended February 29, 2024, the Group achieved a gross profit margin of 53.9% representing a decrease of 5.0% year-on-year as compared with the corresponding period of last year. The reduction in gross profit was mainly attributable to the increase in cost of sales, while partially offset by the increasing student enrollment and average tuition fees for the six months ended February 29, 2024.

Selling Expenses

Selling expenses, primarily consisting of marketing staff costs, promotion expenses and other expenses, increased by approximately 114.3% from approximately RMB6.3 million for the six months ended February 28, 2023 to approximately RMB13.5 million for the six months ended February 29, 2024, which was due to an increase in marketing expenses for the 2023/2024 academic year.

Administrative Expenses

Administrative expenses primarily consist of administrative staff costs, office expenses, traveling and entertainment expenses, depreciation of property, plant and equipment relating to office buildings and right-of-use assets, utilities expenses and other miscellaneous expenses. Administrative expenses decreased by approximately 10.7%, from RMB65.7 million for the six months ended February 28, 2023 to approximately RMB58.7 million for the six months ended February 29, 2024.

Other Income – Net

Other income – net primarily consists of net site use and relevant service income, rental income, service income of school-enterprise cooperation projects, government subsidies and others. For the six months ended February 29, 2024, the Group recorded other income – net of approximately RMB16.0 million, representing a decrease of approximately 5.9% year-on-year from approximately RMB17.0 million for the six months ended February 28, 2023.

Other (Losses)/Gains – Net

Other (losses)/gains – net primarily consists of net exchange (losses)/gains, losses/(gains) on disposals of property, plant and equipment, fair value gains on investment properties and others. For the six months ended February 29, 2024, the Group's other losses – net amounted to approximately RMB1.1 million, representing a decrease of approximately RMB1.4 million year-on-year compared with approximately RMB0.3 million of other gains – net for the six months ended February 28, 2023.

Finance Expenses – Net

The Group's finance expenses – net include interest expenses on bank and other borrowings (after deducting amounts capitalized in the cost of property, plant and equipment), imputed interest expenses on discount of long-term other borrowings and long-term interest payables due to a related party, imputed interest expenses on discount of compensation payable for the Conversion of Huali College, interest income generated from bank deposits and others. For the six months ended February 29, 2024, the Group recorded finance expenses of approximately RMB49.8 million, representing a decrease of approximately 4.6% year-on-year as compared with approximately RMB52.2 million for the six months ended February 28, 2023, which was mainly attributable to the decrease in interest expense on bank borrowings during the six months ended February 29, 2024. For the six months ended February 29, 2024, the Group recorded finance income of approximately RMB2.8 million, representing a decrease of approximately 22.2% year-on-year as compared with approximately RMB3.6 million for the six months ended February 28, 2023.

Profit Before Taxation

For the six months ended February 29, 2024, the Group recorded a profit before taxation of approximately RMB240.6 million, representing an increase of approximately 9.6% year-on-year from approximately RMB219.6 million for the six months ended February 28, 2023.

Taxation

For the six months ended February 29, 2024, the Group recorded approximately RMB20.7 million in taxation, representing an increase of approximately 360.0% year-on-year from approximately RMB4.5 million for the six months ended February 28, 2023. As of February 29, 2024, 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 period attributable to owners of the Company excluding imputed interest expenses on discount of long-term borrowings and long-term interest payables due to a related party, net exchange gains, imputed interest expenses on discount of compensation payable for the Conversion of Huali College 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 periods. 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 operation.

Adjusted net profit is calculated by adjusting profit for the Reporting Period of approximately RMB219.9 million (six months ended February 28, 2023: approximately RMB215.1 million), imputed interest expenses on discount of other borrowings and interest payable due to a related party of approximately RMB9.2 million (six months ended February 28, 2023: nil), net exchange gains of approximately RMB849,000 (six months ended February 28, 2023: RMB27,000), imputed interest expenses on discount of compensation payable for the Conversion of Huali College of approximately RMB0.4 million (six months ended February 28, 2023: RMB1.6 million) and fair value gains on investment properties of nil (six months ended February 28, 2023: approximately RMB0.1 million). The Group's adjusted net profit increased by approximately 5.6% from approximately RMB216.5 million for six months ended February 28, 2023 to approximately RMB228.7 million for the six months ended February 29, 2024.

Property, Plant and Equipment

As at February 29, 2024, the Group's property, plant and equipment amounted to approximately RMB4,771.3 million, representing an increase of approximately 8.1% year-on-year from approximately RMB4,412.0 million recorded as at February 28, 2023. Such increase was a result of the establishment of new campuses 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 six months ended February 29, 2024, the Group recorded approximately RMB282.6 million in capital expenditures, representing a decrease of approximately 4.8% from approximately RMB296.7 million for the six months ended February 28, 2023, which was mainly due to the decrease in the expenditure for constructing new campus buildings for the six months ended February 29, 2024 as compared with the corresponding period of last year.

Bank Balances and Cash

As at February 29, 2024, the Group had bank balances and cash of approximately RMB424.3 million, representing a decrease of approximately 21.2% from approximately RMB538.4 million as at February 28, 2023.

Liquidity, Financial Resources and Debt Ratio

As at February 29, 2024, the Group had liquid funds (representing bank balances and cash) of approximately RMB424.3 million (February 28, 2023: RMB538.4 million) and borrowings of approximately RMB2,267.4 million (February 28, 2023: RMB2,471.7 million). The Group's debt ratio as at February 29, 2024, represented by borrowings as a percentage of total assets, was 32.6% (February 28, 2023: 37.0%).

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 such need arises.

Material Acquisitions and Disposals

The Group did not have any material acquisitions or disposals for the six months ended February 29, 2024.

Charge on the Group's Assets

As at February 29, 2024, 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 the six months ended February 29, 2024.

Contingent Liabilities

As at February 29, 2024, 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 training business. As at February 29, 2024, we had an aggregate of 54,077 students enrolled at our three schools, namely Huali College, Huali Vocational College and Huali Technician College.

Since the establishment of our first school, the Group has been adhering to the socialist modernisation construction of the country, and cultivating specialized talents with high technical skills, applied skills, and high quality on the front line of production and service, who are in great demand in China's economy and society. 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.

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, Yunfu campus and Jiangmen 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 29, 2024, we had an aggregate of 54,077 students⁽¹⁾ enrolled in our three schools, comprising 25,183 students at Huali College, 21,331 students at Huali Vocational College and 7,563 students at Huali Technician College.

School	As at February 29, 2024	As at February 28, 2023	Change	Percentage change
Huali College	25,183	21,615	3,568	16.5%
– Zengcheng campus	21,092	19,727	1,365	6.9%
– Jiangmen campus	4,091	1,888	2,203	116.7%
Huali Vocational College	21,331	21,582	(251)	(1.2%)
– Zengcheng campus	13,146⁽²⁾⁽³⁾	13,312 ⁽⁴⁾⁽⁵⁾	(166)	(1.2%)
– Yunfu campus	8,185	8,270	(85)	(1.0%)
Huali Technician College	7,563	10,912	(3,349)	(30.7%)
– Zengcheng campus	6,784	9,124	(2,340)	(25.6%)
– Yunfu campus	644	1,788	(1,144)	(64.0%)
– Jiangmen campus	135	–	135	–
Total	<u>54,077</u>	<u>54,109</u>	(32)	(0.1%)

Notes:

- 1) Including 207 students of Huali Technician College who also take junior college courses at Huali Vocational College (the “**Continuing Education Program**”) and obtain a junior college diploma awarded by Huali Vocational College, subject to, among other things, passing the National Higher Education Entrance Exam for Adults. Each student participating in the Continuing Education Program is required to pay additional tuition fee of RMB3,000 to Huali Vocational College. In order to reflect such business practice, the number of students of Huali Technician College who also participate in the Continuing Education Program was included in the number of students of Huali Vocational College, and the revenue from the additional tuition fees paid for the Continuing Education Program was fully included in the revenue from tuition fees of Huali Vocational College and Huali Technician College.
- 2) Including 1,492 students who are social personnel enrolled under the national policy of enrollment expansion of Higher Vocational Education, having passed the exam designed independently by Huali Vocational College. These students shall pay tuition fee of RMB8,000 per academic year to Huali Vocational College, and take junior college courses mainly through on-line and obtain a junior college diploma awarded by Huali Vocational College upon graduation (the “**Enrollment Expansion Program**”).
- 3) Including 207 students of Huali Technician College who also participate in the Continuing Education Program.
- 4) Including 159 students of Huali Technician College who also participate in the Continuing Education Program.
- 5) Including 2,748 students who also participate in the Enrollment Expansion Program.

Tuition Fees and Boarding Fees

For the six months ended February 29, 2024, the Group's schools recorded revenue growth, which was in line with the expansion of its business and student enrollment. Revenue increased from RMB548.0 million for the six months ended February 28, 2023 to RMB640.1 million for the six months ended February 29, 2024. 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 29, 2024, accounting for approximately 91.8% of the total revenue of the Group for the six months ended February 29, 2024.

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 29, 2024 (RMB'000)	Six months ended February 28, 2023 (RMB'000)	Change (RMB'000)	Percentage change
Tuition fees				
Huali College	383,872	311,545	72,327	23.2%
Huali Vocational College	161,056	140,611	20,445	14.5%
Huali Technician College	43,004	57,320	(14,316)	(25.0%)
	<u>587,932</u>	<u>509,476</u>	78,456	15.4%
Boarding fees				
Huali College	20,058	21,113	(1,055)	(5.0%)
Huali Vocational College	6,125	10,844	(4,719)	(43.5%)
Huali Technician College	266	1,277	(1,011)	(79.2%)
Huali Investment				
– Huali College	12,925	–	12,925	–
– Huali Vocational College	9,165	–	9,165	–
– Huali Technician College	3,640	5,334	(1,694)	(31.8%)
	<u>52,179</u>	<u>38,568</u>	13,611	35.3%
Total Revenue	<u>640,111</u>	<u>548,044</u>	92,067	16.8%

The increase in the total revenue of the Group for the six months ended February 29, 2024 was mainly due to the increase in average tuition fees.

The following table sets out the tuition fee rates of our schools for the 2022/2023 and 2023/2024 academic years:

School	Tuition fee rates ⁽¹⁾	
	in academic year	
	2023/2024 (RMB)	2022/2023 (RMB)
Huali College		
Four-to five-year undergraduate program ⁽²⁾	30,800-37,800	25,500-34,800
– Zengcheng campus	30,800-37,800	25,500-34,800
– Jiangmen campus	30,800-35,800	28,800-31,800
International program	40,800	26,500-36,800
Bilingual program	–	27,500-31,800
Huali Vocational College		
Three-year junior college program	13,800-22,800	9,880-25,880
– Zengcheng campus	17,880-22,800	16,880-25,880
– Yunfu campus	13,800-19,800	9,880-15,880
International program	–	25,880
Huali Technician College		
Three-year vocational program ⁽³⁾	11,500-18,000	6,800-15,300
– Zengcheng campus	11,500-18,000	10,000-15,300
– Yunfu campus	–	6,800-8,100
– Jiangmen campus	12,300-13,500	–

Notes:

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

During the six months ended February 29, 2024, our boarding fee rates ranged from RMB600 to RMB6,000 per academic year depending on the location, room size and number of students housed in each room. Especially, we offered some studio apartments since the academic year 2020/2021, for which the boarding fee rates range from RMB4,700 to RMB14,000 per academic year.

School Utilization Rate

School utilization rate is calculated by dividing the number of boarding student enrollment in a particular academic year by the school capacity in the same academic year. The school capacity of each campus is calculated by the number of beds available in student dormitories. The following table sets out the school utilization rate of our schools for the 2022/2023 and 2023/2024 academic years:

	School capacity		School utilization rate	
	2023/2024	2022/2023	2023/2024	2022/2023
Total	51,444	39,218	81.2%	88.9%

Awards and Recognitions Received During the Reporting Period

The Company and the three schools received numerous awards and recognitions during the six months ended February 29, 2024 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, 2023	Vice-President of the Third Council (2023-2028) of the Guangdong Vocational Capacity Construction Association (廣東省職業能力建設協會第三屆理事會(2023-2028)副會長單位)	Guangdong Vocational Capacity Construction Association (廣東省職業能力建設協會)	Huali Technician College
October, 2023	Zengcheng District High-level Talents Innovation and Entrepreneurship Base (增城區高層次人才創新創業基地)	Organisation Department of Zengcheng District Committee of Guangzhou City (廣州市增城區委組織部)	Huali Vocational College
November, 2023	Best Innovation and Practice University for High Quality Employment in 2023 (2023年高質量就業最佳創新與實踐高校)	Jiuyeqiao.cn (就業橋)	Huali College

	Award/ Recognition	Awarding Organization(s)	Awarded Entity
November, 2023	2022-2023 Advanced Collective for Mental Health Education and Counselling in Colleges of Guangdong Province (2022-2023年度廣東省高校心理健康教育與諮詢工作先進集體)	Professional Committee on Mental Health Education and Counselling of Guangdong Colleges (廣東省高校心理健康教育與諮詢專業委員會)	Huali Vocational College
November, 2023	Vice Chairman Unit of the Guangdong New Generation Information Industry Skilled Talent Training Industry-Education Integration Alliance (廣東省新一代信息產業技能人才培養產教融合聯盟「副理事長單位」)	Guangdong New Generation Information Industry Skilled Talent Training Industry-Education Integration Alliance (廣東省新一代信息產業技能人才培養產教融合聯盟)	Huali Technician College
December, 2023	Third Prize of Guangdong University's New Media Influence (Undergraduate College Group) in 2022 (2022年度廣東高校(本科院校組)新媒體影響力三等獎)	Guangdong University New Media Alliance (廣東高校新媒體聯盟)	Huali College
December, 2023	Outstanding Organisation Award of the Greater Bay Area e-Sports Competition (大灣區電子競技比賽優秀組織獎)	Culture, Tourism, Radio and Television Bureau Zengcheng District (增城區文旅廣電局)	Huali Vocational College
December, 2023	Outstanding Contributors to China Education Window in 2023 (2023年中國教育之窗優秀供稿單位)	China Education Network Television-China Education Window (中國教育網絡電視台•中國教育之窗)	Huali Technician College
January, 2024	Award for China Industry-University-Research Institute Collaboration (中國產學研合作促進獎)	China Industry-University-Research Institute Collaboration Association (中國產學研合作促進會)	Huali Vocational College
January, 2024	Rural Revitalisation Empowerment Programme – A Typical Case of Social Responsibility (鄉村振興賦能計劃-社會責任典型案例)	China Agricultural Film and Television Centre (中國農業電影電視中心)	Huali Vocational College
January, 2024	Advanced Unit of Vocational Capacity Construction in Guangdong Province in 2023 (2023年度廣東省職業能力建設先進單位)	Guangdong Vocational Capacity Construction Association (廣東省職業能力建設協會)	Huali Technician College

OUTLOOK

Looking into the future, with the favourable policies implemented in the education industry, the Group will follow the direction of economic development closely, and continuously optimize the distribution of professional structures to realize close connection between professional settings and industry needs and cultivate local regional economic-oriented skilled talents with high-quality. The Group believes that the on-going increase in student enrollment is also important to our business. To continuously increase our total enrollment, the Group plans to keep promoting campus construction with new education and living facilities to expand our school capacity, improving our high-quality teaching services, and strengthening our brand effect to better enhance the profitability of our business. Moreover, the Group is vigorously expanding its second curve of business of vocational education. The Group will focus on asset-light model by developing 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 nor 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 29, 2024, the Group had 2,765 employees (as at February 28, 2023: 2,189). 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/departments 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 the payment of any interim dividend for the six months ended February 29, 2024 (six months ended February 28, 2023: 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 29, 2024, 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 is the chairman of the Board and chief executive officer of the Company. The Board considers that Mr. Zhang 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, and the Board believes that vesting the roles of both chairman of the Board and chief executive officer of the Company in Mr. Zhang 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 29, 2024. 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 29, 2024.

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 29, 2024.

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 interim consolidated financial statements of the Group for the six months ended February 29, 2024, 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 29, 2024 will be made available on the same websites in due course.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED FEBRUARY 29, 2024**

(All amounts expressed in RMB unless otherwise stated)

		Six months ended	
	<i>Note</i>	February 29, 2024	February 28, 2023
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	6	640,111	548,044
Cost of sales	9	(295,304)	(225,169)
Gross profit		344,807	322,875
Selling expenses	9	(13,471)	(6,295)
Administrative expenses	9	(58,681)	(65,741)
Other income – net	7	15,985	16,990
Other (losses)/gains – net	8	(1,075)	297
Operating profit		287,565	268,126
Finance income		2,788	3,637
Finance expenses		(49,782)	(52,193)
Finance expenses – net	10	(46,994)	(48,556)
Profit before income tax		240,571	219,570
Income tax expenses	11	(20,663)	(4,515)
Profit for the period		219,908	215,055
Other comprehensive income		–	–
Total comprehensive income for the period		219,908	215,055
Profit and other comprehensive income attributable to:			
– Owners of the Company		219,908	215,055
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
Basic and diluted	12	0.183	0.179

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT FEBRUARY 29, 2024

(All amounts expressed in RMB unless otherwise stated)

	<i>Note</i>	As at February 29, 2024 <i>RMB'000</i> (Unaudited)	As at August 31, 2023 <i>RMB'000</i> (Audited)
ASSETS			
Non-current assets			
Right-of-use assets		1,392,266	1,353,545
Property, plant and equipment		4,771,277	4,639,893
Investment properties		187,066	183,670
Intangible assets		12,232	13,475
Deferred income tax assets		54	140
Prepayments		<u>102,159</u>	<u>60,012</u>
		<u>6,465,054</u>	<u>6,250,735</u>
Current assets			
Prepayments		5,067	6,598
Trade and other receivables	13	45,841	18,956
Amounts due from related parties		16,216	10,428
Restricted cash		2,529	2,423
Cash and cash equivalents		<u>424,321</u>	<u>985,499</u>
		<u>493,974</u>	<u>1,023,904</u>
Total assets		<u><u>6,959,028</u></u>	<u><u>7,274,639</u></u>
EQUITY			
Share capital and share premium		603,188	603,188
Statutory surplus reserves		134,256	134,256
Other reserves		410,317	415,605
Retained earnings		<u>2,433,066</u>	<u>2,213,158</u>
Total equity		<u><u>3,580,827</u></u>	<u><u>3,366,207</u></u>

		As at February 29, 2024 RMB'000 (Unaudited)	As at August 31, 2023 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings		1,885,208	2,053,735
Lease liabilities		2,874	2,942
Accruals and other payables	<i>14</i>	46,374	46,374
Amounts due to related parties	<i>14</i>	–	35,627
Deferred income tax liabilities		46,381	49,032
		<u>1,980,837</u>	<u>2,187,710</u>
Current liabilities			
Accruals and other payables	<i>14</i>	327,937	421,552
Amounts due to related parties	<i>14</i>	31,340	28,082
Contract liabilities		631,697	858,828
Current income tax liabilities		23,789	19,656
Deferred revenue		106	283
Lease liabilities		327	278
Borrowings		382,168	392,043
		<u>1,397,364</u>	<u>1,720,722</u>
Total liabilities		<u>3,378,201</u>	<u>3,908,432</u>
Total equity and liabilities		<u>6,959,028</u>	<u>7,274,639</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED FEBRUARY 29, 2024

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, Ugland 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, the chairman of the board of Directors and chief executive officer 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 26, 2024 and has not been audited.

2 BASIS OF PREPARATION

This Interim Financial Information for the six months ended February 29, 2024 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, 2023 ("**2023 Financial Statements**") and any public announcement made by the Company during the six months ended February 29, 2024.

As at February 29, 2024, the Group's current liabilities exceeded its current assets by RMB903,390,000. The Group also had significant capital commitment in relation to construction of property, plant and equipment out of which RMB94,613,000 was expected to be incurred within the coming twelve months. The Group's total borrowings as at February 29, 2024 amounted to RMB2,267,376,000, and RMB382,168,000 was repayable within the coming twelve months (included in current liabilities) and interest payable amounting to RMB67,582,000 is expected to be accrued and paid within the coming twelve months, while its cash and cash equivalents amounted to RMB424,321,000 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 29, 2024 and the following plans and measures have been implemented:

- As at February 29, 2024, the Group has unutilised long-term bank facilities of approximately RMB85,613,000 for its capital expenditure. 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.
- Up to the date of this announcement, the Group has unused uncommitted credit facilities of totaling RMB2,100,000,000 which will be valid till April 18, 2025, and the Group is in the process of negotiating additional facilities with several commercial banks.

3 MATERIAL ACCOUNTING POLICIES

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

(a) New and amended standards adopted by the Group

The Group has applied the following amendments or annual improvements for the first time for their annual reporting period commencing September 1, 2023:

HKFRS 17 and amendments to HKFRS 17	Insurance contracts and the Related Amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules (amendments)

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 29, 2024 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
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier finance arrangements (amendments)	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 HKAS 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture (amendments)	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 2023 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 2023 Financial Statements.

There have been no changes in any risk management policies during the six months ended February 29, 2024.

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 29, 2024 (Unaudited)					
Borrowings (principal plus interests)	449,750	170,247	1,046,436	1,031,247	2,697,680
Accruals and other payables (excluding non-financial liabilities)	301,537	46,374	–	–	347,911
Amounts due to related parties	31,340	–	–	–	31,340
Lease liability	472	439	1,155	1,922	3,988
Total	<u>783,099</u>	<u>217,060</u>	<u>1,047,591</u>	<u>1,033,169</u>	<u>3,080,919</u>
As at August 31, 2023 (Audited)					
Borrowings (principal plus interests)	476,538	502,777	1,056,686	806,617	2,842,618
Accruals and other payables (excluding non-financial liabilities)	403,913	49,325	–	–	453,238
Amounts due to related parties	28,082	37,690	–	–	65,772
Lease liabilities	427	397	1,138	2,117	4,079
Total	<u>908,960</u>	<u>590,189</u>	<u>1,057,824</u>	<u>808,734</u>	<u>3,365,707</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 99.6% 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 29, 2024 and February 28, 2023 are as follows:

	Six months ended	
	February 29, 2024	February 28, 2023
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)
Recognised over time		
– Tuition fees	587,932	509,476
– Boarding fees	52,179	38,568
	<u>640,111</u>	<u>548,044</u>

Tuition fees and boarding fees are recognised proportionately over each school year. No customers individually accounted for more than 10% of the Group’s revenue during the six months ended February 29, 2024 and February 28, 2023.

7 OTHER INCOME – NET

	Six months ended	
	February 29, 2024	February 28, 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Site use and relevant service income – net	7,716	6,231
Rental income	5,445	5,562
Service income of school-enterprise cooperation projects	1,728	2,183
Government subsidies	283	1,681
Others – net	813	1,333
	<u>15,985</u>	<u>16,990</u>

8 OTHER (LOSSES)/GAINS – NET

	Six months ended	
	February 29, 2024	February 28, 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
(Losses)/gains on disposals of property, plant and equipment	(701)	44
Net exchange (losses)/gains	(93)	27
Fair value gains on investment properties	–	100
Others	(281)	126
	<u>(1,075)</u>	<u>297</u>

9 EXPENSES BY NATURE

	Six months ended	
	February 29, 2024	February 28, 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Employee benefit expenses	165,849	120,376
Depreciation of property, plant and equipment	82,523	67,321
Depreciation of right-of-use assets	21,239	16,811
School consumables	16,188	12,287
Property management fees	15,530	15,321
Marketing expenses	8,459	3,563
Utilities expenses	8,129	7,808
Office expenses	7,761	7,690
Joint tuition support fees (<i>Note a</i>)	7,205	17,861
Travel and entertainment expenses	6,341	4,047
Training expenses	5,271	4,370
Maintenance fees	3,465	996
Amortization of intangible assets	3,217	3,317
Other taxes	2,057	1,768
Allowance granted to poverty students	2,007	2,518
Consultancy and professional service fees	1,610	1,547
Insurance expenses	1,176	900
Student activities expenses	1,128	1,628
Rental expenses	372	114
Other expenses	7,929	6,962
	<hr/>	<hr/>
Total cost of sales, selling expenses and administrative expenses	367,456	297,205
	<hr/>	<hr/>

- (a) Guangzhou Huali College (the “**Huali College**”) entered into an agreement of Cooperation with Guangdong University of Technology, the joint sponsor of Huali College, under which the Group would pay joint tuition support fees to Guangdong University of Technology in each academic year based on 17% of the tuition income from students covered by the agreement of Huali College. The Group expects that the agreement will remain enforceable until the completion of the Transitional Cooperation Agreement of Huali College, which has set out certain arrangements in relation to the management of Huali College during the transitional period of the conversion of Huali College 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 29, 2024	February 28, 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Finance income:		
– Bank interest income	<u>2,788</u>	<u>3,637</u>
Finance expenses:		
– Interest expenses on bank borrowings	(44,234)	(48,710)
– Interest expenses on other borrowing due to a related party	–	(9,178)
– Imputed interest expenses on discount of long-term other borrowings and long-term interest payables due to a related party	(9,215)	–
– Interest expenses on discount of long-term payable for property, plant and equipment	(2,184)	(1,523)
– Net exchange gains on bank borrowings	942	–
Less: interest expenses capitalized in property, plant and equipment	5,405	8,822
– Imputed interest expenses on discount of compensation payable for the Conversion of Huali College	(416)	(1,604)
– Interest expense for lease liabilities	<u>(80)</u>	<u>–</u>
	<u>(49,782)</u>	<u>(52,193)</u>
Net finance expenses	<u>(46,994)</u>	<u>(48,556)</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 29, 2024 and February 28, 2023.

(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 recognised 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 in the PRC enjoy the preferential income tax treatment for Small and Micro Enterprise with the income tax rate of 20% and are eligible to have their tax calculated based on 25% of their taxable income. Guangdong Shengli Technology Company Limited enjoy the preferential income tax rate of 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 29, 2024 is 9.1% (six months ended February 28, 2023: 1.7%).**

Analysis of the Group’s Income tax expenses:

	Six months ended	
	February 29, 2024	February 28, 2023
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)
Current tax on profits for the period (<i>Note i</i>)	21,728	3,622
Current withholding tax (<i>Note iii</i>)	1,500	–
Deferred income tax (<i>Note ii</i>)	183	114
Deferred withholding tax (<i>Note iii</i>)	(2,748)	779
	<u>20,663</u>	<u>4,515</u>

- (i) Current tax on profits for the period mainly represent tax imposed on site-use service income, rental income and joint tuition income earned by the universities of the Group and service income earned by wholly foreign owned subsidiaries of the Group from the PRC Operating Entities and boarding fee earned by Huali investment.
- (ii) Deferred income tax represents tax on the revaluation gains of investment properties, right-of-use assets and lease liabilities, 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 29, 2024, deferred income tax liabilities of RMB3,784,000 (August 31, 2023: RMB6,532,000) was recognised on the temporary differences arising from the earnings earned by wholly foreign owned subsidiaries of the Company (“WFOEs”) from the PRC Operating Entities. During the six months ended February 29, 2024, certain WFOEs distributed dividends of RMB15,000,000 out of mainland China, which resulted in the reversal of temporary differences amounting to RMB1,500,000. Otherwise, certain WFOEs incurred losses during the six months ended February 29, 2024 which resulted in the reduction of RMB1,248,000 on the deferred income tax liabilities recognised in prior years.

As at February 29, 2024 and August 31, 2023, deferred income tax liabilities of RMB196,686,000 and RMB178,694,000 have not been recognised for the withholding tax that would be payable on the unremitted earnings amounted to RMB2,622,485,000 and RMB2,382,592,000 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 29, 2024 and February 28, 2023.

	Six months ended	
	February 29, 2024 (Unaudited)	February 28, 2023 (Unaudited)
Profit attributable to owners of the Company (RMB'000)	219,908	215,055
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>0.183</u>	<u>0.179</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 29, 2024 and February 28, 2023.

13 TRADE AND OTHER RECEIVABLES

	As at February 29, 2024 <i>RMB'000</i> (Unaudited)	As at August 31, 2023 <i>RMB'000</i> (Audited)
Trade receivables		
– Tuition fees receivables from students	23,391	8,178
– Government subsidies receivables granted to students for tuition fees deduction	10,511	–
– Boarding fees receivables from students	153	65
	<u>34,055</u>	<u>8,243</u>
Other receivables		
– Utilities receivables from campus logistics service providers	4,706	4,828
– Teaching materials fees paid on behalf of students	2,707	–
– Receivables for rental income	1,338	3,227
– Tuition fees receivables from financial institution	24	407
– Others	3,011	2,251
	<u>11,786</u>	<u>10,713</u>
	<u>45,841</u>	<u>18,956</u>

As at February 29, 2024 and August 31, 2023, the aging analysis of the trade receivables based on the revenue recognition date is as followings:

	As at February 29, 2024 <i>RMB'000</i> (Unaudited)	As at August 31, 2023 <i>RMB'000</i> (Audited)
Less than 1 year	30,487	6,515
1 to 2 years	2,921	1,689
2 to 3 years	647	39
	<u>34,055</u>	<u>8,243</u>

All trade and other receivables of the Group were denominated in RMB as at February 29, 2024 and August 31, 2023.

As at February 29, 2024 and August 31, 2023, 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 29, 2024 and the year ended August 31, 2023.

As at February 29, 2024 and August 31, 2023, 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 29, 2024 RMB'000 (Unaudited)	As at August 31, 2023 RMB'000 (Audited)
Payables for construction and purchase of non-current assets	222,373	251,746
Government subsidies payable to students	57,424	47,336
Payable for joint tuition support fees	21,716	36,277
Employee benefits payables	19,978	16,699
Interest payable	10,031	5,860
Payables for canteen suppliers	7,343	4,729
Other taxes payable	6,596	3,715
Miscellaneous fee received from students	6,166	20,362
Payables for utilities expenses	3,353	1,834
Payables for property management service	3,049	17,227
Compensation payable for the Conversion of Huali College	–	52,914
Auditor's remuneration payable	–	1,709
Others	16,282	7,518
	<u>374,311</u>	<u>467,926</u>
Less: non-current portion		
Payable for construction and purchase of property, plant and equipment	<u>(46,374)</u>	<u>(46,374)</u>
Current portion	<u>327,937</u>	<u>421,552</u>
Amounts due to related parties		
– Current	31,340	28,082
– Non-Current	–	35,627
	<u>31,340</u>	<u>63,709</u>

15 CAPITAL COMMITMENTS

As at February 29, 2024 and August 31, 2023, the Group had the following capital commitments on construction and purchase of property, plant and equipment:

	As at February 29, 2024 <i>RMB'000</i> (Unaudited)	As at August 31, 2023 <i>RMB'000</i> (Audited)
Contracted but not provided for	<u>439,432</u>	<u>217,157</u>

DEFINITIONS

“academic year(s)”	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 C1 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, 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 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 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 C3 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, chief executive officer and one of the Controlling Shareholders of the Company
“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 29, 2024
“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)
“Share(s)”	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 26, 2024

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.