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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1756)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED AUGUST 31, 2024

HIGHLIGHTS

	As at August 31, 2024	As at August 31, 2023	Change	Percentage change
Number of Schools	3	3	–	–
Student enrollment	54,017	52,740	1,277	2.42%
	Year ended August 31, 2024 (RMB'000)	Year ended August 31, 2023 (RMB'000)	Change (RMB'000)	Percentage change
Revenue	1,268,533	1,083,304	185,229	17.10%
Gross profit	666,319	624,604	41,715	6.68%
Profit for the period	451,090	393,047	58,043	14.77%
Adjusted net profit ⁽¹⁾	443,799	405,132	38,667	9.54%
Earnings per share (RMB)	0.376	0.328	0.048	14.63%
Gross profit ratio	52.5%	57.7%	(5.2)	
Operating profit ratio	45.2%	45.8%	(0.6)	
Net Profit ratio	35.6%	36.3%	(0.7)	
Adjusted Net Profit ratio ⁽²⁾	35.0%	37.4%	(2.4)	

Notes:

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue mainly represented income derived from tuition fees and boarding fees for the education services provided in the ordinary course at its PRC operating schools. For the year ended August 31, 2024, the Group's revenue was approximately RMB1,268.5 million, representing an increase of approximately 17.1% year-on-year from approximately RMB1,083.3 million for the corresponding period of last year, which was attributable to the increases in both the number of student enrollment and average tuition fees during the year ended August 31, 2024 (“**Reporting Period**”).

Cost of Sales

Cost of sales represented primarily staff costs, depreciation and amortization, property management and maintenance fees, school consumables, utilities expenses and others. For the year ended August 31, 2024, the Group's cost of sales amounted to approximately RMB602.2 million, increased by approximately 31.3% year-on-year from approximately RMB458.7 million for the year ended August 31, 2023.

Gross Profit and Gross Profit Margin

For the year ended August 31, 2024, the Group recorded a gross profit of approximately RMB666.3 million, representing an increase of approximately 6.7% year-on-year from approximately RMB624.6 million for the year ended August 31, 2023. For the year ended August 31, 2024, the Group achieved a gross profit margin of 52.5%, representing a decrease of 5.2% 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 increase in the number of student enrollment and average tuition fees for the year ended August 31, 2024.

Selling Expenses

Selling expenses, primarily consisted of marketing staff costs, promotion expenses and other expenses, increased by approximately 69.0% from approximately RMB17.3 million for the year ended August 31, 2023 to approximately RMB29.2 million for the year ended August 31, 2024, which was mainly due to the increases in marketing staff costs and promotion expenses for the 2023/2024 academic year.

Administrative Expenses

Administrative expenses primarily consisted 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, auditors' remuneration and other miscellaneous expenses. Administrative expenses decreased by approximately 6.5%, from RMB149.0 million for the year ended August 31, 2023 to approximately RMB139.3 million for the year ended August 31, 2024.

Other Income

Other income primarily consisted of rental income, site use and relevant service income, catering income, service income of school-enterprise cooperation projects, government subsidies and others. For the year ended August 31, 2024, the Group recorded other income of approximately RMB51.5 million, represented an increase of approximately 37.5% year-on-year from approximately RMB37.4 million for the year ended August 31, 2023.

Other Gains

Other gains primarily consisted of net exchange losses, losses on disposals of property, plant and equipment and intangible assets, fair value gains on investment properties and others. For the year ended August 31, 2024, the Group's other gains amounted to approximately RMB24.4 million, representing an increase of approximately RMB24.1 million year-on-year compared with approximately RMB0.3 million gains for the year ended August 31, 2023.

Finance Expenses – Net

The Group's finance expenses – net included 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 year ended August 31, 2024, the Group recorded finance expenses of approximately RMB89.8 million, representing a decrease of approximately 13.2% year-on-year as compared with approximately RMB103.5 million for the year ended August 31, 2023, which was mainly attributable to the decrease in interest expense on bank and other borrowings during the year ended August 31, 2024. For the year ended August 31, 2024, the Group recorded finance income of approximately RMB3.8 million, representing a decrease of approximately 34.0% year-on-year as compared with approximately RMB5.7 million for the year ended August 31, 2023.

Profit Before Taxation

For the year ended August 31, 2024, the Group recorded a profit before taxation of approximately RMB487.6 million, representing an increase of approximately 22.4% year-on-year from approximately RMB398.2 million for the year ended August 31, 2023.

Taxation

For the year ended August 31, 2024, the Group recorded approximately RMB36.5 million in taxation, representing an increase of approximately 605.5% year-on-year from approximately RMB5.2 million for the year ended August 31, 2023.

Adjusted Net Profit

Adjusted net profit under non-HKFRSs financial measures was defined as profit for the year attributable to owners of the Company excluding interest expenses on discount of other borrowings and interest payable due to a related party, net exchange losses, 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 years. Furthermore, the Group's management also uses the non-HKFRSs financial measures to assess the Group's operating performance and formulate business plans. The Group believes that the non-HKFRSs financial measures provide useful information to the investors about its core business operations, which they can use to evaluate the Group's operating results and understand its consolidated results of operations in the same manner as the management.

Adjusted net profit was calculated by adjusted profit for the Reporting Period of approximately RMB451.1 million (year ended August 31, 2023: approximately RMB393.0 million), fair value gains on investment properties of approximately RMB28.7 million (year ended August 31, 2023: approximately RMB0.1 million), interest expenses on discount of other borrowings and interest payable due to a related party of approximately RMB17.4 million (year ended August 31, 2023: RMB9.2 million), net exchange losses of approximately RMB3.6 million (year ended August 31, 2023: RMB0.1 million), and interest expenses on discount of compensation payable for the Conversion of Huali College of approximately RMB0.4 million (year ended August 31, 2023: RMB2.8 million), The Group's adjusted net profit increased by approximately 9.5% from approximately RMB405.1 million for the year ended August 31, 2023 to approximately RMB443.8 million for the year ended August 31, 2024.

Property, Plant and Equipment

As at August 31, 2024, the Group's property, plant and equipment amounted to approximately RMB4,909.9 million, representing an increase of approximately 5.8% year-on-year from approximately RMB4,639.9 million recorded as at August 31, 2023. Such increase was the result of the establishment of new campus in Jiangmen, Guangdong Province, including the construction of Jiangmen campus of Huali College and the construction of Jiangmen campus of Huali Technician College.

Capital Expenditures

For the year ended August 31, 2024, the Group recorded approximately RMB523.4 million in capital expenditures, representing a decrease of approximately 8.2% from approximately RMB570.1 million for the year ended August 31, 2023, which was mainly due to the decrease in the expenditure for constructing new campus buildings for the year ended August 31, 2024 as compared with the corresponding period of last year.

Bank Balances and Cash

As at August 31, 2024, the Group had bank balances and cash of approximately RMB841.4 million, representing a decrease of approximately 14.8% from approximately RMB987.9 million as at August 31, 2023.

Liquidity, Financial Resources and Debt Ratio

As at August 31, 2024, the Group had liquid funds (representing bank balances and cash and financial assets at amortized cost) of approximately RMB841.4 million (August 31, 2023: RMB987.9 million) and borrowings of approximately RMB2,235.0 million (August 31, 2023: RMB2,445.8 million). The Group's debt ratio as at August 31, 2024, represented by borrowings as a percentage of total assets, was 29.8% (August 31, 2023: 33.6%).

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 has been monitoring foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

Material Acquisitions and Disposals

The Group did not have any material acquisitions or disposals for the year ended August 31, 2024.

Charge on the Group's Assets

As at August 31, 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 August 31, 2024.

Contingent Liabilities

As at August 31, 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 August 31, 2024, we had an aggregate of 54,017 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): a 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, Jiangmen campus and Yunfu campus): a private technician school primarily offering three-year, full-time vocational programs⁽²⁾ granting technician diplomas of Huali Technician College accredited by the Department of Human Resources and Social Security of Guangdong Province and short-term intensive vocational programs.

Notes:

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

Student Enrollment

As at August 31, 2024, we had an aggregate of 54,017 students⁽¹⁾ enrolled in our three schools, comprising 25,162 students at Huali College, 21,441 students at Huali Vocational College and 7,414 students at Huali Technician College.

School	As at August 31, 2024	As at August 31, 2023	Change	Percentage Change
Huali College	25,162	21,567	3,595	16.67%
Zengcheng campus	21,100	20,482	618	3.02%
Jiangmen campus	4,062	1,085	2,977	274.38%
Huali Vocational College	21,441	20,532	909	4.43%
Zengcheng campus	13,312⁽²⁾⁽³⁾	12,332 ⁽⁴⁾⁽⁵⁾	980	7.95%
Yunfu campus	8,129	8,200	(71)	(0.87)%
Huali Technician College	7,414	10,641	(3,227)	(30.33)%
Zengcheng campus	6,638	9,155	(2,517)	(27.49)%
Yunfu campus	637	1,486	(849)	(57.13)%
Jiangmen Campus	139	–	139	–
Total	<u>54,017</u>	<u>52,740</u>	1,277	2.42%

Notes:

- (1) Including 273 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 1,486 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 on-line and obtain a junior college diploma awarded by Huali Vocational College upon graduation (the “**Enrollment Expansion Program**”).
- (3) Including 273 students of Huali Technician College who also participate in the Continuing Education Program.
- (4) Including 347 students of Huali Technician College who also participate in the Continuing Education Program.
- (5) Including 1,791 students who participate in the Enrollment Expansion Program.

Tuition Fees and Boarding Fees

For the year ended August 31, 2024, the Group's schools recorded revenue growth, which was in line with the expansion of its business and student enrollment. Revenue increased from RMB1,083.3 million for the year ended August 31, 2023 to RMB1,268.5 million for the year ended August 31, 2024. The Group typically charges students fees comprising tuition fees and boarding fees. Tuition fees remained as the Group's major revenue for the year ended August 31, 2024, accounting for approximately 91.8% of the total revenue of the Group for the year ended August 31, 2024.

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

	As at August 31, 2024 (RMB'000)	As at August 31, 2023 (RMB'000)	Change (RMB'000)	Percentage change
Tuition fees				
Huali College	768,501	623,464	145,037	23.3%
Huali Vocational College	318,076	275,667	42,409	15.4%
Huali Technician College	78,227	108,752	(30,525)	(28.1)%
	<u>1,164,804</u>	<u>1,007,883</u>	156,921	15.6%
Boarding fees				
Huali College	33,717	42,105	(8,388)	(19.9)%
Huali Vocational College	9,636	21,962	(12,326)	(56.1)%
Huali Technician College	542	11,354	(10,812)	(95.2)%
Huali Investment				
– Huali College	32,036	–	32,036	–
– Huali Vocational College	20,831	–	20,831	–
– Huali Technician College	6,967	–	6,967	–
	<u>103,729</u>	<u>75,421</u>	28,308	37.5%
Total Revenue	<u>1,268,533</u>	<u>1,083,304</u>	185,229	17.1%

The increase in the total revenue of the Group for the year ended August 31, 2024 was mainly due to the increase in student enrollment and average tuition fees.

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

School	Student Enrollment		Average Tuition Fees	
	Academic Year ⁽¹⁾		per student ⁽²⁾	
	2023/2024	2022/2023	Year Ended August 31 2024 (RMB)	2023 (RMB)
Huali College	25,162	21,567	30,542	28,908
Zengcheng campus	21,100	20,482	–	–
Jiangmen campus	4,062	1,085	–	–
Huali Vocational College	21,441	20,532	14,835	13,426
Zengcheng campus	13,312	12,332	–	–
Yunfu campus	8,129	8,200	–	–
Huali Technician College	7,414	10,641	10,551	10,220
Zengcheng campus	6,638	9,155	–	–
Yunfu campus	637	1,486	–	–
Jiangmen Campus	139	–	–	–
Total	<u>54,017</u>	<u>52,740</u>	<u>21,564</u>	<u>19,110</u>

Notes:

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

The following table sets out the tuition fee rates of our schools for the 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⁾	11,500-19,500	6,800-15,300
– Zengcheng campus	14,500-19,500	10,000-15,300
– Yunfu campus	–	6,800-8,100
– Jiangmen campus	11,500-13,500	–

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 year ended August 31, 2024, our boarding fee rates ranged from RMB600 to RMB14,000 per academic year depending on the location, room size and number of students housed in each room.

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 is calculated by the number of beds available in student dormitories. The following table sets out the school utilization rate 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	78.3%	83.6%

Awards and Recognitions Received During the Reporting Period

The Company and the three schools received numerous awards and recognitions during the year 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 Unit 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

	Award/ Recognition	Awarding Organization(s)	Awarded Entity
November 2023	Best Innovation and Practice University for High Quality Employment in 2023 (2023年高品質就業最佳創新與實踐高校)	Jiuyeqiao.cn (就業橋)	Huali College
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 (廣東省新一代資訊產業技能人才培养產教融合聯盟「副理事長單位」)	Guangdong New Generation Information Industry Skilled Talent Training Industry-Education Integration Alliance (廣東省新一代資訊產業技能人才培养產教融合聯盟)	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 Unit 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 (中國教育網路電視臺·中國教育之窗)	Huali Technician College

	Award/ Recognition	Awarding Organization(s)	Awarded Entity
January 2024	Executive Vice President Unit of the Third Council of Guangzhou Zengcheng District Innovation and Entrepreneurship Association (廣州市增城區創新創業協會第三屆理事會常務副會長單位)	Guangzhou Zengcheng District Innovation and Entrepreneurship Association (廣州市增城區創新創業協會)	Huali 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 (鄉村振興賦能計畫-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
March 2024	Guangzhou Intangible Cultural Heritage Inheritance Base (廣州市非物質文化遺產傳承基地)	Guangzhou Municipal Bureau of Culture, Radio, Television and Tourism (廣州市文化廣電旅遊局)	Huali Vocational College
April 2024	Governing Unit of the Fourth Council of Guangdong Private Education Association (廣東省民辦教育協會第四屆理事會理事單位)	Guangdong Private Education Association (廣東省民辦教育協會)	Huali Vocational College
April 2024	Executive Director Unit of Industry-Education Integration Community of Creative Design Industry (創意設計行業產教融合共同體常務理事單位)	Standing Secretariat of the Industry-Education Integration Community of Creative Design Industry (創意設計行業產教融合共同體常秘書處)	Huali Vocational College

	Award/ Recognition	Awarding Organization(s)	Awarded Entity
June 2024	Advanced Unit of the 24th “Contemporary Cup” National Preschool Teachers’ Vocational Skills Competition (第二十四屆「當代杯」全國幼兒教師職業技能大賽先進單位)	Book and Newspaper Centre of Renmin University of China, Early Childhood Education Guide Magazine, Contemporary Preschool Network, Organising Committee of “Contemporary Cup” National Preschool Teachers’ Vocational Skills Competition (中國人民大學書報資料中心《幼稚教育導讀》雜誌社、當代學前教育網、當代杯全國幼兒教師職業技能大賽組委會)	Huali Technician College
June 2024	Outstanding Organisation Award of the 8th Guangdong Universities and Colleges Art Design Hand Drawing Skills Competition in 2024 (2024(第八屆)廣東大專院校藝術設計手繪技能大賽優秀組織獎)	the Organising Committee of Guangdong Universities and Colleges Art Design Hand Drawing Skills Competition, Guangdong Provincial Industry Trade Union Committee, Guangdong Creative Design Industry Research Association (廣東大專院校藝術設計手繪技能大賽組委會、廣東省工業工會委員會、廣東省創意設計產業研究會)	Huali Technician College
July 2024	Governing Unit of the Seventh Council of Guangdong Society of Higher Education (廣東省高等教育學會第七屆理事會理事單位)	Guangdong Society of Higher Education (廣東省高等教育學會)	Huali Vocational College

OUTLOOK

President Xi Jinping emphasized in the group study session of the Political Bureau of the Communist Party of China (CPC) Central Committee that “to develop a leading country in education, higher education is the key. Priority must be given to the building of world-class universities and superior disciplines, and the development of basic, emerging and interdisciplinary subjects must be strengthened.” With a number of policies to continuously support the development of 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 expanding our school capacity, improving our high-quality teaching services, and strengthening our brand effect to better enhance the profitability of our business. In the future, we will actively expand our 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.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

RECENT DEVELOPMENTS OF REGULATORY FRAMEWORK

Classification Registration

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

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

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

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

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

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

The Implementation Rules

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

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

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

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

SIGNIFICANT EVENTS AFTER REPORTING PERIOD

Pursuant to two borrowing agreements entered into between the Group and banks in November 2024, the Group newly acquired a long-term bank facility of approximately RMB332,000,000 for its capital expenditure and a long-term bank facility of RMB200,000,000 for its working capital.

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 August 31, 2024, the Group had 3,519 employees (as at August 31, 2023: 2,447). 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.

FINAL DIVIDEND

The Board has resolved not to declare any final dividend for the year ended August 31, 2024 (year ended August 31, 2023: nil).

ANNUAL GENERAL MEETING

The forthcoming AGM will be held on January 17, 2025. Notice convening the forthcoming AGM will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cveduholdings.com) in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, January 14, 2025 to Friday, January 17, 2025, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the forthcoming AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, January 13, 2025.

PRE-EMPTIVE RIGHTS

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

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles of the code provisions set out in the CG Code. During the Reporting Period and up to the date of this announcement, the Company had complied with all the code provisions set out in the CG Code, except for the deviation from the code provision C.2.1 of the CG Code, which is explained in the relevant paragraph of this Corporate Governance announcement.

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 year ended August 31, 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 year ended August 31, 2024.

Audit Committee and Review of 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 annual results of the Group for the year ended August 31, 2024, including the accounting principles and practices adopted by the Group, and has discussed the internal control and financial reporting process with the management of the Group and the external auditor.

SCOPE OF WORK ON THE ANNUAL RESULTS ANNOUNCEMENT BY AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended August 31, 2024 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cveduholdings.com). The annual report of the Company for the year ended August 31, 2024 will be made available on the same websites in due course.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED AUGUST 31, 2024**

(All amounts expressed in RMB unless otherwise stated)

	<i>Note</i>	Year ended August 31,	
		2024	2023
		RMB'000	RMB'000
Revenue	3	1,268,533	1,083,304
Cost of sales	6	(602,214)	(458,700)
Gross profit		666,319	624,604
Selling expenses	6	(29,212)	(17,287)
Administrative expenses	6	(139,332)	(148,995)
Other income – net	4	51,464	37,427
Other gains – net	5	24,411	267
Operating profit		573,650	496,016
Finance income		3,764	5,701
Finance expenses		(89,816)	(103,495)
Finance expenses – net	7	(86,052)	(97,794)
Profit before income tax		487,598	398,222
Income tax expenses	8	(36,508)	(5,175)
Profit for the year		451,090	393,047
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		6,045	–
Other comprehensive income for the year, net of tax		6,045	–
Total comprehensive income for the year		457,135	393,047
Total comprehensive income attributable to:			
– Owners of the Company		457,135	393,047
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
Basic and diluted	9	0.376	0.328

The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET
AS AT AUGUST 31, 2024

(All amounts expressed in RMB unless otherwise stated)

	<i>Note</i>	As at August 31,	
		2024	2023
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Right-of-use assets		1,369,868	1,353,545
Property, plant and equipment		4,909,887	4,639,893
Investment properties		223,800	183,670
Intangible assets		10,984	13,475
Deferred income tax assets		12	140
Prepayments		91,467	60,012
		<u>6,606,018</u>	<u>6,250,735</u>
Current assets			
Prepayments		4,693	6,598
Trade and other receivables	<i>11</i>	31,765	18,956
Amounts due from related parties		16,931	10,428
Restricted cash		498	2,423
Cash and cash equivalents		840,875	985,499
		<u>894,762</u>	<u>1,023,904</u>
Total assets		<u>7,500,780</u>	<u>7,274,639</u>
EQUITY			
Share capital and share premium		603,188	603,188
Statutory surplus reserves		140,765	134,256
Other reserves		416,362	415,605
Retained earnings		2,657,739	2,213,158
Total equity		<u>3,818,054</u>	<u>3,366,207</u>

		As at August 31,	
	<i>Note</i>	2024	2023
		<i>RMB'000</i>	<i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Borrowings		1,944,161	2,053,735
Lease liabilities		3,195	2,942
Accruals and other payables	<i>12</i>	29,821	46,374
Amounts due to related parties	<i>12</i>	–	35,627
Deferred income tax liabilities		58,433	49,032
		<u>2,035,610</u>	<u>2,187,710</u>
Current liabilities			
Accruals and other payables	<i>12</i>	336,017	421,552
Amounts due to related parties	<i>12</i>	20,277	28,082
Contract liabilities		981,505	858,828
Current income tax liabilities		17,656	19,656
Borrowings		290,850	392,043
Lease liabilities		532	278
Deferred revenue		279	283
		<u>1,647,116</u>	<u>1,720,722</u>
Total liabilities		<u>3,682,726</u>	<u>3,908,432</u>
Total equity and liabilities		<u>7,500,780</u>	<u>7,274,639</u>

NOTES

1 GENERAL INFORMATION

China Vocational Education Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on May 24, 2016 as an exempted company with limited liability under the Companies Act (as revised) of the Cayman Islands. The address of the Company’s registered office is P.O. Box 309, Uglund 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 (“**HL-Diamond**”). 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 Board of the Company (the “**controlling shareholder**”).

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

These consolidated financial statements have been approved for issue by the Board of Directors on November 25, 2024.

2 BASIS OF PREPARATION

(i) Going concern assumption

As at August 31, 2024, the Group’s current liabilities exceeded its current assets by RMB752,354,000. The Group’s total borrowings as at August 31, 2024 amounted to RMB2,235,011,000 which included RMB290,850,000 that was repayable within the coming twelve months (included in current liabilities). The Group also had significant capital commitment in relation to construction of property, plant and equipment out of which RMB186,700,000 was expected to be incurred within the coming twelve months.

In view of such circumstances, the Directors of the Company have given careful consideration of the future liquidity and operating performance of the Group and its available source of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. The Directors have reviewed a cash flow projection of the Group prepared by management covering a period of not less than twelve months from August 31, 2024 taking into account of (1) the Group’s unutilised long-term bank facilities of approximately RMB85,613,000 for its capital expenditure as at August 31, 2024; and (2) in November 2024 the Group obtained long-term bank facility of approximately RMB332,000,000 for its capital expenditure and long-term bank facility of RMB200,000,000 for its working capital respectively.

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.

2 BASIS OF PREPARATION (CONT'D)

(i) Going concern assumption (Cont'd)

The Directors are of the opinion that, taking into account the Group's available internal financial resources, the Group's expected net cash inflows from its operating activities and the availability of the Group's bank facilities, the Group will have sufficient financial resources to fulfil its financial obligations as and when they fall due in the coming twelve months from August 31, 2024. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

(ii) Compliance with HKFRSs and HKCO

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

(iii) Historical cost convention

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

(iv) New and amended standards adopted by the Group

(a) New and amended standards adopted by the Group:

The Group has applied the following new and amended standards for its annual reporting period commencing September 1, 2023:

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

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.

2 BASIS OF PREPARATION (CONT'D)

(iv) New and amended standards adopted by the Group (Cont'd)

- (b) Certain new accounting standards and interpretation have been published that are not mandatory for August 31, 2024 reporting period and have not been early adopted by the Group. These amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for accounting periods beginning on or after
Amendment to HKAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants	January 1, 2024
Amendment to HKAS 16	Lease Liability in a Sale and Leaseback	January 1, 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements (amendments)	January 1, 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	January 1, 2024
Amendments to HKAS 21 and HKFRS 1	Lack of Exchangeability	January 1, 2025
HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments (amendments)	January 1, 2026
HKFRS 18	Presentation and Disclosure in Financial Statements (new standard)	January 1, 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures (new standard)	January 1, 2027
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

3 SEGMENT INFORMATION

The Group is principally engaged in provision of private tertiary education and ancillary services in the PRC. The Group's chief operating decision-maker ("CODM") has been identified as the executive directors who 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 year of the Group as presented in the consolidated statements of comprehensive income. No analysis of the Group's assets and liabilities is regularly provided to the management of the Group for review.

As at August 31, 2024, approximately 99% of the carrying values of the Group's assets were situated in the PRC mainland. All of the Group's revenue are derived from activities in, and from customers located in the PRC mainland and no geographical segment analysis is prepared.

Revenue during the years ended August 31, 2024 and 2023 are as follows:

	Year ended August 31,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Recognized over time		
– Tuition fees	1,164,804	1,007,883
– Boarding fees	<u>103,729</u>	<u>75,421</u>
	<u>1,268,533</u>	<u>1,083,304</u>

Tuition fees and boarding fees are recognized proportionately over each academic year. No customers individually accounted for more than 10% of the Group's revenue during the years ended August 31, 2024 and 2023.

4 OTHER INCOME – NET

	Year ended August 31,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Rental income	24,524	10,838
Site use and relevant service income – net	15,646	20,083
Catering income – net	5,856	–
Service income of school-enterprise cooperation projects	3,243	3,566
Government subsidies	953	2,107
Others	1,242	833
	<u>51,464</u>	<u>37,427</u>

5 OTHER GAINS – NET

	Year ended August 31,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Net exchange losses	(3,617)	(145)
Losses on disposals of property, plant and equipment and intangible assets	(683)	(426)
Fair value gains on investment properties	28,674	100
Others	37	738
	<u>24,411</u>	<u>267</u>

6 EXPENSES BY NATURE

	Year ended August 31,	
	2024	2023
	RMB'000	RMB'000
Employee benefit expenses	364,457	254,525
Depreciation of property, plant and equipment	170,413	140,432
Depreciation of right-of-use assets	43,637	38,775
Property management fees	31,565	30,423
School consumables	27,044	24,015
Utilities expenses	19,277	18,764
Office expenses	15,714	12,787
Marketing expenses	15,321	11,434
Joint tuition support fees (<i>Note a</i>)	14,386	36,277
Travel and entertainment expenses	12,174	9,952
Training expenses	9,148	5,903
Maintenance fees	6,884	2,388
Other taxes	6,421	6,578
Amortization of intangible assets	6,305	6,451
Consultancy and professional service fees	3,674	1,951
Auditors' remuneration		
– Audit services	2,606	2,698
Allowance granted to poverty students	2,245	2,626
Student activities expenses	1,260	1,750
Insurance expenses	1,181	1,043
Rental expenses	474	236
Other expenses	16,572	15,974
Total cost of sales, selling expenses and administrative expenses	770,758	624,982

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

7 FINANCE EXPENSES – NET

	Year ended August 31,	
	2024	2023
	RMB'000	RMB'000
Finance income:		
– Bank interest income	3,764	5,701
Finance expenses:		
– Interest expenses on bank borrowings	(80,524)	(93,679)
– Interest expenses on other borrowings due to a related party	–	(9,178)
– Interest expenses on other borrowings due to the controlling shareholder of the Company	(1,752)	–
– Imputed interest expenses on discount of long-term other borrowings and long-term interest payables due to a related party	(17,350)	(9,200)
– Imputed interest expenses on discount of long-term payables for property, plant and equipment	(2,359)	(2,960)
– Net exchange gains/(losses) on bank borrowings	778	(4,925)
Less: Interest expenses capitalized in property, plant and equipment (<i>Note a</i>)	11,967	19,294
– Imputed interest expenses on discount of compensation payable for the Conversion of Huali College	(416)	(2,840)
– Interest expense for lease liabilities	(160)	(7)
	<u>(89,816)</u>	<u>(103,495)</u>
Net finance expenses	<u>(86,052)</u>	<u>(97,794)</u>

- (a) The capitalization rate used to determine the amount of borrowing costs to be capitalized is the interest rate applicable to the entity's borrowings for construction during the year. The capitalization rates were 4.20% and 4.53% for the years ended August 31, 2024 and 2023 respectively.

8 INCOME TAX EXPENSES

(a) Cayman Islands profits tax

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

8 INCOME TAX EXPENSES (CONT'D)

(b) Hong Kong profits tax

No provision for Hong Kong profits tax was provided as the Group did not have assessable profits in Hong Kong during the years ended August 31, 2024 and 2023.

(c) PRC corporate income tax (“CIT”)

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

According to the Implementation Rules for the Law for Promoting Private Education (the “**Implementing Rules**”), private schools, whether requiring reasonable returns or not, may enjoy preferential tax treatment. The Implementing Rules provide that the private schools for which the sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools, and relevant authorities under the State Council may introduce preferential tax treatments and related policies applicable to private schools requiring reasonable returns. Despite the fact that no separate policies, regulations or rules have been introduced by the authorities during the years ended August 31, 2024 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 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 enjoys the preferential income tax rate of 15% based on the relevant tax preferential policy granted to Ruyuan Yao Autonomous County. The applicable tax rate for Guangdong Huali Technology Company Limited and Guangdong Huashi Education Support Service Company Limited is 12% as they enjoy both preferential income tax treatment for Small and Micro Enterprise and preferential policy granted to Ruyuan Yao Autonomous County at the same time.

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.

8 INCOME TAX EXPENSES (CONT'D)

(c) PRC corporate income tax ("CIT") (Cont'd)

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

	Year ended August 31,	
	2024	2023
	RMB'000	RMB'000
Current tax on profits for the year	27,493	3,453
Current withholding tax	1,500	–
Deferred income tax	7,485	258
Deferred withholding tax	30	1,464
	<u>36,508</u>	<u>5,175</u>

9 EARNINGS PER SHARE

(a) Basic

The basic earnings per share were calculated on the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended August 31, 2024 and 2023 respectively.

	Year ended August 31,	
	2024	2023
Profit attributable to owners of the Company (RMB'000)	451,090	393,047
Weighted average number of ordinary shares in issue (thousand shares)	<u>1,200,000</u>	<u>1,200,000</u>
Basic earnings per share (expressed in RMB)	<u>0.376</u>	<u>0.328</u>

(b) Diluted

Diluted earnings per share presented were the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued during the years ended August 31, 2024 and 2023.

10 DIVIDENDS

No dividend had been paid or declared by the Group for the years ended August 31, 2024 and 2023 nor has any dividend been proposed subsequent to August 31, 2024.

11 TRADE AND OTHER RECEIVABLES

	As at August 31,	
	2024	2023
	RMB'000	RMB'000
Trade receivables		
– Tuition fees receivables from students	4,747	8,178
– Boarding fees receivables from students	91	65
	<u>4,838</u>	<u>8,243</u>
Other receivables		
– Catering fees receivable from staff	6,997	–
– Tuition fees receivables from financial institution	6,341	407
– Utilities receivables from campus logistics service providers	5,378	4,828
– Receivables for rental income	3,087	3,227
– Others	5,124	2,251
	<u>26,927</u>	<u>10,713</u>
	<u>31,765</u>	<u>18,956</u>

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

	As at August 31,	
	2024	2023
	RMB'000	RMB'000
Less than 1 year	4,629	6,515
1 to 2 years	181	1,689
2 to 3 years	28	39
	<u>4,838</u>	<u>8,243</u>

As at August 31, 2024 and 2023, trade and other receivables of the Group were denominated in RMB.

As at August 31, 2024 and 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 currently does not hold any other collateral as security.

Management has closely monitored the credit qualities and the collectability of these receivables and considers that the expected credit risks of them are minimal in view of the history of cooperation with them and forward looking information. The loss allowance provision for these balances was not material and no provision was recorded during the years ended August 31, 2024 and 2023.

As at August 31, 2024 and 2023, the fair values of trade and other receivables approximated their carrying amounts.

12 ACCRUALS AND OTHER PAYABLES AND AMOUNTS DUE TO RELATED PARTIES

	As at August 31,	
	2024	2023
	RMB'000	RMB'000
Payable for construction and purchase of non-current assets	205,797	251,746
Government subsidies payable to students	52,276	47,336
Employee benefits payables	33,631	16,699
Miscellaneous fee received from students (<i>Note (b)</i>)	15,624	20,362
Payable for joint tuition support fees (<i>Note (a)</i>)	14,386	36,277
Interest payable	9,641	5,860
Payable for property management service	6,317	17,227
Payables for canteen suppliers	6,081	4,729
Payables for utilities expenses	5,728	3,384
Other taxes payable	5,121	3,715
Auditor's remuneration payable	1,242	1,709
Compensation payable for the Conversion of Huali College	–	52,914
Others	9,994	5,968
	<u>365,838</u>	<u>467,926</u>
Less: non-current portion		
Payable for construction of non-current assets	<u>(29,821)</u>	<u>(46,374)</u>
Current portion	<u>336,017</u>	<u>421,552</u>
	As at August 31,	
	2024	2023
	RMB'000	RMB'000
Amounts due to related parties		
– Current	20,277	28,082
– Non-current	–	35,627
	<u>20,277</u>	<u>63,709</u>

- (a) As at August 31, 2024 and 2023, the aging of the payable for joint tuition support fees was within one year.
- (b) The amounts represented the miscellaneous fee received from students which would be paid out by the Group on behalf of students.
- (c) As at August 31, 2024 and 2023, the fair values of current accruals and other payables and current amounts due to related parties approximated their carrying amounts due to their short-term maturities.
- (d) As at August 31, 2024 and 2023, the non-current accruals and other payables and non-current amounts due to related parties were initially recognized at fair value at discount rate available to the Group and subsequently measured at amortized cost using the effective interest rate method.

DEFINITIONS

“academic year”	the academic year for all our school, which generally starts on September 1 of each calendar year and ends on August 31, of the next calendar year
“AGM”	annual general meeting of the Company to be held on January 17, 2025
“Articles of Association”	the articles of association of the Company, as amended from time to time
“Audit Committee”	the audit committee of the Board
“Board”	the board of directors of the Company
“Business Cooperation Agreement”	the Business Cooperation Agreement entered into by and among Huali Shengda, Huali Investment, our PRC Operating Entities and the Registered Shareholder dated March 23, 2017(supplemented on November 27, 2017, August 30, 2018 and December 7, 2021)
“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) (formerly known as Huali University Group Limited (華立大學集團有限公司)), 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
“Director(s)”	the director(s) of the Company
“Equity Pledge Agreement”	The Equity Pledge Agreement entered into by and among the Registered Shareholder, Huali Shengda and Huali Investment dated August 30, 2018
“Exclusive Call Option Agreement”	the Exclusive Call Option Agreement entered into by and among the Registered Shareholder, Huali Investment, the PRC Operating Entities and Huali Shengda dated March 23, 2017 and August 30, 2018
“Exclusive Technical Service and Management Consultancy Agreement”	the Exclusive Technical Service and Management Consultancy Agreement entered into by and among Huali Shengda, Huali Investment and the PRC Operating Entities dated March 23, 2017(supplemented on August 30, 2018)
“Group”, “We”, “us”, or “our”	the Company, its subsidiaries and its consolidated affiliated entities
“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 Construction”	Guangdong Huali Construction Co., Ltd.* (廣東華立建築有限公司), a limited liability company established in the PRC and directly owned by Mr. Zhang and Mr. Zhang Zhifan, the brother of Mr. Zhang, as to 99.97% and 0.03% respectively, and a connected person of the Company
“Huali Education”	Huali Education Holdings Limited, a limited liability company incorporated in BVI and wholly owned by Trust Co
“Huali (HK) Education”	Huali (HK) Education Investment Limited (香港華立教育投資有限公司), a limited liability company incorporated in Hong Kong on May 18, 2016 and an indirect wholly owned subsidiary of the Company
“Huali Investment”	Guangzhou Huali Investment Company Limited (廣州華立投資有限公司), being the School Sponsor of each of the PRC Operating Entities, a company established in the PRC with limited liability on June 15, 1999 and a consolidated entity of the Company
“Huali Property”	Guangdong Huali Property Company Limited (廣東華立地產集團有限公司), a company with limited liability established under the laws of the PRC on July 1, 2008 and held as to 99% by Mr. Zhang and as to 1% by an independent third party, and which is not a member of the Group
“Huali Shengda”	Guangdong Huali Shengda Business Service Limited (廣東華立盛大商務服務有限公司) (formerly known as Xizang Huali Shengda Information Technology Limited (西藏華立盛大信息科技有限公司), an enterprise established under the laws of PRC on January 18, 2017, which is a wholly owned subsidiary of Huali Shengrong
“Huali Shengrong”	Guangzhou Huali Shengrong Education Technology Company Limited (廣州華立盛榮教育科技有限公司), a wholly foreign-owned enterprise with limited liability established under the laws of the PRC on December 27, 2016, which is wholly owned by Huali (HK) Education

“Huali Technician College”	Guangdong Province Huali Technician College (廣東省華立技師學院), a private tertiary vocational school established under the laws of the PRC on August 20, 2003, of which the School Sponsor’s interest is wholly owned by Huali Investment, and a consolidated affiliated entity of the Company
“Huali Vocational College”	Guangzhou Huali Science and Technology Vocational College (廣州華立科技職業學院), a formal higher education institution established under the laws of the PRC on July 19, 2005, of which the school sponsor’s interest is wholly owned by Huali Investment, and a consolidated affiliated entity of the Company
“Hualiyuan Technology”	Guangdong Hualiyuan Technology Company Limited (廣東華立園科技有限公司), a company with limited liability established under the laws of the PRC on January 6, 2004, which is not a member of the Group and is held as to 99% by Mr. Zhang and as to 1% by Huali Property
“Implementation Rules”	the Regulations of the Implementation Rules for the Law for Promoting Private Education of the PRC 《中華人民共和國民辦教育促進法實施條例》 issued by the State Council on April 7, 2021, and effective from September 1, 2021
“Listing 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 and one of our controlling shareholders
“Mu”	the Chinese land area unit, whereby a mu equals to approximately 666.67 square meters

“Nomination Committee”	the nomination committee of the Board
“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
“Registered Shareholder(s)”	Huali Investment is owned as to 99.999% by Mr. Zhang and as to 0.001% by Mr. Zhang Zhifan
“Registered Shareholder’s Right Entrustment Agreement and Registered Shareholder’s Power of Attorney”	the Registered Shareholder’s Right Entrustment Agreement and Registered Shareholder’s Power of Attorney entered into by and among Huali Investment, the Registered Shareholder and Huali Shengda in favor of Huali Shengda dated September 19, 2017 (supplemented on August 30, 2018 and December 7, 2021)
“Remuneration Committee”	the remuneration committee of the Board
“Reporting Period”	the year ended August 31, 2024
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“School Directors”	the directors nominated by Huali Investment to each of our PRC Operating Entities
“School Directors’ Power of Attorney”	the School Directors’ Power of Attorney executed by each of the School Directors in favor of Huali Shengda dated March 23, 2017 (supplemented on August 30, 2018, September 28, 2018, April 23, 2019, July 22, 2019, October 10, 2019, January 17, 2020 and November 18, 2024)
“School Sponsor(s)”	the individual(s) or entity(ies) that funds or holds interests in an educational institution
“School Sponsor’s and Directors’ Rights Entrustment Agreement”	the School Sponsor’s and Directors’ Rights Entrustment Agreement entered into by and among Huali Investment, the School Directors and Huali Shengda dated March 23, 2017(supplemented on August 30, 2018, September 28, 2018, April 23, 2019, July 22, 2019, October 10, 2019, July 20, 2020 and November 18, 2024)

“School Sponsor’s Power of Attorney”	the School Sponsor’s Power of Attorney executed by Huali Investment in favor of Huali Shengda dated March 23, 2017
“SFO”	the securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“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
“Spouse Undertaking”	the Spouse Undertaking executed by the spouse of the Registered Shareholder dated March 23, 2017(supplemented on August 30, 2018 and December 7, 2021)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Structured Contracts”	collectively, the Business Cooperation Agreement, the Exclusive Technical Service and Management Consultancy Agreement, the Exclusive Call Option Agreement, the Equity Pledge Agreement, the School Sponsor’s and Directors’ Rights Entrustment Agreement, the School Sponsor’s Power of Attorney, the School Directors’ Power of Attorney, the Spouse Undertaking, the Registered Shareholder’s Right Entrustment Agreement and the Registered Shareholder’s Power of Attorney
“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, November 25, 2024

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