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CHINA EAST EDUCATION HOLDINGS LIMITED

中國東方教育控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 667)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

HIGHLIGHTS			
	Six months ended 30 June		Change Increase/ (Decrease)
	2022	2021	
Number of new students enrollments and new customers registered	70,445	81,920	(14.0%)
Average number of students enrolled and customers registered	143,566	143,348	0.2%
Revenue (RMB million)	1,879	2,001	(6.1%)
Gross profit (RMB million)	993	1,107	(10.3%)
Net profit (RMB million)	236	233	1.3%
Adjusted net profit (RMB million) ⁽¹⁾	175	301	(41.9%)
Adjusted EBITDA (RMB million) ⁽²⁾	674	782	(13.8%)
			Change Increase/ (Decrease)
	As at	As at	
	30 June 2022	31 December 2021	
Number of schools and centers	239	231	8
Net assets (RMB million)	5,545	5,739	(3.4%)
Total assets (RMB million)	9,355	9,636	(3.0%)

(1) Adjusted net profit was derived from the net profit for the respective periods excluding the effect of (i) non-cash share-based payment expenses and (ii) the net foreign exchange gains/losses. This is not Hong Kong Financial Reporting Standards measure. For details, please refer to the section headed “Management Discussion and Analysis – Financial Review – Adjusted Net Profit and Adjusted EBITDA” in this announcement.

(2) Adjusted EBITDA was derived from the adjusted net profit for the respective periods excluding finance costs, income tax expenses and depreciation expenses. This is not Hong Kong Financial Reporting Standards measure. For details, please refer to the section headed “Management Discussion and Analysis – Financial Review – Adjusted Net Profit and Adjusted EBITDA” in this announcement.

The board (the “**Board**”) of directors (the “**Director(s)**”) of China East Education Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2022 together with the comparative figures for the corresponding period in 2021. Deloitte Touche Tohmatsu, the Company’s auditor, has conducted its review on the unaudited condensed consolidated financial statements for the six months ended 30 June 2022 in accordance with the Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB’000 (unaudited)	2021 RMB’000 (unaudited)
Revenue	3	1,878,529	2,001,446
Cost of revenue		<u>(885,403)</u>	<u>(894,656)</u>
Gross profit		993,126	1,106,790
Other income and expenses	4	52,199	58,113
Other gains and losses	5	61,806	(18,832)
Selling expenses		(442,917)	(464,184)
Administrative expenses		(245,773)	(252,874)
Research and development expenses		(10,085)	(13,396)
Finance costs	6	<u>(82,406)</u>	<u>(80,305)</u>
Profit before tax		325,950	335,312
Income tax expense	7	<u>(89,897)</u>	<u>(102,262)</u>
Profit and total comprehensive income for the period	8	<u><u>236,053</u></u>	<u><u>233,050</u></u>
Earnings per share	10		
– Basic (RMB cents)		<u><u>10.85</u></u>	<u><u>10.60</u></u>
– Diluted (RMB cents)		<u><u>10.74</u></u>	<u><u>10.17</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	<i>Notes</i>	As at 30 June 2022 <i>RMB'000</i> (unaudited)	As at 31 December 2021 <i>RMB'000</i> (audited)
NON-CURRENT ASSETS			
Property and equipment		2,221,703	1,934,515
Right-of-use assets		2,429,144	2,322,911
Deferred tax assets		5,472	5,772
Deposits for acquisition of leasehold lands		–	27,000
Deposits for rental		23,250	23,506
Deposits for utilities and others		6,614	7,963
		<u>4,686,183</u>	<u>4,321,667</u>
CURRENT ASSETS			
Inventories		69,924	65,134
Trade and other receivables	11	329,561	275,300
Financial assets at fair value through profit or loss (“FVTPL”)	12	1,180,435	612,268
Tax recoverable		1,080	5,834
Time deposits		2,074,601	2,143,226
Bank balances and cash		1,013,082	2,212,294
		<u>4,668,683</u>	<u>5,314,056</u>
CURRENT LIABILITIES			
Trade and other payables	13	548,500	676,006
Tax liabilities		69,373	90,994
Lease liabilities		423,211	387,774
Contract liabilities		1,327,056	1,390,853
		<u>2,368,140</u>	<u>2,545,627</u>
NET CURRENT ASSETS		<u>2,300,543</u>	<u>2,768,429</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,986,726</u>	<u>7,090,096</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*As at 30 June 2022*

		As at 30 June 2022 <i>RMB'000</i> (unaudited)	As at 31 December 2021 <i>RMB'000</i> (audited)
	<i>Note</i>		
NON-CURRENT LIABILITIES			
Lease liabilities		1,390,716	1,305,514
Contract liabilities		44,407	40,751
Government grants		6,415	5,101
		<u>1,441,538</u>	<u>1,351,366</u>
NET ASSETS			
		<u>5,545,188</u>	<u>5,738,730</u>
CAPITAL AND RESERVES			
Share capital	<i>14</i>	192	192
Reserves		<u>5,544,996</u>	<u>5,738,538</u>
TOTAL EQUITY			
		<u>5,545,188</u>	<u>5,738,730</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands and registered as an exempted company with limited liability under the Companies Law Chapter 22 of the Cayman Islands on 4 October 2018. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 12 June 2019 (the “**Listing**”). Its ultimate controlling parties are Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing, collectively referred as the “**Controlling Equity Holders**”. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business in the People’s Republic of China (the “**PRC**”) is No. 1009 Xuelin Road, Vocational Education Town, Yaohai District, Hefei City, Anhui Province, the PRC.

The Company is an investment holding company. The principal activities of its subsidiaries are mainly engaged in the operation of vocational education institutions.

The condensed consolidated financial statements are presented in Renminbi (“**RMB**”), which is the functional currency of the Company and its subsidiaries.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRS(s)**”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

The Group is mainly engaged in the provision of vocational education services in the PRC.

Revenue represents service income from tuition fees and service fees less sales related tax, and is recognised over time.

Transaction price allocated to the remaining performance obligation for contracts with customers

The majority of the contracts for provision of vocational education services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

The Group's operating segments are based on information prepared and reported to the chief operating decision makers, the Board, for the purposes of resource allocation and performance assessment. The Group is organised into the following segments:

- (a) New East Culinary Education: providing comprehensive culinary training programs to students who pursue a career in becoming professional chefs;
- (b) Xinhua Internet Technology Education: providing a wide range of information technology-related training to students;
- (c) Wontone Automotive Education: providing hands-on auto repair skill training as well as practical knowledge of automobile commerce;
- (d) Omick Education of Western Cuisine and Pastry: offering a variety of courses, including baking, desserts, western cuisines, bartending and barista training;
- (e) Wisezone Data Technology Education: providing short-term programs to junior college and university students who have already had the basic theoretical knowledge and seek to further develop relevant practical skills;
- (f) Cuisine Academy: providing people with culinary skill training on small-class settings and/or individual classes that are delivered on an one-on-one basis; and
- (g) Other miscellaneous businesses.

These segments are the basis on which the Group reports its segment information.

Segment results represent the profits earned by each segment and excluding certain other income and expenses, other gains and losses, corporate administrative expenses and income tax expense. No analysis of the Group's assets and liabilities is regularly provided to the management of the Group for review. Inter-segment sales are charged at cost plus approach.

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

The following is an analysis of the Group's revenue for the six months ended 30 June 2022 and 2021:

Six months ended 30 June 2022 (unaudited)

	New East	Xinhua	Wontone	Omick Education of Western	Wisezone Data	Cuisine	Other miscellaneous	Elimination	Total
	Culinary Education	Technology Education	Automotive Education	Cuisine and Pastry	Technology Education	Academy	businesses		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue									
External sales	947,245	364,331	324,743	156,360	20,892	29,563	35,395	-	1,878,529
Inter – segment sales	-	-	-	-	-	-	70,000	(70,000)	-
Segment revenue	<u>947,245</u>	<u>364,331</u>	<u>324,743</u>	<u>156,360</u>	<u>20,892</u>	<u>29,563</u>	<u>105,395</u>	<u>(70,000)</u>	<u>1,878,529</u>
Results									
Segment results	<u>269,672</u>	<u>55,880</u>	<u>(3,074)</u>	<u>(33,499)</u>	<u>2,682</u>	<u>7,351</u>	<u>(15,867)</u>	<u>-</u>	<u>283,145</u>
Unallocated									
Other income and expenses									28,720
Other gains and losses									61,806
Corporate administrative expenses									<u>(47,721)</u>
Profit before taxation									325,950
Income tax expense									<u>(89,897)</u>
Profit for the period									<u><u>236,053</u></u>

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2021 (unaudited)

	New East Culinary Education RMB'000 (unaudited)	Xinhua Internet Technology Education RMB'000 (unaudited)	Wontone Automotive Education RMB'000 (unaudited)	Omick Education of Western Cuisine and Pastry RMB'000 (unaudited)	Wisezone Data Technology Education RMB'000 (unaudited)	Cuisine Academy RMB'000 (unaudited)	Other miscellaneous businesses RMB'000 (unaudited)	Elimination RMB'000 (unaudited)	Total RMB'000 (unaudited)
Revenue									
External sales	1,027,918	382,377	279,810	210,887	21,871	42,642	35,941	-	2,001,446
Inter – segment sales	-	-	-	-	-	-	70,000	(70,000)	-
Segment revenue	<u>1,027,918</u>	<u>382,377</u>	<u>279,810</u>	<u>210,887</u>	<u>21,871</u>	<u>42,642</u>	<u>105,941</u>	<u>(70,000)</u>	<u>2,001,446</u>
Results									
Segment results	<u>295,431</u>	<u>87,001</u>	<u>(14,949)</u>	<u>463</u>	<u>(8,441)</u>	<u>15,979</u>	<u>(8,533)</u>	<u>-</u>	<u>366,951</u>
Unallocated									
Other income and expenses									43,271
Other gains and losses									(18,832)
Corporate administrative expenses									<u>(56,078)</u>
Profit before taxation									335,312
Income tax expense									<u>(102,262)</u>
Profit for the period									<u>233,050</u>

Geographical information

The Group primarily operates in the PRC. Substantially all of the non-current assets of the Group are located in the PRC.

Information about major customers

No single customer contributed over 10% of total revenue of the Group during the six months ended 30 June 2022 and 2021.

4. OTHER INCOME AND EXPENSES

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Asset-related government grants	1,361	2,518
Unconditional government grants	22,118	12,324
Interest income from		
– time deposits and bank balances	26,728	28,444
– entrusted loans	–	12,426
Others	1,992	2,401
	<u>52,199</u>	<u>58,113</u>

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
(Losses) gains from changes in fair value of financial assets at FVTPL	(20,634)	20,266
(Losses) gains on disposals of property and equipment	(187)	509
Net foreign exchange gains (losses)	82,627	(39,607)
	<u>61,806</u>	<u>(18,832)</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Interest expenses on lease liabilities	82,406	80,305

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
PRC Enterprise Income Tax		
– current tax	88,653	102,710
– under provision in prior years	944	676
Deferred tax	300	(1,124)
	<u>89,897</u>	<u>102,262</u>

8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Directors' remuneration	1,540	1,694
Other staff costs		
– salaries and other allowances	563,363	573,470
– retirement benefit scheme contributions	73,035	65,064
– equity-settled share-based payments expenses	21,280	27,863
Total staff costs	<u>659,218</u>	<u>668,091</u>
Depreciation of property and equipment	158,457	148,472
Depreciation of right-of-use assets	<u>168,066</u>	<u>149,895</u>

During the six months ended 30 June 2022, the Group recognised total expenses of approximately RMB21,453,000 (six months ended 30 June 2021: approximately RMB28,090,000) in relation to share options granted by the Company.

9. DIVIDENDS

On 25 May 2022, a final dividend of HK\$0.245 per share (approximately equivalent to RMB0.208) in respect of the year ended 31 December 2021 were declared to owners of the Company. The aggregate amount of the final dividend declared and paid in the interim period amounted to approximately HK\$533,000,000 (approximately equivalent to RMB452,653,000).

On 26 May 2021, a final dividend of HK\$0.135 per share (approximately equivalent to RMB0.111) and a special dividend of HK\$0.135 per share (approximately equivalent to RMB0.111) in respect of the year ended 31 December 2020 were declared to owners of the Company. The aggregate amount of the final dividend and special dividend declared and paid in the prior period amounted to approximately HK\$593,000,000 (approximately equivalent to RMB486,997,000).

Subsequent to the end of the current interim period, the Directors have determined that no dividend will be declared in respect of the interim period for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

10. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share		
– attributable to the owners of the Company	236,053	233,050
Number of shares:		
Weighted average number of ordinary shares for the purpose		
of calculating basic earnings per share	2,174,986,145	2,199,466,169
Effect of dilutive potential ordinary shares:		
– share options	22,139,840	92,077,160
Weighted average number of ordinary shares for the purpose		
of calculating diluted earnings per share	2,197,125,985	2,291,543,329

11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2022 <i>RMB'000</i> (unaudited)	As at 31 December 2021 <i>RMB'000</i> (audited)
Trade receivables		
– from government (<i>note i</i>)	15,178	24,949
– from others (<i>note ii</i>)	29,119	24,967
	<u>44,297</u>	<u>49,916</u>
Other receivables		
Prepayments for consumables	25,292	18,404
Prepayments for rental	15,216	23,544
Prepayments for services	25,889	16,780
Prepayments for advertisement	71,897	58,292
Value added tax recoverable	58,974	41,243
Advance to staff	20,041	6,718
Interest receivables from time deposits and bank balances	15,460	14,769
Deposits for development (<i>note iii</i>)	19,992	19,992
Refundable deposit	11,520	11,520
Other receivables	20,983	14,122
	<u>285,264</u>	<u>225,384</u>
	<u>329,561</u>	<u>275,300</u>

Notes:

- i. The amounts represent receivables from the PRC local governments, who purchased vocational education services for students.
- ii. The amounts mainly represent receivables from customers, who purchased ancillary services other than vocational education services.
- iii. The amounts represent the deposits paid to the local government authority for the development of Chengdu Xinhua Future Vocational Skills Training School Co., Ltd. (成都新華未來職業技能培訓學校有限公司). The deposits will be returned based on the progress of the project development.

As at 1 January 2021, trade receivables from contracts with customers amounted to RMB48,601,000.

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the invoice dates:

	As at 30 June 2022 <i>RMB'000</i> (unaudited)	As at 31 December 2021 <i>RMB'000</i> (audited)
Within 3 months	24,217	31,147
Over 3 months but within 12 months	18,507	17,634
Over 1 year	1,573	1,135
	<u>44,297</u>	<u>49,916</u>

In order to minimise credit risk on trade receivables and other receivables, the management of the Group makes individual assessment based on the historical default experience and considers various external sources of actual and forecast economic information, as appropriate.

The expected loss rates are estimated based on historical observed default rates over the expected life of the receivables and are adjusted for forward-looking information that is available without undue cost or effort.

In the opinion of the management of the Group, all of the trade receivable balances at the end of each reporting period which have been past due over 90 days are not considered as in default as these are contributed by the PRC local governments with extremely low credit risks. The management of the Group considered that the impairment loss was insignificant as there has not been a significant change in credit quality and amounts are considered recoverable and no impairment loss on expected credit losses is recognised during the current interim period.

12. FINANCIAL ASSETS AT FVTPL

	As at 30 June 2022 <i>RMB'000</i> (unaudited)	As at 31 December 2021 <i>RMB'000</i> (audited)
Financial assets at FVTPL		
– structured deposits (<i>note i</i>)	856,141	249,966
– unquoted fund investments	324,294	362,302
	<u>1,180,435</u>	<u>612,268</u>

Note:

- i. The structured deposits are short-term investments issued by banks and financial institutions with no predetermined or guaranteed return and are not principal protected. These financial assets are with expected rates of return (not guaranteed), depending on the market price of underlying financial instruments, including listed shares, bonds, debentures and other financial assets.

13. TRADE AND OTHER PAYABLES

	As at 30 June 2022 <i>RMB'000</i> (unaudited)	As at 31 December 2021 <i>RMB'000</i> (audited)
Trade payables	116,924	136,222
Payable for property and equipment	140,617	153,558
Value added tax and other taxes payable	10,825	7,626
Payroll payable	131,547	206,537
Discretionary subsidies received on behalf of students	34,083	40,216
Miscellaneous deposits received from students – within 12 months	78,789	86,790
Other payables	35,715	45,057
	<u>548,500</u>	<u>676,006</u>

The credit period of trade creditors is normally 90 days. The following is an aged analysis of trade payables presented based on the invoice dates:

	As at 30 June 2022 <i>RMB'000</i> (unaudited)	As at 31 December 2021 <i>RMB'000</i> (audited)
Within 90 days	<u>116,924</u>	<u>136,222</u>

14. SHARE CAPITAL

	<i>Notes</i>	Number of shares	Share Capital <i>HK\$</i>	Shown in the condensed consolidated financial statements <i>RMB'000</i>
<i>Ordinary shares of HK\$0.0001 each</i>				
Authorised:				
At 1 January 2021, 30 June 2021, 1 January 2022 and 30 June 2022	<i>i</i>	3,800,000,000	380,000	
Issued:				
At 1 January 2021 (audited)		2,195,103,706	219,510	193
Issue of new shares upon the exercise of share options	<i>ii</i>	6,926,012	693	1
At 30 June 2021 (unaudited)		2,202,029,718	220,203	194
At 1 January 2022 (audited)		2,174,681,802	217,468	192
Issue of new shares upon the exercise of share options	<i>iii</i>	849,500	85	–
At 30 June 2022 (unaudited)		2,175,531,302	217,553	192

Notes:

- i. The Company was incorporated in the Cayman Islands on 4 October 2018 with an authorised share capital of HK\$380,000 divided into 3,800,000,000 shares with a par value of HK\$0.0001 each.
- ii. During the six months ended 30 June 2021, 6,818,102 and 107,910 share options were exercised at subscription prices of HK\$2.25 and HK\$11.25 per share, respectively (approximately equivalent to RMB1.90 and RMB9.36 per share, respectively), resulting in the issue of a total of 6,926,012 ordinary shares of par value of HK\$0.0001 each in the Company. These shares rank pari passu with other shares in issue in all respect.
- iii. During the six months ended 30 June 2022, 849,500 share options were exercised at subscription price of HK\$2.25 per share (approximately equivalent to RMB1.91 per share), resulting in the issue of 849,500 ordinary shares of par value of HK\$0.0001 each in the Company. These shares rank pari passu with other shares in issue in all respect.

15. CAPITAL COMMITMENTS

	As at 30 June 2022 <i>RMB'000</i> (unaudited)	As at 31 December 2021 <i>RMB'000</i> (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property and equipment and leasehold lands	690,461	779,784

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

We have a leading position in vocational training education segment in China. Moreover, we also have a leading position in China in providing vocational training education in three segments, namely, culinary arts, information technology and internet technology, as well as auto services. Headquartered in Hefei, Anhui province, we have established a nationwide school network consisting of 239 schools and centers in operation as of 30 June 2022, spanning almost all of the provinces in mainland China and Hong Kong. We operate our business and establish our schools and centers under seven school brands, namely, New East Culinary Education, Omick Education of Western Cuisine and Pastry, Cuisine Academy, Xinhua Internet Technology Education, Wisezone Data Technology Education, Wontone Automotive Education and On-mind Fashion & Beauty Education.

We focus in providing vocational training education in China in culinary arts, information technology and internet technology, auto services as well as fashion & beauty education. These industry sectors are areas in China where there is significant unmet demand for vocational training education to bridge the supply and demand gap between employers and students. Our primary goal is to provide students with solid knowledge and practical skills in their chosen profession that are tailored to the needs of employers with a view to increasing graduates' employability and their average compensation levels.

OUR BUSINESS SEGMENTS

As at 30 June 2022, we operated 239 vocational education institutions under the following brand names:

Segments and Brands	No. of schools/ centers	Description
CULINARY ARTS		
New East Culinary Education (“ New East ”)	74	New East Culinary Education has been providing comprehensive culinary training programs to students who pursue a career in becoming professional chefs. We teach our students the cooking traditions and practices of diversified Chinese cuisines, including the well-known and widely recognized eight regional cuisines in China, supported by an integration of classic Chinese and Western culinary skills. Each of our schools under New East Culinary Education offers various culinary training programs with different program lengths to meet students' differentiated learning focuses and demands.

Segments and Brands	No. of schools/ centers	Description
Omick Education of Western Cuisine and Pastry (“ Omick ”)	45	Omick Education of Western Cuisine and Pastry offers high-quality western style catering education, which is committed to providing specialized culinary training to students with a focus on western pastry and western food. We offer a variety of courses, including baking, desserts, western cuisines, bartending, and barista training.
Cuisine Academy	20	Cuisine Academy has been providing customized catering experience services to customers who are interested in cooking or who plan to establish their own businesses in the catering industry. Cuisine Academy primarily providing customers with customized catering experience programs.

INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY

Xinhua Internet Technology Education (“ Xinhua Internet ”)	37	Xinhua Internet Technology Education provides information technology and internet technology-related training programs. We provide a wide range of information technology and internet technology-related training to students with different course lengths.
Wisezone Data Technology Education (“ Wisezone ”)	22	Wisezone Data Technology Education primarily provides short-term programs to junior college and university students who have possessed the basic knowledge and seek to further develop relevant practical skills. By cooperating with a number of technology enterprises and higher education institutions, we train professional data technology engineers.

AUTO SERVICES

Wontone Automotive Education (“ Wontone ”)	39	Wontone Automotive Education focuses on providing hands-on auto repair skill training as well as practical training of other auto services, such as automobile commerce.
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FASHION & BEAUTY

On-mind Fashion & Beauty Education (“ On-mind ”)	2	On-mind Fashion & Beauty Education focuses on cultivating high skills fashion and beauty professionals.
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SUMMARY OF OUR OPERATING DATA

The following table sets forth the number of new students enrollments/new customers registered under each school/center brand for the six months ended 30 June 2022 and 2021:

Segments and Brands	New Students Enrollment ⁽¹⁾ / New Customers Registered ⁽²⁾	Six months ended 30 June		Change Increase/ (Decrease)
		2022	2021	
CULINARY ARTS				
New East	Long-term	12,637	15,418	(18.0%)
	– One to less than two years	1,065	1,828	(41.7%)
	– Two to less than three years	4,537	7,825	(42.0%)
	– Three years	7,035	5,765	22.0%
	Short-term	13,895	18,208	(23.7%)
	Subtotal	26,532	33,626	(21.1%)
Omick	One to less than two years	539	480	12.3%
	Short-term	6,529	9,083	(28.1%)
	Subtotal	7,068	9,563	(26.1%)
Cuisine Academy	Short-term	5,174	8,398	(38.4%)
CULINARY ARTS	Subtotal	38,774	51,587	(24.8%)
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY				
Xinhua Internet	Long-term	10,658	11,059	(3.6%)
	– One to less than two years	1,003	815	23.1%
	– Two to less than three years	1,783	3,117	(42.8%)
	– Three years	7,872	7,127	10.5%
	Short-term	1,617	1,497	8.0%
	Subtotal	12,275	12,556	(2.2%)
Wisezone	Short-term	1,721	2,451	(29.8%)
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY	Subtotal	13,996	15,007	(6.7%)

Segments and Brands	New Students Enrollment ⁽¹⁾ / New Customers Registered ⁽²⁾	Six months ended 30 June		Change Increase/ (Decrease)
		2022	2021	
AUTO SERVICES				
Wontone	Long-term	7,417	6,794	9.2%
	– One to less than two years	594	504	17.9%
	– Two to less than three years	692	894	(22.6%)
	– Three years	6,131	5,396	13.6%
	Short-term	9,395	7,856	19.6%
AUTO SERVICES	Subtotal	16,812	14,650	14.8%
FASHION & BEAUTY				
On-mind	Long-term	146	153	(4.6%)
	– One to less than two years	7	–	N/A
	– Two to less than three years	1	–	N/A
	– Three years	138	153	(9.8%)
	Short-term	717	523	37.1%
FASHION & BEAUTY	Subtotal	863	676	27.7%
THE GROUP				
	Long-term	31,397	33,904	(7.4%)
	– One to less than two years	3,208	3,627	(11.6%)
	– Two to less than three years	7,013	11,836	(40.7%)
	– Three years	21,176	18,441	14.8%
	Short-term	39,048	48,016	(18.7%)
THE GROUP	TOTAL	70,445	81,920	(14.0%)

Notes:

- (1) New students enrollment represents the total number of students newly enrolled at our operating schools in a certain period. We use new students enrollment to reflect our ability of student recruitment and the popularity of our programs.
- (2) We commenced operations of Cuisine Academy in 2017. Number of new customers registered represents the total number of new customers attending our customized catering experience programs of Cuisine Academy in a certain period.

The following table sets forth the average number of students enrolled and customers registered under each school/center brand for the six months ended 30 June 2022 and 2021:

Segments and Brands	Average Number of Students Enrolled ⁽¹⁾ / Customers Registered ⁽²⁾	Six months ended 30 June		Change Increase/ (Decrease)
		2022	2021	
CULINARY ARTS				
New East	Long-term	57,270	59,342	(3.5%)
	– One to less than two years	2,573	3,834	(32.9%)
	– Two to less than three years	28,668	34,136	(16.0%)
	– Three years	26,029	21,372	21.8%
	Short-term	4,599	5,813	(20.9%)
	Subtotal	61,869	65,155	(5.0%)
Omick	One to less than two years	1,422	936	51.9%
	Short-term	3,326	5,041	(34.0%)
	Subtotal	4,748	5,977	(20.6%)
Cuisine Academy	Short-term	1,017	1,606	(36.7%)
CULINARY ARTS	Subtotal	67,634	72,738	(7.0%)
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY				
Xinhua Internet	Long-term	41,409	42,582	(2.8%)
	– One to less than two years	1,422	1,419	0.2%
	– Two to less than three years	9,897	15,314	(35.4%)
	– Three years	30,090	25,849	16.4%
	Short-term	621	687	(9.6%)
	Subtotal	42,030	43,269	(2.9%)
Wiszone	Short-term	835	771	8.3%
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY	Subtotal	42,865	44,040	(2.7%)

Segments and Brands	Average Number of Students Enrolled ⁽¹⁾ / Customers Registered ⁽²⁾	Six months ended 30 June		Change Increase/ (Decrease)
		2022	2021	
AUTO SERVICES				
Wontone	Long-term	29,749	23,937	24.3%
	– One to less than two years	1,390	1,296	7.3%
	– Two to less than three years	3,965	5,380	(26.3%)
	– Three years	24,394	17,261	41.3%
	Short-term	2,566	2,227	15.2%
AUTO SERVICES	Subtotal	32,315	26,164	23.5%
FASHION & BEAUTY				
On-mind	Long-term	400	181	121.0%
	– One to less than two years	1	13	(92.3%)
	– Two to less than three years	2	3	(33.3%)
	– Three years	397	165	140.6%
	Short-term	352	225	56.4%
FASHION & BEAUTY	Subtotal	752	406	85.2%
THE GROUP				
	Long-term	130,250	126,978	2.6%
	– One to less than two years	6,808	7,498	(9.2%)
	– Two to less than three years	42,532	54,833	(22.4%)
	– Three years	80,910	64,647	25.2%
	Short-term	13,316	16,370	(18.7%)
THE GROUP	TOTAL	143,566	143,348	0.2%

Notes:

- (1) As our schools provide various vocational training education programs during a period and the course length and the program commencement date varies for our different long-term and short-term programs, we believe that the average number of students enrolled is a measure that is comparable to that of our competitors and therefore can fairly present our ranking and market position in the industry. Our average number of students enrolled for a period is only an approximation of the average number of students enrolled during a certain period, representing the sum of the number of students enrolled at our operating schools at the end of each month divided by the number of months during such period, without taking into account any transfer or withdrawal.
- (2) Our average number of customers registered for a period represents the sum of the number of customers registered at Cuisine Academy at the end of each month divided by the number of months during such period, without taking into account any withdrawal. The courses for one month or shorter are regarded as one-month programs for the calculation.

Tuition/Service Fees

The following table sets forth ranges of our tuition fee and service fee rate under each school/center brand for the six months ended 30 June 2022 and 2021:

Segments and Brands	Program ⁽¹⁾	Tuition/Service fee Six months ended 30 June	
		2022	2021
CULINARY ARTS			
New East	Long-term	7,800-90,000	8,833-97,600
	Short-term ⁽²⁾	400-68,000	280-63,100
Omick	Long-term	46,000-72,000	46,000-72,000
	Short-term ⁽²⁾	800-39,000	800-39,000
Cuisine Academy ⁽³⁾	Customized catering experience program	300-58,200	300-30,880
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY			
Xinhua Internet	Long-term	7,000-39,800	7,600-38,800
	Short-term ⁽²⁾	499-36,000	240-36,800
Wisezone	Short-term ⁽²⁾	999-29,800	999-29,800
AUTO SERVICES			
Wontone	Long-term	6,800-38,800	6,800-38,800
	Short-term ⁽²⁾	800-37,400	800-37,400
FASHION & BEAUTY			
On-mind	Long-term	13,900-27,800	13,800-21,800
	Short-term ⁽²⁾	5,800-21,800	3,600-29,600

Notes:

- (1) We charge tuition fee to students enrolled at our schools. Tuition fee of our long-term programs is typically charged based on the yearly tuition standards of different programs that students enrolled in such period.
- (2) Tuition fee of our short-term programs is typically charged by each program that students enrolled in.
- (3) We typically charge customers service fees by each program that customers registered in Cuisine Academy.

Recommended Employment and Entrepreneurship Rate

We are committed to assisting our students in developing their careers. Our average recommended employment and entrepreneurship rate of our long-term program graduates from New East, Xinhua Internet and Omick reached over 90%, while Wontone reached over 95% for the six months ended 30 June 2022. The following table sets forth the recommended employment and entrepreneurship rate of our long-term program graduates by brands for the six months ended 30 June 2022:

Brands⁽¹⁾	Recommended employment rate⁽²⁾
New East	94.8%
Xinhua Internet	93.9%
Wontone	96.1%
Omick	92.9%

Notes:

- (1) As the schools of other brands had not provided long-term programs of one year or more and there was no graduate of long-term programs of the schools of On-mind during the six months ended 30 June 2022, the recommended employment and entrepreneurship rate of these brands were not included. We also provide graduate placement service or entrepreneurial service to students of our short-term programs. However, students enrolled in our short-term programs generally have different study goals and expectations, such as to enhance a specific skill or to study for interests, as compared to students of our long-term programs who are generally more focused on seeking long-term employment or to setting up their own business.
- (2) We provide graduate placement service and entrepreneurial service to all students of our long-term programs. The recommended employment and entrepreneurship rate represents the total number of students of long-term programs who are hired through our graduate placement service program or who set up their own business through our entrepreneurial service in a certain period, excluding students who are employed through other channels divided by the total number of graduates of long-term programs during such period.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2022, there was a decrease in the number of new students enrollments and new customers registered of approximately 14.0% as compared with that for the six months ended 30 June 2021. Accordingly, the Group recorded a decrease in revenue from RMB2,001 million for the six months ended 30 June 2021, to RMB1,879 million for the six months ended 30 June 2022, representing a decrease of approximately 6.1%.

The following table sets forth a breakdown of our revenue and annualised average tuition/service fee per student/customer by segments and brands for the periods indicated:

	Six months ended 30 June		2021	Annualised Average Tuition/ Service Fee per Student/ Customer ⁽¹⁾ RMB'000	Change Revenue Increase/ (Decrease)	Annualised Average Tuition/ Service Fee per Student/ Customer
	2022	Revenue RMB'000				
CULINARY ARTS						
New East	947,245	30.6	1,027,918	31.6	(7.8%)	(3.0%)
Omick	156,360	65.9	210,887	70.6	(25.9%)	(6.7%)
Cuisine Academy ⁽²⁾	29,563	58.1	42,642	53.1	(30.7%)	9.5%
	<u>1,133,168</u>	<u>33.5</u>	<u>1,281,447</u>	<u>35.2</u>	<u>(11.6%)</u>	<u>(4.9%)</u>
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY						
Xinhua Internet	364,331	17.3	382,377	17.7	(4.7%)	(1.9%)
Wisezone	20,892	50.0	21,871	56.7	(4.5%)	(11.8%)
	<u>385,223</u>	<u>18.0</u>	<u>404,248</u>	<u>18.4</u>	<u>(4.7%)</u>	<u>(2.1%)</u>
AUTO SERVICES						
Wontone	324,743	20.1	279,810	21.4	16.1%	(6.0%)
Other Miscellaneous Businesses ⁽³⁾	35,395	N/A	35,941	N/A	(1.5%)	N/A
Total ⁽⁴⁾	<u>1,878,529</u>	<u>25.8</u>	<u>2,001,446</u>	<u>27.5</u>	<u>(6.1%)</u>	<u>(6.1%)</u>

Notes:

- (1) For illustration purposes only, the annualised average tuition/service fee per student/customer for the six months ended 30 June 2022 and 2021 is calculated on an annualised basis as revenue generated from tuition or service fees for the period divided by the average number of students enrolled and customers registered in the corresponding periods.
- (2) During the six months ended 30 June 2022 and 2021, revenue generated from Cuisine Academy mainly represents service fees we collected from customers who attended our customized catering experience programs.
- (3) Other miscellaneous businesses primarily include the fashion & beauty business and the internet technology solution and staff outsourcing services provided to independent third parties.
- (4) The total revenue and percentages do not include inter-segment sales which are eliminated upon consolidation.

Cost of Revenue

Our cost of revenue consists of teaching staff salaries and benefits, teaching related consumables and other costs, leasing expenses and depreciation of right-of-use assets, campus maintenance and depreciation, utilities and office expenses. The cost of revenue decreased from approximately RMB895 million for the six months ended 30 June 2021 to approximately RMB885 million for the six months ended 30 June 2022, representing a decrease of approximately 1.0%.

The following table sets forth a breakdown of our cost of revenue for the periods indicated:

	Six months ended 30 June			
	2022		2021	
	Cost	% of	Cost	% of
	RMB'000	Total	RMB'000	Total
Teaching staff salaries and benefits	315,294	35.6%	314,997	35.2%
Teaching related consumables and other costs	165,108	18.7%	195,549	21.9%
Leasing expenses and depreciation of right-of-use assets	164,699	18.6%	149,166	16.7%
Campus maintenance and depreciation	163,008	18.4%	161,688	18.0%
Utilities	44,679	5.0%	41,274	4.6%
Office expenses	32,615	3.7%	31,982	3.6%
Total	<u>885,403</u>	<u>100.0%</u>	<u>894,656</u>	<u>100.0%</u>

Gross Profit and Gross Profit Margin

The Group's gross profit was RMB993 million for the six months ended 30 June 2022 as compared to RMB1,107 million for the corresponding period of 2021. The gross profit margin was 52.9% for the six months ended 30 June 2022 as compared to 55.3% for the corresponding period of 2021. The decrease in gross profit margin was mainly due to the decrease in revenue while the cost of revenue remained stable for the six months ended 30 June 2022.

The following table sets forth a breakdown of our gross profit and gross profit margin by major segments and brands for the periods indicated:

	Six months ended 30 June			
	2022		2021	
	Gross profit <i>RMB'000</i>	Gross profit margin ⁽¹⁾ <i>percentage</i>	Gross profit <i>RMB'000</i>	Gross profit margin ⁽¹⁾ <i>percentage</i>
CULINARY ARTS				
New East	546,586	57.7%	594,160	57.8%
Omick	66,158	42.3%	114,996	54.5%
Cuisine Academy	13,433	45.4%	24,430	57.3%
	<u>626,177</u>	<u>55.3%</u>	<u>733,586</u>	<u>57.2%</u>
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY				
Xinhua Internet	194,678	53.4%	224,944	58.8%
Wisezone	11,225	53.7%	8,412	38.5%
	<u>205,903</u>	<u>53.5%</u>	<u>233,356</u>	<u>57.7%</u>
AUTO SERVICES				
Wontone	153,147	47.2%	129,750	46.4%
Other Miscellaneous Businesses ⁽²⁾	7,899	22.3%	10,098	28.1%
Total	<u><u>993,126</u></u>	<u><u>52.9%</u></u>	<u><u>1,106,790</u></u>	<u><u>55.3%</u></u>

Notes:

- (1) The establishment of new schools and centers under a segment/brand has a negative impact on our gross profit margin for the relevant segment/brand. During the initial ramp-up period after a new school or center commences operations, we incur substantial fixed costs for teaching staff salaries and benefits, leasing expenses, and other fixed costs while initial revenue from the new schools and centers are limited due to the relatively small number of student enrollment or customer registration in the ramp-up period of the schools and centers.
- (2) Other miscellaneous businesses primarily include the fashion & beauty business and the internet technology solution and staff outsourcing services provided to independent third parties.

Other Income and Expenses

For the six months ended 30 June 2022, other income and expenses amounted to approximately RMB52 million (six months ended 30 June 2021: RMB58 million) which primarily included government grants, interest income from time deposits and bank balances.

Other Gains and Losses

The other gains and losses were recorded as net gains of approximately RMB62 million for the six months ended 30 June 2022 (six months ended 30 June 2021: net losses of RMB19 million) which was mainly attributable to net foreign exchange gains of approximately RMB83 million as a result of mainly the appreciation of Hong Kong dollars and United State dollars possessed by the Group, which mainly consists of proceeds from the initial public offering of shares of the Company, against Renminbi during the six months ended 30 June 2022 (six months ended 30 June 2021: net foreign exchange losses of RMB40 million). On the other hand, there were losses from changes in fair value of financial assets at FVTPL of approximately RMB21 million for the six month ended 30 June 2022 (six months ended 30 June 2021: gains from changes in fair value of financial assets at FVTPL of approximately RMB20 million).

Selling Expenses

The Group's selling expenses was RMB443 million for the six months ended 30 June 2022 as compared to RMB464 million for the six months ended 30 June 2021. The decrease in selling expenses incurred for the six months ended 30 June 2022 was mainly because the Group implemented tightening cost control relating to the advertising costs during the period.

Administrative Expenses

The Group's administrative expenses was RMB246 million for the six months ended 30 June 2022 as compared to RMB253 million for the six months ended 30 June 2021. It represented about 13.1% of the revenue for the six months ended 30 June 2022. The decrease in administrative expenses was mainly due to the decrease of equity-settled share-based payment expenses from RMB28 million for the six months ended 30 June 2021 to RMB21 million for the six months ended 30 June 2022.

Finance Costs

The finance costs of RMB82 million for the six months ended 30 June 2022 represented the interest expenses of lease liabilities recognised following the adoption of HKFRS 16 – Leases (six months ended 30 June 2021: RMB80 million).

Adjusted Net Profit and Adjusted EBITDA

To supplement this announcement which is presented in accordance with HKFRSs, we also presented the following unaudited non-HKFRSs adjusted net profit and adjusted EBITDA as additional financial measures which we believes that it can also provide useful information to help investors and others understand and evaluate the Company's financial performance:

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Net profit	236,053	233,050
Adjustments for: Non-cash share-based payments	21,453	28,090
Net foreign exchange (gains)/losses	(82,627)	39,607
Adjusted net profit⁽¹⁾	174,879	300,747
Adjustments for: Depreciation	326,523	298,367
Finance costs	82,406	80,305
Income tax expenses	89,897	102,262
Adjusted EBITDA⁽²⁾	673,705	781,681

Notes:

- (1) Adjusted net profit was derived from the net profit for the period excluding the effect of (i) non-cash share-based payment expenses; and (ii) the net foreign exchange gains/losses (as presented in the table above), which our management does not consider to be indicative of our operating performance.
- (2) Adjusted EBITDA was derived from the adjusted net profit for the period excluding finance costs, income tax expenses and depreciation expenses.
- (3) Non-HKFRSs financial measure does not have a standardised meaning prescribed by HKFRSs and therefore may not be comparable to similar measures presented by other companies.

Property and Equipment

Property and equipment as at 30 June 2022 increased by 14.8% to approximately RMB2,222 million from approximately RMB1,935 million as at 31 December 2021. Increase in property, plant and equipment was mainly due to the inclusion of the property and equipment of newly established regional centers and schools during the period.

Right-of-use Assets

Right-of-use assets as at 30 June 2022 increased by 4.6% to approximately RMB2,429 million from approximately RMB2,323 million as at 31 December 2021. Increase in right-of-use assets was mainly because the Group entered into several new lease agreements for the use of leasehold lands and several new lease agreements for the use of leased properties during the period.

Capital Structure, Liquidity, Financial Resources and Gearing Ratio

As at 30 June 2022, the Company's issued share capital was approximately RMB192,000 divided into 2,175,531,302 shares of HK\$0.0001 each, and the total equity of the Group was approximately RMB5,545 million (31 December 2021: RMB5,739 million).

As at 30 June 2022, the current ratio of the Group, representing current assets divided by current liabilities, was 2.0 times (31 December 2021: 2.1 times) while the gearing ratio of the Group, representing total liabilities divided by total assets, was 40.7% (31 December 2021: 40.4%).

As at 30 June 2022, the total of time deposit and bank balances and cash of the Group amounted to approximately RMB3,088 million (31 December 2021: RMB4,356 million), representing 33.0% (31 December 2021: 45.2%) of the total assets of the Group of approximately RMB9,355 million (31 December 2021: RMB9,636 million).

For the six months ended 30 June 2022, our capital expenditures were approximately RMB726 million (six months ended 30 June 2021: RMB949 million) and were primarily related to acquisition of property and equipment and right-of-use assets for upgrading the existing school premises and construction of new regional centers and campuses.

It is believed that the Group has sufficient capital to meet its commitment and working capital requirements for future operations and for general business expansion and development.

Financial Assets

As at 30 June 2022, the Group held financial assets at FVTPL of approximately RMB1,180 million, particulars of which are set out below:

Name of financial assets at FVTPL	Fair value as at 30 June 2022 <i>RMB'000</i>	Realised gains/(losses) for the six months ended 30 June 2022 <i>RMB'000</i>	Unrealised gains/(losses) for the six months ended 30 June 2022 <i>RMB'000</i>	% of total assets of the Group as at 30 June 2022
Structured Deposit				
China CITIC Bank				
Win-win RMB Linked Exchange Rate Structured Deposit Products	100,715	–	715	1.1%
China Construction Bank Corporation				
CCB Qianyuan – Ri Xin Yue Yi	90,858	–	858	1.0%
Guo Yuan Securities Company Limited				
Guo Yuan Yuanying No. 29	48,901	–	672	0.5%
Haitong Securities Company Limited				
Zhonghai Trust-Seagull No. 3 Collective Fund Trust	204,344	–	4,344	2.2%
Huarong Securities Company Limited				
Huarong Tong Zhi Ya Bao Series Collective Asset Management Plan	80,403	–	403	0.9%
Industrial and Commercial Bank of China Limited				
Quan Xin Quan Yi	280,545	–	4,044	3.0%
Shanghai Pudong Development Bank				
Yue Ying Li Product J Wealth Management Product	50,375	–	375	0.5%
	<u>856,141</u>	<u>–</u>	<u>11,411</u>	<u>9.2%</u>

Name of financial assets at FVTPL	Fair value as at 30 June 2022 <i>RMB'000</i>	Realised gains/(losses) for the six months ended 30 June 2022 <i>RMB'000</i>	Unrealised gains/(losses) for the six months ended 30 June 2022 <i>RMB'000</i>	% of total assets of the Group as at 30 June 2022
Fund Investments				
E Fund Management (HK) Co., Ltd.				
E Fund (HK) Select Asia High Yield Bond Fund	144,584	–	(33,031)	1.6%
China International Capital Corporation Hong Kong Asset Management Limited				
CICC Multi-strategy Fixed Income Fund	179,710	–	(4,977)	1.9%
	<u>324,294</u>	<u>–</u>	<u>(38,008)</u>	<u>3.5%</u>

Investment Strategy and Future Prospects

The Group's investments in financial assets have been conducted on the premise that such investments would not affect our business operation or capital expenditures so as to generate a relatively higher return from such investments than fixed-term bank deposits.

The Group has implemented a set of internal control and risk management measures to manage our risks related to investments in financial assets.

Regarding the investment in financial assets at FVTPL, the measures include, among other things, the followings:

- we analyze such financial assets regularly and keep track of their performance and redemption status;
- such financial assets should be issued by a reputable bank or financial institution; and
- the investment portfolio of such financial assets should generally bear relatively low-risk.

In view of the above, we believe that our internal policies regarding investment in financial assets and the related risk management mechanism are adequate. It is expected that the Group would continue to improve our capital usage efficiency by investing in such low-risk or principal protected financial assets using our temporarily idle funds.

Foreign Exchange Risk Management

The majority of the Group's revenue and expenditures are denominated in Renminbi, the functional currency of the Company, except that certain expenditures are denominated in Hong Kong dollars. The Group also has certain time deposits, bank balances and other payables denominated in Hong Kong dollars and United States dollars, which would expose the Group to foreign exchange risk. The Group did not use any financial instruments for hedging purposes during the six months ended 30 June 2022. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

Charges on the Group's Assets

As at 30 June 2022 and 31 December 2021, the Group pledged its rental deposits to secure outstanding unpaid contractual lease payments.

Contingent Liabilities

As at 30 June 2022 and 31 December 2021, the Group did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the Group.

The Impact of the Covid-19 Pandemic to the Group

During the six months ended 30 June 2022, the physical classes of some of our schools located in mainland China had been temporarily suspended in order to cooperate with the prevention and control of the Covid-19 pandemic (the “**Epidemic**”) according to the instruction of the PRC government. During the suspension of physical classes, the Group conducted its marketing business operation through our online consultation and application systems, etc. and the Group has also arranged online tuitions to our students of our schools located in mainland China.

Despite there may still be risks or uncertainties that the Epidemic will be outbreak again in the second half of 2022, our schools of the Group have already taken necessary health precaution measures to safeguard the safety of our employees and students. Moreover, the Group has already developed a comprehensive online learning programmes to our students which can offer online tuitions to our students in case physicals classes were suspended due to the outbreak of the Epidemic. Furthermore, the total of time deposit and bank balances and cash of the Group amounted to approximately RMB3,088 million as at 30 June 2022 which were sufficient for the Group to meet its future commitment and working capital requirements for future operations and for general business expansion and development.

In view of the situation of the Epidemic in mainland China has been under control currently, the Directors expected that the impact by the Epidemic in the second half of 2022 would not have any material adverse impact to the operation and financials of the Group. Nevertheless, the Group will closely monitor to the development of the situation of the Epidemic and will take necessary precautions to minimise the negative impact to the Group.

OUTLOOK

Our mission is to provide the best vocational training education in China. We intend to continue to expand our business, school and center network and enhance our market position. To achieve these goals, we plan to pursue the following business strategies:

Establishment of Regional Centers and Provincial Education Bases

We plan to establish five self-owned regional centers in China's five major geographical regions (the "**Regional Centers**"), namely, Beijing, Shanghai, Guangzhou, Chengdu and Xi'an. The Regional Centers are expected to be equipped with advanced teaching and practical training facilities for all of our seven school/center brands, namely, New East, Omick, Cuisine Academy, Xinhua Internet, Wisezone, Wontone as well as On-mind. The Regional Centers will also house our research and development centers, human resources and marketing centers and serve as the continuing education and training centers for our teaching staff, in each case in their respective designated regions. A land parcel located at Chengdu had been acquired by the Group for the development of the regional center in 2020 and it is expected that the construction of phase I regional center of Chengdu can be completed by the end of year 2022. In addition, the Group intends to establish provincial education bases in cities located at our major students recruitment provinces. As the proportion of our students who study in 3 years long-term courses was increasing in the past few years, to acquire land and construction facilities to establish provincial education bases in cities located at our major students recruitment provinces not only can avoid the increasing pressure in the rental expenses of our school premises and also can improve the environment of our school premises so as to increase the stabilities of our long-term course students.

Expansion of School Network

Our extensive school network covers most of the provincial capital cities in China. We intend to further expand our school network to cover all of the provincial capital cities in China. We plan to establish our presence in cities which have a population of over five million in densely populated provinces including, among others, Guangdong, Zhejiang, Jiangsu, Hunan, Hebei, Sichuan, Inner Mongolia and Heilongjiang, which we believe have significant unmet demand for skilled workers in culinary arts, information technology and internet technology, auto services as well as fashion and beauty.

Expansion and Diversification of Course Structures

In the four industry sectors we currently operate in, namely, culinary arts, information technology and internet technology, auto services as well as fashion & beauty business, we plan to continue to expand and diversify our course offerings in response to industry trends and market demand. We are also conducting research on potential new industry sectors that we may establish new schools in, with reference to the developments in market demand and anticipated future trends. We will continue to explore other markets for vocational training education in the service industry and new economy, such as artificial intelligence and healthcare. Based on our research, we expect market demand for talent in certain industry sectors to grow in the foreseeable future, we will establish corresponding programs to capture opportunities presented by the market developments.

Actively Applying as the Third-Party Rating Organisation for the Recognition of Vocational Skills

In 2020, the Group has become one of the first batch of third-party rating organisations for the recognition of vocational skills in China, whereby the Group is allowed to perform the recognition of certain vocational skills for the public. Vocational skill recognition represents the recognition of the skill level of labors by the rating organisation filed by the Ministry of Human Resources and Social Security of the People’s Republic of China (“**Ministry of Human Resources and Social Security**”), which is a way for rating of the skills of talents implemented together with the occupational qualification rating. The third-party organisations for the recognition of vocational skills in China are the unit organisations recognised by the Ministry of Human Resources and Social Security, which are unit organisations with leading positions in the industry with credibility. After procedures such as self-reporting, selection by experts, credit checks, assessment by the local human resources and social security departments at the place where the Group was registered and seeking of views from the society, the Group became one of the first batch of third-party rating organisations for the recognition of vocational skills in China, whereby it is allowed to perform the recognition of certain vocational skills. This means that the Group is allowed to perform vocational skill recognition for the public in accordance with the standards and regulatory requirements, and issue certificates recognised by the state, which will significantly raise the Group’s reputation and enhance its brand influence, and further strengthen the Group’s leading position in the vocational skill training business in China. By providing corresponding examinations and training for the public targeting vocational skill certificates, the Group can enrich its curriculum in the culinary segment to attract customers who want to obtain such certificates and increase the potential customers of the Group’s overall culinary segment. By issuing vocational skill certificates, the Group can further integrate employment resources to provide better job opportunities to the students. The Group will have a comprehensive understanding of the state’s policy and industry standards, which will facilitate our vocational skill education in accordance with the state’s policy and standards, and effectively enhance our education quality to provide high quality vocational education services.

We believe that with our over 30 years experience in vocational training industry, we are well-positioned to tailor our service offerings to capture growth opportunities in industrial upgrades and to react promptly to the changes in the market. Also, our highly scalable business model and centralized and standardized management approach will accelerate the process to establish new programs and ensure the quality of the future program offerings. It is believed that the Group will further strengthen its market leadership and reputation by having the above strategies.

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

As at 30 June 2022, the Company has utilised the net proceeds of approximately RMB3,214 million and the net proceeds have been applied in the manner as set out in the section headed “Future Plans and Use of Proceeds” of the Company’s prospectus dated 30 May 2019 and the announcement of the Company dated 23 April 2021. To the extent that the proceeds from the net proceeds are not immediately applied to the purposes, the Group intends to deposit the temporarily idle raised proceeds into interest-bearing bank accounts with licensed commercial banks and/or authorized financial institutions or to purchase wealth management or other financial products from reputable authorized financial institutions or investment companies.

The following sets forth a summary of the utilisation of the net proceeds from Company's initial public offering as at 30 June 2022:

Purpose	Percentage to total amount	Net proceeds amount* RMB'000	Utilised	Utilised	Unutilised amount RMB'000	Schedule for utilisation of remaining proceeds
			for the period from 12 June 2019 to 31 December 2021 RMB'000	for the six month ended 30 June 2022 RMB'000		
Acquisition of land and construction facilities to establish our five geographical regional centers in Beijing, Shanghai, Guangzhou, Chengdu and Xi'an, or to establish provincial education bases in cities located at our major students recruitment provinces	45%	1,900,433	(1,023,994)	(398,015)	478,424	To be fully utilised in the next 3 years
Establishment of schools in selected markets	15%	633,478	(381,185)	(91,250)	161,043	To be fully utilised in the next 2 years
Establishment of new majors in both existing and new industry sectors, and conducting research to further innovate our curriculums	15%	633,478	(412,227)	(54,759)	166,492	To be fully utilised in the next 2 years
Construction of and upgrade our school facilities as well as purchase teaching equipment; and	15%	633,478	(633,478)	-	-	Fully utilised
Funding of our working capital and general corporate purposes	10%	422,318	(216,660)	(2,838)	202,820	To be fully utilised in the next 2 years
	<u>100%</u>	<u>4,223,185</u>	<u>(2,667,544)</u>	<u>(546,862)</u>	<u>1,008,779</u>	

* Net proceeds after deducting underwriting commission and issuing expenses incurred from the Listing and the exercise of the over-allotment option.

The Company will utilize the remaining proceeds in accordance with the progress of the above expansion of our school network and the business development. It is expected that the proceeds will be fully utilised in the next 2 to 3 years but there is no detailed schedule for the utilisation of the remaining proceeds. In particular, it is subject to, among others, negotiations and governmental approvals for the Group to acquire land parcels or establish schools.

EMPLOYEES AND REMUNERATION POLICIES

Employees

As at 30 June 2022, we had a total of 11,128 employees. The following table sets forth the numbers of our employees, categorized by function, as at 30 June 2022:

Function	Number of Full-Time Employees	% of Total
Executive Directors and core management	315	2.8%
Full-time teachers and instructors	4,657	41.8%
Student accommodation staff	60	0.5%
Logistic personnel	462	4.2%
Administrative staff	2,956	26.6%
Accounting and finance staff	364	3.3%
Others	2,314	20.8%
Total ^(Note)	11,128	100%

Note: Among 11,128 employees, we had 14 employees in Hong Kong and 11,114 employees in mainland China.

Remuneration Policies

The remuneration packages of the employees of the Group are determined with reference to individual qualification, experience, performance, contribution to the Group and prevailing market rate.

We remunerate our employees with basic salaries as well as performance-based bonuses. We determine employee compensation based on each employee's performance and qualifications. We plan to hire additional teachers, instructors and other employees as we expand. Our employee recruiting channels include word-of-mouth referrals, on-campus recruiting and online recruiting.

Our full-time employees in China participate in a variety of social security plans that are administered by the PRC local governments, including but not limited to, pension benefits, medical care, unemployment insurance, maternity insurance, work injury insurance and housing provident funds. Chinese labor regulations require that our PRC subsidiaries make contributions to the government for these benefits based on a fixed percentage of the employees' average salaries of last year.

Our full-time employees in Hong Kong participate in a Mandatory Provident Fund Scheme (the "MPF Scheme") which the assets of the MPF Scheme are held separately from those of the Group in funds under the control of independent trustees. Under the MPF Scheme, contributions are made based on a percentage of the participating employees' relevant income from the Group and the only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

At the Board meeting held on 24 March 2022, the Board proposed the payment of a final dividend of HK\$0.245 (approximately RMB0.208) per ordinary share in respect of the year ended 31 December 2021. The aforesaid final dividend was approved by the shareholders of the Company (the “**Shareholder(s)**”) at the annual general meeting held on Wednesday, 25 May 2022 and paid on Thursday, 23 June 2022.

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

Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2022.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles of the code provisions set out in the the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules (the “**CG Code**”). During the six months ended 30 June 2022, the Company has complied with all the code provisions set out in the CG Code.

The Board believes that good corporate governance is essential to the development of the Group and to safeguard the interests 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 the development of the Group and will review such practices from time to time to ensure that the Company complies with statutory and professional standards and aligns with the latest development.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the Group’s code of conduct to regulate the securities transactions of the Directors and the relevant employees. Having made specific enquiries, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2022.

AUDIT COMMITTEE AND REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The audit committee of the Company (the “**Audit Committee**”) consists of three independent non-executive Directors, namely Mr. HUNG Ka Hai, Clement, Dr. ZHU Guobin and Dr. ZANG Yunzhi. 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 unaudited condensed consolidated financial statements for the six months ended 30 June 2022 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 condensed consolidated financial statements of the Group for the six months ended 30 June 2022, including the accounting principles and practices adopted by the Group. The Audit Committee is in the opinion that the unaudited condensed consolidated financial statements have been prepared in accordance with the applicable accounting standards, the Listing Rules and the statutory requirements and that adequate disclosures have been made in the interim results announcement.

Deloitte Touche Tohmatsu, the Company’s auditor, had carried out review of the unaudited interim results of the Group for the six months ended 30 June 2022 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

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.chinaeastedu.com). The interim report of the Company for the six months ended 30 June 2022 will be despatched to the Shareholders and made available on the aforesaid websites in due course.

By order of the Board
China East Education Holdings Limited
WU Wei
Chairman

Hong Kong, 24 August 2022

As at the date of this announcement, the Board comprises Mr. WU Wei and Mr. XIAO Guoqing as executive Directors; Mr. WU Junbao and Mr. LU Zhen as non-executive Directors; and Mr. HUNG Ka Hai, Clement, Dr. ZHU Guobin and Dr. ZANG Yunzhi as independent non-executive Directors.