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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 2023

HIGHLIGHTS			
	Six months ended 30 June		Change
	2023	2022	Increase/ (Decrease)
Number of new students enrollments and new customers registered	84,552	70,445	20.0%
Average number of students enrolled and customers registered	147,276	143,566	2.6%
Revenue (RMB million)	1,953	1,879	4.0%
Gross profit (RMB million)	997	993	0.4%
Net profit (RMB million)	204	242 ⁽³⁾	(15.9%)
Adjusted net profit (RMB million) ⁽¹⁾	176	181 ⁽³⁾	(2.7%)
Adjusted EBITDA (RMB million) ⁽²⁾	633	674	(6.1%)
			Change
	As at	As at	Increase/ (Decrease)
	30 June 2023	31 December 2022	
Number of schools and centers	244	244	–
Net assets (RMB million)	5,522	5,692 ⁽³⁾	(3.0%)
Total assets (RMB million)	9,281	9,489 ⁽³⁾	(2.2%)

- (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. 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.
- (3) Certain figures in the unaudited condensed consolidated financial statements for the six months ended 30 June 2022 and the audited consolidated financial statements for the year ended 31 December 2022 had been restated as a result of the application of amendments to Hong Kong Accounting Standard 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction. For details, please refer to the section headed “Notes to the Condensed Consolidated Financial Statements – Note 3. Principal Accounting Policies” 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 2023 together with the comparative figures for the corresponding period in 2022. 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 2023 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 2023

	Notes	Six months ended 30 June	
		2023 RMB’000 (unaudited)	2022 RMB’000 (unaudited and restated)
Revenue	4	1,953,023	1,878,529
Cost of revenue		<u>(955,629)</u>	<u>(885,403)</u>
Gross profit		997,394	993,126
Other income and expenses	5	68,485	52,199
Other gains and losses	6	57,469	61,806
Selling expenses		(513,019)	(442,917)
Administrative expenses		(255,894)	(245,773)
Research and development expenses		(7,902)	(10,085)
Finance costs	7	<u>(71,570)</u>	<u>(82,406)</u>
Profit before tax		274,963	325,950
Income tax expense	8	<u>(71,128)</u>	<u>(83,676)</u>
Profit and total comprehensive income for the period	9	<u><u>203,835</u></u>	<u><u>242,274</u></u>
Earnings per share	11		
– Basic (RMB cents)		<u><u>9.36</u></u>	<u><u>11.14</u></u>
– Diluted (RMB cents)		<u><u>9.19</u></u>	<u><u>11.03</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	<i>Notes</i>	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited and restated)
NON-CURRENT ASSETS			
Property and equipment		2,854,400	2,615,242
Right-of-use assets		2,366,552	2,424,806
Deferred tax assets		24,830	21,336
Deposits paid for acquisition of leasehold lands		–	86,159
Deposits for rental		20,299	22,233
Deposits for utilities and others		3,645	3,426
		<u>5,269,726</u>	<u>5,173,202</u>
CURRENT ASSETS			
Inventories		68,844	71,625
Trade and other receivables	12	444,255	331,095
Other financial assets			
– measured at fair value through profit or loss (“FVTPL”)	13	505,102	638,644
– measured at amortised cost		80,000	80,000
Tax recoverable		722	3,136
Time deposits		1,726,177	1,755,477
Cash and cash equivalents		1,185,870	1,435,498
		<u>4,010,970</u>	<u>4,315,475</u>
CURRENT LIABILITIES			
Trade and other payables	14	621,275	683,580
Tax liabilities		74,314	80,266
Lease liabilities		336,825	381,873
Contract liabilities		1,322,708	1,186,574
		<u>2,355,122</u>	<u>2,332,293</u>
NET CURRENT ASSETS		<u>1,655,848</u>	<u>1,983,182</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,925,574</u>	<u>7,156,384</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*As at 30 June 2023*

		As at 30 June 2023 <i>RMB'000</i> (unaudited)	As at 31 December 2022 <i>RMB'000</i> (audited and restated)
NON-CURRENT LIABILITIES			
Lease liabilities		1,342,552	1,414,040
Contract liabilities		31,946	21,420
Government grants		5,666	6,006
Deferred tax liabilities		23,363	22,860
		<u>1,403,527</u>	<u>1,464,326</u>
NET ASSETS		<u>5,522,047</u>	<u>5,692,058</u>
CAPITAL AND RESERVES			
Share capital	<i>15</i>	192	192
Reserves		<u>5,521,855</u>	<u>5,691,866</u>
TOTAL EQUITY		<u>5,522,047</u>	<u>5,692,058</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands and registered as an exempted company with limited liability under the Companies Act (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

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 which are measured at fair values.

Other than additional/change in 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 2023 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2022.

3. PRINCIPAL ACCOUNTING POLICIES

Application of new and 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 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of new and amendments to HKFRSs (Continued)

Except as described below, the application of the other new and 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.

3.1 Impacts and changes in accounting policies on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

3.1.1 Accounting policies

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

3.1.2 Transition and summary of effects

As disclosed in the Group's annual financial statements for the year ended 31 December 2022, the Group previously applied the HKAS 12 requirements to assets and liabilities arising from a single transaction separately and temporary differences on initial recognition on the relevant assets and liabilities were not recognised due to application of the initial recognition exemption. In accordance with the transition provision:

- (i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of new and amendments to HKFRSs (Continued)

3.1 Impacts and changes in accounting policies on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Continued)

3.1.2 Transition and summary of effects (Continued)

- (ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The details of the impacts on each financial statement line item and earning per share arising from the application of the amendments are set out under “Impacts of application of amendments to HKFRSs on the condensed consolidated financial statements” in this note. Comparative figures have been restated.

Impacts of application of amendments to HKFRSs on the condensed consolidated financial statements

The effects of the changes in accounting policy as a result of application of amendments to HKAS 12 on the condensed consolidated statement of profit or loss and other comprehensive income and earnings per share, are as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
<i>Impact on profit for the period</i>		
Decrease in income tax expense	<u>(1,694)</u>	<u>(6,221)</u>
Net increase in profit and total comprehensive income for the period	<u>1,694</u>	<u>6,221</u>
<i>Impact on basic earnings per share</i>		
Basic earnings per share before adjustments	9.28	10.85
Net adjustments arising from change in accounting policy in relation to:		
– Deferred tax impact on leasing transactions	<u>0.08</u>	<u>0.29</u>
Reported basic earnings per share	<u>9.36</u>	<u>11.14</u>
<i>Impact on diluted earnings per share</i>		
Diluted earnings per share before adjustments	9.11	10.74
Net adjustments arising from change in accounting policy in relation to:		
– Deferred tax impact on leasing transactions	<u>0.08</u>	<u>0.29</u>
Reported diluted earnings per share	<u>9.19</u>	<u>11.03</u>

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of new and amendments to HKFRSs (Continued)

3.1 Impacts and changes in accounting policies on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Continued)

Impacts of application of amendments to HKFRSs on the condensed consolidated financial statements (Continued)

The effects of the changes in accounting policy as a result of application of amendments to HKAS 12 on the condensed consolidated statement of financial position as at the end of the immediately preceding financial year, 31 December 2022, are as follows:

	As at 31 December 2022 (Originally stated) RMB'000	Adjustments RMB'000	As at 31 December 2022 (Restated) RMB'000
Deferred tax assets	5,496	15,840	21,336
Deferred tax liabilities	–	22,860	22,860
	<u>5,699,078</u>	<u>(7,020)</u>	<u>5,692,058</u>
Total effects on net assets	<u>5,699,078</u>	<u>(7,020)</u>	<u>5,692,058</u>
Reserves	<u>5,698,886</u>	<u>(7,020)</u>	<u>5,691,866</u>
Total effects on equity	<u>5,699,078</u>	<u>(7,020)</u>	<u>5,692,058</u>

The effects of the changes in accounting policy as a result of application of amendments to HKAS 12 on the condensed consolidated statement of financial position as at the beginning of the comparative period, 1 January 2022, are as follows:

	As at 1 January 2022 (Originally stated) RMB'000	Adjustments RMB'000	As at 1 January 2022 (Restated) RMB'000
Deferred tax assets	5,772	12,342	18,114
Deferred tax liabilities	–	20,317	20,317
	<u>5,738,730</u>	<u>(7,975)</u>	<u>5,730,755</u>
Total effects on net assets	<u>5,738,730</u>	<u>(7,975)</u>	<u>5,730,755</u>
Reserves	<u>5,738,538</u>	<u>(7,975)</u>	<u>5,730,563</u>
Total effects on equity	<u>5,738,730</u>	<u>(7,975)</u>	<u>5,730,755</u>

4. 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.

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.

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

The following is an analysis of the Group's revenue for the six months ended 30 June 2023 and 2022:

Six months ended 30 June 2023 (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	918,706	379,716	404,375	160,605	15,320	32,349	41,952	-	1,953,023
Inter – segment sales	-	-	-	-	-	-	65,018	(65,018)	-
Segment revenue	<u>918,706</u>	<u>379,716</u>	<u>404,375</u>	<u>160,605</u>	<u>15,320</u>	<u>32,349</u>	<u>106,970</u>	<u>(65,018)</u>	<u>1,953,023</u>
Results									
Segment results	<u>164,866</u>	<u>51,572</u>	<u>47,057</u>	<u>(25,243)</u>	<u>(1,289)</u>	<u>12,900</u>	<u>(29,376)</u>	-	220,487
Unallocated									
Other income and expenses									51,299
Other gains and losses									55,718
Corporate administrative expenses									<u>(52,541)</u>
Profit before taxation									274,963
Income tax expense									<u>(71,128)</u>
Profit for the period									<u>203,835</u>

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2022 (unaudited)

	New East Culinary Education RMB'000	Xinhua Internet Technology Education RMB'000	Wontone Automotive Education RMB'000	Omick Education of Western Cuisine and Pastry RMB'000	Wisezone Data Technology Education RMB'000	Cuisine Academy RMB'000	Other miscellaneous businesses RMB'000	Elimination RMB'000	Total RMB'000 (unaudited and restated)
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>(83,676)</u>
Profit for the period									<u>242,274</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 2023 and 2022.

5. OTHER INCOME AND EXPENSES

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Asset-related government grants	708	1,361
Unconditional government grants	16,478	22,118
Interest income from		
– time deposits and bank balances	48,029	26,728
– entrusted loan to a related party	2,671	–
Others	599	1,992
	<u>68,485</u>	<u>52,199</u>

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Gains (losses) from changes in fair value of other financial assets at FVTPL	11,281	(20,634)
Gains (losses) on disposals of property and equipment	366	(187)
Gains from termination of lease agreements	1,751	–
Net foreign exchange gains	44,071	82,627
	<u>57,469</u>	<u>61,806</u>

7. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Interest expenses on lease liabilities	<u>71,570</u>	<u>82,406</u>

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited and restated)
PRC Enterprise Income Tax		
– current tax	75,305	88,653
– (Over) under provision in prior years	(1,186)	944
Deferred tax	(2,991)	(5,921)
	<u>71,128</u>	<u>83,676</u>

9. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Directors' remuneration	1,657	1,540
Other staff costs		
– salaries and other allowances	622,544	563,363
– retirement benefit scheme contributions	76,358	73,035
– equity-settled share-based payments expenses	16,363	21,280
Total staff costs	<u>716,922</u>	<u>659,218</u>
Depreciation of property and equipment	159,820	158,457
Depreciation of right-of-use assets	<u>158,521</u>	<u>170,703</u>
Total depreciation	318,341	329,160
Less: capitalised in construction in progress	<u>(4,746)</u>	<u>(2,637)</u>
	<u>313,595</u>	<u>326,523</u>

During the six months ended 30 June 2023, the Group recognised total expenses of approximately RMB16,496,000 (six months ended 30 June 2022: approximately RMB21,453,000) in relation to share options granted by the Company.

10. DIVIDENDS

On 25 May 2023, a final dividend of HK\$0.2 (approximately equivalent to RMB0.184) per share in respect of the year ended 31 December 2022 were declared to owners of the Company. The aggregate amount of the final dividend declared and paid in the current interim period amounted to approximately HK\$428,300,000 (approximately equivalent to RMB394,892,000).

On 25 May 2022, a final dividend of HK\$0.245 (approximately equivalent to RMB0.208) per share 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).

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 2023 (six months ended 30 June 2022: Nil).

11. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited and restated)
Earnings:		
Earnings for the purposes of calculating basic and diluted earnings per share (profit for the period attributable to owners of the Company)	203,835	242,274
	2,178,701,777	2,174,986,145
	38,469,672	22,139,840
	2,217,171,449	2,197,125,985

Number of shares:

Weighted average number of ordinary shares for the purpose of calculating basic earnings per share

Effect of dilutive potential ordinary shares:

– share options

Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share

12. TRADE AND OTHER RECEIVABLES

	As at 30 June 2023 <i>RMB'000</i> (unaudited)	As at 31 December 2022 <i>RMB'000</i> (audited)
Trade receivables		
– from government (<i>note i</i>)	19,424	19,875
– from others (<i>note ii</i>)	42,452	26,750
	<u>61,876</u>	<u>46,625</u>
Other receivables		
Prepayments for consumables	31,892	23,701
Prepayments for rental	7,765	6,827
Prepayments for services	26,204	17,329
Prepayments for advertisement	118,124	51,569
Value added tax recoverable	93,368	83,994
Advance to staff	19,126	8,548
Interest receivables from time deposits and bank balances	28,434	36,619
Deposits for development (<i>note iii</i>)	19,992	19,992
Refundable deposit	11,520	11,520
Other receivables	25,954	24,371
	<u>382,379</u>	<u>284,470</u>
	<u>444,255</u>	<u>331,095</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 repaid based on the progress of the project development.

12. 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 2023 <i>RMB'000</i> (unaudited)	As at 31 December 2022 <i>RMB'000</i> (audited)
Within 3 months	45,184	29,094
Over 3 months but within 12 months	14,479	16,471
Over 1 year	2,213	1,060
	<u>61,876</u>	<u>46,625</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.

13. OTHER FINANCIAL ASSETS

	As at 30 June 2023 <i>RMB'000</i> (unaudited)	As at 31 December 2022 <i>RMB'000</i> (audited)
Other financial assets at FVTPL		
– unquoted fund investments	349,630	344,715
– structured deposits (<i>note i</i>)	<u>155,472</u>	<u>293,929</u>
	<u>505,102</u>	<u>638,644</u>
Other financial assets measured at amortised cost		
– entrusted loan to a related party (<i>note ii</i>)	<u>80,000</u>	<u>80,000</u>

Notes:

- i. The structured deposits are short-term investments issued by banks and financial institutions with no pre-determined 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.
- ii. The amounts as at 30 June 2023 and 31 December 2022 represented an entrusted loan amounted to RMB80,000,000 provided to Anhui Xinhua Holdings Group Investment Co., Ltd. (安徽新華控股集團投資有限公司) (“**Xinhua Holdings Group**”), a company controlled by Mr. Xiao Guoqing, at a fixed interest rate of 7% per annum and with maturity on 24 November 2023.

14. TRADE AND OTHER PAYABLES

	As at 30 June 2023 <i>RMB'000</i> (unaudited)	As at 31 December 2022 <i>RMB'000</i> (audited)
Trade payables	152,028	116,354
Payable for property and equipment	179,044	206,251
Value added tax and other taxes payable	14,396	5,934
Payroll payable	135,595	196,727
Discretionary subsidies received on behalf of students	26,344	30,715
Miscellaneous deposits received from students – within 12 months	70,669	79,904
Other payables	43,199	47,695
	<u>621,275</u>	<u>683,580</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 2023 <i>RMB'000</i> (unaudited)	As at 31 December 2022 <i>RMB'000</i> (audited)
Within 90 days	<u>152,028</u>	<u>116,354</u>

15. 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 2022, 30 June 2022, 1 January 2023 and 30 June 2023	<i>i</i>	3,800,000,000	380,000	
Issued:				
At 1 January 2022 (audited)		2,174,681,802	217,468	192
Issue of new shares upon the exercise of share options	<i>ii</i>	849,500	85	–
At 30 June 2022 (unaudited)		2,175,531,302	217,553	192
At 1 January 2023 (audited)		2,176,465,802	217,646	192
Issue of new shares upon the exercise of share options	<i>iii</i>	2,273,500	227	–
At 30 June 2023 (unaudited)		2,178,739,302	217,873	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 2022, 849,500 share options were exercised at subscription price of HK\$2.25 (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.
- iii. During the six months ended 30 June 2023, 2,273,500 share options were exercised at subscription prices of HK\$2.25 (approximately equivalent to RMB2.00) per share, resulting in the issue of 2,273,500 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.

16. CAPITAL COMMITMENTS

	As at 30 June 2023 <i>RMB'000</i> (unaudited)	As at 31 December 2022 <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	379,249	478,873

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 244 schools and centers in operation as of 30 June 2023, 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 on 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 2023, we operated 244 vocational education institutions under the following brand names:

Segments and Brands	No. of schools/ centers	Description
CULINARY ARTS		
New East Culinary Education (“ New East ”)	76	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 ”)	46	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 ”)	38	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 ”)	20	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 ”)	40	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 ”)	4	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 2023 and 2022:

Segments and Brands	New Students Enrollment ⁽¹⁾ / New Customers Registered ⁽²⁾	Six months ended 30 June		Change Increase/ (Decrease)
		2023	2022	
CULINARY ARTS				
New East	Long-term	14,324	12,637	13.3%
	– One to less than two years	1,143	1,065	7.3%
	– Two to less than three years	3,434	4,537	(24.3%)
	– Three years	9,747	7,035	38.6%
	Short-term	19,139	13,895	37.7%
	Subtotal	33,463	26,532	26.1%
Omick	One to less than two years	664	539	23.2%
	Short-term	8,002	6,529	22.6%
	Subtotal	8,666	7,068	22.6%
Cuisine Academy	Short-term	5,605	5,174	8.3%
CULINARY ARTS	Subtotal	47,734	38,774	23.1%
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY				
Xinhua Internet	Long-term	10,734	10,658	0.7%
	– One to less than two years	916	1,003	(8.7%)
	– Two to less than three years	1,284	1,783	(28.0%)
	– Three years	8,534	7,872	8.4%
	Short-term	2,583	1,617	59.7%
	Subtotal	13,317	12,275	8.5%
Wisezone	Short-term	1,518	1,721	(11.8%)
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY	Subtotal	14,835	13,996	6.0%

Segments and Brands	New Students Enrollment ⁽¹⁾ / New Customers Registered ⁽²⁾	Six months ended 30 June		Change Increase/ (Decrease)
		2023	2022	
AUTO SERVICES				
Wontone	Long-term	8,437	7,417	13.8%
	– One to less than two years	856	594	44.1%
	– Two to less than three years	560	692	(19.1%)
	– Three years	7,021	6,131	14.5%
	Short-term	12,020	9,395	27.9%
AUTO SERVICES	Subtotal	20,457	16,812	21.7%
FASHION & BEAUTY				
On-mind	Long-term	617	146	322.6%
	– One to less than two years	207	7	2,857.1%
	– Two to less than three years	7	1	600.0%
	– Three years	403	138	192.0%
	Short-term	909	717	26.8%
FASHION & BEAUTY	Subtotal	1,526	863	76.8%
THE GROUP				
	Long-term	34,776	31,397	10.8%
	– One to less than two years	3,786	3,208	18.0%
	– Two to less than three years	5,285	7,013	(24.6%)
	– Three years	25,705	21,176	21.4%
	Short-term	49,776	39,048	27.5%
THE GROUP	TOTAL	84,552	70,445	20.0%

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 2023 and 2022:

Segments and Brands	Average Number of Students Enrolled ⁽¹⁾ / Customers Registered ⁽²⁾	Six months ended 30 June		Change Increase/ (Decrease)
		2023	2022	
CULINARY ARTS				
New East	Long-term	52,621	57,270	(8.1%)
	– One to less than two years	2,015	2,573	(21.7%)
	– Two to less than three years	18,334	28,668	(36.0%)
	– Three years	32,272	26,029	24.0%
	Short-term	6,507	4,599	41.5%
	Subtotal	59,128	61,869	(4.4%)
Omick	One to less than two years	1,330	1,422	(6.5%)
	Short-term	3,264	3,326	(1.9%)
	Subtotal	4,594	4,748	(3.2%)
Cuisine Academy	Short-term	1,100	1,017	8.2%
CULINARY ARTS	Subtotal	64,822	67,634	(4.2%)
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY				
Xinhua Internet	Long-term	40,439	41,409	(2.3%)
	– One to less than two years	1,390	1,422	(2.3%)
	– Two to less than three years	5,274	9,897	(46.7%)
	– Three years	33,775	30,090	12.2%
	Short-term	1,263	621	103.4%
	Subtotal	41,702	42,030	(0.8%)
Wisezone	Short-term	529	835	(36.6%)
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY	Subtotal	42,231	42,865	(1.5%)

Segments and Brands	Average Number of Students Enrolled ⁽¹⁾ / Customers Registered ⁽²⁾	Six months ended 30 June		Change Increase/ (Decrease)
		2023	2022	
AUTO SERVICES				
Wontone	Long-term	35,653	29,749	19.8%
	– One to less than two years	1,809	1,390	30.1%
	– Two to less than three years	2,843	3,965	(28.3%)
	– Three years	31,001	24,394	27.1%
	Short-term	3,174	2,566	23.7%
AUTO SERVICES	Subtotal	38,827	32,315	20.2%
FASHION & BEAUTY				
On-mind	Long-term	888	400	122.0%
	– One to less than two years	152	1	15,100.0%
	– Two to less than three years	22	2	1,000.0%
	– Three years	714	397	79.8%
	Short-term	508	352	44.3%
FASHION & BEAUTY	Subtotal	1,396	752	85.6%
THE GROUP				
	Long-term	130,931	130,250	0.5%
	– One to less than two years	6,696	6,808	(1.6%)
	– Two to less than three years	26,473	42,532	(37.8%)
	– Three years	97,762	80,910	20.8%
	Short-term	16,345	13,316	22.7%
THE GROUP	TOTAL	147,276	143,566	2.6%

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 2023 and 2022:

Segments and Brands	Program ⁽¹⁾	Tuition/Service fee Six months ended 30 June	
		2023	2022
<i>(RMB/per year for long-term programs, RMB/per program for short-term programs)</i>			
CULINARY ARTS			
New East	Long-term	10,800-115,000	7,800-90,000
	Short-term ⁽²⁾	560-68,000	400-68,000
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	500-40,800	300-58,200
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY			
Xinhua Internet	Long-term	7,000-68,000	7,000-39,800
	Short-term ⁽²⁾	1,100-53,800	499-36,000
Wisezone	Short-term ⁽²⁾	999-23,800	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	13,900-27,800
	Short-term ⁽²⁾	5,800-28,800	5,800-21,800

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, Wontone and Omick reached over 90%, while On-mind reached over 95% for the six months ended 30 June 2023. 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 2023:

Brands⁽¹⁾	Recommended employment rate⁽²⁾
New East	93.8%
Xinhua Internet	92.6%
Wontone	92.7%
Omick	93.1%
On-mind	95.6%

Notes:

- (1) As the schools of other brands had not provided long-term programs of one year or more during the six months ended 30 June 2023, the recommended employment and entrepreneurship rate of these brands were not included. We also provide graduate placement service and 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 2023, there was an increase in the number of new students enrollments and new customers registered of approximately 20.0% as compared with that for the six months ended 30 June 2022. Accordingly, the Group recorded an increase in revenue from RMB1,879 million for the six months ended 30 June 2022, to RMB1,953 million for the six months ended 30 June 2023, representing an increase of approximately 4.0%.

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				Change	Annualised
	2023	2022	Annualised	Annualised		
	Revenue	Average	Revenue	Average	Revenue	Average
	RMB'000	Tuition/ Service Fee per Student/ Customer ⁽¹⁾ RMB'000	RMB'000	Tuition/ Service Fee per Student/ Customer ⁽¹⁾ RMB'000	Increase/ (Decrease)	Tuition/ Service Fee per Student/ Customer
CULINARY ARTS						
New East	918,706	31.1	947,245	30.6	(3.0%)	1.5%
Omick	160,605	69.9	156,360	65.9	2.7%	6.2%
Cuisine Academy ⁽²⁾	32,349	58.8	29,563	58.1	9.4%	1.2%
	<u>1,111,660</u>	<u>34.3</u>	<u>1,133,168</u>	<u>33.5</u>	<u>(1.9%)</u>	<u>2.4%</u>
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY						
Xinhua Internet	379,716	18.2	364,331	17.3	4.2%	5.0%
Wisezone	15,320	57.9	20,892	50.0	(26.7%)	15.7%
	<u>395,036</u>	<u>18.7</u>	<u>385,223</u>	<u>18.0</u>	<u>2.5%</u>	<u>4.1%</u>
AUTO SERVICES						
Wontone	404,375	20.8	324,743	20.1	24.5%	3.6%
Other Miscellaneous Businesses ⁽³⁾	41,952	N/A	35,395	N/A	18.5%	N/A
Total ⁽⁴⁾	<u>1,953,023</u>	<u>26.2</u>	<u>1,878,529</u>	<u>25.8</u>	<u>4.0%</u>	<u>1.5%</u>

Notes:

- (1) For illustration purposes only, the annualised average tuition/service fee per student/customer for the six months ended 30 June 2023 and 2022 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 2023 and 2022, 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 increased from approximately RMB885 million for the six months ended 30 June 2022 to approximately RMB956 million for the six months ended 30 June 2023, representing an increase of approximately 7.9%.

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

	Six months ended 30 June			
	2023		2022	
	Cost	% of	Cost	% of
	RMB'000	Total	RMB'000	Total
Teaching staff salaries and benefits	362,269	37.9%	315,294	35.6%
Teaching related consumables and other costs	191,777	20.1%	165,108	18.7%
Leasing expenses and depreciation of right-of-use assets	157,092	16.5%	164,699	18.6%
Campus maintenance and depreciation	168,478	17.6%	163,008	18.4%
Utilities	45,107	4.7%	44,679	5.0%
Office expenses	30,906	3.2%	32,615	3.7%
Total	<u>955,629</u>	<u>100%</u>	<u>885,403</u>	<u>100%</u>

Gross Profit and Gross Profit Margin

The Group's gross profit was RMB997 million for the six months ended 30 June 2023 as compared to RMB993 million for the corresponding period of 2022. The gross profit margin was 51.1% for the six months ended 30 June 2023 as compared to 52.9% for the corresponding period of 2022. The decrease in gross profit margin was mainly due to the significant increase in the teaching staff salaries and benefits and teaching related consumable and other cost under the cost of revenue for the six months ended 30 June 2023.

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

	Six months ended 30 June		2022	
	2023			2022
	Gross profit/(loss) RMB'000	Gross profit/(loss) margin ⁽¹⁾ percentage	Gross profit RMB'000	Gross profit margin ⁽¹⁾ percentage
CULINARY ARTS				
New East	483,909	52.7%	546,586	57.7%
Omick	75,443	47.0%	66,158	42.3%
Cuisine Academy	17,269	53.4%	13,433	45.4%
	<u>576,621</u>	<u>51.9%</u>	<u>626,177</u>	<u>55.3%</u>
INFORMATION TECHNOLOGY AND INTERNET TECHNOLOGY				
Xinhua Internet	208,925	55.0%	194,678	53.4%
Wisezone	7,530	49.2%	11,225	53.7%
	<u>216,455</u>	<u>54.8%</u>	<u>205,903</u>	<u>53.5%</u>
AUTO SERVICES				
Wontone	209,413	51.8%	153,147	47.2%
Other Miscellaneous Businesses ⁽²⁾	(5,095)	(12.1%)	7,899	22.3%
Total	<u>997,394</u>	<u>51.1%</u>	<u>993,126</u>	<u>52.9%</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 2023, other income and expenses amounted to approximately RMB68 million (six months ended 30 June 2022: RMB52 million) which primarily included government grants, interest income from time deposits and bank balances and entrusted loan to a related party. The increase in other income and expenses was mainly due to the increase in interest income from time deposits and bank balances in line with the increase in bank deposit rates during the period.

Other Gains and Losses

The other gains and losses were recorded as net gains of approximately RMB57 million for the six months ended 30 June 2023 (six months ended 30 June 2022: RMB62 million) which was mainly attributable to net foreign exchange gains of approximately RMB44 million principally caused by the appreciation of Hong Kong dollars and United States 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 2023 (six months ended 30 June 2022: RMB83 million). Moreover, there were also gains from changes in fair value of other financial assets at FVTPL of approximately RMB11 million for the six month ended 30 June 2023 (six months ended 30 June 2022: losses from changes in fair value of other financial assets at FVTPL of approximately RMB21 million).

Selling Expenses

The Group's selling expenses increased from RMB443 million for the six months ended 30 June 2022 to RMB513 million for the six months ended 30 June 2023. In order to promote and strengthen the Group's well-known brands, the Group has engaged a professional consultant to design a new image for New East, "Head Chef Panda (熊貓廚師長)", in order to present a more energetic and youthful image to the public, and the Group has also invested in more advertising resources so as to recruit more new students during the period.

Administrative Expenses

The Group's administrative expenses increased from RMB246 million for the six months ended 30 June 2022 to RMB256 million for the six months ended 30 June 2023 which represented about 13.1% of the revenue for the six months ended 30 June 2023 and remained stable as compared to 13.1% of the revenue for the six months ended 30 June 2022. The increase in administrative expenses was mainly due to the increase in business activities such as business travels and meetings during the period.

Finance Costs

The finance costs of RMB72 million for the six months ended 30 June 2023 represented the interest expenses on lease liabilities recognised following the adoption of HKFRS 16 – Leases (six months ended 30 June 2022: RMB82 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	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited and restated)
Net profit	203,835	242,274 ⁽³⁾
Adjustments for: Non-cash share-based payments	16,496	21,453
Net foreign exchange gains	(44,071)	(82,627)
Adjusted net profit⁽¹⁾	176,260	181,100 ⁽³⁾
Adjustments for: Depreciation	313,595	326,523
Finance costs	71,570	82,406
Income tax expenses	71,128	83,676 ⁽³⁾
Adjusted EBITDA⁽²⁾	632,553	673,705

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 (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) Certain figures in the unaudited condensed consolidated financial statements for the six months ended 30 June 2022 had been restated as a result of application of amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction. For details, please refer to the section headed "Notes to the Condensed Consolidated Financial Statements – Note 3. Principal Accounting Policies" in this announcement.
- (4) 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 2023 increased by 9.1% to approximately RMB2,854 million from approximately RMB2,615 million as at 31 December 2022. Increase in property 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 2023 decreased by 2.4% to approximately RMB2,367 million from approximately RMB2,425 million as at 31 December 2022. Decrease in right-of-use assets was mainly because the Group closed down certain loss-making schools and terminated the relevant lease agreements during the period.

Capital Structure, Liquidity, Financial Resources and Gearing Ratio

As at 30 June 2023, the Company's issued share capital was approximately RMB192,000 divided into 2,178,739,302 shares of HK\$0.0001 each, and the total equity of the Group was approximately RMB5,522 million (31 December 2022: RMB5,692 million⁽¹⁾).

As at 30 June 2023, the current ratio of the Group, representing current assets divided by current liabilities, was 1.7 times (31 December 2022: 1.9 times) while the gearing ratio of the Group, representing total liabilities divided by total assets, was 40.5% (31 December 2022: 40.0%⁽¹⁾).

As at 30 June 2023, the total of time deposit and cash and cash equivalents of the Group amounted to approximately RMB2,912 million (31 December 2022: RMB3,191 million), representing 31.4% (31 December 2022: 33.6%⁽¹⁾) of the total assets of the Group of approximately RMB9,281 million (31 December 2022: RMB9,489 million⁽¹⁾).

For the six months ended 30 June 2023, our capital expenditures were approximately RMB568 million (six months ended 30 June 2022: RMB726 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.

Note (1): Certain figures in the audited consolidated financial statements for the year ended 31 December 2022 had been restated as a result of application of amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction. For details, please refer to the section headed "Notes to the Condensed Consolidated Financial Statements – Note 3. Principal Accounting Policies" in this announcement.

Other Financial Assets

As at 30 June 2023, the Group held other financial assets of approximately RMB585 million, particulars of which are set out below:

Name of other financial assets measured at FVTPL	Fair value as at 30 June 2023 <i>RMB'000</i>	Realised gains/(losses) for the six months ended 30 June 2023 <i>RMB'000</i>	Unrealised gains/(losses) for the six months ended 30 June 2023 <i>RMB'000</i>	% of total assets of the Group as at 30 June 2023
Unquoted fund Investments				
E Fund Management (HK) Co., Ltd.				
E Fund (HK) Select Asia High Yield Bond Fund	156,617	–	239	1.7%
China International Capital Corporation Hong Kong Asset Management Limited				
CICC Multi-strategy Fixed Income Fund	193,013	–	4,676	2.1%
	<u>349,630</u>	<u>–</u>	<u>4,915</u>	<u>3.8%</u>
Structured Deposit				
China Reform Securities				
Sheng Yuan Fu Rong No. 17 Pooled Fund Trust Plan	81,069	–	1,069	0.9%
Haitong Securities Company Limited				
Capital Management Plan No. 1	50,899	–	899	0.5%
Industrial and Commercial Bank of China Limited				
Quan Xin Quan Yi Weekly Regular Opened Wealth Management Product	23,504	–	4	0.3%
	<u>155,472</u>	<u>–</u>	<u>1,972</u>	<u>1.7%</u>

Name of other financial assets measured at amortised cost	Fair value as at 30 June 2023 <i>RMB'000</i>	Realised	Unrealised	% of total assets of the Group as at 30 June 2023
		gains/(losses) for the six months ended 30 June 2023 <i>RMB'000</i>	gains/(losses) for the six months ended 30 June 2023 <i>RMB'000</i>	
Entrusted loan to a related party				
– Xinhua Holdings Group	80,000	–	–	0.8%

Investment Strategy and Future Prospects

The Group's investments in other 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 other financial assets.

Regarding the investment in financial assets measured 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.

Regarding the entrusted loans to related parties under the investment in financial assets measured at amortised cost, the measures include among other things, the followings:

- the borrowing company is required to enter into entrusted loan agreement(s) with reputable PRC bank(s) and the entrusted bank(s) will assess the financial position of the borrowing company(s) regularly to ensure the repayment ability;
- to secure the loan(s), each of the controlling shareholders of the borrowing company shall enter into a personal guarantee. Each of the controlling shareholders of the borrowing company irrevocably and unconditionally, among others, guarantees to the Group the punctual performance by his respective borrowing company for borrowing the loan(s) and undertakes that whenever the respective borrowing company does not pay any amount of the loan when due, he shall immediately on demand pay that amount as if he were the principal of the loan(s). In addition, each of the controlling shareholders of the borrowing company made a guarantee that the Company has the right to postpone the payment of the Company's dividends to each of the controlling shareholders of the borrowing company to the amount of the loans and interests owed by the respective borrowing company until the loans and interests are fully paid;
- upon the Group's request at any time, the borrowing company shall provide forthwith to the Group any documents and information relating to the business operations and financial position of the borrowing company, including but not limited to financial reports and financial statements;
- if the borrowing company or its controlling shareholder has any potential risks of financial instability, it shall inform the Group or the entrusted bank(s) immediately; and
- if the borrowing company or its controlling shareholder has shown any signs of financial instability, the Group or the entrusted bank(s) can demand the borrowing company or its controlling shareholder to repay prior to the repayment date all or part of outstanding principal and interest accrued by giving not less than 10 business days prior written notice to such borrowing company.

In view of the above, we believe that our internal policies regarding investment in other 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 other financial assets using our temporarily idle funds.

Significant Investments, Acquisitions and Disposals

Save as disclosed above, there were no significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures by the Group during the six months ended 30 June 2023.

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 2023. 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 2023 and 31 December 2022, the Group pledged its rental deposits to secure outstanding unpaid contractual lease payments.

Contingent Liabilities

As at 30 June 2023 and 31 December 2022, 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.

Subsequent Events

The Group had no significant event subsequent to the reporting period and up to the date of this announcement.

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

We plan to establish self-owned regional centers in China's geographical regions (the "**Regional Centers**"). 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. The Group intends to establish Regional Centers 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. Currently, the Phase I of Regional Centres in Chengdu in Sichuan province and Jinan of Shandong province had been put into operations. The Phase I of the Regional Centers in Guiyang of Guizhou province and Zhengzhou of Henan province are in the process of construction and are expected to be completed in 2024.

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 (the “**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.

EMPLOYEES AND REMUNERATION POLICIES

Employees

As at 30 June 2023, we had a total of 11,656 employees. The following table sets forth the numbers of our employees, categorized by function, as at 30 June 2023:

Function	Number of Full-Time Employees	% of Total
Executive Directors and core management	324	2.8%
Full-time teachers and instructors	5,553	47.6%
Student accommodation staff	86	0.7%
Logistic personnel	451	3.9%
Administrative staff	2,675	22.9%
Accounting and finance staff	403	3.5%
Others	2,164	18.6%
Total ^(Note)	11,656	100%

Note: Among 11,656 employees, we had 16 employees in Hong Kong and 11,640 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 2023 (six months ended 30 June 2022: Nil).

At the Board meeting held on 23 March 2023, the Board proposed the payment of a final dividend of HK\$0.2 (approximately RMB0.184) per ordinary share in respect of the year ended 31 December 2022. The aforesaid final dividend was approved by the shareholders of the Company (the “**Shareholder(s)**”) at the annual general meeting held on Thursday, 25 May 2023 and paid on Thursday, 29 June 2023.

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 2023.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles of the code provisions set out in the the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “**CG Code**”). During the six months ended 30 June 2023, 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 2023.

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 2023 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 2023, 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 2023 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 2023 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, 18 August 2023

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.