

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

Neuedu

東軟教育科技有限公司

Neusoft Education Technology Co. Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 9616)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

The Board of the Company is pleased to announce the unaudited interim results of the Group for the six months ended 30 June 2023.

HIGHLIGHTS

	Six months ended 30 June		Changes (RMB'000)	Percentage of change
	2023 (RMB'000) (Unaudited)	2022 (RMB'000) (Unaudited)		
Revenue	918,430	743,699	174,731	23.5%
Gross profit	459,320	349,504	109,816	31.4%
Profit for the period	273,733	232,982	40,751	17.5%
Profit for the period attributable to owners of the Company	274,138	233,176	40,962	17.6%
Adjusted Net Profit (note)	271,851	231,736	40,115	17.3%
Adjusted net profit attributable to owners of the Company	272,256	231,930	40,326	17.4%
Gross profit margin	50.0%	47.0%	3.0%	N/A
Adjusted net profit margin	29.6%	31.2%	-1.6%	N/A
Basic earnings per share (in RMB)	0.42	0.35	0.07	20.0%

Note:

For the six months ended 30 June 2023, the Adjusted Net Profit is the profit for the period after deducting the effect of net exchange gains of RMB1,882,000.

For the six months ended 30 June 2022, the Adjusted Net Profit is the profit for the period after deducting the effect of (i) share-based compensation expenses of RMB3,785,000; and (ii) net exchange gains of RMB5,031,000.

The Board is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 30 June 2023 together with the comparative figures as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
	<i>Note</i>	2023	2022
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	918,430	743,699
Cost of revenue	7	(459,110)	(394,195)
Gross profit		459,320	349,504
Selling expenses	7	(20,726)	(18,230)
Administrative expenses	7	(75,046)	(71,340)
Research and development expenses	7	(20,215)	(22,908)
Net impairment losses on financial assets		(2,826)	(85)
Other income	5	68,373	119,162
Other expenses	6	(16,578)	(12,974)
Other gains – net		3,593	2,618
Operating profit		395,895	345,747
Finance income	8	6,620	3,794
Finance expenses	8	(46,337)	(40,951)
Finance expenses – net	8	(39,717)	(37,157)
Profit before income tax		356,178	308,590
Income tax expenses	9	(82,445)	(75,608)
Profit for the period		273,733	232,982
Profit attributable to:			
– Owners of the Company		274,138	233,176
– Non-controlling interests		(405)	(194)
		273,733	232,982
Earnings per share attributable to owners of the Company (expressed in RMB per share)			
Basic earnings per share	11	0.42	0.35
Diluted earnings per share	11	0.42	0.34

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	273,733	232,982
Other comprehensive (loss)/income		
<i>Items that may be reclassified to profit or loss</i>		
Revaluation gains arising from transfer of property, plant and equipment and right-of-use assets to investment properties	—	634
<i>Items that will not be reclassified to profit or loss</i>		
Exchange differences on translation	(1,899)	1,329
Other comprehensive (loss)/income for the period	(1,899)	1,963
Total comprehensive income for the period	271,834	234,945
Total comprehensive income attributable to:		
– Owners of the Company	272,239	235,139
– Non-controlling interests	(405)	(194)
	271,834	234,945

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	As at 30 June 2023 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2022 <i>RMB'000</i> <i>(Audited)</i>
Assets			
Non-current assets			
Property, plant and equipment	12	3,036,430	2,935,493
Intangible assets		278,711	283,232
Right-of-use assets		614,417	630,784
Investment properties		271,400	271,400
Deferred income tax assets		38,584	38,040
Prepayments and other assets		52,103	52,434
		4,291,645	4,211,383
Total non-current assets			
Current assets			
Inventories		5,110	4,297
Trade and notes receivables	13	102,088	75,334
Other receivables		21,879	27,021
Prepayments and other assets		87,397	98,866
Financial assets at fair value through profit or loss		78,054	390,449
Restricted cash		1,200	2,459
Cash and cash equivalents		855,703	1,183,811
		1,151,431	1,782,237
Total current assets			
		5,443,076	5,993,620
Total assets			
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		113	113
Share premium		2,659,698	2,756,159
Reserves		(1,940,345)	(1,938,446)
Retained earnings		1,183,564	909,426
		1,903,030	1,727,252
Subtotal			
Non-controlling interest		8,095	8,500
		1,911,125	1,735,752
Total equity			

	<i>Note</i>	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Liabilities			
Non-current liabilities			
Trade and other payables	<i>14</i>	675	675
Borrowings	<i>15</i>	2,026,522	2,141,325
Deferred tax liabilities		41,496	41,259
Lease liabilities		26,388	32,222
Deferred income		29,355	34,949
		<hr/>	<hr/>
Total non-current liabilities		2,124,436	2,250,430
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	<i>14</i>	622,862	643,142
Current income tax liabilities		65,439	78,607
Contract liabilities	<i>16</i>	214,350	989,341
Borrowings	<i>15</i>	460,341	244,930
Lease liabilities		7,336	9,092
Deferred income		37,187	42,326
		<hr/>	<hr/>
Total current liabilities		1,407,515	2,007,438
		<hr/>	<hr/>
Total liabilities		3,531,951	4,257,868
		<hr/>	<hr/>
Total equity and liabilities		5,443,076	5,993,620
		<hr/>	<hr/>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

Neusoft Education Technology Co. Limited (“the **Company**”) was incorporated in the Cayman Islands on 20 August 2018 as an exempted company with limited liability. The address of the Company’s registered office is at 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands.

The Company is an investment holding company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in providing full-time formal higher education services, education resources, continuing education services and apprenticeship programme in the People’s Republic of China (the “**PRC**”).

The interim condensed consolidated financial information is presented in Renminbi (“**RMB**”) and rounded to nearest thousand yuan, unless otherwise stated.

The interim condensed consolidated financial information was approved by the board of directors of the Company on 29 August 2023.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with International Accounting Standard (“**IAS**”) 34, “Interim Financial Reporting”. The interim condensed consolidated financial information should be read in conjunction with the annual audited financial statements of the Group for the year ended 31 December 2022 which have been prepared in accordance with the International Financial Reporting Standards (“**IFRS**”) by the Group as set out in the 2022 annual report of the Company dated 29 March 2023 (the “**2022 Financial Statements**”).

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2022, as described in the 2022 Financial Statements, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

The following new and amended standards, and annual improvements are mandatory for the first time for the Group’s financial year beginning on January 1, 2023 and are applicable for the Group:

- IFRS 17 – Insurance Contracts
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies
- Amendments to IAS 8 – Definition of Accounting Estimates
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The adoption of these interpretation and amendments to standards has had no significant impact on the results and the financial position of the Group.

(b) **New standards and interpretations not yet adopted**

		Effective for accounting periods beginning on
Amendments to IAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to IFRS 16	Lease liability in sale and leaseback	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Directors of the Company have already commenced an assessment of the impact of these new or revised standard, certain of which is relevant to the Group's operation. According to the preliminary assessment made by the Directors, no significant impact on the financial performance and positions of the Group is expected when they become effective.

4. REVENUE

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Full-time formal higher education services	748,950	580,348
– Tuition fees	690,244	530,217
– Boarding fees	57,941	48,220
– Rental income of telecommunication device	765	1,911
Education resources	102,476	68,917
Continuing education services	64,897	66,128
Apprenticeship programme	2,107	28,306
	918,430	743,699

5. OTHER INCOME

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Rental income from properties	24,079	22,862
Property service and management income	20,931	14,708
Government grants and subsidies	18,670	78,653
Development of software system technology	3,848	2,345
Others	845	594
	68,373	119,162

6. OTHER EXPENSES

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	4,094	4,547
Property maintenance and fire protection expenses	4,023	3,107
Development of software system technology expenses	5,456	2,263
Utilities expenses	1,366	1,306
Employee benefit expenses	559	444
Amortisation of land use rights and intangible assets	342	689
Others	738	618
	<u>16,578</u>	<u>12,974</u>

7. EXPENSES BY NATURE

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Employee benefit expenses	346,309	309,468
Depreciation and amortisation expenses	85,773	78,566
Office, utilities and miscellaneous expenses	41,218	31,081
Property management, landscaping and maintenance expenses	28,081	22,842
Cost of goods sold	21,986	17,318
Rental expenses	20,578	18,058
Subcontract cost	9,092	10,014
Taxes and fees	4,557	3,662
Consulting and professional fees	2,513	3,815
Others	14,990	11,849
	<u>575,097</u>	<u>506,673</u>

8. FINANCE INCOME AND EXPENSES

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Finance income		
Interest income from deposits	<u>6,620</u>	<u>3,794</u>
Finance expenses		
Interest expenses from borrowings	(58,268)	(59,275)
Interest expenses from leasing	(904)	(1,154)
Other charges	(130)	(129)
Net foreign exchange gains	1,882	5,031
Less: Amount capitalised	<u>11,083</u>	<u>14,576</u>
	<u>(46,337)</u>	<u>(40,951)</u>
Finance expenses – net	<u>(39,717)</u>	<u>(37,157)</u>

9. INCOME TAX EXPENSES

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current income tax	82,752	78,240
Deferred income tax	(307)	(2,632)
	<u>82,445</u>	<u>75,608</u>

(i) Cayman Islands profits tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(ii) British Virgin Islands profit tax

The Company's direct subsidiary in the British Virgin Islands was incorporated under the BVI Companies Act, 2004 and accordingly, is exempted from British Virgin Islands income tax.

(iii) Hong Kong profit tax

No provision for Hong Kong profit tax was provided as the Company and the Group did not have assessable profits in Hong Kong during the six months ended 30 June 2023 and 2022.

(iv) PRC corporate income tax ("CIT")

CIT is provided on assessable profits of entities incorporated in the PRC. Pursuant to the Corporate Income Tax Law of the PRC (the "CIT Law"), which was effective from 1 January 2008, the CIT was 25% during the six months ended 30 June 2023 and 2022.

(v) PRC Withholding Tax ("WHT")

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the mainland China and Hong Kong, the relevant withholding tax rate will be 5%. Since the equity holder of the PRC subsidiaries of the Company is a Hong Kong incorporated company and meet the relevant requirements pursuant to the tax arrangement between mainland China and Hong Kong, the relevant withholding tax rate of 5% is used (2022: 10%).

In the foreseeable future, the Group does not have any plan to require its subsidiaries in mainland China to distribute their retained earnings but intends to retain them to operate and expand its business in mainland China. Accordingly, no deferred income tax liability related to WHT on undistributed earnings was accrued as at the end of each reporting period.

(vi) Preferential EIT rate

Certain subsidiaries are entitled to preferential tax rates ranging from 15% to 20%, which are:

- Dalian Yunguan Information Technology Co., Ltd. is qualified as a high-tech enterprise in 2021. It is subject to an EIT of 15% during the six months ended 30 June 2023 and 2022.
- Neusoft Education Technology Group Co., Ltd. is exempt from EIT for two years since 2019, followed by a 50% reduction in the statutory income tax rate of 25% for the next three years from 2021 to 2023. Neusoft Education Technology Group Co., Ltd. is qualified as high-tech enterprise in 2021. It is subject to an EIT rate of 15% and 12.5% during the six months ended 30 June 2023 and 2022.
- The subsidiaries of Tianjin Neusoft Ruidao Education Information Technology Co., Ltd. except Dalian Neusoft Ruichuang Technology Development Co., Ltd. are small low-profit enterprises, followed by a reduced tax rate of 20% during the six months ended 30 June 2023 and 2022.
- Suzhou Neusoft Technology Development Co., Ltd. is a small low-profit enterprise, followed by a reduced tax rate of 20% during the six months ended 30 June 2023 and 2022.
- Chengdu Neusoft Education Technology Co., Ltd. is a small low-profit enterprise, followed by a reduced tax rate of 20% during the six months ended 30 June 2023 and 2022.
- Dalian Neusoft Technology Development Co., Ltd. is a small low-profit enterprise, followed by a reduced tax rate of 20% during the six months ended 30 June 2023 and 2022.
- Nanjing Ruidao Digital Technology Co., Ltd. is a small low-profit enterprise, followed by a reduced tax rate of 20% during the six months ended 30 June 2023 and 2022.
- Huzhou Ruidao Digital Technology Co., Ltd. is a small low-profit enterprise, followed by a reduced tax rate of 20% during the six months ended 30 June 2023 and 2022.
- Putian Neusoft Digital Technology Lab Co., Ltd. is a small low-profit enterprise, followed by a reduced tax rate of 20% during the six months ended 30 June 2023 and 2022.
- Zhengzhou Neusoft Ruidao Digital Technology Co., Ltd. is a small low-profit enterprise, followed by a reduced tax rate of 20% during the six months ended 30 June 2023 and 2022.
- Chengdu Ruixiang Skill Training School Co., Ltd. is a small low-profit enterprise, followed by a reduced tax rate of 20% during the six months ended 30 June 2023.
- Ningbo Wanli Neusoft Digital Technology Co., Ltd. is a small low-profit enterprise, followed by a reduced tax rate of 20% for six months ended 30 June 2023.
- Suzhou Neusoft Ruixiang Technology Co., Ltd. is a small low-profit enterprise, followed by a reduced tax rate of 20% for the six months ended 30 June 2023.

10. DIVIDENDS

A final dividend of HKD0.165 per share for the year ended 31 December 2022, in an aggregate amount of HKD106,624,000 (equivalent to RMB96,461,000) was approved at the annual general meeting held on 30 May 2023 and declared to the owners of the Company.

The final dividends amounting to RMB1,516,000 were paid during six months ended 30 June 2023 (six months ended 30 June 2022: RMB71,821,000).

No interim dividend has been declared or paid by the Company during the six months ended 30 June 2023 and 2022.

11. EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the six months ended 30 June 2023 and 2022 are calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the periods.

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Profit attributable to owners of the Company (<i>RMB'000</i>)	274,138	233,176
Weighted average number of ordinary shares in issue (<i>thousands</i>)	646,204	669,034
Basic earnings per share (<i>in RMB</i>)	0.42	0.35

(b) Diluted

Diluted earnings per share is calculated based on the profit attributable to owners of the Company after adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares during the period.

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Profit attributable to owners of the Company (<i>RMB'000</i>)	274,138	233,176
Weighted average number of ordinary shares in issue (<i>thousands</i>)	646,204	669,034
Adjustments for share options granted to employees (<i>thousands</i>)	2,360	10,643
Weighted average number of ordinary shares for calculation of diluted earnings per share (<i>thousands</i>)	648,564	679,677
Diluted earnings per share (<i>in RMB</i>)	0.42	0.34

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Renovation RMB'000	Motor vehicles RMB'000	Electronic equipment RMB'000	Furniture and fixtures RMB'000	Others RMB'000	Construction in progress RMB'000	Total RMB'000
(Unaudited)								
Six months ended 30 June 2023								
Opening net book amount	2,302,371	34,333	877	85,350	54,233	10,173	448,156	2,935,493
Additions	509	1,425	966	11,113	1,057	92	158,926	174,088
Disposals	-	-	(403)	(771)	(250)	-	-	(1,424)
Depreciation of disposals	-	-	383	718	226	-	-	1,327
Depreciation charge	(44,904)	(5,580)	(134)	(15,917)	(5,447)	(1,072)	-	(73,054)
Closing net book amount	2,257,976	30,178	1,689	80,493	49,819	9,193	607,082	3,036,430
At 30 June 2023								
Cost	2,967,873	86,347	6,051	309,009	189,619	28,319	607,082	4,194,300
Accumulated depreciation	(709,897)	(56,169)	(4,362)	(228,516)	(139,800)	(19,126)	-	(1,157,870)
Net book amount	2,257,976	30,178	1,689	80,493	49,819	9,193	607,082	3,036,430
(Unaudited)								
Six months ended 30 June 2022								
Opening net book amount	1,858,223	40,073	1,122	74,994	42,982	8,252	658,853	2,684,499
Additions	-	1,173	-	12,566	6,100	233	270,389	290,461
Transfer upon completion	392,662	-	-	-	-	-	(392,662)	-
Transfer to investment properties	-	-	-	-	-	-	(79,226)	(79,226)
Disposals	-	-	-	(3,937)	(65)	(4)	-	(4,006)
Depreciation of disposals	-	-	-	3,750	58	4	-	3,812
Depreciation charge	(38,599)	(5,607)	(122)	(14,722)	(5,517)	(1,106)	-	(65,673)
Closing net book amount	2,212,286	35,639	1,000	72,651	43,558	7,379	457,354	2,829,867
At 30 June 2022								
Cost	2,831,045	80,806	4,680	269,130	167,964	24,388	457,354	3,835,367
Accumulated depreciation	(618,759)	(45,167)	(3,680)	(196,479)	(124,406)	(17,009)	-	(1,005,500)
Net book amount	2,212,286	35,639	1,000	72,651	43,558	7,379	457,354	2,829,867

13. TRADE AND NOTES RECEIVABLES

	As at 30 June 2023 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2022 <i>RMB'000</i> <i>(Audited)</i>
Trade receivables		
Due from related parties	16,897	12,884
Receivables from education resources services	88,809	60,063
Receivables from continuing education services	3,102	4,403
Receivables from development of software system technology	48	383
Others	257	889
	<u>109,113</u>	<u>78,622</u>
Less: Provision for impairment of trade receivables	<u>(8,834)</u>	<u>(5,926)</u>
Trade receivables – net	100,279	72,696
Notes receivables	1,809	2,638
Total trade and notes receivables	<u>102,088</u>	<u>75,334</u>

The Group's trade receivables were denominated in RMB and the carrying amounts approximated their fair values.

- (a) As at 30 June 2023 and 31 December 2022, the aging analysis of the trade receivables on the basis of recognition date was as follows:

	As at 30 June 2023 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2022 <i>RMB'000</i> <i>(Audited)</i>
Less than 6 months	53,762	60,245
6 months to 1 year	39,525	7,451
1 to 2 years	13,506	10,126
More than 2 years	2,320	800
	<u>109,113</u>	<u>78,622</u>

14. TRADE AND OTHER PAYABLES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade payables		
Amount due to related parties	8	–
Amount due to third parties	10,048	4,563
	<u>10,056</u>	<u>4,563</u>
Other payables		
Amount due to related parties	2,914	2,906
Miscellaneous expenses received from students	64,570	63,134
Salary and welfare payables	88,993	91,273
Deposits	31,451	40,344
Government subsidies payable to students	7,408	11,966
Payables for purchases of property, plant and equipment	238,157	349,429
Payables for administrative cost	13,694	16,586
Tax payables	11,085	9,502
Interest payables to bank	3,108	3,419
Redemption liability	36,274	36,274
Dividends payable	98,305	1,568
Others	17,522	12,853
Less: non-current portion		
– Amount due to third parties	(675)	(675)
Other payables – current portion	<u>612,806</u>	<u>638,579</u>
Total trade and other payables	<u>622,862</u>	<u>643,142</u>

The Group's trade payables were denominated in RMB and the carrying amounts approximated their fair values.

- (a) The credit terms of trade payables granted to the Group are generally no more than 180 days. As at 30 June 2023 and 31 December 2022, the aging analysis of the trade payable based on invoice dates was as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Less than 6 months	<u>10,056</u>	<u>4,563</u>

15. BORROWINGS

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Long-term borrowings		
Bank borrowings		
– secured	2,021,139	1,922,105
– unsecured	377,505	324,565
Current portion of long-term borrowings		
– secured	(172,117)	(66,027)
– unsecured	(200,005)	(40,060)
	<u>2,026,522</u>	<u>2,140,583</u>
Borrowings from a financial institution		
– secured	7,447	7,928
Current portion of long-term borrowings		
– secured	(7,447)	(7,186)
	<u>–</u>	<u>742</u>
Short-term borrowings		
Bank borrowings		
– unsecured	80,772	131,657
Current portion of long-term borrowings		
– secured	172,117	66,027
– unsecured	200,005	40,060
	<u>452,894</u>	<u>237,744</u>
Borrowings from a financial institution		
– secured	–	–
Current portion of long-term borrowings		
– secured	7,447	7,186
	<u>7,447</u>	<u>7,186</u>
Total borrowings	<u>2,486,863</u>	<u>2,386,255</u>

16. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligation as at 30 June 2023 and 31 December 2022 will be expected to be recognised within one year:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Full-time formal higher education services	150,971	886,118
– Tuition fees	131,393	810,277
– Boarding fees	19,578	75,841
Education resources	17,209	38,737
Continuing education services	41,995	60,182
Development of software system technology	4,175	4,304
	214,350	989,341

17. SUBSEQUENT EVENTS

- a) In July 2023, the Board of the Company resolved to distribute special bonuses to certain relevant key individuals of the Group, with a total amount within RMB67,000,000, in order to motivate the relevant key individuals to provide better performance in the future.
- b) In August 2023, due to the fact that no substantial progress has been made on the School Project, the Board of the Company resolved to agree Neuedu Technology to enter into the Termination Agreement with Fujian Jiantou. On 28 August 2023, Neuedu Technology and Fujian Jiantou entered into the Termination Agreement, pursuant to which both parties agreed (i) to terminate the Cooperation Agreement with effect from 28 August 2023 and the respective rights and obligations under the Cooperation Agreement was ceased and became invalid accordingly; and (ii) that Fujian Jiantou shall return the earnest money of RMB50.0 million paid by Neuedu Technology within 5 business days from the signing date of the Termination Agreement.

MANAGEMENT DISCUSSION AND ANALYSIS

1 ABOUT US

With our mission of “Boost Smart Education with Digital Technologies, and Empower Students with Innovative Education”, Neuedu advocates the values of “Innovation, Integration, Progression, Responsibility, Integrity”. Focusing on IT and health care technology, we have developed an ecosystem with full-time formal higher education services as our fundamental business, and with education resources and continuing education services as our two strategic businesses, dedicated to becoming a leading education service provider of digital talents in China. The following table shows a breakdown of our revenue from each business segment during the Reporting Period:

	Six months ended 30 June		Percentage of	Percentage of
	2023	2022	change	total revenue
	RMB'000	RMB'000		
	(Unaudited)	(Unaudited)		
Full-time formal higher education services	748,950	580,348	29.1%	81.5%
Education resources	102,476	68,917	48.7%	11.2%
Continuing education services	64,897	66,128	-1.9%	7.1%
Others	2,107	28,306	-92.6%	0.2%
Total	918,430	743,699	23.5%	100.0%

2 BUSINESS PROGRESS

2.1 The Three Universities Improve Quality and Enhance Brand Influence to Consolidate our Leading Position in the Industry

2.1.1 School Operation Achievements

Dalian University has 7 National-level First-class Bachelor Degree Programmes Construction Sites (國家級一流本科專業建設點) and 8 Provincial-level First-class Bachelor Degree Programmes Construction Sites (省級一流本科專業建設點) recognised, with the number of National-level First-class Bachelor Degree Programmes Construction Sites ranking the first among all private universities in China. It has made multiple school operation achievements during the Reporting Period:

- obtained the first prize of national-level teaching achievement award, which is the only first prize of national-level teaching achievement award that was received in the field of vocational education in Liaoning Province at this time;
- 1 course, namely Internet of Things System Development, was recognised as the National-level First-class Bachelor Degree Course (國家級一流本科課程) and Dalian University has 2 National-level First-class Bachelor Degree Courses in total with the number of recognised courses ranking the first among all private universities in Liaoning Province;

- 3 textbooks were selected as the first batch of National Planning Textbook in the 14th Five-Year Plan of Vocational Education (“十四五”職業教育國家規劃教材) by MOE;
- ranked the first among the private universities across the country in the “National General College Student Computer Competition Status Data from 2012-2022” (2012-2022年全國普通高校大學生計算機類競賽狀態數據); and
- recognised as the first batch of the National College Quality Culture Construction Demonstration Cases (全國高校質量文化建設示範案例) by the National College Quality Assurance Agency Alliance (CIQA, 全國高校質量保障機構聯盟).

Chengdu University offers 2 new bachelor degree programmes, namely Supply Chain Management and Virtual Reality Technology, and has 1 National-level First-class Bachelor Degree Programme Construction Site and 6 Provincial-level First-class Bachelor Degree Programmes Construction Sites recognised. It has made multiple school operation achievements during the Reporting Period:

- 1 course, namely Basis of Programming, was recognised as the National-level First-class Bachelor Degree Course;
- the SOVO (Student Office & Venture Office, 大學生創業中心) was recognised as “Excellent Mass Entrepreneurship Space in 2022” (2022年度優秀眾創空間) by Science & Technology Department of Sichuan Province (四川省科學技術廳);
- ranked the second among the private universities across the country and the first among the private universities in Sichuan Province in the “National General College Student Computer Competition Status Data from 2012-2022”; and
- ranked first among science and engineering universities across the country in the 2022 China Private University Student Quality Rankings (2022年中國民辦大學生源質量排名) released by China University Rankings (CNUR).

Guangdong University has 3 Provincial-level First-class Bachelor Degree Programmes Construction Sites recognised and has made multiple school operation achievements during the Reporting Period:

- 1 course of Guangdong University, namely Basis of Programming, was recognised as the National-level First-class Bachelor Degree Course; and
- 2 cooperative education projects have been recognized as Excellent Cases of Industry-University Cooperative Education Projects of the MOE in 2022 (2022年度教育部產學合作協同育人項目優秀項目案例).

2.1.2 Admission Quota

Our superior school operation quality and good brand reputation have boosted the continuous growth of our admission quota. For the 2023/2024 school year, the admission quota of all the three universities of the Group have achieved steady growth, with an increase of 2,365 or 14% as compared with that of last school year.

	Admission Quota		Change	Percentage of change
	2023/2024 School Year	2022/2023 School Year		
Dalian University				
Bachelor degree programmes	4,013	3,913	100	3%
Junior college diploma programmes	1,096	496	600	121%
Junior college to bachelor degree transfer programmes	2,899	2,465	434	18%
Subtotal	8,008	6,874	1,134	16%
Chengdu University				
Bachelor degree programmes	5,574	5,500	74	1%
Junior college diploma programmes	100	350	-250	-71%
Junior college to bachelor degree transfer programmes	823	207	616	298%
Subtotal	6,497	6,057	440	7%
Guangdong University				
Bachelor degree programmes	2,633	2,409	224	9%
Junior college diploma programmes	155	<i>—note</i>	155	N/A
Junior college to bachelor degree transfer programmes	2,200	1,788	412	23%
Subtotal	4,988	4,197	791	19%
Total	19,493	17,128	2,365	14%

Note: There was no junior college diploma programme for Guangdong University in the 2022/2023 school year.

2.1.3 Student Enrolments

As of 30 June 2023, there was 52,819 on-campus students in total in our three universities, which increased by 16% as compared with that as of 30 June 2022. The number of students in the three universities is expected to further increase after the completion of new students' registration for 2023/2024 school year.

	Student enrolments			Percentage of change
	As at 30 June 2023	As at 30 June 2022	Change	
Dalian University				
Bachelor degree programmes	14,922	14,530	392	3%
Junior college diploma programmes	871	925	-54	-6%
Junior college to bachelor degree transfer programmes	2,805	1,411	1,394	99%
Subtotal	18,598	16,866	1,732	10%
Chengdu University				
Bachelor degree programmes	14,968	12,405	2,563	21%
Junior college diploma programmes	2,118	2,058	60	3%
Junior college to bachelor degree transfer programmes	3,601	2,058	1,543	75%
Subtotal	20,687	16,162	4,525	28%
Guangdong University				
Bachelor degree programmes	9,878	9,965	-87	-1%
Junior college diploma programmes	674	1,044	-370	-35%
Junior college to bachelor degree transfer programmes	2,982	1,455	1,527	105%
Subtotal	13,534	12,464	1,070	9%
Total	52,819	45,492	7,327	16%

2.1.4 Quality Students

With excellent teaching ability and brand reputation, our universities have been widely recognised by outstanding students and their parents from all over the country. The quality of students of Chengdu University ranks first among science and engineering universities across the country in the 2022 China Private University Student Quality Rankings released by China University Rankings (CNUR).

As of the date of this announcement, the enrolment for the 2023/2024 school year is close to the end. The admission scores of each university are significantly higher than the bachelor cut-off scores of the province each of them locates, among which: for Dalian University, the highest admission score of physics stream is 108 scores higher than the bachelor cut-off scores of Liaoning Province; for Chengdu University, the highest admission score of science stream is 96 scores higher than the bachelor cut-off scores of Sichuan Province; for Guangdong University, the highest admission score of physics stream is 77 scores higher than the bachelor cut-off scores of Guangdong Province. We believe that the high quality of students proves that our comprehensive strength of majors in related fields has been well recognised by the market.

2.1.5 Campus Construction

In order to accommodate the increasing number of students, we have carried out a series of campus expansion projects in recent years, and the campus capacity has realised an increase of up to 40% in two years. As of 30 June 2023, the campus capacity of the three universities has reached 58,000 beds, and the comprehensive utilisation rate of the campus capacity for full-time formal higher education has reached 91%, and some other beds are used for formal continuing education.

At the end of February 2023, the main project of student apartments of Chengdu University Phase VIII Expansion Project was completed and is scheduled to put in use for 2023/2024 school year, which is expected to increase the campus capacity of 3,200 beds.

2.2 Increasing Investment in Product R&D to Drive Long-Term Performance Growth

High-quality education resource products are the core driving force for our performance growth. Hence, we always adhere to the R&D strategy of “education + scientific research” and use digital technology to enable high-quality development of smart education. During the Reporting Period, we continued to increase investment in R&D, and continuously launched and updated our smart education products. In the first half of 2023, the total revenue generated from smart education platform and software, smart practical training laboratories and teaching content was approximately RMB51.0 million, representing an increase of 74.6% as compared with the corresponding period of 2022.

2.2.1 Smart Education Platform and Software

Relying on the 4S service model, we have built the Integrated Smart Education Platform with many smart education softwares covering education management, teaching operation, practical teaching and other areas to help colleges and universities to achieve digital education. In the first half of 2023, we continue iterating and upgrading several intelligent education software products, including Cloud Training Platform (formerly known as Project Training System), Cloud Practice Platform, Intelligent Student Management System, Engineering Education Certification Support System and others, constantly enriching functions and optimising user experience.

In addition, we have launched several smart education software products, constantly empowering the client universities and colleges:

- launched the first meta-universe intelligent healthcare future education platform in China, constructing a smart digital vocational education ecological chain of “meta-universe intelligent healthcare big data + digital teaching resource library + online courses + VR system + vocational education” and building a major teaching system with pan-platform integration of “theory, virtuality and reality”, to implement multi-dimensional teaching; and
- launched a series of software of Neuedu Intelligence Training Systems (東軟智匯訓練系統) covering application software system development, mobile application design and development, computer software testing and other majors in response to the features of vocational education and requirements of competition, to provide competition resource support and services for vocational college clients.

2.2.2 Smart Practical Training Laboratories

In the first half of 2023, we have upgraded and launched several smart practical training laboratories focusing on popular majors such as artificial intelligence, big data and software development:

- launched the Driverless Training Laboratory, which would help colleges and universities quickly build practical courses for intelligent science and technology, artificial intelligence and other majors and help with the client colleges’ deficiency of teachers, courses and facilities;
- launched E-commerce Big Data Training Laboratory for big data and big data related majors, providing users with practical project resources, platform practice environment and whole-process management support centred on the cultivation of big data application development skills for big data and big data-related majors; and

- launched the Comprehensive Software Development Training Laboratory by integrating the existing C Programming Language Training Laboratory, Operating System Training Laboratory and Web Developer Training Laboratory, carrying out course projects and comprehensive projects training based on our own Cloud Training Platform and Cloud Practice Platform, in order to cultivate software developer talents with comprehensive ability to better meet the requirements of predominant software developer positions in the market.

2.2.3 Teaching Content

We have completed the development of 9 majors, 139 standardised major courses and 1,220 systematised projects of level 1-5, focusing on six core professional areas of artificial intelligence, big data, internet of things, computer software and digital media. In the first half of 2023, we newly built 13 standardised major courses and 218 systematised projects of level 1-5 for 7 majors of these.

2.2.4 Smart Practical Training Laboratories

In the first half of 2023, there has been over 270,000 new registered users on Neuedu Online, with more than 27,000 course learning users; we have launched functions of competition and training camp on IT Cloud Class, providing online support for various competitions and training camps held by the Group, and moreover, we have newly added 179 courses on IT Cloud Class with a duration of 1,600 hours, continuing enriching the coverage of online education courses and laying a solid content foundation for the growth of online education users.

2.3 Deepening the 4S Service Model to Facilitate the Transformation of Education Digitisation

2.3.1 Education Resources Services

Based on Neuedu's advantages and developed products, we have carried out joint establishment of industrial colleges and academic majors with universities and vocational colleges, assisting client universities and colleges to deepen industry-education integration and improve the quality of talent training with our own high-quality education resources.

The advantages of our education resources business are standing out with the implementation of 4S service model in client universities and colleges. In the first half of 2023, Neusoft Industrial College of Yunnan Technician College has been approved a new cooperative major (Modern Communication Technology) and completed the construction of 6 laboratories equipped with various smart platforms and course resources, rapidly creating a high-quality, information-based, integrated teaching practical environment; the major talent training programmes of Software Technology and Big Data Technology of Neusoft Information Industrial College of Peyley Vocational College have been highly recognised and affirmed by Whitireia New Zealand, its cooperative partner, laying the foundation for our international education and also has contacted with several provincial education departments to achieve cross-province enrolment successfully; the “Task-driven Courses on Computer Application Basics (Third edition)” jointly published by Shandong Vocational College of Science and Technology and us is on the list of the first batch of National Planning Textbook in the 14th Five-Year Plan of Vocational Education.

At the same time, through the continuous empowerment of 4S service model, our partner universities and colleges have made excellent achievements in respect of capability of teachers, potential in students and strength in majors: in the first half of 2023, teachers and students of majors or industrial colleges jointly established with us won a total of 20 national-level, 92 provincial-level, 3 municipal-level and 3 industrial-level awards in the areas of teaching achievements and skill innovation competitions; the employment rate of students of 2022 from Neuedu Information Industry College of Yunnan Industry & Trade Vocational College reached 91%, ranking first among all majors of the college.

During the Reporting Period, we have been in cooperation with 60 universities and colleges on joint establishment of industrial colleges and majors, 37 of which are universities, and serving 20,529 students.

2.3.2 Continuing Education Services

In the first half of 2023, we have made achievements in continuing education. In terms of 2B training, making full use of the “National Vocational Education ‘Double-Professionally-Qualified’ Teacher Training Base (Computers)” recognised by the MOE at the end of 2022, we have completed the bidding of national teacher training projects in a number of provinces and implemented over 60 2B training projects covering nearly 9,000 trainees. In terms of 2C training, in the first half of 2023, we have provided training services to approximately 13,000 trainees, and offered famous enterprise job referral services with a successful referral rate of 80% to trainees in the employment class, who were recommended to and worked in Huawei, DCITS, and other well-known enterprises. The initial annual salary of excellent students is over RMB200,000. In terms of academic continuing education, we have offered 14 new majors in the 2023/2024 school year, with a total of 38 majors in the three universities, covering our advanced majors and popular areas including software engineering, digital media, virtual reality, big data, healthcare services and management.

In addition, under the expansion strategy of “Competition & Qualification”, we organized the “Neuedu Cup” Undergraduate Series Competition through the Neuedu Online and IT Cloud Class in the first half of 2023. As of 30 June 2023, the “Neuedu Cup” Undergraduate Series Competition has been rapidly expanded to more than 150 universities and colleges in over 20 provinces, obtaining general good feedback. It successfully expanded the influence and awareness of our online platform rapidly, which further enhanced Neuedu’s brand reputation.

3 FINANCIAL REVIEW

Revenue

Our revenue was RMB918.4 million for the six months ended 30 June 2023, representing an increase of 23.5% as compared with the corresponding period of last year. Details of analysis are as follows:

- Revenue derived from our full-time formal higher education services was RMB749.0 million, representing an increase of 29.1% as compared with the corresponding period of last year, mainly due to the increase of student enrolment and average tuition fee in our three universities.
- Revenue generated from the education resources was RMB102.5 million, representing an increase of 48.7% as compared with the corresponding period of last year, mainly due to the rapid growth of revenue from smart education platform and software.
- Revenue generated from the apprenticeship programme was RMB2.1 million, representing a decrease of 92.6% as compared with the corresponding period of last year, mainly due to the transformation of apprenticeship programme model, which is, replaced the self-established apprenticeship programme training bases with those jointly established with government, and replaced the project developing and training programmes engineers directly participated in with self-developed online training project resources. During the Reporting Period, a vast majority of our revenue from the apprenticeship programme was derived from the revenue arising from the services provided by engineers. The decrease in the number of engineers resulted in the decrease in revenue from the apprenticeship programme.

Cost of revenue

Our cost of revenue was RMB459.1 million for the six months ended 30 June 2023, representing an increase of 16.5% as compared with the corresponding period of last year. Such increase was mainly due to that (i) the increase of staff remuneration resulted from the business growth, (ii) the increase of depreciation and operating expenses, because the expansion projects of three universities have been completed and put into use gradually.

Gross profit

Gross profit was approximately RMB459.3 million for the six months ended 30 June 2023, representing an increase of 31.4% as compared with the corresponding period of last year. Such increase was mainly due to that the increase in revenue outweighs the increase in costs.

Selling expenses

Selling expenses was approximately RMB20.7 million for the six months ended 30 June 2023, representing an increase of 13.7% as compared with the corresponding period of last year. Such increase was mainly due to the fact that we stepped up the development of the market of our education resources business and continuing education services.

Administrative expenses

Administrative expenses was approximately RMB75.0 million for the six months ended 30 June 2023, representing an increase of 5.2% as compared with the corresponding period of last year. Such increase was mainly due to the growth of staff remuneration and depreciation.

Research and development expenses

Research and development expenses was approximately RMB20.2 million for the six months ended 30 June 2023, representing a decrease of 11.8% as compared with the corresponding period of last year. Such decrease was mainly due to that several previous R&D projects have been basically completed.

Other income

Other income was approximately RMB68.4 million for the six months ended 30 June 2023, representing a decrease of 42.6% as compared with the corresponding period of last year, mainly due to the decrease of government grants.

Net finance expenses

Net finance expenses was approximately RMB39.7 million for the six months ended 30 June 2023, representing an increase of 6.9% as compared with the corresponding period of last year, mainly due to the decrease in net foreign exchange gains.

Income tax expenses

Income tax expenses was approximately RMB82.4 million for the six months ended 30 June 2023, representing an increase of 9.0% as compared with the corresponding period of last year, mainly due to the increase in taxable profit.

Profit for the period

As a result of the foregoing, for the six months ended 30 June 2023, profit for the period increased by approximately 17.5% as compared with the corresponding period of last year. And the earnings per share increased by about 20.0% compared with the corresponding period of last year, mainly due to: (i) the increase in profit during the Reporting Period, and (ii) the repurchase and cancellation of 23,836,000 Shares in 2022.

Net profit attributable to owners of the Company was approximately RMB274.1 million for the six months ended 30 June 2023, representing an increase of 17.6% as compared with the corresponding period of last year, mainly due to the increase in profit for the period.

Non-IFRS measures

To supplement the Group's Consolidated Financial Statements which are presented in accordance with IFRS, the Group also use "Adjusted Net Profit", "Adjusted Net Profit Attributable to Owners of the Company" and "Adjusted Net Profit Margin" as additional financial measures. The Group's Adjusted Net Profit is calculated as profit for the period/year after deducting the impact of (a) share-based compensation expense; and (b) net exchange losses/(gains). The Adjusted Net Profit Attributable to Owners of the Company is calculated as profit for the period/year attributable to owners of the Company after deducting the impact of (a) share-based compensation expense; and (b) net exchange losses/(gains). The Group defines Adjusted Net Profit Margin as Adjusted Net Profit divided by revenue. IFRS does not define the Adjusted Net Profit, Adjusted Net Profit Attributable to Owners of the Company or Adjusted Net Profit Margin. The use of the adjusted net profit, the adjusted net profit attributable to the owner of the company and the adjusted net profit margin as the analysis tool has significant restrictions, because it does not include all items affecting the Group's profit for the period/year and the profit attributable to the owner of the company within the period/year. The Company presents these financial measures because it may eliminate potential impacts of non-recurring items that the management do not consider to be indicative of the Group's operating performance. The Company also believe that such non-IFRS measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations of the Group in the same manner adopted by the management of the Company and in comparing financial results across accounting periods with peer companies.

In light of the limitations for Adjusted Net Profit, Adjusted Net Profit Attributable to Owners of the Company and Adjusted Net Profit Margin, when assessing the Group's operating and financial performance, you should not view Adjusted Net Profit, Adjusted Net Profit Attributable to Owners of the Company and Adjusted Net Profit Margin in isolation or as a substitute for the Group's profit for the period or any other operating performance measure that is calculated in accordance with IFRS. In addition, because this non-IFRS measure may not be calculated in the same manner by all companies, they may not be comparable to other similarly measures used by other companies.

The following table reconciles the Group's Adjusted Net Profit for the period presented to the profit for the period calculated and presented in accordance with IFRS:

	Six months ended 30 June	
	2023	2022
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit for the period	273,733	232,982
Adjusted items:		
Share-based compensation expenses	–	3,785
Exchange gains – net	(1,882)	(5,031)
Adjusted net profit	<u>271,851</u>	<u>231,736</u>

Adjusted Net Profit was approximately RMB271.9 million for the six months ended 30 June 2023, representing an increase of 17.3% as compared with the corresponding period of last year. Adjusted Net Profit Margin were 29.6% and 31.2% for the six months ended 30 June 2023 and 30 June 2022 respectively.

The following table reconciles the Group's Adjusted Net Profit Attributable to Owners of the Company for the period presented to the profit for the period attributable to owners of the Company calculated and presented in accordance with IFRS:

	Six months ended 30 June	
	2023	2022
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit attributable to owners of the Company	274,138	233,176
Adjusted items:		
Share-based compensation expenses	–	3,785
Exchange gains – net	(1,882)	(5,031)
Adjusted net profit attributable to owners of the Company	<u>272,256</u>	<u>231,930</u>

Adjusted Net Profit Attributable to Owners of the Company was approximately RMB272.3 million for the six months ended 30 June 2023, representing an increase of 17.4% as compared with the corresponding period of last year.

Financial and Liquidity Position

Liquidity, Financial Resources and Capital Structure

The shares of the Company were successfully listed on the Main Board of the Stock Exchange on 29 September 2020.

As at 30 June 2023, the issued share capital of the Company was HK\$129,241, and the number of issued ordinary Shares was 646,203,535 of HK\$0.0002 each.

As at 30 June 2023, cash and cash equivalents of the Group amounted to approximately RMB855.7 million (31 December 2022: approximately RMB1,183.8 million). As at 30 June 2023, total borrowings of the Group amounted to approximately RMB2,486.9 million (31 December 2022: approximately RMB2,386.3 million). The maturity range of loan is from one year to more than five years. Borrowings were all denominated in Renminbi. Interests were charged at fixed rates and floating rates. The Group did not carry out any interest rate hedging policy.

Treasury Policy

The Group has adopted a prudent financial management approach towards its treasury policy. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements all the time.

Current Ratio

As of 30 June 2023, the current ratio of the Group (i.e. current assets divided by current liabilities) was 0.82 (31 December 2022: 0.89).

Contingent Liabilities

As of 30 June 2023, the Group did not have any unrecorded significant contingent liabilities or any material litigation against the Group.

Foreign Exchange Exposure

The majority of the Group's revenue and expenditures are denominated in RMB. During the six months ended 30 June 2023, the Group did not experience any significant difficulties in or impacts on its operations or liquidity due to fluctuations in currency exchange rates. The Directors believe that the Group has sufficient foreign exchange to meet its own foreign exchange requirements and will adopt practical and effective measures to prevent exposure to exchange rate risk.

Charge on Assets

As at 30 June 2023, the Group had bank borrowings of RMB1,694.1 million pledged by certain collection rights of tuition fees and boarding fees, and bank borrowings of RMB327.0 million pledged by certain equity interests.

Gearing Ratio

As at 30 June 2023, the gearing ratio (being total debt divided by total equity, of which total debt refers to the sum of interest-bearing bank loans, other borrowings and lease liabilities) of the Group was 131.9% (31 December 2022: 139.9%).

Capital Expenditures

The capital expenditures of the Group for the six months ended 30 June 2023 amounted to approximately RMB285.9 million, which was primarily related to the upgrade and expansion of our campuses.

Material Acquisitions or Disposals of Subsidiaries, Associates and Joint Venture

For the six months ended 30 June 2023, the Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures.

Significant Investments

As at 30 June 2023, the Company did not have any significant investment accounting for 5% of the Company's total assets.

Future Plans for Material Investments or Capital Assets

Save as disclosed under the section headed "Use of Proceeds from the IPO" of this announcement, the Group did not have any other plans for material investments or capital assets as of the date of this announcement.

4 EMPLOYEE AND REMUNERATION POLICY

As of 30 June 2023, the Group has 3,346 employees, and our three universities have a total of 2,086 full-time teachers. Approximately 91% of the full-time teachers had a master degree or Ph.D. degree, approximately 27% being professors or associate professors, approximately 55% with engineering practice experience in enterprises, and 22% with overseas studies and/or work experience. There are also 1,232 part-time teachers in the three universities.

The Group provides employees with a competitive remuneration package, which is determined in accordance with prevailing industry practice and employees' educational backgrounds, experiences and performance. As required by the applicable laws and regulations, the Group participates in various employee social security plans for its employees that are administered by local governments, including, among others, housing provident funds, pensions, medical insurance, maternity insurance, work-related injury insurance and unemployment insurance. In addition, the Group provides our employees with relevant training courses suited to their personal career development, and provides them with benefits, including commercial insurance, corporate annuities, welfare medical examinations, and holiday gifts. For the six months ended 30 June 2023, the total cost of employee remuneration of the Group (including Directors' fees) was RMB346.9 million (for six months ended 30 June 2022: RMB309.9 million).

The Company adopted a Pre-IPO Share Incentive Scheme on 19 June 2019 and a Post-IPO Share Incentive Scheme on 11 September 2020 to motivate Directors and eligible employees. Details of such plans are set out in the section headed “Share Incentive Schemes” of the Appendix V to the Company’s Prospectus. As of 30 June 2023, 1,780,980 options have been cancelled, 4,465,116 options have lapsed, and 3,372,335 options have been exercised under the Pre-IPO Share Incentive Scheme; and no options have been granted, exercised, lapsed or cancelled under the Post-IPO Share Incentive Scheme.

5 FUTURE DEVELOPMENT PLAN

5.1 Adhering to the Founding Mission of Education, Leading Talent Cultivation with High-quality Majors

Quality is the lifeline of university development, and majors are the basic units of talent cultivation. Therefore, our three universities will continue to target at structuring “quality education”, integrating quality awareness, quality standards, quality evaluation and quality management into all links of the school-running process. At the same time, we will continue to improve quality and enhance brand influence. We will continue to build first-class majors, based on which, we will promote the rapid improvement of quality of major construction and talent cultivation.

5.2 Pushing Forward the Innovation of R&D, Boosting Smart Education with Digital Technologies

Under the guidance of the mission of “Boost Smart Education with Digital Technologies”, we always adhere to the R&D strategy of “Education + Technology”. We believe that developing superior education resource products with innovation is the foundation and the key to promote the sustainable and stable growth of the Group’s performance. Therefore, we will continue to increase investment in the R&D of education resource products, and constantly upgrade our comprehensive product portfolio covering platforms, content, software and hardware, in order to support the rapid development of our One Fundamental Business and Two Strategic Businesses.

5.3 In Sync with the Pulse of the Times, Reforming the Education Model with the 4S System

Nowadays, the integration and exchange of education has become the necessary path for the development of higher education, and universities and colleges demand more professional support of education services and resources. We will concentrate on improving the joint construction plan of industrial college based on 4S service model, breaking the limitation of geography and disciplines with the digital education teaching products and content. We will help students to practice on real projects inside the campus and learn high-quality interdisciplinary major courses, making constant efforts for the digital transformation of higher education and providing talents for the digital economy.

USE OF PROCEEDS FROM THE IPO

The Shares of the Company have been listed on the Main Board of the Stock Exchange on 29 September 2020. The net proceeds from the Initial Public Offering (“IPO”) were approximately HK\$924.2 million (approximately RMB777.5 million).

On 8 June 2021, the Board resolved to reallocated part of the unutilised IPO Proceeds of approximately RMB59.9 million (approximately 8% of the IPO proceeds) originally intended to be used for the acquisition of other schools to repay commercial loans of the Group. For details of the change in the use of proceeds from the IPO, please refer to the announcement issued by the Company on 8 June 2021.

As of 30 June 2023, the use of proceeds from the IPO is as follows:

	% of net proceeds	Revised net proceeds from the IPO <i>RMB million</i>	Amount utilised during the six months ended 30 June 2023 <i>RMB million</i>	Amount utilised as at 30 June 2023 <i>RMB million</i>	Amount unutilised as at 30 June 2023 <i>RMB million</i>	Expected timeline for fully utilising unutilised amount
Upgrading our existing school facilities and expanding our campus	51.4%	399.6	8.6	399.6	–	N/A
Acquisition of other schools	12.9%	100.0	–	50.0	50.0	2023
Repay commercial loans	25.4%	198.0	–	198.0	–	N/A
Supplement working capital	10.3%	79.9	–	79.9	–	N/A
Total	100%	777.5	8.6	727.5	50.0	

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

None of the Company or any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2023.

INTERIM DIVIDEND

The Board did not recommend any payment of interim dividend for the Reporting Period.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained the prescribed minimum public float under the Listing Rules during the six months ended 30 June 2023.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining and promoting stringent corporate governance. The corporate governance principles of the Company are to promote effective internal control measures, to uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its business and operations are conducted in accordance with applicable laws and regulations, and to enhance the transparency and accountability of the Board to shareholders. The Company's corporate governance practices are based on the principles and code provisions as set out in Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules.

For the six months ended 30 June 2023, the Company has complied with the code provisions of the CG Code and, where appropriate, adopted the recommended best practices as set out in the CG Code.

The Board will continue to review and monitor the Company's practice to ensure the compliance with the CG Code and maintain a high standard of corporate governance practices of the Company.

COMPLIANCE WITH THE CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 code of conduct regarding securities transactions by the Directors. In addition, the Company has also adopted a code of conduct regarding the securities transactions by the Directors (the "**Code of Conduct**") on terms no less exacting than the required standard set out in the Model Code.

Having made specific enquiry of the Directors, all Directors confirmed that they have complied with the Model Code and the Code of Conduct during the six months ended 30 June 2023.

FINANCIAL INFORMATION REVIEW

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. As of the date of this announcement, the Audit Committee is comprised of two independent non-executive Directors (Dr. LIU Shulian and Dr. QU Daokui) and one non-executive Director (Mr. RONG Xinjie). Dr. LIU Shulian is the chairperson of the Audit Committee.

The Audit Committee has reviewed the Company's unaudited interim condensed consolidated financial information for the six months ended 30 June 2023, and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made. The interim financial information for the six months ended 30 June 2023 is unaudited, but has been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the International Auditing and Assurance Standards Board.

PUBLICATIONS OF 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 (<https://www.neuedu.com/>). The interim report of the Group for the six months ended 30 June 2023 will be available on the above websites of the Stock Exchange and the Company and dispatched to Shareholders of the Company in due course.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

Save as set out in note 17 to the interim condensed consolidated financial information of this announcement, after the Reporting Period and up to the date of this announcement, there were no material events affecting the Company or any of its subsidiaries.

DEFINITIONS

“%”	per cent
“14th Five-Year”	the 14th Five-Year of national economic and social development of the People’s Republic of China, i.e., the five-year period of 2021–2025
“2B”	to enterprises, governments, colleges and universities and other institutions
“4S”	the service model of PaaS (platform as a service), SaaS (software as a service), CaaS (content as a service) and DaaS (data as a service) built by the Company
“Adjusted Net Profit”	a non-IFRS measure that eliminates the effect of certain non-recurring items from our profit for the period/year. See “Financial Information – Non-IFRS Measure” of the Prospectus of the Company
“Audit Committee”	the audit committee of the Board
“Board”	the board of directors of the Company
“Chengdu University”	Chengdu Neusoft University (成都東軟學院), established in 2003, and one of the higher education schools operated by our Group

“China” or “the PRC”	the People’s Republic of China, and for the purposes of this announcement only, except where the context requires otherwise, excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Company”, “our Company”, or “the Company”	Neusoft Education Technology Co. Limited (東軟教育科技有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on 20 August 2018
“Dalian University”	Dalian Neusoft University of Information (大連東軟信息學院), established in 2004, and one of the higher education schools operated by our Group
“Director(s)”	the director(s) of the Company
“Group”, “we”, “us”, or “our”	the Company and its subsidiaries (including our consolidated affiliated entities) from time to time or, where the context requires, in respect of the period prior to the Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time
“Guangdong University”	Neusoft Institute Guangdong (廣東東軟學院), established in 2003, and one of the higher education schools operated by our Group
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong dollars” or “HK dollars” or “HK\$”	the current lawful currency of Hong Kong
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“laws”	means all laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, directives, requests, orders, judgments, decrees, interpretations or rulings of any Governmental Authority (including the Stock Exchange and the SFC) of all relevant jurisdictions

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM of the Stock Exchange
“Ministry of Education” or “MOE”	Ministry of Education of the People’s Republic of China (中華人民共和國教育部)
“One Fundamental Business”	full-time formal higher education services, the fundamental business of the Group
“Post-IPO Share Incentive Scheme”	the share option scheme of the Company as approved by the Board on 11 September 2020 and detailed in “Statutory and general information – Share Incentive Schemes – Post-IPO Share Incentive Scheme” in Appendix V to the Prospectus of the Company dated 17 September 2020
“Pre-IPO Share Incentive Scheme”	the share option scheme of the Company as approved by the Board on 19 June 2019, as amended from time to time, and detailed in “Statutory and general information – Share Incentive Schemes – Pre-IPO Share Incentive Scheme” in Appendix V of the Prospectus of the Company dated 17 September 2020
“Prospectus”	the prospectus of the Company dated 17 September 2020
“R&D”	research and development
“Reporting Period”	six months ended 30 June 2023
“RMB” or “Renminbi”	Renminbi, the current lawful currency of China
“Share(s)”	ordinary share(s) in the share capital of our Company, currently with a par value of HK\$0.0002 each
“Shareholder(s)”	holders of our Shares or any one or more of the holders

“subsidiary” or “subsidiaries”	has the meaning ascribed to it in the Listing Rules
“the Stock Exchange” or “the Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Two Strategic Businesses”	education resources and continuing education services, the two strategic businesses of the Group

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to the management and staff members of the Group for their dedication and hard work and our shareholders for their trust and support.

By order of the Board
NEUSOFT EDUCATION TECHNOLOGY CO. LIMITED
Dr. LIU Jiren
Chairperson and non-executive Director

Hong Kong, 29 August 2023

As at the date of this announcement, the Board comprises Dr. LIU Jiren as Chairperson and non-executive Director; Dr. WEN Tao as executive Director; Mr. RONG Xinjie, Dr. ZHANG Xia, Dr. ZHANG Yinghui and Mr. SUN Yinhuan as non-executive Directors (aside from our Chairperson); and Dr. LIU Shulian, Dr. QU Daokui and Dr. WANG Weiping as independent non-executive Directors.