

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

2023 Interim Report



科技赋能智慧教育
Boost Smart Education with Digital Technologies

教育创造学生价值
Empower Students with Innovative Education

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairperson and Non-executive Director

Dr. LIU Jiren

Executive Director

Dr. WEN Tao

Non-executive Directors (aside from our Chairperson)

Mr. RONG Xinjie

Dr. ZHANG Xia

Dr. ZHANG Yinghui

Mr. SUN Yinhuan

Independent Non-executive Directors

Dr. LIU Shulian

Dr. QU Daokui

Dr. WANG Weiping

AUDIT COMMITTEE

Dr. LIU Shulian (Chairperson)

Dr. QU Daokui

Mr. RONG Xinjie

REMUNERATION COMMITTEE

Dr. QU Daokui (Chairperson)

Dr. LIU Jiren

Dr. WANG Weiping

NOMINATION COMMITTEE

Dr. LIU Jiren (Chairperson)

Dr. LIU Shulian

Dr. WANG Weiping

JOINT COMPANY SECRETARIES

Ms. HE Jing

Ms. MAK Po Man Cherie

AUTHORISED REPRESENTATIVES

Dr. WEN Tao

Ms. MAK Po Man Cherie

REGISTERED OFFICE

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Cayman Islands

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Liaoning, China

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PRINCIPAL SHARE REGISTRAR

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89 Nexus Way

Camana Bay

Grand Cayman, KY1-9009

Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited

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16 Harcourt Road, Hong Kong

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AUDITOR

PricewaterhouseCoopers

Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central, Hong Kong

PRINCIPAL BANKS

China Construction Bank
Dalian High-tech Zone Branch
Shanghai Pudong Development Bank
Dalian Xueyuan Square Branch
Bank of Chengdu
Dujiangyan Branch
Guangdong Nanhai Rural Commercial Bank
Shishan Software Park Banking Office

STOCK CODE

9616

COMPANY WEBSITE

<http://www.neuedu.com>

LISTING DATE

29 September 2020

HIGHLIGHTS

Month	Highlights of Neuedu
February 2023	Neuedu became the first batch of ecological partners of Baidu ERNIE Bot (文心一言)
February 2023	The main project of student apartments of Chengdu University Phase VIII Expansion Project was completed, which is expected to increase the campus capacity of 3,200 students for 2023/2024 school year
February 2023	Neuedu was awarded the “Outstanding Enterprise of Empowering Education with Technology” (傑出科技賦能教育企業) by Top 100 Hong Kong Listed Companies Research Centre
April 2023	In the “National General College Student Computer Competition Status Data from 2012-2022” (2012-2022全國普通高校大學生計算機類競賽狀態數據), Dalian University and Chengdu University are the top 2 among the private universities
April 2023	“The Recognition Result of Second Batch of National-level First-class Bachelor Degree Courses” (第二批國家級一流本科課程認定結果) was announced. Each of our three universities has a course on the list, and Dalian University with the cumulative number of recognised courses ranking first in Liaoning Province
May 2023	Neusoft Education, with Neusoft Group, jointly hosted several core events of the 7th Belt and Road and BRICS Future Skills Challenge (第七屆一帶一路暨金磚國家技能發展與技術創新大賽)
June 2023	The Driverless Training Laboratory was launched, which would help colleges and universities quickly build practical courses for intelligent science and technology, artificial intelligence and other majors
June 2023	Three textbooks of Dalian University 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
June 2023	Neuedu was successfully selected as the exclusive supporter of equipment and facilities of several events of world competition trials in the second China Vocational Skills Competition
June 2023	We launched the first meta-universe intelligent healthcare future education platform in China, utilising meta-universe digital technology to explore a strong application model of university-enterprise cooperation with generalisability

FINANCIAL HIGHLIGHTS

Selected interim Condensed Consolidated Income Statement

	For the six months ended 30 June		
	2023 (RMB'000) (Unaudited)	2022 (RMB'000) (Unaudited)	Percentage of change
Revenue	918,430	743,699	23.5%
Cost of revenue	(459,110)	(394,195)	16.5%
Gross profit	459,320	349,504	31.4%
Selling expenses	(20,726)	(18,230)	13.7%
Administrative expenses	(75,046)	(71,340)	5.2%
Research and development expenses	(20,215)	(22,908)	-11.8%
Net impairment losses on financial assets	(2,826)	(85)	3,224.7%
Other income	68,373	119,162	-42.6%
Other expenses	(16,578)	(12,974)	27.8%
Other gains – net	3,593	2,618	37.2%
Operating profit	395,895	345,747	14.5%
Finance expenses – net	(39,717)	(37,157)	6.9%
Profit before income tax	356,178	308,590	15.4%
Income tax expenses	(82,445)	(75,608)	9.0%
Profit for the period	273,733	232,982	17.5%
Profit for the period attributable to owners of the Company	274,138	233,176	17.6%
Adjusted Net Profit (Note 1)	271,851	231,736	17.3%
Adjusted net profit attributable to owners of the Company	272,256	231,930	17.4%

Note 1:

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.

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 change	Percentage of total revenue
	2023 RMB'000 (Unaudited)	2022 RMB'000 (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;

MANAGEMENT DISCUSSION AND ANALYSIS

- 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).

MANAGEMENT DISCUSSION AND ANALYSIS

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	– note	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			
	As at 30 June 2023	As at 30 June 2022	Change	Percentage of 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%

MANAGEMENT DISCUSSION AND ANALYSIS

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 report, 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 education 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 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 Online Education Platform

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 in 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 organised 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 expenses; 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 expenses; 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
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	271,851	231,736

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 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
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	272,256	231,930

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 from financial institutions 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, with approximately RMB119.7 million for fixed rate loans and RMB2,367.2 million for floating rate loans. 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 (i) bank borrowings of RMB1,694.1 million pledged by certain collection rights of tuition fees and boarding fees; and (ii) bank borrowings of RMB327.0 million pledged by certain equity interests.

MANAGEMENT DISCUSSION AND ANALYSIS

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 RMB285.9million, 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 report, the Group did not have any other plans for material investments or capital assets as of the date of this report.

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.

OTHER INFORMATION

1 INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE ISSUER OR ITS ASSOCIATED CORPORATIONS

As of 30 June 2023, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), that fall to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions that he/she is taken or deemed to have under such provisions of the SFO), or that have been recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or that will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, are set out below:

Interest in the Company

Name of Director	Nature of interest	Number of Shares held	Approximate percentage of interest in the Company ⁽⁴⁾
LIU Jiren ⁽¹⁾	Interest in a controlled corporation and Interest in a controlled corporation through voting proxy	472,520,800	73.12%
WEN Tao ⁽²⁾	Beneficial interest	9,595,000	1.48%
RONG Xinjie ⁽²⁾	Beneficial interest	300,000	0.05%
ZHANG Yinghui ⁽²⁾	Beneficial interest	3,145,000	0.49%
SUN Yinhuan ⁽³⁾	Founder of a discretionary trust	65,010,000	10.06%

Notes:

- (1) Dr. LIU Jiren: (a) wholly-owns Kang Ruidao First, which holds all of the voting rights of Kang Ruidao; (b) controls the voting rights held by the proxy grantor (being Century Bliss) in the Company through the Irrevocable Voting Proxy; and (c) has more than one-third ultimate control over Dongkong First and Dongkong Second through a series of intermediary entities. Under the SFO, Dr. LIU Jiren is deemed to be interested in the full amount of equity interests held by each of Kang Ruidao, the proxy grantor (being Century Bliss), Dongkong First and Dongkong Second in the Company.
- (2) These interests were held through options granted under Pre-IPO Share Incentive Scheme that are convertible into Shares.
- (3) Deluxe Trust was established by Mr. SUN Yinhuan and is held by TMF (Cayman) Ltd. as trustee, which indirectly owns 99% of Deluxe Glorious Limited, which in turn owns 40% of Century Bliss. Under the SFO, Mr. SUN Yinhuan, as the founder of Deluxe Trust, is deemed to be interested in the entire equity interest in the Company held by Century Bliss.
- (4) The percentage represents the total number of the Shares held by each Director or chief executive as at 30 June 2023 divided by the number of issued Shares of the Company as at 30 June 2023 (646,203,535 Shares).

Interest in associated corporations

Dalian Development

Name of Director	Nature of interest	Number of Shares held	Approximate percentage of interest in associated corporations
LIU Jiren ⁽¹⁾	Nominee shareholder whose shareholder rights are subject to the Contractual Arrangements ⁽¹⁾	359,000,000	100.00%

Note:

- (1) Dr. LIU Jiren has more than one-third ultimate control in Neusoft Holdings, which is the sole registered shareholder of Dalian Development. Under the SFO, Dr. LIU Jiren is deemed to be interested in the full amount of interest held by Neusoft Holdings in Dalian Development, which is subject to the Contractual Arrangements.

Save as disclosed above, as of 30 June 2023, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), that were recorded in the register required to be kept pursuant to Section 352 of the SFO, or that will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

OTHER INFORMATION

2 INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES

As of 30 June 2023, as far as the Directors are aware, the following persons (not being the Directors or chief executive of the Company) have or are taken or deemed to have interests and short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations, that fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or that are recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as follows:

Interests in the Company

Shareholders	Capacity/Nature of interest	Number of Shares held	Approximate percentage of interest in the Company ⁽⁶⁾
Kang Ruidao ⁽¹⁾	Beneficial interest	153,613,800	23.77%
Kang Ruidao First ⁽¹⁾	Interest in a controlled corporation	153,613,800	23.77%
Dongkong First ⁽²⁾⁽³⁾	Beneficial interest	133,897,000	20.72%
Dongkong Second ⁽²⁾⁽³⁾	Beneficial interest	120,000,000	18.57%
Neusoft International ⁽²⁾	Interest in a controlled corporation	253,897,000	39.29%
Neusoft Holdings ⁽²⁾	Interest in a controlled corporation	253,897,000	39.29%
Century Bliss ⁽⁴⁾	Beneficial interest	65,010,000	10.06%
Deluxe Glorious Limited ⁽⁴⁾	Interest in a controlled corporation	65,010,000	10.06%
Deluxe Capital Limited ⁽⁴⁾	Interest in a controlled corporation	65,010,000	10.06%
TMF (Cayman) Ltd. ⁽⁴⁾	Trustee of a trust	65,010,000	10.06%
Cheng Huiyan ⁽⁴⁾	Interest of spouse	65,010,000	10.06%
FIL Limited ⁽⁵⁾	Interest in a controlled corporation	38,782,627	6.00%
Pandanus Partners L.P. ⁽⁵⁾	Interest in a controlled corporation	38,782,627	6.00%
Pandanus Associates Inc. ⁽⁵⁾	Interest in a controlled corporation	38,782,627	6.00%

Notes:

- (1) Kang Ruidao First holds all of the voting shares of Kang Ruidao. Under the SFO, Kang Ruidao First is deemed to be interested in all the shares of the Company held by Kang Ruidao.
- (2) Both Dongkong First and Dongkong Second are wholly-owned subsidiaries of Neusoft International, which is a wholly-owned subsidiary of Neusoft Holdings. Under the SFO, each of Neusoft International and Neusoft Holdings is deemed to be interested in the full aggregate amount of Shares held by Dongkong First and Dongkong Second in the Company.
- (3) Under a supplemental trust loan agreement entered into between Neusoft Holdings and China Industrial International Trust Limited (“CIIT”) dated 20 June 2019, Dongkong First and Dongkong Second granted securities over all of their Shares in favour of CIIT for the performance of Neusoft Holdings’ obligations under its facility agreement with CIIT’s affiliate. Neusoft International notified the Company that Dongkong First and Dongkong Second have pledged 127,465,000 Shares and 120,000,000 Shares of the Company respectively, to CIIT for the guarantee of the above loans.
- (4) Century Bliss is controlled as to more than one-third by Deluxe Glorious Limited, which is controlled as to more than one-third by Deluxe Capital Limited. Deluxe Capital Limited is a wholly-owned subsidiary of TMF (Cayman) Ltd, which is the trustee of the Deluxe Trust (established by Mr. SUN Yinhuan). Under the SFO, Ms. Cheng Huiyan, as the spouse of Mr. SUN Yinhuan (the founder of Deluxe Trust), is deemed to be interested in the entire equity interest in the Company held by Century Bliss. Accordingly, Ms. Cheng Huiyan, TMF (Cayman) Ltd., Deluxe Glorious Limited and Deluxe Capital Limited are deemed to be interested in all the Shares of the Company held by Century Bliss under the SFO.
- (5) FIL Limited is deemed to be interested in 38,782,627 Shares of the Company through a series of subsidiaries. FIL Limited is controlled as to more than one-third by Pandanus Partners L.P., which is 100% controlled by Pandanus Associates Inc. Accordingly, Pandanus Partners L.P. and Pandanus Associates Inc. are deemed to be interested in all the Shares of the Company held by FIL Limited under the SFO.
- (6) The percentage represents the total number of the Shares held by each Shareholder as at 30 June 2023 divided by the number of issued Shares of the Company as at 30 June 2023 (646,203,535 Shares).

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2023 (other than those held by the Directors and chief executive of the Company) that fall to be disclosed to the Company pursuant to the Divisions 2 and 3 of Part XV of the SFO, or that have been recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

3 PRE-IPO SHARE INCENTIVE SCHEME

A Pre-IPO Share Incentive Scheme was adopted by the Board of Directors of the Company on 19 June 2019, and subsequently approved and endorsed by Shareholders on 24 June 2019. The purpose of the Pre-IPO Share Incentive Scheme is to provide participants with an opportunity to acquire Shares of the Company and to encourage them to work towards enhancing the value of the Company and its Shares for the benefit of the Group and the Shareholders as a whole. The terms of the Pre-IPO Share Incentive Scheme are not subject to Chapter 17 of the Listing Rules.

For details of the Pre-IPO Share Incentive Scheme, please refer to the section “Statutory and General Information – Share Incentive Schemes – Pre-IPO Share Incentive Scheme” in Appendix V of the Company’s Prospectus of the Company. On 31 August 2020, the Company granted share options to 246 participants pursuant to the scheme, involving a total of 50,000,000 Shares, representing approximately 7.74% of the total issued Shares of the Company as at 30 June 2023.

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.

4 POST-IPO SHARE INCENTIVE SCHEME

The Company conditionally adopted a Post-IPO Share Incentive Scheme on 11 September 2020 with effect from the Listing Date. The principal terms of the Post-IPO Share Incentive Scheme are governed by Chapter 17 of the Listing Rules. For details of the Post-IPO Share Incentive Scheme, please refer to the section headed “Statutory and General Information-Share Incentive Schemes – Post-IPO Share Incentive Scheme” in Appendix V of the Company’s Prospectus and the section headed “Directors’ Report” in the annual report of the Company for 2022. The purpose of the Post-IPO Share Incentive Scheme is to provide participants with the opportunity to acquire Shares of the Company and to encourage participants to work towards enhancing the value of the Company and its Shares for the benefit the Group and Shareholders as a whole. The Post-IPO Share Incentive Scheme is further intended to provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to participants. The maximum number of Shares in respect of the options that might be granted pursuant to the terms and conditions of the Post-IPO Share Option Scheme and any other schemes shall not exceed 10% of the issued Shares of the Company as at Listing Date, being 66,666,720 Shares. The Post-IPO Share Incentive Scheme shall be valid for the period of 10 years commencing on the Listing Date, and as of the date of this report, the remaining period is approximately 7 years.

Since the adoption of the Post-IPO Share Incentive Scheme on 11 September 2020, no options have been granted, exercised, cancelled or lapsed in accordance with the Post-IPO Share Incentive Scheme and there were no outstanding options as at 30 June 2023. As of 1 January 2023 and 30 June 2023, the numbers of Shares in respect of options available for grant under the Post-IPO Share Incentive Scheme were both 66,666,720 Shares. As no grants have been made under the Post-IPO Share Incentive Scheme during the six months ended 30 June 2023, the number of Shares that may be issued in respect of the options granted under the Post-IPO Share Incentive Scheme during the six months ended 30 June 2023 divided by the weighted average number of Shares for the six months ended 30 June 2023 is not applicable.

5 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	

6 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.

7 CHANGES IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVE

For the six months ended 30 June 2023 and up to the date of this report, the changes in the information of Directors and chief executive as required to be disclosed pursuant to Rule 13.51B(1) of Listing Rules are as follows:

1. Dr. LIU Jiren, the chairperson and a non-executive Director of the Company, ceased to be a director and the chairperson of Foshan Nanhai Neusoft Information Technology Development Co., Ltd. ("**Foshan Development**"), a subsidiary of the Company, with effect from 26 May 2023.
2. Dr. WEN Tao, an executive Director of the Company, was appointed as the chairperson of Foshan Development with effect from 26 May 2023.
3. Mr. Rong Xinjie, a non-executive Director of the Company, (i) ceased to be a director of Shanghai Sirui Information Technology Co., Ltd. on 11 May 2023; (ii) ceased to be the general manager and chief executive officer of Neusoft Holdings on 17 May 2023; (iii) was appointed as vice chairman and chief strategic officer of Neusoft Corporation (a company listed on the Shanghai Stock Exchange (stock code: 600718)) ("**Neusoft Corporation**") on 18 May 2023; and (iv) ceased to be a director of Foshan Development on 26 May 2023.
4. Dr. ZHANG Yinghui, a non-executive Director of the Company, (i) was appointed as the chairperson of Chengdu Qingcheng Kangdao Hotel Management Co., Ltd., a subsidiary of the Company, with effect from 5 January 2023; and (ii) was appointed as the chairperson of Dujiangyan Qingcheng Kangdao Traditional Chinese Medicine Hospital Co., Ltd., a subsidiary of the Company, with effect from 9 January 2023.
5. Dr. Liu Shulian, an independent non-executive Director of the Company, ceased to be an independent director of Neusoft Corporation on 18 May 2023.

Save as disclosed above, there have been no changes in the information of Directors and chief executive of the Company for the six months ended 30 June 2023 and up to the date of this report as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

8 AUDIT COMMITTEE

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 report, 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.

9 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.

10 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.

11 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.

12 INTERIM DIVIDEND

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

13 MATERIAL EVENTS AFTER THE REPORTING PERIOD

Save as set out in note 37 to the interim condensed consolidated financial information of this report, after the Reporting Period and up to the date of this report, there were no material events affecting the Company or any of its subsidiaries.

By order of the Board

Dr. LIU Jiren

Chairperson and non-executive Director

Hong Kong, 29 August 2023

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

To the Board of Directors of NEUSOFT EDUCATION TECHNOLOGY CO., LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 29 to 82, which comprises the interim condensed consolidated balance sheet of NEUSOFT EDUCATION TECHNOLOGY CO., LIMITED (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 30 June 2023 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 August 2023

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INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	7	918,430	743,699
Cost of revenue	11	(459,110)	(394,195)
Gross profit		459,320	349,504
Selling expenses	11	(20,726)	(18,230)
Administrative expenses	11	(75,046)	(71,340)
Research and development expenses	11	(20,215)	(22,908)
Net impairment losses on financial assets		(2,826)	(85)
Other income	8	68,373	119,162
Other expenses	9	(16,578)	(12,974)
Other gains – net	10	3,593	2,618
Operating profit		395,895	345,747
Finance income	13	6,620	3,794
Finance expenses	13	(46,337)	(40,951)
Finance expenses – net	13	(39,717)	(37,157)
Profit before income tax		356,178	308,590
Income tax expenses	14	(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	16	0.42	0.35
Diluted earnings per share	16	0.42	0.34

The above interim condensed consolidated income statement should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (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

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	17	3,036,430	2,935,493
Intangible assets	18	278,711	283,232
Right-of-use assets	19	614,417	630,784
Investment properties	20	271,400	271,400
Deferred income tax assets	21	38,584	38,040
Prepayments and other assets	25	52,103	52,434
Total non-current assets		4,291,645	4,211,383
Current assets			
Inventories		5,110	4,297
Trade and notes receivables	23	102,088	75,334
Other receivables	24	21,879	27,021
Prepayments and other assets	25	87,397	98,866
Financial assets at fair value through profit or loss	26	78,054	390,449
Restricted cash	27	1,200	2,459
Cash and cash equivalents	27	855,703	1,183,811
Total current assets		1,151,431	1,782,237
Total assets		5,443,076	5,993,620
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	28	113	113
Share premium	28	2,659,698	2,756,159
Reserves		(1,940,345)	(1,938,446)
Retained earnings		1,183,564	909,426
Subtotal		1,903,030	1,727,252
Non-controlling interest		8,095	8,500
Total equity		1,911,125	1,735,752

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Liabilities			
Non-current liabilities			
Trade and other payables	30	675	675
Borrowings	31	2,026,522	2,141,325
Deferred tax liabilities	21	41,496	41,259
Lease liabilities	19	26,388	32,222
Deferred income	32	29,355	34,949
Total non-current liabilities		2,124,436	2,250,430
Current liabilities			
Trade and other payables	30	622,862	643,142
Current income tax liabilities		65,439	78,607
Contract liabilities	7(c)	214,350	989,341
Borrowings	31	460,341	244,930
Lease liabilities	19	7,336	9,092
Deferred income	32	37,187	42,326
Total current liabilities		1,407,515	2,007,438
Total liabilities		3,531,951	4,257,868
Total equity and liabilities		5,443,076	5,993,620

The above interim condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

On behalf of the Board

DR. LIU Jiren

Director

DR. WEN Tao

Director

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Share capital	Share premium	Merge reserve	Capital reserve	Statutory reserve	Other reserve	Retained earnings	Sub-total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)										
Balance at 1 January 2023	113	2,756,159	(1,756,337)	(374,483)	183,317	9,057	909,426	1,727,252	8,500	1,735,752
Comprehensive income										
Profit for the period	-	-	-	-	-	-	274,138	274,138	(405)	273,733
Other comprehensive income										
Exchange differences on translation	-	-	-	-	-	(1,899)	-	(1,899)	-	(1,899)
Total comprehensive income	-	-	-	-	-	(1,899)	274,138	272,239	(405)	271,834
Transactions with owners										
Dividends distribution	-	(96,461)	-	-	-	-	-	(96,461)	-	(96,461)
Balance at 30 June 2023	113	2,659,698	(1,756,337)	(374,483)	183,317	7,158	1,183,564	1,903,030	8,095	1,911,125

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company										
	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Merge reserve RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
(Unaudited)											
Balance at 1 January 2022	117	-	2,915,130	(1,756,337)	(374,105)	162,876	6,120	544,474	1,498,275	8,624	1,506,899
Comprehensive income											
Profit for the period	-	-	-	-	-	-	-	233,176	233,176	(194)	232,982
Other comprehensive income											
Revaluation gains arising from transfer of property, plant and equipment and right-of-use assets to investment properties	-	-	-	-	-	-	634	-	634	-	634
Exchange differences on translation	-	-	-	-	-	-	1,329	-	1,329	-	1,329
Total comprehensive income	-	-	-	-	-	-	1,963	233,176	235,139	(194)	234,945
Transactions with owners											
Share-based compensation											
- value of employee services	-	-	-	-	3,785	-	-	-	3,785	-	3,785
- exercise of share options	0	-	6,751	-	(3,890)	-	-	-	2,861	-	2,861
Purchase of own shares	-	(35,730)	-	-	-	-	-	-	(35,730)	-	(35,730)
Dividends distribution	-	-	(81,076)	-	-	-	-	-	(81,076)	(147)	(81,223)
	0	(35,730)	(74,325)	-	(105)	-	-	-	(110,160)	(147)	(110,307)
Balance at 30 June 2022	117	(35,730)	2,840,805	(1,756,337)	(374,210)	162,876	8,083	777,650	1,623,254	8,283	1,631,537

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash used in operations		(318,222)	(228,484)
Income taxes paid		(95,920)	(64,591)
Net cash used in operating activities	33(a)	(414,142)	(293,075)
Cash flows from investing activities			
Purchases of property, plant and equipment		(285,360)	(304,541)
Proceeds from sale of property, plant and equipment	33(b)	105	120
Purchases of intangible assets	18	(568)	(86)
Purchases of financial assets measured at fair value through profit and loss	5.3	(80,000)	(367,000)
Settlement of financial assets measured at fair value through profit and loss	5.3	394,672	392,967
Changes in restricted bank deposits		1,259	1,069
Interest received		6,620	3,794
Net cash used in investing activities		36,728	(273,677)
Cash flows from financing activities			
Proceeds from borrowings		268,333	418,570
Repayments of borrowings		(167,945)	(49,960)
Net proceeds from exercise of share options		–	3,159
Dividends paid to shareholders of the Company	15	(1,516)	(71,821)
Dividends paid to a non-controlling shareholder of a subsidiary		–	(147)
Interest paid		(48,400)	(45,182)
Purchase of own shares		–	(35,730)
Principal elements of lease payments		(3,048)	(6,240)
Net cash generated from financing activities		47,424	212,649
Net decrease in cash and cash equivalents		(329,990)	(354,103)
Cash and cash equivalents at the beginning of the period	27	1,183,811	1,228,478
Effects of exchange rate changes on cash and cash equivalent		1,882	8,431
Cash and cash equivalents at the end of period	27	855,703	882,806

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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.

3. ACCOUNTING POLICIES (CONTINUED)

(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. CRITICAL ESTIMATES AND JUDGEMENTS

The preparation of interim condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the 2022 Financial Statements.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the 2022 Financial Statements.

There have been no significant changes in the financial risk management policies for the six months ended 30 June 2023.

5.2 Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group expects to fund its future cash flow needs through internally generated cash flows from operations and bank borrowings.

The maturity analysis of borrowings that shows the remaining contractual maturities is disclosed in Note 31. Generally, there is no specific credit period granted by the suppliers but the related payables are normally expected to be settled within three months after receipt of goods or services.

As at 30 June 2023, the Group has cash and cash equivalents and restricted cash of approximately RMB856,903,000 (31 December 2022: RMB1,186,270,000) (Note 27), trade and notes receivables of approximately RMB110,922,000 (31 December 2022: RMB81,260,000) (Note 23), other receivables of approximately RMB22,310,000 (31 December 2022: RMB27,534,000) (Note 24) and undrawn bank borrowing facilities RMB1,440,917,000 (31 December 2022: RMB1,673,065,000) (Note 31(c)) that are expected to readily generate cash inflows for managing liquidity risk.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Liquidity risk (Continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount of Liabilities RMB'000
(Unaudited)						
At 30 June 2023						
Borrowings (principal plus interests)	575,071	425,556	690,433	1,469,576	3,160,636	2,486,863
Trade and other payables (excluding non-financial liabilities)	424,479	–	–	–	424,479	424,479
Lease liabilities	8,583	7,283	19,626	2,482	37,974	33,724
	1,008,133	432,839	710,059	1,472,058	3,623,089	2,945,066
Audited						
At 31 December 2022						
Borrowings (principal plus interests)	356,103	572,726	774,234	1,345,074	3,048,137	2,386,255
Trade and other payables (excluding non-financial liabilities)	541,474	–	–	–	541,474	541,474
Lease liabilities	10,718	10,161	19,518	6,605	47,002	41,314
	908,295	582,887	793,752	1,351,679	3,636,613	2,969,043

5.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2023 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Fair value estimation (Continued)

The following table presents the Group's financial assets that are required to be measured at fair value as at 30 June 2023 and 31 December 2022.

	Level 3 RMB'000
At 30 June 2023 (Unaudited)	
Financial assets at fair value through profit or loss	78,054
At 31 December 2022 (Audited)	
Financial assets at fair value through profit or loss	390,449

Level 3 instruments of the Group's assets include financial investments measured at fair value through profit or loss.

The following table presents the movement in level 3 instruments for the six months ended 30 June 2023 and 2022.

	Financial products sponsored and managed by banks (Level 3) RMB'000
(Unaudited)	
Balance at 1 January 2023	390,449
Additions	80,000
Settlements	(394,672)
Gain and loss recognised in profit or loss (<i>Note 10</i>)	2,277
Balance at 30 June 2023	78,054
Net unrealised gains included in profit or loss for the period	1,947
(Unaudited)	
Balance at 1 January 2022	134,565
Additions	367,000
Settlements	(392,967)
Gain and loss recognised in profit or loss (<i>Note 10</i>)	2,230
Balance at 30 June 2022	110,828
Net unrealised gains included in profit or loss for the period	1,398

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Fair value estimation (Continued)

The level 3 instruments represent bank wealth management products, measured at fair value through profit or loss (Note 26). These instruments are not traded in an active market and do not have observable market data. The main level 3 input used by the Group is derived and evaluated as contingent consideration, by which the finance department of the Group estimates the expected cash flows based on the terms of the contract and how the current economic environment is likely to impact it.

The finance department of the Group performs the valuation of level 3 financial instruments for financial reporting purposes. It manages the valuation exercise of the investments on a case by case basis. At least once a year, the finance department uses valuation techniques to determine the fair value of the Group's level 3 instruments and reports to senior management and the directors of the Company.

The valuation of the level 3 instruments mainly includes financial assets at fair value through profit or loss (Note 26). The following table summarises the quantitative information about the significant unobservable inputs used in the recurring level 3 fair value measurements.

Description	As at 30 June 2023	As at 31 December 2022	Unobservable inputs	As at 30 June 2023	As at 31 December 2022	Relationship of unobservable input to fair value
	RMB'000 (Unaudited)	RMB'000 (Audited)				
Financial assets at fair value through profit or loss	78,054	390,449	Expected rate of return	2.4%-2.8%	1.3%-2.9%	The higher the expected rate of return, the higher the fair value

6. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Group. The Group is principally engaged in providing higher education services in the PRC. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM of the Company regards that there is only one segment which is used to make strategic decisions.

Geographical information

The Group operated within one geographical location because all of its revenue was generated in PRC and all of its long-term assets/capital expenditure were located/incurred in the PRC. Accordingly, no geographical information is presented.

Information and major customers

No single customer accounted for more than 10% of the Group's total revenues during the six months ended 30 June 2023 and 2022.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

7. REVENUE

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (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

(a) Revenue from contracts with customers

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<i>Revenue from the transfer of goods and services over time</i>		
Full-time formal higher education services	748,185	578,437
– Tuition fees	690,244	530,217
– Boarding fees	57,941	48,220
Education resources	51,417	39,680
Continuing education services	64,897	66,128
Apprenticeship programme	2,107	28,306
<i>Revenue from the transfer of goods and services at a point in time</i>		
Education resources	51,059	29,237
	917,665	741,788

7. REVENUE (CONTINUED)

(b) Revenue from other sources

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Full-time formal higher education services		
– Rental income of telecommunication device	765	1,911

(c) 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
– 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

The Group receives tuition fees, boarding fees, continuing education services fees, education resources fees and development of software system technology fees from customers in advance prior to the beginning of each school year or contract period. They are recognised over the relevant period of the applicable programme.

There were no contract assets at the end of each reporting period recognised.

7. REVENUE (CONTINUED)

(c) Contract liabilities (Continued)

(1) Revenue recognised in relation to contract liabilities

The following table shows the revenue recognised during the six months ended 30 June 2023 and 2022 related to brought-forward contract liabilities:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue recognised that was included in the contract liabilities balance at the beginning of the period		
Full-time formal higher education services	748,185	578,437
– Tuition fees	690,244	530,217
– Boarding fees	57,941	48,220
Education resources	24,864	24,967
Continuing education services	49,223	31,493
Development of software system technology	2,487	2,345
	824,759	637,242

(2) Unsatisfied contracts

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
	Expected to be recognised within one year	
Full-time formal higher education services	150,971	886,118
– Tuition fees	131,393	810,277
– Boarding fees	19,578	75,841
Education resources	104,516	116,304
Continuing education services	41,995	60,182
Development of software system technology	4,175	4,304
	301,657	1,066,908

8. 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

9. 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
	16,578	12,974

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

10. OTHER GAINS – NET

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Gains on financial assets at fair value through profit or loss	2,277	2,230
Donation received	311	117
Net gains/(losses) on disposal of property, plant and equipment	8	(74)
Others	997	345
	3,593	2,618

11. EXPENSES BY NATURE

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (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 (a)	9,092	10,014
Taxes and fees	4,557	3,662
Consulting and professional fees	2,513	3,815
Others	14,990	11,849
	575,097	506,673

- (a) Subcontract cost mainly includes the service fee paid by Neusoft Institute, Guangdong (“**Guangdong University**”) and Tianjin Neusoft Ruidao Education Information Technology Co., Ltd. (“**Tianjin Ruidao**”) to subcontractors. Since 1 January 2021, Guangdong University terminated cooperation with Foshan Wentong Education Consulting Services Co., Ltd. (“**Wentong Education**”) and took up the related administration and providing training services by itself. Tianjin Ruidao and its subsidiaries paid service fee to subcontractors for outsourced education resources and other services. For the six months ended 30 June 2023, Guangdong University mainly paid service fee to Wentong Education for the administration and training service provided for adult students of the 2020/2021 school year (six months ended 30 June 2022: 2019/2020 and 2020/2021) under continuing education services in Guangdong University.

12. EMPLOYEE BENEFIT EXPENSES

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Salaries and bonuses	279,053	245,732
Share-based compensation	–	3,785
Contributions to pension plan (a)	30,303	26,951
Welfare and other expenses	37,512	33,444
	346,868	309,912

(a) Contributions to pension plan

The employees of the Group in the PRC are members of a state-managed pension obligations operated by the PRC Government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the pension obligations to fund the benefits.

The Group also participates in another defined contribution scheme, either voluntary or mandatory, for all qualified employees. The assets of this defined contribution scheme are held separately from those of the Group in independently administrative funds.

13. FINANCE INCOME AND EXPENSES

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Finance income		
Interest income from deposits	6,620	3,794
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 (a)	11,083	14,576
	(46,337)	(40,951)
Finance expenses – net	(39,717)	(37,157)

(a) Finance costs have been capitalised on qualifying assets at an average interest rate of 4.73% per annum for the six months ended 30 June 2023 (31 December 2022: 4.70%).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

14. INCOME TAX EXPENSES

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax	82,752	78,240
Deferred income tax (<i>Note 21</i>)	(307)	(2,632)
	82,445	75,608

(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.

14. INCOME TAX EXPENSES (CONTINUED)

(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. ("**Neuedu Technology**") 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. Neuedu Technology 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 Ruidao 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% during the 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% during the six months ended 30 June 2023.

14. INCOME TAX EXPENSES (CONTINUED)

(vii) Deferred tax assets not recognised

For the period ended 30 June 2023, the Group has unused tax losses RMB131,312,000 (31 December 2022: RMB96,748,000), which will expire in one to five years for offsetting against future profits. Deferred tax assets have not been recognised in respect of these tax losses as they have arisen in subsidiaries that have been loss-making for recent years and it is not considered probable that future taxable profits will be available against which the tax losses can be utilised.

15. 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.

16. 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 (RMB'000)	274,138	233,176
Weighted average number of ordinary shares in issue (thousands)	646,204	669,034
Basic earnings per share (in RMB)	0.42	0.35

16. EARNINGS PER SHARE (CONTINUED)

(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 (RMB'000)	274,138	233,176
Weighted average number of ordinary shares in issue (thousands)	646,204	669,034
Adjustments for share options granted to employees (thousands)	2,360	10,643
Weighted average number of ordinary shares for calculation of diluted earnings per share (thousands)	648,564	679,677
Diluted earnings per share (in RMB)	0.42	0.34

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

17. 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

(a) Non-current assets pledged as security by the Group refer to Note 31(g) for information.

(b) Construction in progress as at 30 June 2023 comprises buildings being constructed.

(c) As at 30 June 2023, buildings with a net book value of RMB68,567,000 had been leases out (31 December 2022: RMB71,137,000).

18. INTANGIBLE ASSETS

	Goodwill RMB'000	Brand RMB'000	Customer relationship RMB'000	Software RMB'000	Total RMB'000
(Unaudited)					
Six months ended					
30 June 2023					
Opening net book amount	134,937	89,499	47,949	10,847	283,232
Additions	–	–	–	568	568
Amortisation	–	–	(3,345)	(1,744)	(5,089)
Closing net book amount	134,937	89,499	44,604	9,671	278,711
At 30 June 2023					
Cost	134,937	89,499	66,907	34,749	326,092
Accumulated amortisation	–	–	(22,303)	(25,078)	(47,381)
Net book amount	134,937	89,499	44,604	9,671	278,711
(Unaudited)					
Six months ended					
30 June 2022					
Opening net book amount	134,937	89,499	54,640	13,312	292,388
Additions	–	–	–	86	86
Amortisation	–	–	(3,345)	(1,803)	(5,148)
Closing net book amount	134,937	89,499	51,295	11,595	287,326
At 30 June 2022					
Cost	134,937	89,499	66,907	33,196	324,539
Accumulated amortisation	–	–	(15,612)	(21,601)	(37,213)
Net book amount	134,937	89,499	51,295	11,595	287,326

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

19. LEASES

The Group as a lessee:

(i) Amounts recognised in the consolidated statements of balance sheet

The consolidated balance sheet includes the following amounts relating to leases:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Right-of-use assets		
Land use rights	582,947	591,044
Leased Properties	31,470	39,740
	614,417	630,784
Lease liabilities		
Current	7,336	9,092
Non-current	26,388	32,222
	33,724	41,314

(ii) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Depreciation charge of right-of-use assets	12,066	12,981
Interest expenses (Note 13)	904	1,154
Expenses relating to short-term leases (Note 11)	20,578	18,058
	33,548	32,193

19. LEASES (CONTINUED)

The Group as a lessor:

The Group leases certain buildings to related parties and third parties under operating lease agreements. Lease payments for the contracts include Consumer Price Index increases, but there are no other variable lease payments that depend on an index or rate. Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Rental income recognised during the six months ended 30 June 2023 was RMB24,079,000 (six months ended 30 June 2022: RMB22,862,000), details of which are included in Note 8.

As at 30 June 2023, the Group has future minimum lease payments receivable on leases of properties are as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
No later than 1 year	37,360	48,896
Later than 1 year and no later than 5 years	100,419	44,640
Later than 5 years	45,220	2,281
	182,999	95,817

20. INVESTMENT PROPERTIES

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Opening net book amount	271,400	179,100
Transfer from property, plant and equipment	–	79,226
Transfer from right-of-use assets	–	5,529
Fair value gains on investment properties, net	–	845
	271,400	264,700

On 24 September 2021 and 14 June 2022, the Group entered into lease agreements with subsidiaries of Dalian Neusoft Holdings Co., Ltd. (“**Neusoft Holdings**”) after arm’s length negotiations under which investment properties were leased out and would be used for the management and operation of stomatological and cardiovascular hospitals. The hospitals are part of the science-technology park to the university, as well as the practical training hospitals of the College of Health and Medical Technology of Dalian Neusoft University of Information (“**Dalian University**”), which will create a convenient environment for teachers’ research and students’ practice and internship and promote the co-construction and sharing of education resources for majors in healthcare technology.

On 9 November 2022, the Group entered into a lease agreement with a third-party after arm’s length negotiations under which the investment property was leased out for the collaborative research on intelligent imaging and create an environment for teachers’ research and students’ practice and internship in Dalian University.

Valuation techniques

Fair value of the investment properties are derived using the income approach. The income approach is based on the capitalisation of gross rental income and reversionary income potential by adopting appropriate yields. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

There were no changes to the valuation methodology during the year and there were no transfers between fair value hierarchy during the year.

21. DEFERRED INCOME TAX ASSETS AND LIABILITIES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Deferred income tax assets		
Deferred income tax assets to be recovered within 12 months	5,797	5,625
Deferred income tax assets to be recovered after more than 12 months	32,787	32,415
	38,584	38,040
Deferred income tax liabilities		
Deferred income tax liabilities to be settled within 12 months	(2,307)	(3,143)
Deferred income tax liabilities to be settled after more than 12 months	(39,189)	(38,116)
	(41,496)	(41,259)

The gross movement of the Group's deferred income tax assets is as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Beginning of the period	38,040	34,691
Credited to the consolidated income statement	544	1,690
End of the period	38,584	36,381

The gross movement of the Group's deferred income tax liabilities is as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Beginning of the period	(41,259)	(41,253)
(Debited)/credited to the consolidated income statement	(237)	942
Debited to the other comprehensive income	-	(211)
End of the period	(41,496)	(40,522)

21. DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

The movements in deferred income tax assets and liabilities of the Group during the six months ended 30 June 2023 and 2022, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

(a) Deferred tax assets

	Unrealised gain on intra-group transactions RMB'000	Asset impairment provision RMB'000	Property Plant and equipment RMB'000	Total RMB'000
(Unaudited)				
Balance at 1 January 2023	34,523	1,756	1,761	38,040
Credited/(debited) to the consolidated income statement	(35)	177	402	544
Balance at 30 June 2023	34,488	1,933	2,163	38,584

	Unrealised gain on intra-group transactions RMB'000	Asset impairment provision RMB'000	Property Plant and equipment RMB'000	Total RMB'000
(Unaudited)				
Balance at 1 January 2022	34,088	166	437	34,691
Credited/(debited) to the consolidated income statement	1,064	(0)	626	1,690
Balance at 30 June 2022	35,152	166	1,063	36,381

21. DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)
(b) Deferred tax liabilities

	Customer relationship RMB'000	Brand RMB'000	Investment Property RMB'000	Property, plant and equipment RMB'000	Financial assets measured at fair value RMB'000	Total RMB'000
(Unaudited)						
Balance at 1 January 2023	(11,595)	(22,374)	(3,657)	(2,966)	(667)	(41,259)
(Debited)/credited to the consolidated income statement	835	–	(886)	(366)	180	(237)
Balance at 30 June 2023	(10,760)	(22,374)	(4,543)	(3,332)	(487)	(41,496)
	Customer relationship RMB'000	Brand RMB'000	Investment Property RMB'000	Property, plant and equipment RMB'000	Financial assets measured at fair value RMB'000	Total RMB'000
(Unaudited)						
Balance at 1 January 2022	(13,464)	(22,374)	(2,241)	(3,174)	–	(41,253)
Credited/(debited) to the consolidated income statement	835	–	(454)	561	–	942
Debited to the other comprehensive income	–	–	(211)	–	–	(211)
Balance at 30 June 2022	(12,629)	(22,374)	(2,906)	(2,613)	–	(40,522)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

22. FINANCIAL INSTRUMENTS

	Financial assets measured at amortised cost RMB'000	Fair value through profit or loss RMB'000	Total RMB'000
(Unaudited)			
At 30 June 2023			
Assets as per balance sheet			
Trade and note receivables (Note 23)	110,922	–	110,922
Other receivables (Note 24)	22,310	–	22,310
Financial products as designed by a financial institution (Note 26)	–	78,054	78,054
Cash and cash equivalents (Note 27)	855,703	–	855,703
Restricted cash (Note 27)	1,200	–	1,200
	990,135	78,054	1,068,189

	Financial assets measured at amortised cost RMB'000	Fair value through profit or loss RMB'000	Total RMB'000
(Audited)			
At 31 December 2022			
Assets as per balance sheet			
Trade and note receivables (Note 23)	81,260	–	81,260
Other receivables (Note 24)	27,534	–	27,534
Financial products as designed by a financial institution (Note 26)	–	390,449	390,449
Cash and cash equivalents (Note 27)	1,183,811	–	1,183,811
Restricted cash (Note 27)	2,459	–	2,459
	1,295,064	390,449	1,685,513

22. FINANCIAL INSTRUMENTS (CONTINUED)

	Amortised cost RMB'000
(Unaudited)	
At 30 June 2023	
Liabilities as per balance sheet	
Borrowings (Note 31)	2,486,863
Trade and other payables excluding non-financial liabilities (Note 5.2)	424,479
	2,911,342
(Audited)	
At 31 December 2022	
Liabilities as per balance sheet	
Borrowings (Note 31)	2,386,255
Trade and other payables excluding non-financial liabilities (Note 5.2)	541,474
	2,927,729

23. TRADE AND NOTES RECEIVABLES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade receivables		
Due from related parties (Note 36 (b))	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
	109,113	78,622
Less: Provision for impairment of trade receivables	(8,834)	(5,926)
Trade receivables – net	100,279	72,696
Notes receivables	1,809	2,638
Total Trade and notes receivables	102,088	75,334

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

23. TRADE AND NOTES RECEIVABLES (CONTINUED)

- (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 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
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
	109,113	78,622

- (b) The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. Besides, the amount of RMB16,782,000 (31 December 2022: RMB12,770,000) was individually assessed and the loss allowance of RMB4,435,000 was recognised as at 30 June 2023 (31 December 2022: RMB4,374,000), which are all lease receivables. The remaining trade receivables have been collectively assessed and grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

24. OTHER RECEIVABLES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Loan receivable from third parties	1,150	1,150
Advance to staff	4,180	1,120
Advance to third parties	2,353	1,785
Deposits	12,926	15,755
Others	1,701	7,724
	22,310	27,534
Less: Provision for impairment of other receivables	(431)	(513)
Other receivables – net	21,879	27,021
Less: non-current portion – Deposits	–	–
Other receivables – current portion	21,879	27,021

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

25. PREPAYMENTS AND OTHER ASSETS

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Prepayment for utilities	5,649	5,597
Prepayment for leases	5,439	21,256
Prepayment to related parties (Note 36(b))	–	17
Prepayments for acquisition of Putian Xianliang (Note 35(i))	50,000	50,000
Prepayment to others	10,651	12,605
Deductible VAT input	63,144	58,484
Others	4,617	4,097
	139,500	152,056
Less: Provision for impairment of other assets	–	(756)
Prepayments and other assets – net	139,500	151,300
Less: non-current portion		
– Prepayments for acquisition of Putian Xianliang (Note 35(i))	(50,000)	(50,000)
– Others	(2,103)	(2,434)
Prepayments and other assets – current portion	87,397	98,866

The Group's prepayments and other assets were denominated in RMB and the carrying amounts approximated their fair values.

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Current assets		
Financial products sponsored and managed by banks (Note 5.3)	78,054	390,449

27. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

(a) Cash and cash equivalents

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Cash on hand	153	128
Cash at banks	855,550	1,183,683
	855,703	1,183,811

(b) Restricted cash

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Deposits in escrow accounts	1,200	2,459

28. SHARE CAPITAL

Authorised:

As at 30 June 2023 and 2022, the number of ordinary shares and nominal value of ordinary shares remained at 1,900,000,000 and HKD380,000 respectively.

	Number of ordinary shares	Nominal value of ordinary shares HKD	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total share capital and share premium RMB'000
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Issued:

(Unaudited)

As at 1 January 2022	668,705,600	133,741	117	2,915,130	2,915,247
Exercise of share options	1,241,935	248	0	6,751	6,751
Dividends distribution	–	–	–	(81,076)	(81,076)

As at 30 June 2022	669,947,535	133,989	117	2,840,805	2,840,922
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(Unaudited)

As at 1 January 2023	646,203,535	129,241	113	2,756,159	2,756,272
Dividends distribution	–	–	–	(96,461)	(96,461)

As at 30 June 2023	646,203,535	129,241	113	2,659,698	2,659,811
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29. SHARE OPTION

The Company adopted a Pre-IPO share incentive scheme approved by the Board of Directors on 19 June 2019. The Pre-IPO share incentive scheme was subsequently amended, the amendment of which was approved by the authorised director on 10 June 2020 (the “**Pre-IPO Share Incentive Scheme**”). Pursuant to the Pre-IPO Share Option Scheme, the Company had granted Pre-IPO options to 246 grantees on 31 August 2020, including Directors, senior managers, connected persons who are not Directors or senior managers, employees and supervisors of the Group, to subscribe for an aggregate of 50,000,000 shares, including 21,762,500 Class A and 28,237,500 Class B share options.

On 11 September 2020, the Board of Directors of the Company conditionally adopted the principal terms of the Post-IPO Share incentive scheme (the “**Post-IPO Share Incentive Scheme**”). The purpose of the Post-IPO Share Incentive Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage and retain participants to make contributions to the long-term growth and profits of the Group. The total number of share options available for grant under Post-IPO Share Incentive Scheme was 66,666,720. As of 30 June 2023, no options have been granted or agreed to be granted pursuant to Post-IPO Share Incentive Scheme.

29. SHARE OPTION (CONTINUED)

Pre-IPO Share Incentive Scheme

Share options granted to participants

The share options granted under Pre-IPO Share Incentive Scheme have different vesting terms.

All granted Class A share options are vested on the Listing date without any performance requirements.

The Class B share options are performance-based share options with graded vesting terms, and vest in tranches from grant date over no more than 2 years, on condition that participants remain in service and performance conditions are satisfied. The performance goals are determined by the Board of Directors. For those share options, evaluations are made as of each reporting period to assess the likelihood of performance criteria being met. Share-based compensation expenses are then adjusted to reflect the revision of original estimates.

Movements in the number of share options granted to participants and their related weighted average exercise prices are as below:

	Number of share options	Average exercise price per share option (HKD)
(Unaudited)		
Outstanding as of 1 January 2023	40,381,569	3.11
Forfeited during the period	–	–
Exercised during the period	–	3.11
Outstanding as of 30 June 2023	40,381,569	3.11
Exercisable as of 30 June 2023 (Unaudited)	40,119,069	3.11

The weighted-average remaining contract life for outstanding share options was 7.18 years as of 30 June 2023 (31 December 2022: 7.67 years).

29. SHARE OPTION (CONTINUED)

Pre-IPO Share Incentive Scheme (continued)

Fair value of share options

The Group has used the Binomial option-pricing model to determine the fair value of the share option as of the grant date. Key assumptions are set as below:

Spot price (HKD)	5.53
Expected Offer Price (HKD) (a)	5.70
Exercise price (HKD) (a)	2.85
Risk-free interest rate	0.78%
Dividend yield	–
Expected volatility	54.02%
Expected terms	10 years

- (a) Exercise price of each share options granted under Pre-IPO Share Incentive Scheme was 50% of the Offer Price. Prior to the completion of initial public offering, the expected Offer Price was HKD5.70, and the exercise price of each option was estimated to be HKD2.85 accordingly. Pursuant to the completion of initial public offering, the Offer Price has been determined at HKD6.22, and thus the exercise price of each share options granted under Pre-IPO Share Incentive Scheme was determined at HKD3.11.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30. 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
	10,056	4,563
Other payables		
Amount due to related parties (<i>Note 36 (b)</i>)	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 (<i>a</i>)	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	612,806	638,579
Total trade and other payables	622,862	643,142

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

30. TRADE AND OTHER PAYABLES (CONTINUED)

- (a) On 19 May 2020, Neuedu Technology and Tianjin Ruiyi Enterprise Management Consulting Center (Limited Partnership) (“**Tianjin Ruiyi**”) entered into a put and call option agreement (the “**Agreement**”), pursuant to which, within three years from the Listing, Neuedu Technology has the option to acquire from Tianjin Ruiyi, and Tianjin Ruiyi has the option to sell to Neuedu Technology, a 9.09% equity interest in Tianjin Ruidao (the “**Target Equity**”) for a consideration of approximately RMB36,274,000 (the “**Consideration**”). Pursuant to the Agreement, Neuedu Technology has an obligation to purchase the Target Equity at any time within three years since Listing which resulted in recognising a financial liability of approximately RMB36,274,000, by debiting non-controlling interest of RMB23,588,000 and capital reserve of RMB12,686,000 on the date of the Listing.

On 15 June 2023, the Company was notified by Tianjin Ruiyi that Tianjin Ruiyi exercised the put option to sell the Target Equity to Neuedu Technology. On 29 August 2023, Neuedu Technology entered into an equity transfer agreement with Tianjin Ruiyi, see Note 37(d) for details.

- (b) 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	10,056	4,563

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31. 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)
	2,026,522	2,140,583
Borrowings from a financial institution		
– secured	7,447	7,928
Current portion of long-term borrowings		
– secured	(7,447)	(7,186)
	–	742
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
	452,894	237,744
Borrowings from a financial institution		
– secured	–	–
Current portion of long-term borrowings		
– secured	7,447	7,186
Total borrowings	2,486,863	2,386,255

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31. BORROWINGS (CONTINUED)

(a) Bank borrowings of the Group which are guaranteed by related parties are shown below:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Neusoft Holdings (Note 36 (d))	1,723,929	1,645,285

(b) The weighted average effective interest rate (per annum) at the balance sheet dates are set out as follows:

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Bank borrowings	4.61%	4.75%

(c) The Group has the following undrawn bank borrowing facilities:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Bank borrowing facilities	1,440,917	1,673,065

(d) The maturity date of the following was analysed as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Within 1 year	460,341	244,930
Between 1 and 2 years	333,583	476,641
Between 2 and 5 years	483,887	575,390
More than 5 years	1,209,052	1,089,294
	2,486,863	2,386,255

(e) As at 30 June 2023, the Group's borrowings are denominated in RMB.

31. BORROWINGS (CONTINUED)

- (f) As at 30 June 2023, the loan balance with RMB297,210,000 (31 December 2022: RMB276,820,000) of Guangdong University was pledged by the collection rights of the tuition fees from 1 January 2022 to 31 December 2037 to the bank. Pursuant to the loan agreements, Guangdong University opened a bank account in the bank without any restrictions on use. However, if any events of defaults or events that could trigger the bank's doubts of on-time repayment ability, the bank has the right to freeze the deposits in the account. As at 30 June 2023, the balance in this bank account is RMB16,189,000 (31 December 2022: RMB2,190,000).

As at 30 June 2023, the loan balance with RMB384,819,000 (31 December 2022: RMB399,455,000) of Dalian University was pledged by the collection rights of the boarding fees from 26 April 2019 to 26 April 2034 to the bank. Pursuant to the loan agreement, Dalian University opened a bank account in the bank without any restrictions on use. However, if any events of defaults or events that could trigger the bank's doubts of on-time repayment ability, the bank has the right to freeze the deposits in the account. As at 30 June 2023, the balance in this bank account is RMB37,000 (31 December 2022: RMB37,000).

As at 30 June 2023, the loan balance with RMB730,000,000 (31 December 2022: RMB675,000,000) of Dalian University was pledged by the collection rights of the boarding fees from 19 November 2020 to 18 November 2035 to the bank.

As at 30 June 2023, the loan balance with RMB282,110,000 (31 December 2022: RMB229,330,000) of Chengdu Neusoft University was pledged by the collection rights of the tuition fees from 21 April 2021 to 20 April 2036 to the bank.

As at 30 June 2023, the loan balance with RMB99,000,000, RMB147,000,000 and RMB81,000,000 (31 December 2022: RMB104,500,000, RMB151,500,000, RMB85,500,000) of Dalian Ruidi Technology Co., Ltd., Dalian Sidi Technology Co., Ltd. and Dalian Xindi Technology Co., Ltd. was pledged by 5.93%, 8.4% and 4.85% of equity of Dalian Neusoft Ruixin Technology Development Co., Ltd. to the bank respectively.

As at 30 June 2023, above secured loans bear floating interest rates with reference to PBOC interest rate, or one-year or five-year Loan Prime Rate ("LPR"). The interest rates of secured loans are from 4.25% to 4.80%.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31. BORROWINGS (CONTINUED)

- (g) As at 30 June 2023, the loan balance with RMB7,447,000 (31 December 2022: RMB7,928,000) of Dalian University was pledged by self-owned equipments to the financial institution.
- (h) As at 30 June 2023, the Company has nil of unsecured loans in HKD (2022: HKD17,000,000). The remaining unsecured loan balances were RMB458,277,000 (31 December 2022: RMB441,036,000).

32. DEFERRED INCOME

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Non-current:		
Deferred government grants (a)	29,355	34,949
Current:		
Deferred government grants (a)	30,595	29,858
Rental	6,592	12,468
	37,187	42,326
	66,542	77,275

- (a) Deferred income includes grants related to income and grants related to assets. The grants related to income are the subsidies received from the government for the purpose of compensation for expenses arising from research activities, software developments and business operation. The grants related to assets are received for subsidies in connection with the purchasing of teaching equipment. These grants related to assets are released to profit or loss over the expected useful lives of the relevant assets.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

33. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash used in operating activities:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Profit before income tax	356,178	308,590
Adjustments for:		
– Depreciation of property, plant and equipment (Note 17)	73,054	65,673
– Amortisation of intangible assets (Note 18)	5,089	5,148
– Depreciation of right-of-use assets (Note 19)	12,066	12,981
– Net (gains)/losses on disposal of property, plant and equipment (Note 10)	(8)	74
– Gains on surrender of right-of-use assets	(241)	–
– Gains in profit or loss on financial instrument (Note 10)	(2,277)	(2,230)
– Interest income (Note 13)	(6,620)	(3,794)
– Finance expenses (Note 13)	46,207	40,822
– Share-based compensation (Note 12)	–	3,785
– Provision for impairment on financial assets (Note 23, Note 24)	2,826	85
– Provision for impairment on other assets (Note 25)	(756)	–
Operating cash flows before movements in working capital	485,518	431,134
Changes in working capital:		
– Trade and notes receivables (Note 23)	(29,662)	(33,290)
– Other receivables (Note 24)	5,898	3,041
– Prepayments and other assets (Note 25)	11,882	4,823
– Increase in inventories	(813)	(47)
– Deferred income (Note 32)	(10,733)	(12,154)
– Contract liabilities (Note 7)	(774,991)	(585,030)
– Trade and other payables	(5,321)	(36,961)
Cash used in operating activities	(318,222)	(228,484)
Income taxes paid	(95,920)	(64,591)
Net cash used in operating activities	(414,142)	(293,075)

33. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) In the statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Net book amount (<i>Note 17</i>)	97	194
Gains/(losses) on disposal of property, plant and equipment (<i>Note 10</i>)	8	(74)
Proceeds from disposal of property, plant and equipment	105	120

34. CONTINGENCIES

As at 30 June 2023 and 31 December 2022 there were no significant contingencies items for the Group and the Company.

35. COMMITMENTS

(a) Capital commitments

The following is the details of capital expenditure contracted but not provided for in the consolidated financial statements.

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
	Commitment for acquisition of property, plant and equipment and land use right	275,569
Commitment for acquisition of Putian Xianliang	Note (i)	

35. COMMITMENTS (CONTINUED)

(a) Capital commitments (continued)

(i) Commitment for acquisition of equity interests of Putian Xianliang

On 12 April 2021, Neuedu Technology entered into a cooperation agreement (“**Cooperation Agreement**”) with Fujian Jiantou Group Co., Ltd. (“**Fujian Jiantou**”) in relation to the establishment of a new vocational college (tentatively known as “**Fujian Neusoft College**”) in Putian Meizhouwan Beian Economic Zone (“**School Project**”) and acquisition of the entire equity interest in the Putian Xianliang upon the completion of the campus construction.

Pursuant to the Cooperation Agreement, Fujian Jiantou set up a project company, Putian Xianliang, which is responsible for the land acquisition and construction of the School Project. Neuedu Technology agrees to acquire the entire equity interests of the Putian Xianliang from Fujian Jiantou upon completion of the campus construction with the consideration (“**Consideration**”) being determined with the valuation report prepared by a qualified independent valuer at that time (“**Valuation Report Date**”).

Earnest Money and payment terms

Pursuant to the Cooperation Agreement, Neuedu Technology shall pay to Fujian Jiantou an earnest money of RMB200.0 million (the “**Earnest Money**”). The amount of the Earnest Money was determined after arm’s length negotiation between Neuedu Technology and Fujian Jiantou taking into account the expected investment cost of Fujian Jiantou in respect of land acquisition and project construction, which is expected to be approximately RMB1,200.0 million and RMB1,500.0 million. Neuedu Technology paid Earnest Money of RMB50.0 million on 30 April 2021 and accounted as prepayment in the interim condensed financial information. The remaining Earnest Money of RMB150.0 million shall be payable by Neuedu Technology to Fujian Jiantou as follows:

- 25% of the Earnest Money, amounting to RMB50.0 million, shall be payable within one month after obtaining the construction permit for the School Project;
- 25% of the Earnest Money, amounting to RMB50.0 million, shall be payable within one month after the main structure of the School Project is capped; and
- 25% of the Earnest Money, amounting to RMB50.0 million, shall be payable within one month after the completion certificate is issued.

Consideration and payment terms

Pursuant to the Cooperation Agreement, it is expected that the campus construction may be completed within two years upon obtaining the relevant construction permit for the School Project. The Consideration is payable by Neuedu Technology to Fujian Jiantou as follows:

- from the first year to the fourth year after the Valuation Report Date, the consideration shall be set off with the Earnest Money in four equal installments, that is, RMB50.0 million each year and RMB200.0 million in total; and
- the remaining consideration shall be thereafter payable in five equal installments from the fifth year to the ninth year after the Valuation Report Date.

35. COMMITMENTS (CONTINUED)

(a) Capital commitments (continued)

(i) Commitment for acquisition of equity interests of Putian Xianliang (continued)

Consideration and payment terms (continued)

On 28 August 2023, Neuedu Technology and Fujian Jiantou entered into a termination agreement (the “**Termination Agreement**”) to terminate the Corporation Agreement with effect from 28 August 2023 and the respective rights and obligations under the Cooperation Agreement was ceased and became invalid accordingly, see Note 37(b) for details.

(b) Investment commitments

The following is the details of investment commitments contracted but not provided for in the consolidated financial statements.

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Commitment for an investment fund	90,000	–

On 15 June 2023, Shanghai Ruixiang Information Technology Co., Ltd. (“**Shanghai Ruixiang**”), a wholly-owned subsidiary of the Company, as a limited partner entered into a partnership agreement with other two general partners and several limited partners (the “**Limited Partnership Agreement**”) in relation to establishment and management of an investment fund, a limited partnership registered in the PRC, Liaoning Ruikang Private Investment Fund Partnership (Limited Partnership) (the “**Investment Fund**”) and will engage in investing in areas of medical health including but not limited to innovative medical equipment, medical services and smart medical care.

Pursuant to the Limited Partnership Agreement, the total capital contribution of the Investment Fund shall be RMB1,000.0 million, of which RMB90.0 million shall be contributed by Shanghai Ruixiang as a limited partner. The contribution shall be made by Shanghai Ruixiang in three installments in cash and with the payment notice issued by the executive partner.

- the first installment shall be approximately 25% of the total capital contribution, of which the capital contribution to be made by Shanghai Ruixiang shall be RMB22.5 million;
- the second installment shall be approximately 40% of the total capital contribution, of which the capital contribution to be made by Shanghai Ruixiang shall be RMB36.0 million;
- the third installment shall be approximately 35% of the total capital contribution, of which the capital contribution to be made by Shanghai Ruixiang shall be RMB31.5 million.

On 2 August 2023, Shanghai Ruixiang fully paid the first installment of the contracted capital contribution of RMB22.5 million.

36. SIGNIFICANT RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, common significant influence or joint control.

The members of key management and their close family members of the Group are also considered as related parties. In the opinion of the Directors, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

Name and relationship with related parties:

Name of the related parties	Nature of relationship
Neusoft Holdings	Owner who has significant influence over the Company
Dalian Neusoft Siwei Technology Development Co., Ltd.	A company controlled by Liu Jiren
Liaoning Neusoft Venture Capital Co., Ltd.	A company controlled by Neusoft Holdings
Neusoft Health Medical Management Co., Ltd.	A company controlled by Neusoft Holdings
Dalian Ruikang Cardiovascular Hospital Management Co., Ltd.	A company controlled by Neusoft Holdings
Dalian Ruikang Cardiovascular Hospital	A company controlled by Neusoft Holdings
Dalian Ruikang Stomatological Hospital Management Co., Ltd.	A company controlled by Neusoft Holdings
Dalian Ruikang Zhuomei Stomatology Hospital	A company controlled by Neusoft Holdings
Liaoning Ruikang Medical Management Service Co., Ltd.	A company controlled by Neusoft Holdings
Liaoning Ruikang Private Investment Fund Partnership (Limited Partnership)	A limited partnership controlled by Neusoft Holdings

36. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)**(a) Transactions with related parties**

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Receiving outsourcing services		
Companies controlled by Neusoft Holdings	–	117
A company controlled by Liu Jiren	50	50
	50	167
Receiving special entrustment service		
Owner who has significant influence over the Company	5,425	13,854

Receiving services were made at prices mutually agreed between the Group and its related parties and conducted in the normal course of business.

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Providing apprenticeship programme services		
A company controlled by Neusoft Holdings	–	28,306
Providing rental and property management services		
A company controlled by Liu Jiren	1,206	698
Companies controlled by Neusoft Holdings	10,126	10,043
	11,332	10,741

Providing services were made at prices mutually agreed between the Group and its related parties and conducted in the normal course of business.

36. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)**(b) Balance with related parties**

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade receivables due from related parties		
Companies controlled by Neusoft Holdings	16,897	12,884
Other payables due to related parties		
Owner who has significant influence over the Company	21	21
A company controlled by Liu Jiren	272	271
Companies controlled by Neusoft Holdings	2,621	2,609
	2,914	2,901
Amounts prepaid by related parties		
A company controlled by Liu Jiren	252	252
Companies controlled by Neusoft Holdings	22	71
	274	323
Amounts prepaid to related parties		
A company controlled by Liu Jiren	–	17

As at 30 June 2023 and 31 December 2022, all balances with the owners and related companies are non-interest bearing. All balances due from and due to the owners and related parties are unsecured and repayable on demand.

36. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management compensation

Key management includes executive directors and certain executives who have important role in making operational and financial decisions.

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Salaries and bonuses	3,602	3,169
Share-based compensation	–	1,555
Contributions to pension plans	128	122
Welfare and other expenses	109	101
	3,839	4,947

(d) Borrowings guaranteed by related party

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
	Owner who has significant influence over the Company	1,723,929

(e) Commitments to a related party

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
	A limited partnership controlled by Neusoft Holdings (Note 35(b))	90,000

37. 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 RMB67.0 million, 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 (Note 35(i)).
- (c) On 29 August 2023, Shanghai Ruixiang, a wholly-owned subsidiary of the Company, entered into a loan agreement (the “**Loan Agreement**”) with Neusoft Healthcare Management Services Co., Ltd. (Neusoft Healthcare), a wholly-owned subsidiary of Neusoft Holdings. Pursuant to the Loan Agreement, Shanghai Ruixiang agreed to provide a loan in the aggregate principal amount of RMB80.0 million to Neusoft Healthcare for a term of three years from 29 August 2023 to 28 August 2026 with a floating interest rate equal to one-year LPR plus 0.8% (the “**Loan**”). Neusoft Healthcare shall repay the interest of Loan on a quarterly basis and shall repay the principal amount of the Loan within 7 days after the term of the Loan expires. All liabilities of Neusoft Healthcare under the Loan Agreement are guaranteed by Neusoft Holdings.
- (d) On 29 August 2023, Neuedu Technology entered into an equity transfer agreement with Tianjin Ruiyi, pursuant to which Neuedu Technology will acquire the Target Equity from Tianjin Ruiyi for the Consideration. The Consideration shall be paid in full by Neusoft Education within 10 days after the completion of the transfer of the Target Equity (Note 30(a)).

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
"affiliate"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Audit Committee"	the audit committee of the Board
"Board"	the board of directors of the Company
"BVI"	British Virgin Islands
"Century Bliss"	Century Bliss International Limited, a company incorporated under the laws of the BVI with limited liability and a Shareholder as of 31 December 2022
"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 report 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
"Consolidated Affiliated Entity" or "Consolidated Affiliated Entities"	entities controlled by the Company through the Contractual Arrangements and considered as our subsidiaries
"Contractual Arrangements"	the contractual arrangements entered into by our Group as described in the section headed "Contractual Arrangements" of the Prospectus of the Company

DEFINITIONS

“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules, and unless the context otherwise requires, to the persons listed in the section headed “Relationship with our Controlling Shareholders” of the Prospectus of the Company, namely Dr. J. Liu and Neusoft Holdings (together with Neusoft Holdings’ wholly-owned subsidiaries Neusoft International, Dongkong First and Dongkong Second)
“Dalian Development”	Dalian Neusoft Software Park Industry Development Co., Ltd. (大連東軟軟件園產業發展有限公司), a company incorporated under PRC laws on 10 July 2002
“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
“Dongkong First”	Dongkong Education First Investment Inc. (東控教育第一投資有限公司), a company incorporated under the laws of the BVI and a Controlling Shareholder
“Dongkong Second”	Dongkong Education Second Investment Inc. (東控教育第二投資有限公司), a company incorporated under the laws of the BVI and a Controlling Shareholder
“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
“Irrevocable Voting Proxy”	a voting proxy arrangement granted by each of Century Bliss to Dr. J. Liu in respect of voting rights attached to our Shares. Please refer to “Relationship with our Controlling Shareholders – Irrevocable Voting Proxies” of the Prospectus and the announcements dated 25 January 2021 and 8 September 2021 of the Company for further information

“Kang Ruidao”	Kang Ruidao International Investment Inc. (康睿道國際投資有限公司), a company incorporated under the laws of the BVI and a substantial shareholder
“Kang Ruidao First”	Kang Ruidao Education First Investment Limited, a company incorporated under the laws of the BVI and a substantial shareholder
“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”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	29 September 2020, on which the Shares of the Company are listed and from which dealings therein are permitted to take place on the Stock Exchange
“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)
“Neusoft International”	Neusoft Holdings International Inc. (東軟控股國際有限公司), a company incorporated under the laws of the BVI on 8 March 2012 and a wholly-owned subsidiary of Neusoft Holdings
“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

DEFINITIONS

“Prospectus”	the prospectus of the Company dated 17 September 2020
“R&D”	research and development
“Registered Shareholder” or “Neusoft Holdings”	Dalian Neusoft Holdings Co., Ltd. (大連東軟控股有限公司), a company incorporated under PRC laws on 15 November 2011, a Controlling Shareholder and the registered shareholder of our Operating Entity
“Reporting Period”	six months ended 30 June 2023
“RMB” or “Renminbi”	Renminbi, the current lawful currency of China
“Securities and Futures Ordinance” or “SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of our Company, currently with a par value of HK\$0.0002 each
“Share Incentive Scheme”	Pre-IPO Share Incentive Scheme and Post-IPO Share Incentive Scheme or any of them
“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
“substantial shareholder”	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

Unless otherwise expressly stated or the context otherwise requires, all data in this report is as of the date of this report. The English names of the PRC entities, PRC laws and the PRC governmental authorities referred to in this report are translations from their Chinese names and are for identification purposes only. If there are any inconsistencies, the Chinese names shall prevail. Certain amounts and percentage figures included in this report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.