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SOUTH CHINA VOCATIONAL EDUCATION GROUP COMPANY LIMITED
中國華南職業教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6913)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024 AND CHANGE IN USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The board (the "**Board**") of directors (the "**Directors**") of South China Vocational Education Group Company Limited (the "**Company**") is pleased to announce the unaudited interim condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2024 (the "**Reporting Period**") together with the comparative figures for the corresponding period in 2023.

FINANCIAL HIGHLIGHTS

	Six months ended 30 June			
	2024	2023	**Change**	Percentage change
	RMB'000	*RMB'000*	***RMB'000***	*(%)*
	(Unaudited)	(Unaudited)		
Revenue	**335,761**	277,947	**57,814**	+20.8
Cost of sales	**201,790**	161,932	**39,858**	+24.6
Gross profit	**133,971**	116,015	**17,956**	+15.5
Profit before tax	**84,475**	89,363	**(4,888)**	-5.5
Profit for the period	**87,775**	87,405	**370**	+0.4
Basic and diluted earnings per share	**RMB0.07**	RMB0.07	**RMB0.00**	–

The Board recommended the declaration of an interim dividend of HK2.2 cents per share for the six months ended 30 June 2024. The interim dividend will be declared and paid in Hong Kong dollars (six months ended 30 June 2023: Nil).

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Notes	Six months ended 30 June 2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
REVENUE	4	**335,761**	277,947
Cost of sales		**(201,790)**	(161,932)
Gross profit		**133,971**	116,015
Other income and gains	4	**27,832**	35,202
Selling and distribution expenses		**(13,438)**	(9,933)
Administrative expenses		**(43,895)**	(36,309)
Other expenses		**(13,992)**	(9,135)
Finance costs		**(6,003)**	(6,477)
PROFIT BEFORE TAX	5	**84,475**	89,363
Income tax credit/(expense)	6	**3,300**	(1,958)
PROFIT FOR THE PERIOD		**87,775**	87,405
OTHER COMPREHENSIVE INCOME			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		**(74)**	5
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods		**(74)**	5
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		**(74)**	5
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**87,701**	87,410

	Note	Six months ended 30 June 2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Profit attributable to:			
Owners of the parent		**87,722**	87,341
Non-controlling interests		**53**	64
		87,775	87,405
Total comprehensive income attributable to:			
Owners of the parent		**87,648**	87,346
Non-controlling interests		**53**	64
		87,701	87,410
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic and diluted			
– For profit for the period		**RMB0.07**	RMB0.07

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

	Notes	**30 June 2024 *RMB'000* (Unaudited)**	31 December 2023 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,461,268**	1,401,860
Investment properties		**48,874**	49,839
Right-of-use assets		**361,077**	376,530
Goodwill		**3,052**	3,052
Other intangible assets		**10,801**	11,466
Contract costs		**9,299**	8,525
Financial asset at fair value through profit or loss		**–**	81,570
Prepayments, other receivables and other assets		**14,947**	29,044
Deferred tax assets		**10,268**	6,711
Total non-current assets		**1,919,586**	1,968,597
CURRENT ASSETS			
Prepayments, other receivables and other assets		**24,727**	26,566
Accounts receivable	*9*	**2,823**	5,018
Amounts due from related parties		**4,869**	16,090
Contract costs		**6,585**	9,824
Cash and cash equivalents		**271,133**	421,417
Time deposits		**85,000**	–
Pledged deposits		**–**	18,170
Total current assets		**395,137**	497,085
CURRENT LIABILITIES			
Contract liabilities	*4*	**71,062**	234,117
Other payables and accruals		**169,483**	153,351
Interest-bearing bank and other borrowings		**57,666**	132,864
Lease liabilities		**25,436**	24,299
Tax payable		**15,999**	17,030
Deferred income		**5,534**	5,587
Total current liabilities		**345,180**	567,248
NET CURRENT ASSETS/(LIABILITIES)		**49,957**	(70,163)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,969,543**	1,898,434

	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,969,543**	1,898,434
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**126,359**	74,756
Lease liabilities	**81,764**	90,390
Deferred income	**80,642**	82,135
Total non-current liabilities	**288,765**	247,281
Net assets	**1,680,778**	1,651,153
EQUITY		
Equity attributable to owners of the parent		
Share capital	**11,124**	11,124
Reserves	**1,669,292**	1,639,720
	1,680,416	1,650,844
Non-controlling interests	**362**	309
Total equity	**1,680,778**	1,651,153

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

South China Vocational Education Group Company Limited (中國華南職業教育集團有限公司) was incorporated in the Cayman Islands on 15 August 2018 as an exempted company with limited liability under the Companies Act of the Cayman Islands. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The principal activity of the Company is investment holding. During the Reporting Period, the Group were principally engaged in providing private higher vocational education in the People's Republic of China (the "**PRC**").

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2024 have been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2023.

The unaudited interim condensed consolidated financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial statements.

Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "**2020 Amendments**")*
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "**2022 Amendments**")*
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*

The nature and the impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

    The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

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

HKFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. The information reported to the Directors, who are the chief operating decision makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the Directors review the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

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

Information about major customers

No revenue from services provided to a single customer accounted for 10% or more of the total revenue of the Group during the Reporting Period (six months ended 30 June 2023: Nil).

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	Notes	For the six months ended 30 June	
		2024	2023
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue			
Revenue from contracts with customers			
Tuition fees	*(a)*	**302,546**	251,297
Boarding fees	*(a)*	**29,296**	21,824
Other education service fees	*(b)*	**3,919**	4,826
Total		**335,761**	277,947
Other income and gains			
Rental income		**13,567**	12,874
Training income		**6,653**	11,172
Government grants:			
Related to assets	*(c)*	**2,731**	2,641
Related to income	*(d)*	**794**	1,418
Bank interest income		**1,751**	2,019
Loan interest income		**294**	3,974
Brand licensing income		**863**	740
Fair value gain, net:			
Financial assets at fair value through profit or loss		**782**	–
Exchange gain, net		**–**	240
Others		**397**	124
Total		**27,832**	35,202

Notes:

(a) Tuition fees and boarding fees mainly represented income received from the provision of education and boarding services to the students, which were recognised over time, i.e. the academic year, of the services rendered.

(b) Other education service fees mainly represented income received from the provision of other education services including training services to the students, which was recognised over time, i.e. the training periods, of the services rendered.

(c) Government grants related to assets represent the subsidies in connection with certain pieces of leasehold land and the electronic devices relating to teaching activities. These grants related to assets are released to profit or loss over the expected useful lives of the relevant assets.

(d) Government grants related to income represent the subsidies compensated for the incurred operating expenses arising from teaching activities, which were recognised as other income when the incurred operating expenses fulfilled the conditions attached.

Contract liabilities

The Group receives tuition and boarding fees from students in advance prior to the beginning of each academic year or semester. The performance obligation is satisfied proportionately over the relevant period of the applicable program. The students are entitled to the refund of the payment in relation to the proportionate service not yet provided.

Significant changes in the contract liability balances during the period/year are as follows:

	Six months ended 30 June 2024	Year ended 31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At the beginning of the period/year	**234,117**	177,517
Revenue recognised that was included in the balance of contract liabilities at the beginning of the period/year	**(232,439)**	(176,201)
Increases due to cash received, including amounts recognised as revenue during the period/year	**190,793**	632,377
Revenue recognised that was not included in contract liabilities at the beginning of the period/year	**(119,825)**	(391,918)
Transfer to refund liabilities	**(1,584)**	(7,658)
At the end of the period/year	**71,062**	234,117

Revenue recognised in relation to contract liabilities

The following table shows the amounts of revenue recognised in the current period that were included in the contract liabilities at the beginning of the reporting period:

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue recognised that was included in the balance of contract liabilities at the beginning of the period		
Tuition fees	**204,583**	157,575
Boarding fees	**27,856**	18,806
Total	**232,439**	176,381

Unsatisfied performance obligations

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June 2024 are as follows:

	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Expected to be recognised within one year:		
Tuition fees	**70,836**	205,578
Boarding fees	**226**	28,539
Total	**71,062**	234,117

The amounts of transaction prices associated with unsatisfied or partially unsatisfied performance obligations do not include variable consideration which is constrained.

There were no contract assets at the end of the Reporting Period recognised in the unaudited interim condensed consolidated statement of financial position.

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Note	For the six months ended 30 June **2024** *RMB'000* **(Unaudited)**	2023 *RMB'000* (Unaudited)
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		**117,609**	90,387
Pension scheme contributions (defined contribution scheme)****		**14,473**	10,454
Total		**132,082**	100,841
Depreciation of property, plant and equipment		**33,064**	28,403
Depreciation of right-of-use assets		**15,453**	15,937
Depreciation of investment properties		**965**	965
Amortisation of other intangible assets*		**1,286**	945
Exchange loss/(gain), net		**1,895**	(240)
Donation expenses***		**1,370**	500
Lease payments not included in the measurement of lease liabilities		**346**	142
Auditor's remuneration		**1,100**	1,300
Loss on disposal of items of property, plant and equipment, net***		**15**	17
Reversal of provision for expected credit losses on accounts receivable		**(62)**	(35)
Fair value gain, net			
Financial assets at fair value through profit or loss	*4*	**(782)**	–
Bank interest income	*4*	**(1,751)**	(2,019)
Loan interest income	*4*	**(294)**	(3,974)
Government grants**	*4*	**(3,525)**	(4,059)
Loss on disposal of other intangible assets***		**–**	15
Loss on disposal of right-of-use assets***		**–**	80

* The amortisation of other intangible assets is included in cost of sales in the unaudited interim condensed consolidated statement of profit or loss and other comprehensive income.

** There are no unfulfilled conditions or other contingencies attaching to the government grants that have been recognised.

*** These amounts are included in other expenses in the unaudited interim condensed consolidated statement of profit or loss and other comprehensive income.

**** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

6. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act of the Cayman Islands and accordingly is not subject to income tax from business carried out in the Cayman Islands.

Lingnan Education Investment Limited, the Company's directly held subsidiary, was incorporated in the British Virgin Islands ("**BVI**") as an exempted company with limited liability under the BVI Companies Act and accordingly is not subject to income tax from business carried out in the BVI.

South China Vocational Education Group (Hong Kong) Limited, a subsidiary incorporated in Hong Kong, is subject to income tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong. No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the period.

Pursuant to the decision (the "**2016 Decision**") of the Standing Committee of the National People's Congress on Amending the Private Schools Promotion Law of the PRC (《全國人民代表大會常務委員會關於修改<中華人民共和國民辦教育促進法>的決定》), which was promulgated on 7 November 2016 and came into force on 1 September 2017, private schools are no longer being classified as either schools for which the school sponsor(s) require reasonable returns or schools for which the school sponsor(s) do not require reasonable returns. Instead, the school sponsor(s) of a private school may choose for the school to be a for-profit private school or a non-profit private school, with the exception that schools providing nine-year compulsory education must be non-profit.

On 14 May 2021, the State Council released the Regulations for the Implementation of the Private Schools Promotion Law of the PRC (《中華人民共和國民辦教育促進法實施條例》) with an effective date of 1 September 2021 (the "**2021 Implementation Rules**"). The 2021 Implementation Rules are the detailed implementation rules of the Private Schools Promotion Law of the PRC. Pursuant to the 2016 Decision and the 2021 Implementation Rules, a private school may enjoy the preferential tax policies, which are not defined under both the 2016 Decision and the 2021 Implementation Rules, as stipulated by the related government authorities and a non-profit school may enjoy the same tax policies as enjoyed by a public school.

According to the Implementing Opinions of the Guangdong Provincial Government on Encouraging Private Entities and Individuals to Operate Schools and Promote the Healthy Development of Private Education (《廣東省人民政府關於鼓勵社會力量興辦教育促進民辦教育健康發展的實施意見》), which was promulgated by the People's Government of Guangdong Province on 4 May 2018 and the 2016 Decision, school sponsors of private schools which were established and registered in Guangdong prior to 7 November 2016 may choose for the schools to be for-profit private schools or non-profit private schools at their own discretion, except for the schools providing compulsory education, which must be non-profit. However, the Implementing Measures of Classification Registration for Private Schools (《關於民辦學校分類登記的實施辦法》), which was promulgated by five departments of the Guangdong province government and came into effect on 30 December 2018, does not specify a deadline for the existing private schools to elect to be registered as non-profit or for-profit private schools. As at the date of approval of these financial statements, the PRC Schools have not yet registered as for-profit private schools or non-profit private schools and remain as private non-enterprise units.

Considering that the relevant tax policies regarding schools for which the school sponsor(s) require reasonable returns or schools for which the school sponsor(s) do not require reasonable returns remain unchanged, no further new and specific tax implementation regulations are announced and the PRC Schools remain as private non-enterprise units and, in accordance with the historical tax compliance confirmations obtained from the local tax authorities and the Group's external legal advisor's comments on the preferential tax treatments for the current period, the PRC Schools treated their academic education income as non-taxable income and did not pay corporate income tax for the academic education income and have enjoyed the preferential tax treatments during the period. In the event the PRC Schools elect to register as for-profit private schools, the PRC Schools may be subject to corporate income tax ("**CIT**") at a rate of 25% in respect of service fees they receive from the provision of academic educational services going forward, if they do not enjoy any preferential tax treatment. As such, a significant impact on the Group's profit and loss may arise.

Pursuant to the PRC CIT Law, the Notice Regarding the Implementation on Tax Reduction/Exemption Policies for Small and Micro-sized Enterprises (SMEs) and the respective regulations, an subsidiary was entitled to a preferential tax rate of 20% of its respective taxable income. Except for that, the Group's other non-school subsidiaries which operate in Chinese Mainland are subject to CIT at a rate of 25% on their respective taxable income.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current – Chinese Mainland		
Charge for the period	**257**	1,772
Deferred	**(3,557)**	186
Total	**(3,300)**	1,958

7. DIVIDENDS

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Final declared and paid – HK4.8 cents (six months ended 30 June 2023: Nil) per ordinary share	**58,076**	–

On 28 August 2024, the board of directors declared an interim dividend of HK2.2 cent (six months ended 30 June 2023: Nil) per ordinary share, amounting to a total of approximately RMB26,788,000 (six months ended 30 June 2023: Nil).

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,334,000,000 (six months ended 30 June 2023: 1,334,000,000) in issue during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2024 and 2023.

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**87,722**	87,341

	Number of shares	
	For the six months ended 30 June	
	2024	2023
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculations	**1,334,000,000**	1,334,000,000

9. ACCOUNTS RECEIVABLE

An ageing analysis of the accounts receivable as at the end of the reporting period, based on the transaction date and net of loss allowance, is as follows:

	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within one year	**2,681**	4,790
One to two years	**142**	228
Total	**2,823**	5,018

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Reporting Period, the Group operated two schools in the Greater Bay Area, namely, Guangdong Lingnan Institute of Technology (廣東嶺南職業技術學院) ("**Lingnan Institute of Technology**") and Guangdong Lingnan Modern Technician College (廣東嶺南現代技師學院) ("**Lingnan Modern Technician College**").

Key Operating Business

The Group's Lingnan Institute of Technology was established in May 2002 to provide diploma education and vocational training and its Lingnan Modern Technician College was established in July 2005 to provide vocational education and training.

Lingnan Institute of Technology

Lingnan Institute of Technology is a private vocational education institution that has two campuses, one of which is located in Guangzhou, Guangdong Province (the "**Guangzhou Campus**"), and the other is located in Qingyuan, Guangdong Province (the "**Qingyuan Campus**"). As at 30 June 2024, Lingnan Institute of Technology consolidated the original 13 secondary colleges into eight secondary colleges, two public colleges and a college of continuing education, and re-integrated and established the School of Medical Applied Technology (醫學應用技術學院), with the addition of the new majors of stomatology technology (口腔醫學技術) and ophthalmic technology (眼視光技術), offering over 40 majors in a wide range of disciplines, including but not limited to, rehabilitation techniques, medical laboratory technology, electronic information engineering technology, e-commerce, computer network technology, cloud computing technology application, webcasting and operation, online marketing and livestreaming e-commerce, industrial internet, financial services and management.

Lingnan Modern Technician College

Lingnan Modern Technician College is a private vocational education institution located in Guangzhou and provides vocational education and training in various industries for students. As at 30 June 2024, Lingnan Modern Technician College had 7 departments and offered over 27 majors, including but not limited to, mechatronics, drones, vehicle inspection and maintenance, fire engineering, traditional Chinese medicine, rehabilitation, nursing, big data applications, advertising design, computer network application, computer program design and digital media application.

Ancillary Education Services

The Group also generates revenue from certain ancillary education services, which primarily comprise of continuing education programs and other education services. Other education services primarily consist of test preparation and training services the Group provides to the students of its schools for occupational skills appraisal and professional qualification and certificates. These educational services are referred to as the Group's "Ancillary Education Services".

Business Operating Data

The aggregate number of full-time students enrolled at the Group's schools amounted to 28,907 for the 2023/2024 school year. As at 30 June 2024, the average tuition fee of Lingnan Institute of Technology and Lingnan Modern Technician College amounted to RMB17,187 and RMB14,204, respectively, and the average boarding fee of these two schools amounted to RMB2,048 and RMB1,997, respectively.

OUTLOOK

Significant Improvement in Status of Vocational Education and Increasing Improvement of the Vocational Education System

In April 2022, the newly revised Vocational Education Law of the People's Republic of China (《中華人民共和國職業教育法》) (the "**Vocational Education Law**") was voted and passed by the 34th meeting of the Standing Committee of the 13th National People's Congress, the revision of which was the first revision in nearly 26 years. This revision clarifies that "vocational education is a type of education that is of equal importance as general education", promotes "the mutual integration of vocational education and general education", and clarifies that "the State encourages the development of various levels and forms of vocational education, promotes diversified school-running, supports broad and equal participation of social forces in vocational education". The revised Vocational Education Law also adds the followings: 1) appropriately reducing the academic requirements for the positions publicly recruited by public institutions with vocational skill level requirements; and 2) accelerating the cultivation of technical and skilled talents in pre-school education, nursing, health care, and housekeeping. The encouraging attitude towards vocational education is further extended.

In December 2022, the General Office of the Central Committee of CPC and the General Office of the State Council issued the Opinions (the "**Opinions**") on Deepening the Construction and Reform of Modern Vocational Education System (《關於深化現代職業教育體系建設改革的意見》). The Opinions have put forward that the promotion of the high-quality development of modern vocational education should be placed in a more prominent position, insisting on serving the overall development of students and economic and social development, based on enhancing the key competencies of vocational schools, focusing on deepening the integration of industry and education, taking the integration of science and education as the new direction, in order to fully mobilize the enthusiasm of all parties, coordinate the synergy and innovation of vocational education, higher education and continuing education, orderly and effectively promote the construction and reform of modern vocational education system, improve the quality, adaptability and attractiveness of vocational education, cultivate more high-quality technical and skilled talents, skilled craftsmen and craftsmen, promote the formation of a modern vocational education structure and regional layout that is in line with the market demand and matches the industrial structure, and lay a solid foundation for accelerating the building of a strong country in education, science and technology and talent.

In June 2023, eight national departments, including the National Development and Reform Commission, the Ministry of Education, the Ministry of Human Resources and Social Security, jointly issued the Implementation Plan for the Action to Enhance the Integration and Empowerment of Industry and Education in Vocational Education (2023-2025) (《職業教育產教融合賦能提升行動實施方案(2023-2025 年)》) ("**Implementation Plan**"). In July 2023, the Ministry of Education issued the Guidelines for the Construction of Industry-Education Integration Community (《行業產教融合共同體建設指南》) (the "**Guidelines**"). The Implementation Plan proposes that by 2025, the number of national pilot cities for industry-education integration will reach about 50, the breakthrough and leading role of the pilot cities will be brought into full play, and more than 10,000 industry-education integration-type enterprises will be built and cultivated nationwide. The Guidelines clarify the tasks for the construction of the industry-education integration community at five levels, namely, the construction unit, the construction tasks, the monitoring indicators, the workflow and the scheduling. The system of industry-education integration type enterprises and the system of combined incentive policies will be sound and complete; the investment in vocational education from various channels of funding will steadily increase; the needs of the industry will be better integrated into the whole process of talent cultivation; a pattern of the coordinated integration of education and industry will gradually be formed; and the integration of all elements of industry-education will be promoted.

The vocational education business engaged in by the Group is in line with the direction of encouragement and support of national policies, has initially formed a favorable trend of industry-education integration with leading enterprises, and has a great potential for future development.

Deepening the Development in the Guangdong-Hong Kong-Macau Greater Bay Area to Provide High-Caliber Talents for the Greater Bay Area Continuously

The Guangdong-Hong Kong-Macau Greater Bay Area (the "**Greater Bay Area**") has become one of the key economic growth drivers in China. According to relevant statistics, the Greater Bay Area occupied less than 1% of China's land area, and yet contributed 10.6% nominal gross domestic product (GDP) in 2022. With the economic transformation and the population aging, the Greater Bay Area will need more and more skilled talents in emerging industries and major health-related industries.

Based on the two existing schools, the Group will continue to expand its school network and vocational education market in the Greater Bay Area, including formal and non-formal vocational training market, to gradually increase its market share and consolidate its position as a leading vocational education service provider in the Greater Bay Area.

Business Development Strategy

The Group will improve its results performance through the following five aspects:

1) High-quality development of formal vocational education

The expansion and upgrade of Lingnan Institute of Technology will continue. Supported by the policy of encouraging the establishment of undergraduate level vocational education, it will firstly focus on the establishment of certain undergraduate programs and then gradually develop into an undergraduate level vocational and technical college as a whole. In July 2021, the Guangdong Industry-Education Integration Demonstration Park (Qingyuan) project of Lingnan Institute of Technology was incorporated into the key construction project plan of Guangdong Province by Guangdong Provincial Development and Reform Commission, being the only demonstrative industry-education integration park project included in the provincial key construction project in Guangdong Province. It is prepared to negotiate with a number of enterprises for the establishment of an innovative elite major, forming an innovative talent cultivation model and demonstrating its effectiveness in education and employment.

Further, in December 2023, Lingnan Modern Technician College and JD Group jointly established JD's first industrial college in Southern China. The college will focus on industries with special characteristics such as artificial intelligence, big data, cloud computing and other emerging technologies applications, and build an "industry-education-evaluation" ecological talent cultivation system with functions such as "talent cultivation, enterprise service and student entrepreneurship" based on the industry and enterprise position standards. It also will proactively identify new venues in the Greater Bay Area for its new branches or new independent colleges, expanding its network of secondary vocational schools.

2) Expanding school networks by mergers and acquisitions

In addition to robust endogenous growth, the Group will also strive to expand its school networks by means of mergers and acquisitions. For the target of mergers and acquisitions, the Group will give priority to high-quality technical schools and institutions providing non-formal vocational training in the Greater Bay Area. Mergers and acquisitions of existing schools will not only help the Group expand its scale, but is also conducive to the generation of synergies with its existing schools, thereby identifying more business opportunities and materialising more values.

3) Expanding ancillary education business

The Group will proactively expand the ancillary education business, including the adult continuing education program, trainings on vocational qualification level examination, and training tasks for government institutions and industry associations. Lingnan Modern Technician College owned by the Group is among the list of the first batch of 2021 social training evaluation organisations for vocational qualification level accreditation in Guangdong Province announced by the Human Resources and Social Security Department of Guangdong Province in July 2021, and has been approved for the accreditation for eight vocational skills, and has set up 28 social training and evaluation outlets in 9 prefectural cities in Guangdong Province, thus laying a foundation for the Group's expansion of the vocational qualification level accreditation business.

4) Developing international cooperation

The Group actively carries out international cooperation in running schools, introduces advanced vocational education and basic education resources and projects, and enhances the attractiveness of majors and courses and international characteristics through international cooperation. The Group explores cooperation with overseas colleges and institutions for higher education (focusing on colleges and institutions in Hong Kong, Macau, Singapore, the European Union and other countries and regions).

5) A new development pattern of "Five-in-One"

On the basis of the steady development, quality improvement and upgrading of the vocational education entities, the Group is actively exploring and expanding the five major sectors, namely training, dispatch, health, e-commerce and public welfare, and shifting from an academic education-oriented model to a new development pattern of "Five-in-One" driven by "academic education + vocational training + technical services".

FINANCIAL REVIEW

Revenue

Revenue represents the value of services rendered during the Reporting Period. The Group's revenue is consisted of tuition fees, boarding fees and other education service fees its schools collected from students.

The Group's revenue increased by approximately 20.8% from approximately RMB277.9 million for the six months ended 30 June 2023 to approximately RMB335.8 million for the six months ended 30 June 2024. The increase was primarily due to an increase in total tuition fees as a result of the increase in total full-time student enrollment and the average tuition fees during the Reporting Period.

Cost of sales

Cost of sales consists primarily of (i) staff costs; (ii) depreciation of property, plant and equipment; (iii) depreciation of right-of-use assets; (iv) amortization of other intangible assets; (v) cost of cooperative education; (vi) utilities; (vii) teaching expenditures; (viii) student study and practice fees; and (ix) property management fee.

The Group's cost of sales increased by approximately 24.6% from approximately RMB161.9 million for the six months ended 30 June 2023 to approximately RMB201.8 million for the six months ended 30 June 2024. The increase was primarily due to (i) an increase in staff costs as a result of the increase of the total number of teaching staff and their average salary during the Reporting Period; (ii) an increase in expenditure on campus property management fee during the Reporting Period due to the increase in the number of students and construction of new teaching venues; and (iii) an increase in depreciation of property, plant and equipment, in line with the expansion of the Group's school operating scale during the Reporting Period.

Gross profit and gross profit margin

The Group's gross profit increased by approximately 15.5% from approximately RMB116.0 million for the six months ended 30 June 2023 to approximately RMB134.0 million for the six months ended 30 June 2024, and the Group's gross profit margin decreased from approximately 41.7% to approximately 39.9%. The decrease of gross profit margin was mainly due to (i) an increase in staff costs as a result of the increase of the total number of teaching staff and their average salary during the Reporting Period; (ii) an increase in expenditure on campus property management fee during the Reporting Period due to the increase in the number of students and construction of new teaching venues; and (iii) an increase in depreciation of property, plant and equipment, in line with the expansion of the Group's school operating scale during the Reporting Period.

Other income and gains

Other income and gains consist primarily of (i) rental income; (ii) training income; (iii) government grants; (iv) bank interest income; (v) brand licensing income; and (vi) fair value gain.

The Group's other income and gains decreased by approximately 21.0% from approximately RMB35.2 million for the six months ended 30 June 2023 to approximately RMB27.8 million for the six months ended 30 June 2024. The decrease was primarily due to (i) a decrease of approximately RMB4.5 million in training income; and (ii) a decrease in loan interest income by approximately RMB3.7 million.

Selling and distribution expenses

Selling and distribution expenses refer to costs incurred for the purpose of marketing and student recruitment, including staff costs, advertising expenses, admission expenses, office expenses and others.

The Group's selling and distribution expenses increased by approximately 35.4% from approximately RMB9.9 million for the six months ended 30 June 2023 to approximately RMB13.4 million for the six months ended 30 June 2024. The increase was primarily due to (i) an increase in staff costs as a result of an increase in the number and average salary of the marketing staff during the Reporting Period; and (ii) an increase in advertising expense.

Administrative expenses

Administrative expenses primarily consist of (i) staff costs and welfare; (ii) depreciation and amortization; (iii) office expenses; and (iv) consulting expenses.

The Group's administrative expenses increased by approximately 20.9% from approximately RMB36.3 million for the six months ended 30 June 2023 to approximately RMB43.9 million for the six months ended 30 June 2024. The increase was primarily due to an increase in staff costs as a result of an increase in the number and average salary of the administrative staff.

Other expenses

Other expenses consist primarily of (i) cost for rental income; (ii) cost for training income; (iii) exchange losses; and (iv) donation expenditures.

The Group's other expenses increased by approximately 53.8% from approximately RMB9.1 million for the six months ended 30 June 2023 to approximately RMB14.0 million for the six months ended 30 June 2024. The increase was primarily due to (i) an increase in cost for training income due to an increase in the number of staff and their average salary; and (ii) an increase in exchange losses and donation expenditures.

Finance costs

Finance costs primarily consist of the interest expenses for its bank and other borrowings and lease liabilities.

The Group's finance costs decreased by approximately 7.7% from approximately RMB6.5 million for the six months ended 30 June 2023 to approximately RMB6.0 million for the six months ended 30 June 2024. The decrease was in line with the decrease in weighted average interest-bearing bank and other borrowings during the Reporting Period.

Profit for the period

As a result of the above factors, profit for the period of the Group increased by approximately 0.4% from approximately RMB87.4 million for the six months ended 30 June 2023 to approximately RMB87.8 million for the six months ended 30 June 2024.

FINANCIAL AND LIQUIDITY POSITION

Current assets and current liabilities

As at 30 June 2024, the Group had net current assets of approximately RMB50.0 million, increased by approximately 171.2% from approximately RMB70.2 million of net current liabilities as at 31 December 2023. The Group had net current assets as at such date primarily because of (i) the decrease in contract liabilities as a result of recognition of tuition fees and boarding fees; and (ii) the increase in long-term borrowing.

The Group's current assets decreased by RMB102.0 million from approximately RMB497.1 million as at 31 December 2023 to approximately RMB395.1 million as at 30 June 2024. The decrease in current assets was primarily due to the decrease in cash and cash equivalents during the Reporting Period, which was mainly attributable to the distribution of dividends, repayment of short-term borrowings, and the increase in capital investment in the construction of the Qingyuan Campus.

The Group's current liabilities decreased by RMB222.0 million from approximately RMB567.2 million as at 31 December 2023 to approximately RMB345.2 million as at 30 June 2024, mainly reflecting: (i) the decrease in contract liabilities as a result of recognition of tuition fees and boarding fees; and (ii) the decrease in short-term borrowings due to the repayment of the due bank borrowings.

Indebtedness

Interest-bearing bank and other borrowings primarily consisted of short-term working capital loans to supplement its working capital and finance its expenditure and long-term project loans for the continuous development of its school buildings and facilities.

The Group's interest-bearing bank and other borrowings amounted to approximately RMB184.0 million as at 30 June 2024, denominated in RMB. As at 30 June 2024, the Group's interest-bearing bank and other borrowings bore effective interest rates ranging from 3.1% to 6.8% per annum.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operations and bank and other borrowings. The Group regularly assesses its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

Financial assets at fair value through profit or loss

As at 30 June 2024, the Group's financial assets at fair value through profit or loss amounted to nil (31 December 2023: RMB81.6 million). The decrease was mainly due to the redemption of a wealth management product issued by a qualified fund company in China, the principal and financial income of which was fully redeemed on 27 March 2024.

Contingent liabilities and guarantees

As at 30 June 2024, the Group did not have any unrecorded significant contingent liabilities, guarantees or any material litigation against any member of the Group (31 December 2023: Nil).

Pledge of assets

As at 30 June 2024, no assets of the Group were pledged to secure bank loans and other borrowings. The Group's pledged time deposits decreased by 100.0% from approximately RMB18.2 million as at 31 December 2023 to nil as at 30 June 2024.

Foreign exchange exposure

All of the Group's revenue and the majority of its expenditures are denominated in RMB. As at 30 June 2024, majority of the Group's bank balances were also denominated in RMB. The Group currently does not have any foreign currency hedging policies. The management will continue to assess the Group's foreign exchange risk exposure and consider adopting prudent measures as appropriate.

Gearing ratio

The gearing ratio, which is calculated by using total interest-bearing bank and other borrowings divided by total equity, decreased to approximately 10.9% as at 30 June 2024 from approximately 12.6% as at 31 December 2023, mainly due to a decrease of the Group's interest-bearing bank and other borrowings.

EMPLOYMENT, REMUNERATION POLICY AND TRAINING

As at 30 June 2024, the Group had a total of 1,585 employees. Employees of the Group are remunerated based on their performance, experience and prevailing industry practices, with all compensation policies and packages reviewed on a regular basis. The remuneration of the Group's employees includes salaries and allowances. As required by the PRC laws and regulations, the Group participates in various employee social security plans for its employees that are administered by local governments, including housing, pension, medical insurance, maternity insurance and unemployment insurance. The Group also emphasises employee trainings and career development, and invests in the education and training programs for its employees with the purpose of upgrading their knowledge on the latest trends and developments of the industry.

CHANGE IN USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds (the "**Net Proceeds**") from the global offering of ordinary shares, after deducting underwriting commission and other expenses, were approximately HK$446.0 million.

For reasons set out in the paragraph headed "Reasons for and Benefits of the Change in Use of Proceeds" below, the Board has resolved to change the use of proceeds originally planned to for the use under the item "Acquiring additional land of approximately 400,200 sq.m." by reallocating to "Constructing additional teaching and administrative facilities and purchasing teaching equipment".

The following table sets forth a summary of the utilisation of the Net Proceeds and the revised allocation of the Net Proceeds:

Purpose	Revised portion as stated in the announcement of the Company dated 30 March 2023	Revised allocation of the Net Proceeds as stated in the announcement of the Company dated 30 March 2023	Utilised amount during the six months ended 30 June 2024	Utilised amount up to 30 June 2024	Unutilised amount up to 30 June 2024	Revised portion	Re-allocation of the unutilised Net Proceeds	Expected timeline
		HK$' Million	*HK$' Million*	*HK$' Million*	*HK$' Million*		*HK$' Million*	
Further increase student capacity of the schools with an aim to upgrade Lingnan Institute of Technology from an associate college to a vocational university								
– Acquiring additional land of approximately 400,200 sq.m.	47.0%	209.6	–	–	209.6	–	–	N/A
– Constructing additional teaching and administrative facilities and purchasing teaching equipment	14.1%	63.0	–	63.0	–	61.1%	209.6	2022-2025
– Constructing an industry and education integrated industrial park	3.0%	13.4	2.4	4.3	9.1	3.0%	9.1	2022-2025
Acquire other schools and educational service providers to expand the school network	25.9%	115.4	–	74.4	41.0	25.9%	41.0	2022-2025
Working capital	10.0%	44.6	–	44.6	–	10.0%	–	N/A
Total	**100.0%**	**446.0**	**2.4**	**186.3**	**259.7**	**100%**	**259.7**	

Reasons for and Benefits of the Change in Use of Proceeds

The Board is of the view that the use of proceeds should be appropriately adjusted to maintain maximum flexibility for better accommodation to the changing market conditions and industry environment. The Company has been actively exploring various strategic acquisition opportunities since 2022, but has not identified suitable acquisition opportunities for additional land.

Accordingly, in order to improve the efficiency of the use of proceeds, reduce financial expenses and align with the Company's strategic objectives, taking into account the sequence of the original use of the Net Proceeds, the Company intended to adjust the planning and proportion of the use of unutilised Net Proceeds. Based on the interests of the Company and its shareholders as a whole and in light of market conditions and the Company's business needs, the Company intended to reallocate the entire remaining balance of the proceeds of HK$209.6 million designated for acquiring additional land to expand Qingyuan Campus to enhance constructing additional teaching and administrative facilities and purchasing teaching equipment of the Group.

The Group will continue to explore different acquisition opportunities for additional lands bringing values to the Group. In the event that there are suitable acquisitions in the future, the Company shall still use its own funds for the acquisitions, and the Company's acquisition strategy will not be affected because of the change in the use of the Net Proceeds.

The Board considers that the proposed change in use of the Net Proceeds will not have any material adverse impact on the operations of the Group and is in the interests of the Company and the shareholders of the Company as a whole. The Board will closely monitor the utilisation of the Net Proceeds. Save as disclosed in this announcement, there is no other change in the use of the Net Proceeds. Should there be any further change in the use of the Net Proceeds, further announcement(s) will be made by the Company as and when appropriate.

OTHER INFORMATION

Material Events after the Reporting Period

The Company did not have any material events that should be brought to the attention of the shareholders of the Company from the end of the Reporting Period and up to the date of this announcement.

Interim Dividend

The Board has proposed to declare an interim dividend of HK2.2 cents per share for the six months ended 30 June 2024 (30 June 2023: Nil). The interim dividend will be declared and paid in Hong Kong dollars. The interim dividend will be paid on 30 September 2024 to the Shareholders whose names appear on the register of members of the Company on 13 September 2024.

Closure of Register of Members

The register of members of the Company will be closed from Thursday, 12 September 2024 to Friday, 13 September 2024, both days inclusive, during which period no share transfers can be registered. In order to be qualified for the proposed interim dividend, all transfer instruments accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Wednesday, 11 September 2024.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities (including sale of treasury shares) for the six months ended 30 June 2024. As at 30 June 2024, no treasury shares were held by the Company.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

Save as disclosed herein, the Group did not hold any significant investment nor did the Group carry out any material acquisition or disposal of subsidiaries, associates, joint ventures or affiliated companies during the Reporting Period.

Future Plans for Material Investments and Investments in Capital Assets

Save as disclosed herein, as at 30 June 2024, the Group did not have any plans for material investments or investments in capital assets.

Corporate Governance Code

The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company has adopted corporate governance practices based on the principles and code provisions as set out in Part 2 of the Corporate Governance Code (the "**CG Code**") as contained in Appendix C1 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as its own code of corporate governance practices. During the Reporting Period, the Company has complied with all code provisions in Part 2 of the CG Code.

Model 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 C3 to the Listing Rules as the code of conduct governing Directors' securities transactions. The Company confirms that, having made specific enquiries of all the Directors, each of them has complied with the required standard as set out in the Model Code for the six months ended 30 June 2024.

Audit Committee and Review of Interim Financial Information

The audit committee of the Board has reviewed together with the management the accounting principles and policies adopted by the Group and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2024.

Publication of Interim Results Announcement and Interim Report

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.scvedugroup.com, respectively. The interim report of the Company for the six months ended 30 June 2024 containing all the information required by the Listing Rules will be provided to the shareholders of the Company and published on the above websites in due course.

Acknowledgement

The Board would like to express its sincere gratitude to the Group's management and staff members for their dedication and hard work as well as the shareholders of the Company, business partners and bankers for their support to the Group throughout the Reporting Period.

By order of the Board
South China Vocational Education
Group Company Limited
He Huishan
Chairman

Hong Kong, 28 August 2024

As at the date of this announcement, the Board comprises Mr. He Huishan, Ms. He Huifen and Mr. Lao Hansheng as executive Directors; and Mr. Luo Pan, Mr. Yeh Zhe-Wei and Mr. Ma Shuchao as independent non-executive Directors.