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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 2022

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 2022 (the “**Reporting Period**”) together with the comparative figures for the corresponding period in 2021.

### FINANCIAL HIGHLIGHTS

	Six months ended 30 June			Percentage change change (%)
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)	Change <i>RMB'000</i>	
Revenue	<b>264,548</b>	286,045	<b>(21,497)</b>	-7.5
Gross Profit	<b>122,857</b>	141,421	<b>(18,564)</b>	-13.1
Profit for the period	<b>92,663</b>	126,530	<b>(33,867)</b>	-26.8
Adjusted net profit for the period <sup>Note</sup>	<b>92,663</b>	134,304	<b>(41,641)</b>	-31.0
Basic and diluted earnings per share	<b>RMB0.07</b>	RMB0.13	<b>RMB(0.06)</b>	-46.2

Note:

Adjusted net profit is defined as profit for the Reporting Period of the Group after adjusting for those items which are not indicative of the Group’s operating performances. This is not Hong Kong Financial Reporting Standards measure. For details, please refer to the section headed “Management Discussion and Analysis – Financial Review” in this announcement.

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

*For the six months ended 30 June 2022*

		<b>Six months ended 30 June</b>	
	<i>Notes</i>	<b>2022</b>	2021
		<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
REVENUE	4	<b>264,548</b>	286,045
Cost of sales		<u><b>(141,691)</b></u>	<u>(144,624)</u>
Gross profit		<b>122,857</b>	141,421
Other income and gains	4	<b>29,665</b>	54,404
Selling and distribution expenses		<b>(8,562)</b>	(8,447)
Administrative expenses		<b>(34,451)</b>	(38,898)
Other expenses		<b>(8,164)</b>	(10,444)
Finance costs		<u><b>(7,453)</b></u>	<u>(9,437)</u>
PROFIT BEFORE TAX	5	<b>93,892</b>	128,599
Income tax expense	6	<u><b>(1,229)</b></u>	<u>(2,069)</u>
PROFIT FOR THE PERIOD		<u><b>92,663</b></u>	<u>126,530</u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		<u><b>233</b></u>	—
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		<u><b>233</b></u>	—
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		<u><b>233</b></u>	—
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u><b>92,896</b></u>	<u>126,530</u>

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2022</b>	2021
		<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	(Unaudited)
Profit attributable to:			
Owners of the parent		<b>92,682</b>	126,530
Non-controlling interests		<b>(19)</b>	–
		<u><b>92,663</b></u>	<u>126,530</u>
Total comprehensive income attributable to:			
Owners of the parent		<b>92,915</b>	126,530
Non-controlling interests		<b>(19)</b>	–
		<u><b>92,896</b></u>	<u>126,530</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	<b>8</b>		
Basic and diluted			
– For profit for the period		<u><b>RMB0.07</b></u>	<u>RMB0.13</u>

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	30 June 2022 <b>RMB'000</b> (Unaudited)	31 December 2021 <b>RMB'000</b> (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		1,185,269	1,138,478
Investment properties		52,735	53,700
Right-of-use assets		423,537	439,710
Goodwill		3,052	–
Other intangible assets		8,643	8,903
Prepayments for non-current assets		991	1,068
Contract costs		8,722	5,834
		<u>1,682,949</u>	<u>1,647,693</u>
Total non-current assets			
<b>CURRENT ASSETS</b>			
Prepayments, other receivables and other assets		29,773	8,641
Accounts receivable	9	615	5,961
Amounts due from related parties		32,939	57,575
Amount due from a director		2,450	–
Financial assets at fair value through profit or loss		114,469	70,047
Contract costs		4,712	6,663
Cash and cash equivalents		282,492	482,393
		<u>467,450</u>	<u>631,280</u>
Total current assets			
<b>CURRENT LIABILITIES</b>			
Contract liabilities	4	41,789	151,830
Other payables and accruals		126,096	140,504
Interest-bearing bank and other borrowings		81,372	83,415
Lease liabilities		23,925	25,210
Tax payable		14,802	16,985
Amount due to a related party		–	467
Deferred income		5,457	5,366
		<u>293,441</u>	<u>423,777</u>
Total current liabilities			
NET CURRENT ASSETS		<u>174,009</u>	<u>207,503</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,856,958</u>	<u>1,855,196</u>

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES	<u><b>1,856,958</b></u>	<u>1,855,196</u>
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	<b>162,155</b>	185,009
Lease liabilities	<b>118,054</b>	123,167
Deferred income	<u><b>88,818</b></u>	<u>91,495</u>
Total non-current liabilities	<u><b>369,027</b></u>	<u>399,671</u>
Net assets	<u><b>1,487,931</b></u>	<u>1,455,525</u>
EQUITY		
<b>Equity attributable to owners of the parent</b>		
Share capital	<b>11,124</b>	11,124
Reserves	<u><b>1,476,689</b></u>	<u>1,444,401</u>
	<b>1,487,813</b>	1,455,525
Non-controlling interests	<u><b>118</b></u>	<u>–</u>
Total equity	<u><b>1,487,931</b></u>	<u>1,455,525</u>

# NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 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 address of the registered office 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 Company and its subsidiaries are principally engaged in providing private higher vocational education in the People's Republic of China (the "PRC").

### 2.1 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2022 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 2021.

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 2021, 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 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has adopted the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- *HKFRS 9 Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
  - *HKFRS 16 Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

### 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 (2021: Nil).

#### 4. REVENUE, OTHER INCOME AND GAINS

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

		<b>For the six months ended 30 June</b>	
	<i>Notes</i>	<b>2022</b>	2021
		<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b><u>Revenue</u></b>			
<i>Revenue from contracts with customers</i>			
Tuition fees	<i>(a)</i>	<b>239,584</b>	259,185
Boarding fees	<i>(a)</i>	<b>20,563</b>	23,147
Other education service fees	<i>(b)</i>	<b>4,401</b>	3,713
		<b>264,548</b>	286,045
<b><u>Other income and gains</u></b>			
Bank interest income		<b>1,979</b>	1,153
Fair value gain, net:			
Financial assets at fair value through profit or loss		<b>1,116</b>	610
Rental income		<b>14,653</b>	30,540
Brand licensing income		<b>692</b>	1,860
Training income		<b>5,559</b>	5,918
Government grants:			
Related to assets	<i>(c)</i>	<b>2,730</b>	2,530
Related to income	<i>(d)</i>	<b>2,126</b>	2,474
Gain on disposal of items of property, plant and equipment, net		–	8,940
Gain on termination of a lease		–	319
Written-off of an amount due to a related party		<b>467</b>	–
Others		<b>343</b>	60
		<b>29,665</b>	54,404

*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:

	<b>Six months ended 30 June 2022 RMB'000 (Unaudited)</b>	Year ended 31 December 2021 RMB'000 (Audited)
At the beginning of the period/year	151,830	167,856
Revenue recognised that was included in the balance of contract liabilities at the beginning of the period/year	(149,025)	(165,949)
Increases due to cash received, including amounts recognised as revenue during the period/year	156,451	474,939
Revenue recognised that was not included in contract liabilities at the beginning of the period/year	(116,446)	(322,132)
Transfer to refund liabilities	(1,021)	(2,884)
	<u>41,789</u>	<u>151,830</u>

#### ***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:

	<b>For the six months ended 30 June 2022 RMB'000 (Unaudited)</b>	2021 RMB'000 (Unaudited)
Revenue recognised that was included in the balance of contract liabilities at the beginning of the period		
Tuition fees	133,023	149,233
Boarding fees	16,002	18,623
	<u>149,025</u>	<u>167,856</u>

#### **Unsatisfied performance obligations**

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June 2022 are as follows:

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
Expected to be recognised within one year:		
Tuition fees	41,437	135,594
Boarding fees	352	16,236
	<u>41,789</u>	<u>151,830</u>

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	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		78,379	79,004
Pension scheme contributions (defined contribution scheme)****		8,323	7,430
		<u>86,702</u>	<u>86,434</u>
Depreciation of property, plant and equipment		24,658	22,483
Depreciation of investment properties		965	2,744
Depreciation of right-of-use assets		16,173	14,414
Amortisation of other intangible assets*		901	1,062
Lease payments not included in the measurement of lease liabilities		4	2,376
Reversal of provision for impairment of accounts receivable		(49)	–
Direct operating expenses arising from rental-earning investment properties***		3,676	5,337
Donation expenses***		2	2
Fair value gain, net			
Financial assets at fair value through profit or loss	4	(1,116)	(610)
Loss/(gain) on disposal of items of property, plant and equipment, net		112	(8,940)
Gain on termination of a lease	4	–	(319)
Written-off of an amount due to a related party	4	(467)	–
Bank interest income	4	(1,979)	(1,153)
Government grants**	4	(4,856)	(5,004)
Auditor's remuneration		1,400	700
Listing expenses		–	7,774
Exchange loss, net***		658	–

\* 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

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Current – Mainland China		
Charge for the period	<b>1,229</b>	<b>2,069</b>

## 7. DIVIDENDS

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Final declared and paid – HK5.6 cents (six months ended 30 June 2021: Nil) per ordinary share	<b>60,627</b>	<b>–</b>

No interim dividend has been declared by the Company during the Reporting Period (six months ended 30 June 2021: 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 in issue during the Reporting Period (six months ended 30 June 2021: 1,000,000,000).

The weighted average number of ordinary shares used to calculate the basic earnings per share amounts for the period ended 30 June 2021 was based on the weighted average number of ordinary shares in issue during the period and 999,000,000 ordinary shares of the Company issued under the capitalisation issue occurred after the reporting period, as if these additional shares issued under the capitalisation issue had been completed throughout the period ended 30 June 2021.

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 2022 and 2021.

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

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	<b>92,682</b>	126,530
	<b>92,682</b>	126,530
	<b>Number of shares</b>	
	<b>For the six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<u>Shares</u>		
Number of issued shares on 1 January	<b>1,334,000,000</b>	1,000,000
Effect of the capitalisation issue on 13 July 2021	–	999,000,000
	<b>1,334,000,000</b>	1,000,000,000
	<b>1,334,000,000</b>	1,000,000,000

## 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:

	<b>30 June</b>	<b>31 December</b>
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Within one year	<b>599</b>	5,911
One to two years	<b>16</b>	50
	<b>615</b>	5,961
	<b>615</b>	5,961

## 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 2022, Lingnan Institute of Technology had 13 secondary colleges and offered over 47 majors in a wide range of disciplines, including but not limited to, electronic engineering technology, e-commerce, computer network technology, cloud computing technology and application, health management and pharmaceutical production technology, webcasting and operation, online marketing and livestreaming e-commerce, industrial internet, financial services and management, etc.

#### *Lingnan Modern Technician College*

Lingnan Modern Technician College is a private vocational education institution located in Guangzhou and that provides vocational education and training in various industries for students. As at 30 June 2022, Lingnan Modern Technician College had 7 departments and offered over 27 majors, including but not limited to, mechatronics, AI, drones, vehicle inspection and maintenance, fire engineering, traditional Chinese medicine, rehabilitation, nursing, big data applications, advertising design, computer network application, computer program design, digital media application and cross-border e-commerce, etc.

### *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 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 25,797 for the 2021/2022 school year. As at 30 June 2022, the average tuition fee of Lingnan Institute of Technology and Lingnan Modern Technician College amounted to RMB16,429 and RMB10,838, respectively, and the average boarding fee of these two schools amounted to RMB1,641 and RMB1,586, respectively.

## Outlook

### *Favorable Policy Environment for Vocational Education*

At a national conference on vocational education held in April 2021, important instructions were delivered by Xi Jinping, general secretary of the Communist Party of China (CPC) Central Committee, Chinese President and chairman of the Central Military Commission, on the development of vocational education that vocational education has a promising future and great potential as China journeys toward socialist modernisation. It was emphasised that more efforts will be made to optimise the positioning of vocational education, to promote integration between industry and education and cooperation between schools and enterprises, to reform training and schooling modes as well as management and support mechanisms, to promote bachelor-level vocational education and bring about a number of quality vocational education institutions and programs, to promote the integration of vocational education and regular education, to improve the adaptability of vocational education and speed up the development of the modern vocational education system so as to cultivate more high-quality technical professionals.

In May 2021, the State Council promulgated the “Regulations for the Implementation of the Private Education Promotion Law of the People’s Republic of China”, pursuant to which, various policies have been introduced to encourage the development vocational education, such as “public schools implementing vocational education can attract the capital, technology, management and other elements of enterprises to establish or participate in the establishment of for-profit private schools that implement vocational education” and “enterprises are encouraged to establish or participate in the establishment of private schools that implement vocational education in various forms, such as sole proprietorship, joint venture and cooperation”.

In June 2021, the Vocational Education Law of the People’s Republic of China (Revised Draft) (the “**Revised Draft**”) was submitted to the 29th meeting of the Standing Committee of the 13th National People’s Congress for consideration and public opinions were solicited thereon. The Revised Draft provides that vocational education and regular education are of the same importance. Besides, the country encourages the government and social organisations to participate in vocational education and the establishment of vocational education systems, and also gives support to the eligible enterprises or social organisations implementing vocational education according to regulations.

In October 2021, the General Office of the Central Committee of CPC and the General Office of the State Council issued the Opinions (the “**Opinions**”) on Promoting the High-Quality Development of Modern Vocational Education (《關於推動現代職業教育高質量發展的意見》). The Opinions has put forward that vocational education, an important part of the national education system and human resource development, shoulders the important responsibility of training diversified talents, inheriting technical skills, and promoting employment and entrepreneurship. In the new journey of building a modernised socialist country in an all-round way, vocational education has a bright and promising future. The Opinions have also determined the development goals for vocational education by 2025: the types of vocational education are more distinctive, a modern vocational education system is basically completed, and the construction of a skill-based society is being fully promoted. The pattern of running schools will be further optimised, the conditions of running schools will be greatly improved, the enrollment scale of vocational education at undergraduate level will not be less than 10% of the enrollment scale of higher vocational education, and thus the attractiveness and training quality of vocational education will be significantly enhanced.

In February 2022, the Ministry of Education held a press conference to introduce the work related to promoting the high-quality development of modern vocational education, and proposed: 1) to promote the steady progress of bachelor-level vocational education, and promote the diversified development of secondary vocational education, 2) to select and build about 10 high-level bachelor-level vocational education demonstration schools through “small incision” and “big support” (“小切口” “大支持”) in the way of joint construction of ministries and provinces, 3) to transform from the original simple “employment-oriented” to “emphasis on both employment and further education”, focusing on further education that is in line with the characteristics of vocational education, 4) to build about 1,000 national-level high-quality secondary vocational schools in 3 to 5 years, to demonstrate to drive the entire secondary vocational education to be standardized and qualified, and to guide parents and students to rationally choose secondary vocational education, 5) to promote the establishment of a “vocational education college entrance examination” system with provincial coordination, comprehensive evaluation and multiple-channel admissions.

In April 2022, the newly revised “Vocational Education Law of the People’s Republic of China” was voted and passed by the 34th meeting of the Standing Committee of the 13th National People’s Congress, which was the first revision in nearly 26 years. This revision clarifies that “vocational education is a type of education that are 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) for the positions publicly recruited by public institutions with vocational skill level requirements, the academic requirements can be appropriately reduced; 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.

The vocational education business engaged in by the Group is in line with the direction of encouragement and support of national policies and has a great potential for future development.

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

The Guangdong-Hong Kong-Macao 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 yet contributed 11.0% nominal GDP in 2021. 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 Guangdong-Hong Kong-Macao 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 four aspects:

1) Promoting endogenous growth 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. Further, Lingnan Modern Technician College 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 Guangdong-Hong Kong-Macao Greater Bay Area. Acquisition 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, 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).

## **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.

The Group's revenue decreased by approximately 7.5% from approximately RMB286.0 million for the six months ended 30 June 2021 to approximately RMB264.5 million for the six months ended 30 June 2022. The decrease was primarily due to a decrease in tuition fees and boarding fees as a result of the decrease in total full-time student enrollment of Lingnan Institute of Technology.

### ***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) amortisation of other intangible assets; (v) cost of cooperative education; (vi) utilities; (vii) teaching expenditures; and (viii) office expenses.

The Group's cost of sales decreased by approximately 2.0% from approximately RMB144.6 million for the six months ended 30 June 2021 to approximately RMB141.7 million for the six months ended 30 June 2022. The decrease was primarily due to a decrease in staff costs as a result of a decrease of the bonuses.

### ***Gross profit and gross profit margin***

The Group's gross profit decreased by approximately 13.1% from approximately RMB141.4 million for the six months ended 30 June 2021 to approximately RMB122.9 million for the Reporting Period, and the Group's gross profit margin decreased from approximately 49.4% to approximately 46.4%. The decrease of gross profit margin was mainly due to a decrease in tuition fees and boarding fees as a result of the decrease in total full-time student enrollment of Lingnan Institute of Technology.

### ***Other income and gains***

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

The Group's other income and gains decreased by approximately 45.4% from approximately RMB54.4 million for the six months ended 30 June 2021 to approximately RMB29.7 million for the six months ended 30 June 2022. The decrease was primarily due to (i) a decrease of RMB15.9 million in rental income resulting from termination of leases; and (ii) a decrease of RMB8.9 million in gains from disposal items of property, plant and equipment as the Group disposed certain properties during the six months ended 30 June 2021.

### ***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 2.4% from approximately RMB8.4 million for the six months ended 30 June 2021 to approximately RMB8.6 million for the six months ended 30 June 2022. The increase was primarily due to an increase in admission fee for student recruitment of Lingnan Modern Technician College.

### ***Administrative expenses***

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

The Group's administrative expenses decreased by approximately 11.3% from approximately RMB38.9 million for the six months ended 30 June 2021 to approximately RMB34.5 million for the six months ended 30 June 2022. The decrease was primarily due to (i) a decrease of RMB7.8 million in listing expenses; (ii) an increase of RMB2.6 million in staff costs and welfare for administrative staff as a result of an increase in number of staff during the Reporting Period; and (iii) an increase of RMB0.5 million in consulting expenses related to the increase of consulting services.

### ***Other expenses***

Other expenses consist primarily of (i) cost for rental income; (ii) cost for training income; and (iii) exchange loss.

The Group's other expenses decreased by approximately 21.2% from approximately RMB10.4 million for the six months ended 30 June 2021 to approximately RMB8.2 million for the six months ended 30 June 2022. The decrease was primarily due to a decrease of cost of rental income resulting from termination of leases.

### ***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 20.2% from approximately RMB9.4 million for the six months ended 30 June 2021 to approximately RMB7.5 million for the six months ended 30 June 2022. The decrease was primarily due to a decrease of interest expenses with the repayment of certain other borrowings during the Reporting Period.

### ***Profit for the period***

As a result of the above factors, profit for the period of the Group decreased by approximately 26.8% from approximately RMB126.5 million for the six months ended 30 June 2021 to approximately RMB92.7 million for the six months ended 30 June 2022.

## ***Adjusted Net Profit***

The Group defines its adjusted net profit as its profit for the period after adjusting for those items which are not indicative of the Group's operating performances (as presented in the table below). This is not a HKFRSs measure. The Group has presented this item because the Group considers it an important supplemental measure of the Group's operational performance used by the Group's management as well as analysts or investors. The following table shows profit and adjusted net profit of the Group for the periods presented below:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit for the period	<b>92,663</b>	126,530
Add:		
Listing expenses	<u>          –</u>	<u>          7,774</u>
Adjusted net profit	<b><u>          92,663</u></b>	<b><u>         134,304</u></b>

As a result of the above factors, adjusted net profit for the Reporting Period decreased by approximately RMB41.6 million or approximately 31.0% as compared with the corresponding period in 2021. Adjusted net profit margin decreased from approximately 47.0% for the six months ended 30 June 2021 to approximately 35.0% for the Reporting Period.

## **Financial and Liquidity Position**

### ***Current assets and current liabilities***

As at 30 June 2022, the Group had net current assets of approximately RMB174.0 million, decreased by approximately 16.1% from RMB207.5 million as at 31 December 2021. The Group had net current assets as at such date primarily because (i) the increase of cash payment in constructing teaching and administrative facilities and purchasing teaching equipment; and (ii) the decrease of contract liabilities as a result of recognition of tuition fees and boarding fees.

The Group's current assets as at 30 June 2022 decreased by RMB163.8 million to approximately RMB467.5 million from approximately RMB631.3 million as at 31 December 2021. The decrease in current assets was primarily attributable to the decrease of cash and cash equivalents.

The Group's current liabilities decreased by RMB130.4 million from approximately RMB423.8 million as at 31 December 2021 to approximately RMB293.4 million as at 30 June 2022, mainly reflecting: (i) a decrease of approximately RMB110.0 million as a result of the recognition of tuition and boarding fees in 2021/2022 school year; and (ii) a decrease of approximately RMB14.4 million in other payables and accruals as at 30 June 2022 due to certain payment settlement.

## ***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 RMB243.5 million as at 30 June 2022, denominated in RMB. As at 30 June 2022, the Group's interest-bearing bank and other borrowings bore effective interest rates ranging from approximately 5.2% 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 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***

During the Reporting Period, the Group invested in financial products issued by a fund company and structured deposits offered by banks in China. These financial products primarily include (i) principal-guaranteed financial products with floating returns and (ii) principal unprotected financial products with floating returns. The Group made investments in these financial products as part of its cash management strategy in order to obtain higher yields than it would typically receive from regular bank deposits. These financial products the Group invested in during the Reporting Period were denominated in RMB and can be redeemed by the Group on any business day upon maturity. The expected yield rate of these financial products ranged from approximately 1.3% to 3.2% per annum.

The Group's financial products increased by approximately 63.6% from approximately RMB70.0 million as at 31 December 2021 to approximately RMB114.5 million as at 30 June 2022. All applicable percentage ratios of each of these investments under Chapter 14 of the Listing Rules were below 5%. The increase was primarily due to the Group invested in more financial products issued by banks in China.

## ***Contingent liabilities, guarantees and litigation***

As at 30 June 2022, the Group did not have any unrecorded significant contingent liabilities, guarantees or any material litigation against any member of the Group (31 December 2021: nil).

## ***Pledge of assets***

As at 30 June 2022, no assets of the Group were pledged to secure bank loans and other borrowings (31 December 2021: nil).

### ***Foreign exchange exposure***

The functional currency of the Company is RMB. The majority of the Group's revenue and expenditures are denominated in RMB. As at 30 June 2022, certain bank balances were denominated in HK\$ and US\$. During the six months ended 30 June 2022, 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. As a result, the Group did not enter into any financial instrument for hedging purposes.

### ***Gearing ratio***

The gearing ratio, which is calculated by using total interest-bearing bank and other borrowings divided by total equity, decreased to approximately 16.4% as at 30 June 2022 from approximately 18.4% as at 31 December 2021, mainly due to a decrease of the Group's interest-bearing bank and other borrowings.

### **Employment, Remuneration Policy and Training**

As at 30 June 2022, the Group had a total of 1,418 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.

## **OTHER INFORMATION**

### **Events after the Reporting Period**

The Company did not have any 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.

### **Use of proceeds from the Company's initial public offering**

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

The following table sets forth a summary of the utilisation of the net proceeds from the Global Offering:

Purpose		Net proceeds <i>HK\$' Million</i>	Utilised amount during the Reporting Period <i>HK\$' Million</i>	Utilised amount as at the date of this announcement <i>HK\$' Million</i>	Unutilised amount as at the date of this announcement <i>HK\$' Million</i>	Expected timeline
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.	55.0%	245.3	–	–	245.3	2022-2023
– Constructing additional teaching and administrative facilities and purchasing teaching equipment	12.0%	53.5	–	53.5	–	N/A
– Constructing an industry and education integrated industrial park	3.0%	13.4	–	1.7	11.7	2022-2022
Acquire other schools and educational service providers to expand the school network	20.0%	89.2	3.6	3.6	85.6	2022-2023
Working capital	10.0%	44.6	16.6	44.6	–	N/A
<b>Total</b>	<b>100%</b>	<b>446.0</b>	<b>20.2</b>	<b>103.4</b>	<b>342.6</b>	

As at the date of this announcement, there was no change in the intended use of net proceeds and the expected timeline as previously disclosed in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company (the “**Prospectus**”) except that (1) the timeline for acquisition of other schools and educational service providers to expand the school network was extended from 2022 to 2023 as the Group needs more time to secure suitable acquisition targets considering the downward market trend in 2022; and (2) for each intended use of net proceeds, the proportion of the net proceeds allocated to each year during their respective expected timeline was adjusted according to the practical situation of execution.

### Interim Dividend

The Board does not declare any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

### 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 for the six months ended 30 June 2022.

## **Significant Investments Held**

Save as disclosed in this announcement, the Group did not hold any significant investment in equity interest in any company during the Reporting Period.

## **Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies**

In March 2022, the Group entered into an agreement to acquire 80% equity interests in Qingyuan Lingnan Driving School Co. Ltd.\* (清遠嶺南有家汽車培訓有限公司) at a total consideration of RMB3,600,000.

## **Future Plans for Material Investments and Capital Assets**

Save as disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus, as at 30 June 2022, the Group did not have any future 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 the Corporate Governance Code (the “**CG Code**”) as contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) as its own code of corporate governance practices. During the Reporting Period, the Company has complied with all code provisions 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 10 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 2022.

## **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 2022.

## **Publication of interim results announcement and interim report**

This interim results announcement is published on the website of The Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of the Company at [www.scvedugroup.com](http://www.scvedugroup.com), respectively. The interim report of the Company for the six months ended 30 June 2022 containing all the information required by the Listing Rules will be dispatched 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, 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, 30 August 2022

*In this announcement, the English translation of company or entity names in Chinese which are marked with "\*" is for identification purpose only.*

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