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 2021

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 2021 (the "**Reporting Period**") together with the comparative figures for the corresponding period in 2020.

FINANCIAL HIGHLIGHTS

	Six months ended 30 June			
	2021	2020	**Change**	Percentage change
	RMB'000	*RMB'000*	***RMB'000***	*(%)*
Revenue	**286,045**	235,771	**50,274**	+21.3
Gross Profit	**141,421**	123,910	**17,511**	+14.1
Net profit for the period	**126,530**	103,448	**23,082**	+22.3
Adjusted net profit for the period *(Note)*	**134,304**	104,134	**30,170**	+29.0
Basic and diluted earnings per share	**RMB0.13**	RMB0.10	**RMB0.03**	+30.0

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. For details, please refer to the section headed "Management Discussion and Analysis – Financial Review" in this announcement.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2021

		Six months ended 30 June	
	Notes	**2021**	2020
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**286,045**	235,771
Cost of sales		**(144,624)**	(111,861)
Gross profit		**141,421**	123,910
Other income and gains	*4*	**54,404**	33,468
Selling and distribution expenses		**(8,447)**	(7,280)
Administrative expenses		**(38,898)**	(28,467)
Other expenses		**(10,444)**	(6,905)
Finance costs		**(9,437)**	(8,626)
PROFIT BEFORE TAX	*5*	**128,599**	106,100
Income tax expense	*6*	**(2,069)**	(2,652)
PROFIT FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**126,530**	103,448
Attributable to:			
Owners of the parent		**126,530**	103,448
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic and diluted			
– For profit for the period		**RMB0.13**	RMB0.10

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2021

	Notes	**30 June 2021 *RMB'000* (Unaudited)**	31 December 2020 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,024,274**	1,019,129
Investment properties		**69,404**	72,148
Right-of-use assets		**421,120**	437,586
Other intangible assets		**8,947**	7,881
Prepayments for non-current assets		**1,712**	21,493
Contract costs		**1,495**	4,278
Total non-current assets		**1,526,952**	1,562,515
CURRENT ASSETS			
Prepayments, other receivables and other assets		**16,861**	14,670
Accounts receivable	*9*	**3,605**	7,168
Amounts due from related parties		**44,663**	20,464
Financial assets at fair value through profit or loss		**13,000**	20,190
Contract costs		**5,009**	5,702
Cash and cash equivalents		**123,801**	288,446
Total current assets		**206,939**	356,640
CURRENT LIABILITIES			
Contract liabilities	*4*	**20,482**	167,856
Other payables and accruals		**152,233**	165,056
Interest-bearing bank and other borrowings		**90,915**	97,209
Lease liabilities		**26,342**	22,877
Tax payable		**15,682**	17,096
Amounts due to related parties		**–**	713
Amount due to a director		**3,077**	62,281
Deferred income		**5,633**	4,846
Total current liabilities		**314,364**	537,934
NET CURRENT LIABILITIES		**(107,425)**	(181,294)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,419,527**	1,381,221

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,419,527**	1,381,221
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**208,244**	282,588
Lease liabilities	**107,187**	116,925
Deferred income	**94,639**	98,781
Total non-current liabilities	**410,070**	498,294
Net assets	**1,009,457**	882,927
EQUITY		
Equity attributable to owners of the parent		
Share capital	**9**	9
Reserves	**1,009,448**	882,918
Total equity	**1,009,457**	882,927

1. CORPORATE INFORMATION

South China Vocational Education Group Company Limited was incorporated in the Cayman Islands on 15 August 2018 as an exempted company with limited liability under the Companies Law 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 Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 13 July 2021.

The principal activity of the Company is investment holding. During the Reporting Period, the Group 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 2021 have been prepared in accordance with HKAS 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants. 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 consolidated financial statements (the "**Historical Financial Information**") included in the Accountants' Report set forth in Appendix I to the Company's Prospectus dated 30 June 2021 (the "**Prospectus**").

The Group recorded net current liabilities of RMB107,425,000 as at 30 June 2021. Included therein were the contract liabilities of RMB20,482,000 as at 30 June 2021, which will be settled by education services provided by the Group rather than settled by cash. In view of the net current liabilities position, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern and meet its liabilities as and when they fall due in the foreseeable future.

Taking into account the financial resources available to the Group, including the internally generated funds from operation and existence of unutilised loan facilities of RMB287,800,000 from reputable financial institutions as at 30 June 2021 and the ability of management in adjusting the pace of its operation expansion, the Directors are of the opinion that the Group is able to meet in full its financial obligations as and when they fall due for the foreseeable future and it is appropriate to prepare the unaudited interim condensed consolidated financial statements on a going concern basis.

These 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 Historical Financial Information included in the Prospectus, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("**HKFRSs**") since 1 January 2021.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions*

The nature of the revised HKFRSs are described below:

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

These amendments had no impact on the unaudited interim condensed consolidated financial statements of the Group.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of private 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 expenditures were located/incurred in the PRC. Accordingly, no geographical segment information is presented.

Information about major customers

No revenue from services provided to a single customer accounted to 10% or more of the total revenue of the Group during the Reporting Period.

4. REVENUE, OTHER INCOME AND GAINS

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

		Six months ended 30 June	
		2021	2020
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue			
Revenue from contracts with customers			
Tuition fees	*(a)*	**259,185**	231,743
Boarding fees	*(a)*	**23,147**	3,766
Other education service fees	*(b)*	**3,713**	262
		286,045	235,771
Other income and gains			
Bank interest income		**1,153**	686
Fair value gain, net:			
Financial assets at fair value through profit or loss		**610**	1,060
Rental income		**30,540**	22,376
Brand licensing income		**1,860**	1,495
Training income		**5,918**	1,948
Government grants			
Related to assets	*(c)*	**2,530**	1,894
Related to income	*(d)*	**2,474**	1,483
Gain on disposal of items of property, plant and equipment, net		**8,940**	–
Gain on termination of a lease		**319**	–
Gain on disposal of subsidiaries		**–**	2,463
Others		**60**	63
		54,404	33,468

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

(b) During the Reporting Period, 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 are 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. The performance obligation is satisfied proportionately over the period of the applicable program. The students are entitled to 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 2021	Year ended 31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At the beginning of the period/year	**167,856**	174,366
Revenue recognised that was included in the balance of contract liabilities at the beginning of the period/year	**(167,856)**	(158,841)
Increases due to cash received, including amounts recognised as revenue during the period/year	**149,900**	451,286
Revenue recognised that was not included in contract liabilities at the beginning of the period/year	**(129,418)**	(280,238)
Transfer to refund liabilities	**–**	(18,717)
At the end of the period/year	**20,482**	167,856

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:

	Six months ended 30 June	
	2021	2020
	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	**149,233**	143,830
Boarding fees	**18,623**	15,011
	167,856	158,841

Unsatisfied performance obligations

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June 2021 are as follows:

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Expected to be recognised within one year		
Tuition fees	**18,620**	149,233
Boarding fees	**1,862**	18,623
	20,482	167,856

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

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**79,004**	69,954
Pension scheme contributions	**7,430**	4,340
	86,434	74,294
Depreciation of property, plant and equipment	**22,483**	18,115
Depreciation of investment properties	**2,744**	2,744
Depreciation of right-of-use assets	**14,414**	15,346
Amortisation of other intangible assets*	**1,062**	514
Lease payments not included in the measurement of lease liabilities	**2,376**	1,610
Direct operating expenses arising from rental-earning investment properties	**5,337**	5,573
Donation expenses	**2**	120
Fair value gain, net		
Financial assets at fair value through profit or loss	**(610)**	(1,060)
(Gain)/loss on disposal of items of property, plant and equipment, net	**(8,940)**	8
Gain on termination of a lease	**(319)**	–
Gain on disposal of subsidiaries	**–**	(2,463)
Bank interest income	**(1,153)**	(686)
Government grants**	**(5,004)**	(3,377)
Auditor's remuneration	**700**	270
Listing expense***	**7,774**	3,149

* 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.

*** Listing expense is included in administrative expenses in the unaudited interim condensed consolidated statement of profit or loss and other comprehensive income.

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 Law 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, has been subject to income tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong since the date of its incorporation. No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the Reporting Period.

According to the Implementation Rules for the Law for Promoting Private Education (the "Implementation Rules"), private schools, whether requiring reasonable returns or not, may enjoy preferential tax treatments. Private schools of which the sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. As a result, private schools providing academic qualification education services are eligible to enjoy the income tax exemption treatment if the sponsors of such schools do not require reasonable returns.

The sponsor of Guangdong Lingnan Instiute Technology does not require reasonable returns. However, in accordance with the historical tax returns filed with and tax credit reference certificate obtained from the relevant tax authorities, Guangdong Lingnan Institute of Technology has applied corporate income tax ("**CIT**") at a rate of 25% on the taxable income and treated the academic education income as non taxable income during the six months ended 30 June 2021 and 2020.

It is not explicitly stated that whether the sponsor of Guangdong Lingnan Modern Technician College requires reasonable returns in the article of school. The Implementation Rules provide that the relevant authorities under the State Council may introduce preferential tax treatments and related policies applicable to private schools requiring reasonable returns. During the Reporting Period, no separate policies, regulations or rules have been introduced by the authorities in this regard. In accordance with the historical tax returns filed with and tax credit reference certificate obtained from the relevant tax authorities, Guangdong Lingnan Modern Technician College has applied CIT at a rate of 25% on the taxable income and treated the academic education income as non taxable income during the six months ended 30 June 2021 and 2020.

Pursuant to the PRC CIT Law and the respective regulations, the Group's non-school subsidiaries which operate in Mainland China are generally subject to CIT at a rate of 25% on the taxable income.

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

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current – Mainland China		
Charge for the period	**2,069**	2,652

7. DIVIDENDS

No dividend has been paid or declared by the Company during the Reporting Period (six months ended 30 June 2020: 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 1,000,000,000 (six months ended 30 June 2020: 999,000,003) in issue during the period, as adjusted to reflect the rights issue during the period.

As of 30 June 2021, the Company had 1,000,000 ordinary shares (31 December 2020: 1,000,000 ordinary shares) in issue. On 13 July 2021, the Company was listed on the Main Board of the Stock Exchange (the "**Listing**") by way of issuing 334,000,000 new ordinary shares and the capitalisation issue of 999,000,000 ordinary shares (the "**Capitalisation Issue**").

The weighted average number of ordinary shares used to calculate the basic earnings per share amounts for the periods ended 30 June 2021 and 2020 was based on the weighted average number of ordinary shares in issue during the periods 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 periods ended 30 June 2021 and 2020.

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2021 and 2020.

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

	Six months ended 30 June	
	2021	2020
	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 calculation	**126,530**	103,448

	Number of shares	
	Six months ended 30 June	
	2021	2020
Shares		
Number of issued shares on 1 January	**1,000,000**	3
Effect of the Capitalisation Issue on 13 July 2021	**999,000,000**	999,000,000
Weighted average number of ordinary shares used in the basic and diluted earnings per share calculation	**1,000,000,000**	999,000,003

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	31 December
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**3,302**	7,117
1 to 2 years	**252**	11
2 to 3 years	**11**	9
Over 3 years	**40**	31
	3,605	7,168

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is the largest private formal vocational education service provider in the Greater Bay Area and the fifth largest private formal vocational education service provider in China in terms of full-time student enrollment in the 2019/2020 school year, accounting for approximately 5.8% and 0.5% of the market share in the Greater Bay Area and China in terms of student enrollment in the year, respectively, according to the Frost & Sullivan Report.

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 2021, Lingnan Institute of Technology had 12 secondary colleges and offered over 45 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.

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 2021, Lingnan Modern Technician College had seven departments and offered over 25 majors, including, advertising design, computer network application, computer program design, digital media application and cross-border e-commerce.

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 27,033 for the 2020/2021 school year. For the Reporting Period, the average tuition fee of Lingnan Institute of Technology and Lingnan Modern Technician College amounted to RMB16,275 and RMB11,948, respectively, and the average boarding fee of these two schools amounted to RMB1,746 and RMB1,479, 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 emphasized that the 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 organizations to participate in vocational education and the establishment of vocational education systems, and also gives support to the eligible enterprises or social organizations implementing vocational education according to regulations.

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-Macau Greater Bay Area to Provide High-Caliber Talents for the Greater Bay Area Continuously

The Guangdong-Hong Kong-Macau 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 11.7% nominal GDP in 2019. 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 improve its market share and consolidate its position as a leading vocational education service provider in the Greater Bay Area.

"Three Driving Forces" for Sustainable Business Development

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

1) *Promoting endogenous growth of formal vocational education*

   The expansion and upgrade of Lingnan Institute of Technology will continue. Supported by the policy 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 undergraduate schools, secondary vocational 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 materializing 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 organizations 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.

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 increased by approximately 21.3% from approximately RMB235.8 million for the six months ended 30 June 2020 to approximately RMB286.0 million for the Reporting Period. The increase was primarily due to (i) an increase in tuition fees and boarding fees as a result of the increase in total full-time student enrollment, the average tuition fees and boarding fees during the Reporting Period; (ii) an increase in continuing education programs during the Reporting Period; and (iii) an increase in boarding fees as the Group refunded boarding fees in 2019/2020 school year as required by the relevant education authority due to the COVID-19 outbreak during the six months ended 30 June 2020.

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 increased by approximately 29.2% from approximately RMB111.9 million for the six months ended 30 June 2020 to approximately RMB144.6 million for the Reporting Period. The increase was primarily due to (i) an increase in staff costs as a result of an increase of the total number of teaching staff and their average salary levels and bonuses during the Reporting Period; and (ii) an increase in the operation costs from the newly added education service program for veterans under the adult education business segment.

Gross profit and gross profit margin

The Group's gross profit increased by approximately 14.1% from approximately RMB123.9 million for the six months ended 30 June 2020 to approximately RMB141.4 million for the Reporting Period, and the Group's gross profit margin decreased from approximately 52.6% to approximately 49.4%. The decrease of gross profit margin was mainly due to (i) an increase in student studying and practicing fees and teaching expenditure, as less costs were incurred during the six months ended 30 June 2020 with temporary shut down of school campuses in the spring semester of the 2019/2020 school year as a result of the COVID-19 outbreak; (ii) an increase in staff costs as a result of an increase of the total number of teaching staff and their average salary levels and bonuses; and (iii) an increase in depreciation and amortisation cost 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) bank interest income; (ii) rental income; (iii) training income; (iv) government grants; (v) brand licensing income; and (vi) gain on disposal of items of property, plant and equipment.

The Group's other income and gains increased by approximately 62.4% from approximately RMB33.5 million for the six months ended 30 June 2020 to approximately RMB54.4 million for the Reporting Period. The increase was primarily due to (i) an increase of RMB8.2 million in rental income as rent per annum was increased as agreed between the Group with the relevant lessees; and (ii) an increase of RMB8.9 million in gains from disposal items of property, plant and equipment as the Group disposed certain properties during the Reporting Period.

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 15.1% from approximately RMB7.3 million for the six months ended 30 June 2020 to approximately RMB8.4 million for the Reporting Period. The increase was primarily due to an increase in staff costs as a result of an increase in average salary levels and bonuses of the marketing staff during the Reporting Period.

Administrative expenses

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

The Group's administrative expenses increased by approximately 36.5% from approximately RMB28.5 million for the six months ended 30 June 2020 to approximately RMB38.9 million for the Reporting Period. The increase was primarily due to (i) an increase in staff costs for administrative staff as a result of an increase in their average salary levels and bonuses during the Reporting Period; (ii) an increase in the overall administrative expenses of the Group's schools as school campuses were temporarily shut down in the spring semester of the 2019/2020 school year; and (iii) an increase of RMB4.6 million in listing expenses.

Other expenses

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

The Group's other expenses increased by approximately 50.7% from approximately RMB6.9 million for the six months ended 30 June 2020 to approximately RMB10.4 million for the Reporting Period. The increase was primarily due to an increase of RMB3.9 million training cost with expansion of the Group's training services during the Reporting Period.

Finance costs

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

The Group's finance costs increased by approximately 9.3% from approximately RMB8.6 million for the six months ended 30 June 2020 to approximately RMB9.4 million for the Reporting Period. The increase was primarily due to the accelerated recognition of the remaining unamortised prepaid interest expenses due to the early repayment of certain 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 22.3% from approximately RMB103.4 million for the six months ended 30 June 2020 to approximately RMB126.5 million for the Reporting Period.

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:

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period	**126,530**	103,448
Add:		
Listing expenses	**7,774**	3,149
Less:		
Gain on disposal of subsidiaries	**–**	2,463
Adjusted net profit	**134,304**	104,134

Adjusted net profit for the Reporting Period increased by approximately RMB30.2 million or approximately 29.0% as compared with the corresponding period in 2020. Adjusted net profit margin increased from approximately 44.2% for the six months ended 30 June 2020 to approximately 47.0% for the Reporting Period.

Financial and Liquidity Position

Current assets and current liabilities

As at 30 June 2021, the Group had net current liabilities of approximately RMB107.4 million, decreased by approximately 40.8% from RMB181.3 million as at 31 December 2020. The Group had net current liabilities as at such date primarily because (i) the Group used a large amount of cash to finance the expansion of its school facilities at Qingyuan Campus. The capital expenditures and prepayments, which are recorded as non-current assets were partially financed by non-current liabilities, such as long-term interest bearing bank and other borrowings, and by current liabilities, such as contract liabilities, short-term interest-bearing bank and other borrowings; and (ii) the Group had large amounts of current liabilities, such as other payables and accruals as it incurred large amounts of payables for purchases of property, plant and equipment as a result of the continued improvement of its school facilities and teaching equipment.

The Group's current assets as at 30 June 2021 decreased by RMB149.7 million to approximately RMB206.9 million from approximately RMB356.6 million as at 31 December 2020. The decrease in current assets was primarily attributable to (i) an decrease in bank deposit as a result of repayment of bank loans during the Reporting Period; and (ii) an increase in the payment for daily operation costs during the Reporting Period.

The Group's current liabilities decreased by RMB223.5 million from approximately RMB537.9 million as at 31 December 2020 to approximately RMB314.4 million as at 30 June 2021, mainly reflecting: (i) a decrease of approximately RMB147.4 million in contract liabilities as at 30 June 2021 along with the education service provided; (ii) payment settlement of RMB77.4 million for the acquisition of non-controlling interests of a subsidiary during the Reporting Period; and (iii) a decrease of approximately RMB6.3 million in current interest-bearing bank and other borrowings as at 30 June 2021.

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 RMB299.2 million as at 30 June 2021, dominated in RMB. As at 30 June 2021, the Group's interest-bearing bank and other borrowings bore effective interest rates ranging from 5.2% to 8.5% 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

During the Reporting Period, the Group invested in wealth management products issued by banks in China. These wealth management 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 wealth management products as part of its cash management strategy in order to obtain higher yields than it would typically receive from regular bank deposits. These wealth management products the Group invested in during the Reporting Period were denominated in RMB, generally have maturity within three months and can be redeemed by the Group on any business day upon maturity. The expected yield rate of these wealth management products ranged from 1.50% to 3.50% per annum.

The Group's wealth management products decreased by approximately 35.6% from approximately RMB20.2 million as at 31 December 2020 to approximately RMB13.0 million as at 30 June 2021. The decrease was primarily because the Group withdrew the investments for daily operation.

Contingent liabilities and Guarantees

As at 30 June 2021, the Group did not have any unrecorded significant contingent liabilities, guarantees or any material litigation against any member of the Group (31 December 2020: nil).

Pledge of assets

As at 30 June 2021, no assets of the Group were pledged to secure bank loans and other borrowings (31 December 2020: nil).

Foreign exchange exposure

All of the Group's revenue and the majority of its expenditures are denominated in RMB. As at 30 June 2021, all of the Group's bank balances were 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 29.6% as at 30 June 2021 from approximately 43.0% as at 31 December 2020, mainly due to a decrease of the Group's interest-bearing bank and other borrowings.

Employment, Remuneration Policy and Training

As at 30 June 2021, the Group had a total of 1,113 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 invest 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

(a) On 13 July 2021, pursuant to an written resolution of the shareholders of the Company, the Directors were authorised to capitalise the amount of HK$9,990,000 to pay up in full at par 999,000,000 shares for allotment and issue to the shareholders of the Company whose names appear on the register of members of the Company prior to the Global Offering (as defined below) on a pro rata basis.

(b) The shares of the Company were listed on the Stock Exchange on 13 July 2021 (the "**Listing Date**") by way of a global offering of its ordinary shares (the "**Global Offering**"). Pursuant to the Global Offering, 334,000,000 shares (25% of the then total number of shares of the Company of 1,334,000,000) were issued to the public at a price of HK$1.59 per share. Immediately following the completion of the Capitalisation Issue and the Global Offering, the authorised share capital of the Company was HK$100,000,000 divided into 10,000,000,000 shares of HK$0.01 each.

Use of proceeds from the Company's initial public offering

The net proceeds from the Global Offering, after deducting underwriting commission and other expenses, were approximately HK$448.6 million.

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

Purpose		Net proceeds	Utilised amount as at the date of this announcement	Unutilised amount as at the date of this announcement	Expected timeline
		HK$' Million	*HK$' Million*	*HK' Million*	
Further increase student capacity of our 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%	246.7	–	246.7	2021-2023
– Constructing additional teaching and administrative facilities and purchasing teaching equipment	12.0%	53.8	–	53.8	2021
– Constructing an industry and education integrated industrial park	3.0%	13.5	–	13.5	2021-2022
Acquire other schools and educational service providers to expand our school network	20.0%	89.7	–	89.7	2022
Working capital	10.0%	44.9	–	44.9	2021-2022
Total	100.0%	448.6	–	448.6	

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.

Dividend

The Board does not recommend any dividend in respect of the six months ended 30 June 2021 (six months ended 30 June 2020: 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 during the period from the Listing Date to the date of this announcement.

Corporate Governance Code

During the period from the Listing Date to the date of this announcement, the Company has complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

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 during the period from the Listing Date to the date of this announcement.

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 2021.

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.lnedugroup.com, respectively. The interim report of the Company for the six months ended 30 June 2021 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

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

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

Hong Kong, 30 August 2021

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 of Directors of the Company 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.