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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

The board (the "**Board**") of directors (the "**Directors**") of South China Vocational Education Group Company Limited (the "**Company**") is pleased to announce the consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2024 (the "**Reporting Period**") together with the comparative figures for the year ended 31 December 2023.

FINANCIAL HIGHLIGHTS

	Year ended 31 December			
	2024	2023	**Change**	Percentage change
	RMB'000	*RMB'000*	***RMB'000***	(%)
Revenue	**683,617**	556,204	**127,413**	+22.9
Cost of sales	**493,682**	379,704	**113,978**	+30.0
Gross profit	**189,935**	176,500	**13,435**	+7.6
Profit before tax	**84,859**	110,146	**(25,287)**	−23.0
Profit for the year	**90,892**	112,529	**(21,637)**	−19.2

Note:

(1) The Board recommended the declaration of a final dividend of HK1.3 cents per share for the year ended 31 December 2024. The final dividend will be declared and paid in Hong Kong dollars.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2024

	Notes	**2024** *RMB'000*	2023 *RMB'000*
REVENUE	*4*	**683,617**	556,204
Cost of sales		**(493,682)**	(379,704)
Gross profit		**189,935**	176,500
Other income and gains	*4*	**71,628**	79,155
Selling and distribution expenses		**(42,571)**	(27,226)
Administrative expenses		**(87,532)**	(81,063)
Other expenses		**(34,789)**	(25,289)
Finance costs		**(11,812)**	(11,931)
PROFIT BEFORE TAX	*5*	**84,859**	110,146
Income tax credit	*6*	**6,033**	2,383
PROFIT FOR THE YEAR		**90,892**	112,529
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		**248**	(566)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		**248**	(566)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**248**	(566)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**91,140**	111,963

	Note	**2024**	2023
		RMB'000	*RMB'000*
Profit attributable to:			
Owners of the parent		**90,892**	112,401
Non-controlling interests		**—**	128
		90,892	112,529
Total comprehensive income attributable to:			
Owners of the parent		**91,140**	111,835
Non-controlling interests		**—**	128
		91,140	111,963
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic and diluted			
— For profit for the year		**RMB0.07**	RMB0.08

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2024

	Notes	31 December 2024 RMB'000	31 December 2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,648,359**	1,401,860
Investment properties		**47,909**	49,839
Right-of-use assets		**362,105**	376,530
Goodwill		**3,052**	3,052
Other intangible assets		**10,771**	11,466
Contract costs		**9,055**	8,525
Financial asset at fair value through profit or loss		**—**	81,570
Prepayments, other receivables and other assets		**15,346**	29,044
Deferred tax assets		**12,843**	6,711
Total non-current assets		**2,109,440**	1,968,597
CURRENT ASSETS			
Prepayments, other receivables and other assets		**13,315**	26,566
Accounts receivable	*9*	**9,254**	5,018
Amounts due from related parties		**891**	16,090
Contract costs		**10,641**	9,824
Financial assets at fair value through profit or loss		**30**	—
Cash and cash equivalents		**279,190**	421,417
Time deposits		**85,000**	—
Pledged deposits		**—**	18,170
Restricted bank deposits		**22,888**	—
Total current assets		**421,209**	497,085
CURRENT LIABILITIES			
Contract liabilities	*4*	**293,790**	234,117
Other payables and accruals		**194,671**	153,351
Interest-bearing bank and other borrowings		**63,079**	132,864
Lease liabilities		**24,632**	24,299
Tax payable		**15,629**	17,030
Amount due to a related party		**1,658**	—
Deferred income		**5,072**	5,587
Total current liabilities		**598,531**	567,248

	31 December 2024 *RMB'000*	31 December 2023 *RMB'000*
NET CURRENT LIABILITIES	**(177,322)**	(70,163)
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,932,118**	1,898,434
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**118,140**	74,756
Lease liabilities	**78,626**	90,390
Deferred income	**77,923**	82,135
Total non-current liabilities	**274,689**	247,281
Net assets	**1,657,429**	1,651,153
EQUITY		
Equity attributable to owners of the parent		
Share capital	**11,124**	11,124
Reserves	**1,645,996**	1,639,720
	1,657,120	1,650,844
Non-controlling interests	**309**	309
Total equity	**1,657,429**	1,651,153

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

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

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

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

The Group has prepared the financial statements on the basis of going concern. The Group recorded net current liabilities of RMB177,322,000 as at 31 December 2024. Included therein were contract liabilities of RMB293,790,000 as at 31 December 2024, which will be settled by education services to be provided by the Group. 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 when 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.

The Directors have prepared a cash flow forecast for the Group which covers a period of twelve months from the end of the reporting period. Taking into account the positive cash flows from operations, adequate unutilised loan facilities from reputable financial institutions up to the date of approval of these financial statements and the ability of management in adjusting the pace of its operation expansion, the Directors consider that the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due. Therefore, there are no material uncertainties that may cast significant doubt over the going concern assumption and the Directors have formed a judgement that there is a reasonable expectation that the Group has adequate resources to operate for the foreseeable future.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

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

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

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

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

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

(c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

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 year, the Group operated within one geographical region 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 year (2023: Nil).

4. REVENUE, OTHER INCOME AND GAINS

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

	Notes	**2024** ***RMB'000***	2023 *RMB'000*
Revenue			
Revenue from contracts with customers			
Tuition fees	*(a)*	**615,315**	502,749
Boarding fees	*(a)*	**57,656**	45,997
Other education service fees	*(b)*	**10,646**	7,458
Total revenue		**683,617**	556,204
Other income and gains			
Rental income		**36,272**	31,067
Training income		**21,448**	26,801
Government grants:			
Related to assets	*(c)*	**5,587**	5,565
Related to income	*(d)*	**1,636**	1,970
Fair value gain, net:			
Financial assets at fair value through profit or loss		**782**	1,570
Bank interest income		**3,252**	4,780
Loan interest income	*(e)*	**434**	4,632
Brand licensing income		**1,852**	1,472
Exchange gain, net		**—**	793
Others		**365**	505
Total other income and gains		**71,628**	79,155

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.

(e) Loan interest income consists of i) nil interest income (2023: RMB2,892,000) from loans to Guangzhou Haige Meina Film Production Co., Ltd.; ii) interest income of RMB434,000 (2023: RMB1,645,000) from loans to other companies; iii) nil interest income (2023: RMB29,000) from loans to a director; and iv) nil interest income (2023: RMB66,000) from a loan to a related party, which were calculated based on the principal and the corresponding interest rate.

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 year are as follows:

	2024	2023
	RMB'000	*RMB'000*
At the beginning of the year	**234,117**	177,517
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year	**(232,302)**	(176,201)
Increases due to cash received, including amounts recognised as revenue during the year	**760,377**	632,377
Revenue recognised that was not included in contract liabilities at the beginning of the year	**(466,471)**	(391,918)
Transfer to refund liabilities	**(1,931)**	(7,658)
At the end of the year	**293,790**	234,117

Revenue recognised in relation to contract liabilities

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

	2024	2023
	RMB'000	*RMB'000*
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year		
Tuition fees	**204,475**	157,609
Boarding fees	**27,827**	18,592
Total	**232,302**	176,201

Unsatisfied performance obligations

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2024 are as follows:

	2024	2023
	RMB'000	*RMB'000*
Expected to be recognised within one year:		
Tuition fees	**261,407**	205,578
Boarding fees	**32,383**	28,539
Total	**293,790**	234,117

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

There were no contract assets at the end of the reporting period recognised in the consolidated statement of financial position as at 31 December 2024 and 2023.

5. PROFIT BEFORE TAX

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

	Notes	**2024** **RMB'000**	2023 *RMB'000*
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		**242,142**	204,988
Pension scheme contributions (defined contribution scheme)*****		**13,830**	11,318
Total		**255,972**	216,306
Depreciation of property, plant and equipment		**70,273**	64,835
Depreciation of right-of-use assets		**32,746**	31,189
Depreciation of investment properties		**1,930**	1,931
Amortisation of other intangible assets*		**2,633**	1,496
Auditor's remuneration		**2,300**	2,800
Donation expenses***		**3,426**	1,230
Lease payments not included in the measurement of lease liabilities		**3,095**	2,411
Provision for expected credit losses on accounts receivable	*9*	**636**	390
Exchange loss/(gain), net****		**2,184**	(793)
Government grants**		**(7,223)**	(7,535)
Fair value gain, net			
Financial assets at fair value through profit or loss	*4*	**(782)**	(1,570)
Bank interest income	*4*	**(3,252)**	(4,780)
Loan interest income	*4*	**(434)**	(4,632)
Loss on disposal of items of property, plant and equipment, net***		**7**	32
Loss on disposal of right-of-use assets***		**—**	79
Loss on disposal of other intangible assets***		**—**	18

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

**** Exchange loss is included in other expenses and exchange gain is included in other income and gains in the 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

	2024 *RMB'000*	2023 *RMB'000*
Current — Mainland China		
Charge for the year	**99**	3,156
Deferred	**(6,132)**	(5,539)
Total	**(6,033)**	(2,383)

7. DIVIDENDS

	2024 *RMB'000*	2023 *RMB'000*
Interim — HK2.2 cents (2023: Nil) per ordinary share	**26,788**	—
Proposed final — HK1.3 cents (2023: HK4.8 cents) per ordinary share	**16,004**	58,076

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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 year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,334,000,000 (2023: 1,334,000,000) outstanding during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year 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 outstanding during the year, 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 years ended 31 December 2024 and 2023.

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

	2024 *RMB'000*	2023 *RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**90,892**	112,401

	Number of shares	
	2024	2023
Shares		
Weighted average number of ordinary shares outstanding during the year used in the basic and diluted earnings per share calculations	**1,334,000,000**	1,334,000,000

9. ACCOUNTS RECEIVABLE

	2024 *RMB'000*	2023 *RMB'000*
Tuition fees and boarding fees receivables	**9,268**	5,554
Impairment	**(14)**	(536)
Net carrying amount	**9,254**	5,018

The Group's students are required to pay tuition fees and boarding fees in advance for the upcoming school year or semester normally in September or February. The outstanding receivables represent amounts due from students who have applied for deferred payments of tuition fees and boarding fees. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts receivable relates to a number of individual students, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable is non-interest-bearing.

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:

	2024 *RMB'000*	2023 *RMB'000*
Within one year	**8,930**	4,790
One to two years	**324**	228
Total	**9,254**	5,018

The movements in the loss allowance for impairment of accounts receivable are as follows:

	2024 *RMB'000*	2023 *RMB'000*
At beginning of year	**536**	430
Impairment losses *(note 5)*	**636**	390
Amounts written off as uncollectible	**(1,158)**	(284)
At end of year	**14**	536

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 31 December 2024, Lingnan Institute of Technology consolidated the original 13 secondary colleges into eight secondary colleges, two public colleges and a college of continuing education, and re-integrated and established the School of Medical Applied Technology (醫學應用技術學院), with the addition of the new majors of stomatology technology (口腔醫學技術) and ophthalmic technology (眼視光技術), offering over 40 majors in a wide range of disciplines, including but not limited to, rehabilitation techniques, medical laboratory technology, electronic information engineering technology, e-commerce, computer network technology, cloud computing technology application, webcasting and operation, industrial internet, digital manufacturing technology of aircraft and intelligent logistics technology.

Lingnan Modern Technician College

Lingnan Modern Technician College is a private vocational education institution located in Guangzhou and provides vocational education and training in various industries for students. As at 31 December 2024, Lingnan Modern Technician College had 8 departments and offered over 38 majors, including but not limited to, mechatronics, drones, vehicle inspection and maintenance, fire engineering, traditional Chinese medicine, rehabilitation, nursing, advertising design, computer network application, computer program design and digital media application, 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 to as the Group's "Ancillary Education Services".

Business Operating Data

The aggregate number of full-time students enrolled at the Group's schools amounted to 33,737 for the 2024/2025 school year. As at 31 December 2024, the average tuition fee of Lingnan Institute of Technology and Lingnan Modern Technician College amounted to RMB18,004 and RMB14,953, respectively, and the average boarding fee of these two schools amounted to RMB2,254 and RMB2,123, respectively.

OUTLOOK

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

1) ***Increased fiscal investment and improved school facilities***

    According to the Notice on Issuing the 2024 Budget for the Modern Vocational Education Quality Enhancement Program (《關於下達2024年現代職業教育品質提升計劃資金預算的通知》) jointly issued by the Ministry of Education and the Ministry of Finance, the central government has allocated RMB31.257 billion for the Modern Vocational Education Quality Enhancement Program. The funds will primarily support the improvement of teaching facilities, faculty development, and teaching quality in vocational institutions, covering equipment upgrades, practical training base construction, and other related areas. Concurrently, the Measures for the Evaluating National Scholarships in Secondary Vocational Education (《中等職業教育國家獎學金評審辦法》, which was issued by the Ministry of Education, the Ministry of Human Resources and Social Security and the Ministry of Finance indicate that, tuition fees are exempted for rural students, urban students enrolled in agriculture-related programs, and economically disadvantaged students in secondary vocational schools, with further improvements to the national scholarship and financial aid system.

2) Deepening integration of industry and education as well as enhanced school-enterprise cooperation

According to the Notice on Strengthening the Development of City-based Industry-Education Consortiums (《關於加強市域產教聯合體建設的通知》) (the Ministry of Education), and the Implementation Plan for the Industry-Education Integration Empowerment and Enhancement Initiative in Vocational Education (2023–2025) (《職業教育產教融合賦能提升行動實施方案 (2023–2025年) (National Development and Reform Commission and other authorities), City-based Industry-Education Consortiums and Sectoral Alliances will be established, including an initial batch of 28 national-level city-based industry-education consortiums. Additionally, over 1,000 provincial-level Industry-Education Integration Alliances will be developed in key sectors such as modern agriculture and advanced manufacturing. The 'Thousand Colleges and Ten Thousand Enterprises' Collaborative Innovation Partnership Initiative will also be launched. Concurrently, the Notice on Implementing the Specialized Training Program for On-site Engineers in Vocational Education (《關於實施職業教育現場工程師專項培養計劃的通知》) (five departments, including the Ministry of Education) has established clear objectives for cultivating on-site engineering specialists, with 447 leading enterprises in advanced manufacturing sectors being selected to participate in the "Vocational Education On-Site Engineer Training Program". This specialized talent training scheme employs innovative collaborative models including customized training programs and co-constructed practice training bases to systematically develop high-skilled professionals who meet exact industry requirements.

3) Vocational education system optimization and program specialization

The General Office of the CPC Central Committee and the State Council's Guidelines on Deepening the Reform of Modern Vocational Education System Development (《關於深化現代職業教育體系建設改革的意見》), along with the Ministry of Education's Notice on Accelerating Key Reform Tasks for Modern Vocational Education System Reform (《關於加快推進現代職業教育體系建設改革重點任務的通知》), mandate accelerated development of a modern vocational education framework. This reform adopts a "One Core with Dual Wings" framework (with provincial-level modern vocational education systems as the core, supported by city-based industry-education consortiums and sectoral alliances as dual wings) to drive multi-tiered, coordinated advancement across China's vocational education landscape.

4) *Employment and Skilled Talent Development*

The Implementation Guidelines on Implementing the Employment-First Strategy to Promote High-Quality and Full Employment (《關於實施就業優先戰略促進高品質充分就業的意見》), which was issued jointly by the CPC Central Committee and the State Council in September 2024, accelerates the development of modern vocational education by promoting the integration of vocational and academic education (職普融通), industry-education collaboration (產教融合), and science-education synergy (科教融匯). Key measures include establishing Technical Education Alliances (Groups), identifying and developing high-quality technical institutes and programs, incorporating career education into higher education talent cultivation, and advancing career-oriented enlightenment education at the senior high school level.

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

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

The Guangdong-Hong Kong-Macau Greater Bay Area (the "**Greater Bay Area**") has become one of the key economic growth drivers in China. According to relevant data, the total economic volume of the Greater Bay Area accounted for more than 11% of the country's total economic volume in 2023, and the shortage of talents in emerging industries will continue to expand. With the economic transformation and the population aging, there will be a growing demand for skilled talents in emerging industries and big health-related industries in the Greater Bay Area.

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

Business Development Strategy

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

1) High-quality development of formal vocational education

The Group and Lingnan Institute of Technology have established an ambitious decade-long strategic vision: to transform Lingnan Institute of Technology into an entrepreneurial vocational university specializing in the holistic health sector, while establishing itself as the Greater Bay Area's benchmark for industry-education integration and scientific innovation convergence in the theme of "Health+TMT", and being anchored in the institution's "Double Excellence" initiative (pursuing both high-quality development and premium service standards) in the next decade. With a focus on degree-upgrading majors, and in accordance with the "New Dual-High" and degree-upgrading standards, greater efforts will be made to promote faculty development, professional strength building, and service capacity building, with a view to developing into institutions that achieve the national "New Dual-High" criteria (including national-level specialty clusters).

In addition, the Lingnan Modern Technician College and JD Group jointly established an industrial college, which will further deepen the ecosystem of "industry-education-evaluation", introduce corporate instructors to participate in curriculum design, jointly build training bases, and realize the mode of "customized classes" in which students will enter the workforce upon graduation. The college will focus on industries with special characteristics such as artificial intelligence, big data, cloud computing and other emerging technologies applications, and build an "industry-education-evaluation" ecological talent cultivation system with functions such as "talent cultivation, enterprise service and student entrepreneurship" based on the industry and enterprise position standards. It also will proactively identify new venues in the Greater Bay Area for its new branches or new independent colleges, which will help expand its network of secondary vocational schools.

2) Expanding school networks by mergers and acquisitions

In addition to robust endogenous growth, the Group will also strive to expand its school networks by means of mergers and acquisitions. For the target of mergers and acquisitions, the Group will give priority to high-quality technical schools and institutions providing non-formal vocational training in the Greater Bay Area. 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

China's vocational skills training market is projected to exceed RMB900 billion by 2025, driven by rising online education penetration rates. Capitalizing on this growth, the Group is aggressively expanding into vocational skill certification and adult continuing education services. Lingnan Modern Technician College has been approved for the accreditation for 25 vocational skills, and has set up 28 social training and evaluation outlets in 9 prefectural cities in Guangdong Province, with plans to achieve substantial provincial coverage within three years. Simultaneously, Lingnan Institute of Technology is deepening collaborations with leading industries, major enterprises, and flagship projects, particularly in cross-sector technical services and corporate training. Through its college of continuing education (including the rural revitalization academy), the institution mobilizes secondary schools to participate, leveraging resources such as Industry-Education Integration Parks, School-Enterprise Cooperation Platforms, Rural Revitalization Training Bases and STEM Education Centers. This multi-pronged approach enhances both the economic value and social impact of our expanded training programs and technical services.

4) Developing international cooperation

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

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

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

Financial Review

Revenue

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

The Group's revenue increased by approximately 22.9% from approximately RMB556.2 million for the year ended 31 December 2023 to approximately RMB683.6 million for the Reporting Period. The increase was primarily due to an increase in tuition fees as a result of the increase in total full-time student enrollment during the Reporting Period.

Cost of sales

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

The Group's cost of sales increased by approximately 30.0% from approximately RMB379.7 million for the year ended 31 December 2023 to approximately RMB493.7 million for the Reporting Period. The increase was primarily due to (i) an increase in the number of faculty and their average salaries during the Reporting Period; (ii) an increase in cost of cooperative education due to the expansion of cooperative education scale; and (iii) an increase in campus property management and service expenditures in line with the expansion of campus building area.

Gross profit and gross profit margin

The Group's gross profit increased by approximately 7.6% from approximately RMB176.5 million for the year ended 31 December 2023 to approximately RMB189.9 million for the Reporting Period and the Group's gross profit margin decreased from approximately 31.7% to approximately 27.8% during the same periods. The decrease of gross profit margin was mainly due to (i) an increase in the number of faculty and their average salaries during the Reporting Period; (ii) an increase in cost of cooperative education due to the expansion of cooperative education scale; and (iii) an increase in campus property management and service expenditures in line with the expansion of campus building area.

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) service income.

The Group's other income and gains decreased by approximately 9.6% from approximately RMB79.2 million for the year ended 31 December 2023 to approximately RMB71.6 million for the Reporting Period. The decrease was primarily due to a RMB5.4 million reduction in training income, which was related to the shrinking scale of the training business.

Selling and distribution expenses

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

The Group's selling and distribution expenses increased by approximately 56.6% from approximately RMB27.2 million for the year ended 31 December 2023 to approximately RMB42.6 million for the Reporting Period. The increase was primarily due to an increase in promotion expenses as a result of increase in total full-time student enrollment during the Reporting Period.

Administrative expenses

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

The Group's administrative expenses increased by approximately 7.9% from approximately RMB81.1 million for the year ended 31 December 2023 to approximately RMB87.5 million for the Reporting Period. The increase was primarily due to an increase of RMB4.6 million in staff costs and welfare.

Other expenses

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

The Group's other expenses increased by approximately 37.5% from approximately RMB25.3 million for the year ended 31 December 2023 to approximately RMB34.8 million for the Reporting Period. The increase was primarily due to an increase of donation; exchange loss; and cost for training income.

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 0.8% from approximately RMB11.9 million for the year ended 31 December 2023 to approximately RMB11.8 million for the Reporting Period. The decrease was primarily in line with the decrease in weighted average long term interest-bearing bank and other borrowings during the Reporting Period.

Profit for the year

As a result of the above factors, profit for the year of the Group decreased by approximately 19.2% from approximately RMB112.5 million for the year ended 31 December 2023 to approximately RMB90.9 million for the Reporting Period.

Financial and Liquidity Position

Current assets and current liabilities

As at 31 December 2024, the Group had net current liabilities of approximately RMB177.3 million, increased by approximately 152.6% from the net current liabilities of approximately RMB70.2 million as at 31 December 2023. The Group had net current liabilities as at such date primarily due to (i) an increase in cash outflow for the construction of teaching and administrative facilities; and (ii) an increase in contract liabilities of tuition fee collected from students in 2024/2025 school year.

The Group's current assets decreased by RMB75.9 million to approximately RMB421.2 million as at 31 December 2024 from approximately RMB497.1 million as at 31 December 2023. The decrease in current assets was primarily attributable to the increase in cash outflow for the construction of teaching and administrative facilities.

The Group's current liabilities increased by RMB31.3 million to approximately RMB598.5 million as at 31 December 2024 from approximately RMB567.2 million as at 31 December 2023, mainly reflecting an increase in contract liabilities of approximately RMB59.7 million as a result of the increase of tuition fee collected from students in 2024/2025 school year.

Indebtedness

Interest-bearing bank and other borrowings primarily consist 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 RMB181.2 million as at 31 December 2024, denominated in RMB. As at 31 December 2024, the Group's interest-bearing bank and other borrowings bore effective interest rates ranging from approximately 3.0% to 6.8% per annum.

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

Financial assets at fair value through profit or loss

As at 31 December 2024, the Group's financial assets at fair value through profit or loss amounted to RMB0.03 million (31 December 2023: RMB81.6 million). The decrease was mainly due to the redemption of a wealth management product issued by a qualified fund company in China, the principal and financial income of which was fully redeemed on 27 March 2024.

Contingent liabilities and guarantees

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

Pledge of assets

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

Foreign exchange exposure

All of the Group's revenue and the majority of its expenditures are denominated in RMB. As at 31 December 2024, majority 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 10.9% as at 31 December 2024 from approximately 12.6% as at 31 December 2023, mainly due to a decrease of the Group's interest-bearing bank and other borrowings.

Employees, Remuneration Policy and Training

As at 31 December 2024, the Group had a total of 1,738 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.

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

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

As at 31 December 2024, the Company had utilised HK$314.0 million of the Net Proceeds, representing approximately 70.4% of the Net Proceeds. The amount of the unutilised Net Proceeds is HK$132.0 million, representing approximately 29.6% of the Net Proceeds.

The following table sets forth a summary of the utilisation of the Net Proceeds and the expected timeline of the use of the Net Proceeds:

Purpose	**Revised portion as stated in the announcement of the Company dated 28 August 2024**	**Re-allocation of the unutilised Net Proceeds as stated in the announcement of the Company dated 28 August 2024**	**Utilised amount during the Reporting Period**	**Utilised amount as at 31 December 2024**	**Unutilised amount as at 31 December 2024**	**Expected timeline**
		HK$' Million	*HK$' Million*	*HK$' Million*	*HK$' Million*	
Further increase student capacity of the schools with an aim to upgrade Lingnan Institute of Technology from an associate college to a vocational university						
— Acquiring additional land of approximately 400,200 sq.m.	—	—	—	—	—	N/A
— Constructing additional teaching and administrative facilities and purchasing teaching equipment	61.1%	272.6	127.7	190.7	81.9	2022–2025
— Constructing an industry and education integrated industrial park	3.0%	13.4	2.4	4.3	9.1	2022–2025
Acquire other schools and educational service providers to expand the school network	25.9%	115.4	—	74.4	41.0	2022–2025
Working capital	10.0%	44.6	—	44.6	—	N/A
Total	**100.0%**	**446.0**	**130.1**	**314.0**	**132.0**	

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 announcement of the Company dated 28 August 2024, and will gradually utilise the residual amount of the Net Proceeds in accordance with the intended purposes.

OTHER INFORMATION

Significant Events after the Reporting Period

The Company did not have any significant events that should be brought to the attention of the shareholders of the Company (the "**Shareholders**") from the end of the Reporting Period and up to the date of this announcement.

Final Dividend

The Board has proposed to declare a final dividend of HK1.3 cents per share for the year ended 31 December 2024 (31 December 2023: HK4.8 cents). The final dividend will be declared and paid in Hong Kong dollars. The final dividend will be paid on 18 June 2025 to the Shareholders whose names appear on the register of members of the Company on 5 June 2025. The payment of the final dividend is subject to Shareholders' approval at the annual general meeting ("**AGM**") of the Company to be held on 28 May 2025.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities (including sale of treasury shares (as defined in the Listing Rules)) for the year ended 31 December 2024. As at 31 December 2024, no treasury shares were held by the Company.

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

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

Future Plans for Material Investments and Investments in Capital Assets

Save as disclosed herein, as at 31 December 2024, the Group did not have any plans for material investments or investments in capital assets.

Corporate Governance Code

The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company has adopted corporate governance practices based on the principles and code provisions as set out in Part 2 of the Corporate Governance Code (the "**CG Code**") as contained in Appendix C1 to the Rules 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 in Part 2 of the CG Code.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as the code of conduct governing Directors' securities transactions. The Company confirms that, having made specific enquiries of all the Directors, each of them has complied with the required standard as set out in the Model Code during the Reporting Period.

Audit Committee

The Audit Committee has reviewed, together with the management, the accounting principles and policies adopted by the Group, and discussed, among other things, auditing and financial reporting matters including a review of the consolidated results of the Group for the year ended 31 December 2024.

Scope of Work of Ernst & Young

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in the preliminary announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Ernst & Young on the preliminary announcement.

Extract from Independent Auditor's Report

Ernst & Young will issue a qualified opinion in the independent auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2024. The details of which are extracted as follows:

Qualified opinion

In our opinion, except for the possible effect of the matters described in the *Basis for qualified opinion* section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for qualified opinion

Limitation of scope on the promotion expenses

During the year, Guangdong Lingnan Institute of Technology ("**GLIT**", 廣東嶺南職業技術學院), a wholly-owned subsidiary of the Group, entered into Labor Dispatch Agreements (the "**Agreements**") and Supplemental Agreements (the "**Supplemental Agreements**") with two vendors (the "**Vendors**"). Pursuant to the Agreements and Supplemental Agreements, GLIT has settled promotion expenses of RMB12,495,000 with the Vendors during the year and such expenses have been recorded in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2024 as selling and distribution expenses.

During the course of our audit, we were unable to ascertain the delivery of the services provided by the Vendors. There was inadequate documentary evidence retained by GLIT to substantiate the services were provided by the Vendors when the expenses were settled. As a result, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the services stipulated in the Agreements and Supplemental Agreements have been provided by the Vendors. In view of the scope limitation, there are no alternative procedures that we could perform as of the date of this report to satisfy ourselves as to the promotion expenses incurred of RMB12,495,000, and whether any adjustments to, or disclosures of, these amounts were necessary.

Any adjustments found to be necessary might have consequential effects on the net assets and net liabilities of the Group as at 31 December 2024, the financial performance of the Group for the year ended 31 December 2024 and the related disclosures thereof in the consolidated financial statements.

Public Float

As at the date of this announcement, the Company had maintained the prescribed public float under the Listing Rules, based on the information that was publicly available to the Company and within the knowledge of the Directors.

Annual General Meeting

The annual general meeting of the Company (the "**AGM**") will be held on Wednesday, 28 May 2025. Shareholders should refer to the circular of the Company, the notice of AGM and the enclosed form of proxy to be published by the Company for details regarding the AGM.

Closure of Register of Members

The register of members of the Company will be closed from Friday, 23 May 2025 to Wednesday, 28 May 2025, both days inclusive, during which period no share transfers can be registered. In order to be eligible for attending and voting at the AGM, all transfer instruments accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Thursday, 22 May 2025.

The register of members of the Company will be closed from Wednesday, 4 June 2025 to Thursday, 5 June 2025, both days inclusive, during which period no share transfers can be registered. In order to be qualified for the proposed final dividend, all transfer instruments accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Tuesday, 3 June 2025.

Publication of Annual Results Announcement and Annual Report

This annual results announcement is published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and on the website of the Company at www.scvedugroup.com, respectively. The annual report of the Company for the Reporting Period containing all the information required by the Listing Rules will be provided to the Shareholders 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, business partners, bankers and auditors of the Company 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, 31 March 2025

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 and Mr. Lao Hansheng as executive Directors; and Mr. Luo Pan, Mr. Yeh Zhe-Wei and Mr. Ma Shuchao as independent non-executive Directors.