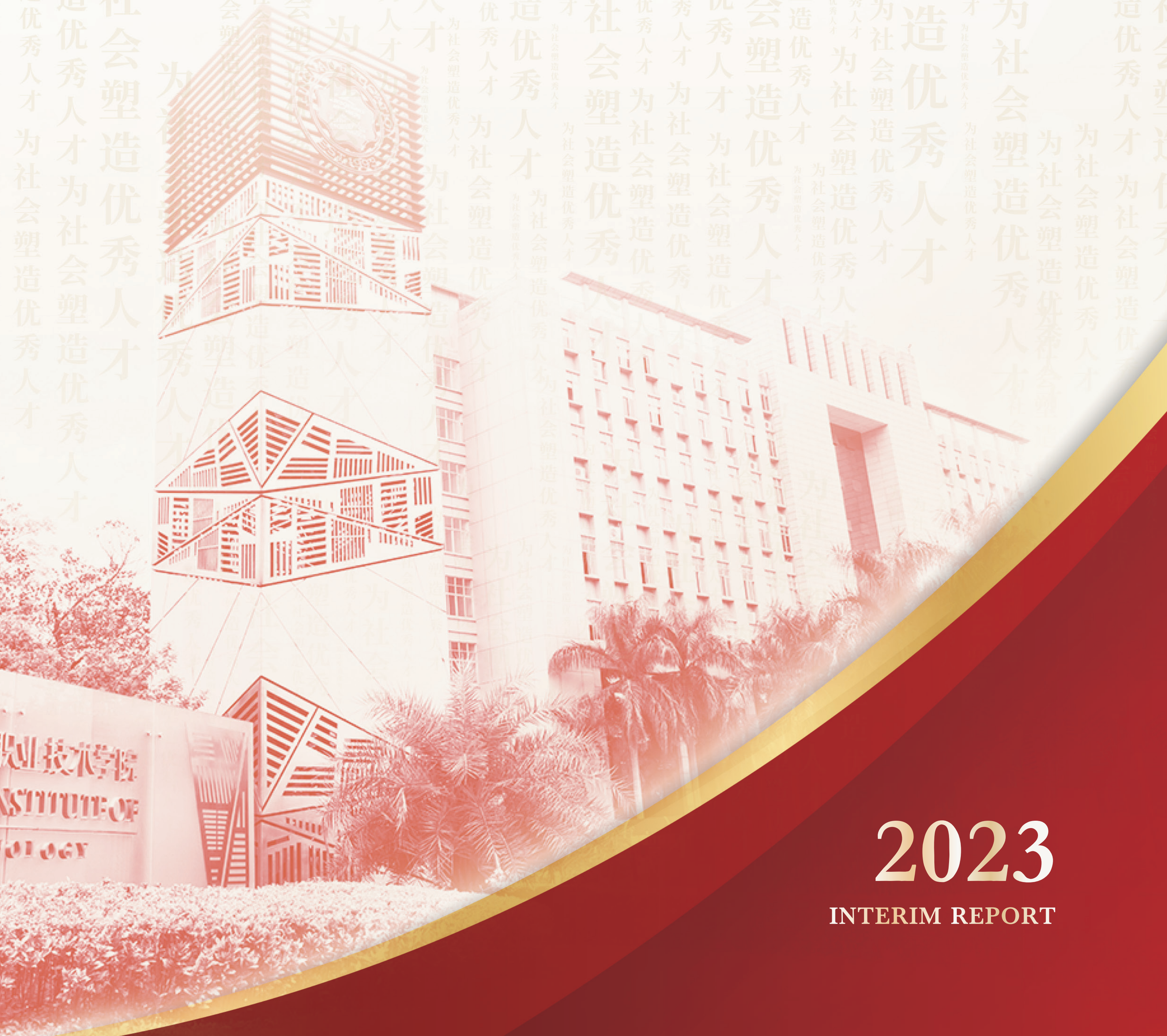
中國華南職業教育集團有限公司

SOUTH CHINA VOCATIONAL EDUCATION GROUP COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 6913



2023

INTERIM REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. He Huishan *(Chairman)*
Ms. He Huifen *(Chief Executive Officer)*
Mr. Lao Hansheng

Independent Non-executive Directors

Mr. Luo Pan
Mr. Yeh Zhe-Wei
Mr. Ma Shuchao

COMPANY SECRETARY

Ms. Ho Yin Kwan

AUTHORISED REPRESENTATIVES

Mr. He Huishan
Mr. Lao Hansheng

AUDIT COMMITTEE

Mr. Luo Pan *(Chairman)*
Mr. Yeh Zhe-Wei
Mr. Ma Shuchao

REMUNERATION COMMITTEE

Mr. Yeh Zhe-Wei *(Chairman)*
Mr. Luo Pan
Mr. Lao Hansheng

NOMINATION COMMITTEE

Mr. He Huishan *(Chairman)*
Mr. Luo Pan
Mr. Yeh Zhe-Wei

LEGAL ADVISORS AS TO HONG KONG LAW

Morgan, Lewis & Bockius
Suites 1902-09
19th Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

COMPLIANCE ADVISOR

Somerley Capital Limited
20/F, China Building
29 Queen's Road Central
Hong Kong

CORPORATE HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 492 Da Guan Zhong Road
Tianhe District
Guangzhou
Guangdong Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

STOCK CODE

06913

COMPANY WEBSITE

www.scvedugroup.com

BUSINESS REVIEW

During the six months ended 30 June 2023 (the "Reporting Period"), South China Vocational Education Group Company Limited (the "Company") together with its subsidiaries (collectively referred to as 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 2023, Lingnan Institute of Technology had 13 secondary colleges and offered over 47 majors in a wide range of disciplines, including but not limited to, electronic engineering technology, e-commerce, computer network technology, cloud computing technology and application, health management and pharmaceutical production technology, webcasting and operation, online marketing and livestreaming e-commerce, industrial internet, financial services and management, etc.

Lingnan Modern Technician College

Lingnan Modern Technician College is a private vocational education institution located in Guangzhou and that provides vocational education and training in various industries for students. As at 30 June 2023, Lingnan Modern Technician College had 7 departments and offered over 27 majors, including but not limited to, mechatronics, drones, vehicle inspection and maintenance, fire engineering, traditional Chinese medicine, rehabilitation, nursing, big data applications, advertising design, computer network application, computer program design, digital media application and cross-border e-commerce, etc.

Ancillary Education Services

The Group also generates revenue from certain ancillary education services, which primarily comprise of continuing education programs and other education services. Other education services primarily consist of test preparation and training services the Group provides to the students of its schools for occupational skills appraisal and professional qualification and certificates. These educational services are referred 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 26,743 for the 2022/2023 school year. As at 30 June 2023, the average tuition fee of Lingnan Institute of Technology and Lingnan Modern Technician College amounted to RMB16,558 and RMB12,896, respectively, and the average boarding fee of these two schools amounted to RMB1,672 and RMB1,719, respectively.

OUTLOOK

Favorable Policy Environment for Vocational Education

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

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

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

In June 2023, eight national departments including the National Development and Reform Commission, the Ministry of Education, the Ministry of Human Resources and Social Security jointly issued the "Implementation Plan for the Action to Enhance the Integration and Empowerment of Industry and Education in Vocational Education (2023-2025)"《職業教育產教融合賦能提升行動實施方案(2023 – 2025年)》(hereinafter referred to as the "Implementation Plan"). The Implementation Plan proposes that by 2025, the number of national pilot cities for industry-education integration will reach about 50, the breakthrough and leading role of the pilot cities will be brought into full play, more than 10,000 industry-education integration-type enterprises will be built and cultivated nationwide, the system of industry-education integration-type enterprises and the system of combined incentive policies will be sound and complete, the investment in vocational education from various channels of funding will steadily increase, the needs of the industry will be better integrated into the whole process of talent cultivation, and a development pattern of the coordinated integration of and constructive interaction between education and industry will gradually be formed.

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

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

Business Development Strategy

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

1) *Promoting endogenous growth of formal vocational education*

   The expansion and upgrade of Lingnan Institute of Technology will continue. Supported by the policy of encouraging the establishment of undergraduate level vocational education, it will firstly focus on the establishment of certain undergraduate programs and then gradually develop into an undergraduate level vocational and technical college as a whole. In July 2021, the Guangdong Industry-Education Integration Demonstration Park (Qingyuan) project of Lingnan Institute of Technology was incorporated into the key construction project plan of Guangdong Province by Guangdong Provincial Development and Reform Commission, being the only demonstrative industry-education integration park project included in the provincial key construction project in Guangdong Province. Further, Lingnan Modern Technician College will proactively identify new venues in the Greater Bay Area for its new branches or new independent colleges, expanding its network of secondary vocational schools.

2) *Expanding school networks by mergers and acquisitions*

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

3) *Expanding ancillary education business*

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

4) *Developing international cooperation*

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

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.

The Group's revenue increased by approximately 5.1% from approximately RMB264.5 million for the six months ended 30 June 2022 to approximately RMB277.9 million for the six months ended 30 June 2023. The increase was primarily due to an increase in tuition fees as a result of the increase in total full-time student enrollment and the increase in the average tuition fees of Lingnan Modern Technician College 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) 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 14.3% from approximately RMB141.7 million for the six months ended 30 June 2022 to approximately RMB161.9 million for the six months ended 30 June 2023. 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; (ii) an increase in cost of cooperative education due to the expansion of cooperative education scale under the adult education business segment of Lingnan Modern Technician College; and (iii) an increase in depreciation of property, plant and equipment, amortization of other intangible assets and depreciation of right-of-use assets in line with the expansion of the Group's school operating scale during the Reporting Period.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately 5.6% from approximately RMB122.9 million for the six months ended 30 June 2022 to approximately RMB116.0 million for the Reporting Period, and the Group's gross profit margin decreased from approximately 46.4% to approximately 41.7%. The decrease of gross profit margin was mainly 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; (ii) an increase in cost of constructing additional teaching and administrative facilities and purchasing teaching equipment which leads to the increase in depreciation of property, plant and equipment, amortization of other intangible assets and depreciation of right-of-use assets; and (iii) an increase in cost of cooperative education due to the expansion of cooperative education scale under the adult education business segment of Lingnan Modern Technician College.

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) loan interest income.

The Group's other income and gains increased by approximately 18.5% from approximately RMB29.7 million for the six months ended 30 June 2022 to approximately RMB35.2 million for the six months ended 30 June 2023. The increase was primarily due to the increase of RMB5.6 million of training income in line with the Group's strategy to develop training business sector.

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 RMB8.6 million for the six months ended 30 June 2022 to approximately RMB9.9 million for the six months ended 30 June 2023. The increase was primarily due to (i) an increase in admission fee in line with the increase of newly enrolled student number of Lingnan Modern Technician College during the Reporting Period; and (ii) 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; and (iv) consulting expenses.

The Group's administrative expenses increased by approximately 5.2% from approximately RMB34.5 million for the six months ended 30 June 2022 to approximately RMB36.3 million for the six months ended 30 June 2023. The increase was primarily due to (i) increase of consulting expenses; and (ii) an increase in staff costs as a result of an increase in average salary levels during the Reporting Period.

Other expenses

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

The Group's other expenses increased by approximately 11.0% from approximately RMB8.2 million for the six months ended 30 June 2022 to approximately RMB9.1 million for the six months ended 30 June 2023. The increase was primarily due to the increase of RMB2.0 million of cost for training income which was in line with the Group's strategy to develop training business sector.

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 13.3% from approximately RMB7.5 million for the six months ended 30 June 2022 to approximately RMB6.5 million for the six months ended 30 June 2023. 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 period

As a result of the above factors, profit for the period of the Group decreased by approximately 5.4% from approximately RMB92.4 million for the six months ended 30 June 2022 to approximately RMB87.4 million for the six months ended 30 June 2023.

FINANCIAL AND LIQUIDITY POSITION

Current assets and current liabilities

As at 30 June 2023, the Group had net current assets of approximately RMB129.6 million, increased by approximately 180.0% from RMB46.3 million as at 31 December 2022. The Group had net current assets as at such date primarily because (i) the principal and interest of the loans provided to Guangzhou Haige Meina Film Production Co., Ltd. ("Haigemeina"), Guangzhou Lingnan Health Valley Investment Co., Ltd. ("Health Valley") and Mr. He Huishan (one of the controlling shareholders of the Company, the chairman of the board (the "Board") of directors (the "Directors", each a "Director") of the Company and an executive Director) by the Group were repaid in full and the increase in short-term interest-bearing bank loans, which leads to an increase in cash and cash equivalents; and (ii) the decrease in contract liabilities as a result of recognition of tuition fees and boarding fees. For repayment details of the loans provided by the Group to Haigemeina, Health Valley and Mr. He Huishan, please refer to the announcements of the Company dated 28 March 2023 and 23 May 2023.

The Group's current assets as at 30 June 2023 increased by RMB12.5 million to approximately RMB541.4 million from approximately RMB528.9 million as at 31 December 2022. The increase in current assets was primarily attributable to the increase in cash and cash equivalents, which was mainly due to the principal and interest of the loans provided to Haigemeina, Health Valley and Mr. He Huishan by the Group were repaid in full and the increase in short-term interest-bearing bank loans.

The Group's current liabilities decreased by RMB70.8 million from approximately RMB482.6 million as at 31 December 2022 to approximately RMB411.8 million as at 30 June 2023, mainly reflecting the decrease in contract liabilities as a result of recognition of tuition fees and boarding fees.

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 RMB258.8 million as at 30 June 2023, denominated in RMB. As at 30 June 2023, the Group's interest-bearing bank and other borrowings bore effective interest rates ranging from approximately 4.2% to 6.8% per annum.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operations and 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 and a qualified fund company 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 with an aim 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 and can be redeemed by the Group on any business day upon maturity. The expected yield rate of these wealth management products ranged from approximately 1.7% to 1.9% per annum.

The amount of the Group's investment in wealth management products increased to approximately RMB80.0 million as at 30 June 2023 (31 December 2022: nil). The increase was primarily because the Group invested in a wealth management product issued by a qualified fund company in China.

Contingent liabilities, guarantees and litigation

As at 30 June 2023, the Group did not have any unrecorded significant contingent liabilities, guarantees or any material litigation against any member of the Group (31 December 2022: nil).

Pledge of assets

As at 30 June 2023, certain of the Group's bank loans were secured by the pledge of the Group's time deposits. The Group's time deposits decreased by approximately 39.7% from approximately RMB30.0 million as at 31 December 2022 to approximately RMB18.1 million as at 30 June 2023.

Foreign exchange exposure

All of the Group's revenue and the majority of its expenditures are denominated in RMB. As at 30 June 2023, 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, increased to approximately 15.9% as at 30 June 2023 from approximately 13.7% as at 31 December 2022, mainly due to an increase of the Group's short term interest-bearing bank loans.

EMPLOYMENT, REMUNERATION POLICY AND TRAINING

As at 30 June 2023, the Group had a total of 1,342 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.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARE, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2023, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company (the "Shares"), underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), Chapter 571 of the Laws of Hong Kong), as notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long Position in the Shares of the Company

Name of Director	Nature of interest	Number of shares held	Position	Approximate percentage of shareholding in the Company[(1)]
Mr. He Huishan	Interest in a controlled corporation[(2)(3)]	620,000,000	Long	46.48%
Ms. He Huifen	Interest in a controlled corporation[(4)]	190,000,000	Long	14.24%

Notes:

(1) Based on the number of issued Shares as at 30 June 2023, being, 1,334,000,000 Shares.

(2) Zhihui Guang Limited ("Zhihui Guang") is owned as to 51% by Mr. He Huishan and 49% by Ms. Zhou Lanqing, respectively. Ms. Zhou Lanqing is the spouse of Mr. He Huishan. Mr. He Huishan is therefore deemed to be interested in the Shares held by Zhihui Guang by virtue of the SFO, being 570,000,000 Shares.

(3) Mr. He Huishan is the sole shareholder of Good Booming Limited ("Good Booming"). Mr. He Huishan is therefore deemed to be interested in the Shares held by Good Booming by virtue of the SFO, being 50,000,000 Shares.

(4) Ms. He Huifen is the sole shareholder of China Foreign Education Limited ("China Foreign Education"). Ms. He Huifen is therefore deemed to be interested in the Shares held by China Foreign Education by virtue of the SFO, being 190,000,000 Shares.

Long Position in the Shares of the Associated Companies

Long Position in the Shares of Guangzhou Lingnan Education Group Co., Ltd. (廣州嶺南教育集團有限公司)

Name of Director	Nature of interest	Number of shares held	Position	Percentage of shareholding in the associated company(1)
Mr. He Huishan	Beneficial owner	18,000,000	Long	60.00%
Ms. He Huifen	Beneficial owner	6,000,000	Long	20.00%

Note:

(1) Based on the number of issued shares of Guangzhou Lingnan Education Group Co., Ltd. as at 30 June 2023, being, 30,000,000 shares.

Save as disclosed above, as at 30 June 2023, neither the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2023, so far as is known to the Directors or chief executive of the Company, the following persons (other than Directors or chief executive of the Company) or corporations who had interest or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of substantial shareholder	Nature of interest	Number of shares held	Position	Approximate percentage of shareholding in the Company[(1)]
Zhihui Guang	Beneficial owner[(2)]	570,000,000	Long	42.73%
Ms. Zhou Lanqing	Interest in a controlled corporation[(2)]	570,000,000	Long	42.73%
	Spouse interest[(2)(3)]	50,000,000	Long	3.75%
China Foreign Education	Beneficial owner[(4)]	190,000,000	Long	14.24%
Mr. Han Liqing	Spouse interest[(4)]	190,000,000	Long	14.24%
Fangyuan Education	Beneficial owner[(5)]	190,000,000	Long	14.24%
Mr. Du Wenyu	Spouse interest[(5)]	190,000,000	Long	14.24%

Notes:

(1) Based on the number of issued Shares as at 30 June 2023, being, 1,334,000,000 Shares.

(2) Zhihui Guang is owned as to 51% by Mr. He Huishan and 49% by Ms. Zhou Lanqing, respectively. Ms. Zhou Lanqing is the spouse of Mr. He Huishan. Ms. Zhou Lanqing is therefore deemed to be interested in the Shares held by Zhihui Guang by virtue of the SFO, being 570,000,000 Shares.

(3) Mr. He Huishan is the sole shareholder of Good Booming. Ms. Zhou Lanqing is the spouse of Mr. He Huishan. Ms. Zhou Lanqing is therefore deemed to be interested in the Shares held by Good Booming by virtue of the SFO, being 50,000,000 Shares.

(4) Ms. He Huifen is the sole shareholder of China Foreign Education. Mr. Han Liqing is the spouse of Ms. He Huifen. Mr. Han Liqing is therefore deemed to be interested in the Shares held by China Foreign Education by virtue of the SFO, being 190,000,000 Shares.

(5) Ms. He Huifang is the sole shareholder of Fangyuan International Education Investment Limited ("Fangyuan Education"). Ms. He Huifang (former director of the Company and sister of Mr. He Huishan and Ms. He Huifen) passed away on 26 September 2022 and her equity interest in Fangyuan Education is pending transmission and under the succession arrangement in accordance with BVI law. Mr. Du Wenyu is the spouse of Ms. He Huifang. Mr. Du Wenyu is therefore deemed to be interested in the Shares held by Fangyuan Education by virtue of the SFO, being 190,000,000 Shares.

Save as disclosed above, as at 30 June 2023, the Directors and the chief executive of the Company are not aware of any other person (other than Directors or chief executive of the Company) or corporation having an interest or short position in the shares and underlying shares of the Company which would require to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

A share option scheme (the "Scheme") was conditionally approved by a written resolution of the Shareholder on 23 June 2021 and adopted by a resolution of the board of directors on the same day before the effective date of the new Chapter 17 of the Listing Rules (i.e. 1 January 2023). Details of the Scheme are set out in "Appendix IV — Statutory and General Information" of the Prospectus of the Company dated 30 June 2021 (the "Prospectus").

The purpose of the Scheme is to give the Eligible Persons (as defined below) an opportunity to have a personal stake in the Company and help motivate them to optimize their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain ongoing relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of Executives (as defined below), to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

The Board may, at its absolute discretion, offer options ("Options") to subscribe for such number of Shares in accordance with the terms set out in the Scheme to:

(a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group ("Executive"), any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group ("Employee");

(b) a director or proposed director (including an independent non-executive director) of any member of our Group;

(c) a direct or indirect shareholder of any member of our Group;

(d) a supplier of goods or services to any member of our Group;

(e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group;

(f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group;

(g) an associate of any of the persons referred to in paragraphs (a) to (f) above; and

(h) any person involved in the business affairs of our Company whom our Board determined to participate in the Scheme (the person referred above are the "Eligible Persons")*.

Note:

* Pursuant to the amendments to the Listing Rules with effect from 1 January 2023, the Eligible Persons under the Scheme is subject to Rule 17.03A of the Listing Rules.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issued as at the date of Company's listing on 13 July 2021 (the "Listing Date"), representing 133,400,000 Shares. The maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Scheme and any other schemes of our Group shall not exceed 30% of the Company's issued share capital from time to time. No Options may be granted under the Scheme and any other share option scheme of the Company if this will result in such limit being exceeded.

No Option may be granted to any participant of the Scheme such that the total number of Shares issued and to be issued upon exercise of the Options granted and to be granted to that person in any 12-month period exceeds 1% of the Company's issued share capital from time to time. Where any further grant of Options to such an Eligible Person would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be separately approved by the shareholders of the Company in general meeting with such Eligible Person and his close associates (or his associates if such Eligible Person is a connected person) abstaining from voting.

An Option may be exercised in accordance with the terms of the Scheme at any time during a period as determined by the Board. Subject to the terms of the Scheme, the Scheme shall be valid and effective for a period of 10 years from the Listing Date, after which no further Options will be granted or offered but the provisions of the Scheme shall remain in force and effect in all other respects. All Options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Scheme. Subject to the terms and conditions as the Board may determine (including such terms and conditions in relation to their vesting, exercise or otherwise), there is no minimum period for which an Option must be held before it can be exercised. Participants of the Scheme are required to pay the Company HK$1.0 upon acceptance of the grant on or before the 28 days after the offer date. The exercise price of the Options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of:

(a) the nominal value of a Share;

(b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheets on the offer date; and

(c) the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date.

The Scheme has a remaining life of approximately seven years as at the date of this report.

For the period from the date of the adoption of the Scheme to the date of this report, no Options were granted, outstanding, exercised, cancelled or lapsed under the Scheme. Thus, as at the beginning and the end of the six months ended 30 June 2023 and the date of this report, the number of Shares issuable under the Scheme was 133,400,000, which represented 10% of the Shares in issue as at the same date and the weighted average number of the Shares in issue of the Company. As there had been no exercise of any share options during the Reporting Period, the disclosure requirement under Rule 17.07(1)(d) of the Listing Rules regarding the weighted average closing price of the Shares immediately prior to exercise date is not applicable.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

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

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

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

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

Purpose	Revised portion as stated in the announcement of the Company dated 30 March 2023	Revised allocation of the net proceeds as stated in the announcement of the Company dated 30 March 2023	Utilised amount during the Reporting Period	Utilised amount as at the end of the Reporting Period	Unutilised amount as at the end of the Reporting Period	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.	47.0%	209.6	–	–	209.6	2022-2023
– Constructing additional teaching and administrative facilities and purchasing teaching equipment	14.1%	63.0	9.5	63.0	–	N/A
– Constructing an industry and education integrated industrial park	3.0%	13.4	0.2	1.9	11.5	2022-2023
Acquire other schools and educational service providers to expand the school network	25.9%	115.4	–	74.4	41.0	2022-2023
Working capital	10.0%	44.6	–	44.6	–	N/A
Total	100.0%	446.0	9.7	183.9	262.1	

As at the date of this report, 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 30 March 2023.

INTERIM DIVIDEND

The Board does not declare any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities for the six months ended 30 June 2023.

SIGNIFICANT INVESTMENTS HELD

The Group did not hold any significant investment in equity interest in any company during the Reporting Period.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 June 2023, the Group did not have any material acquisition or disposal of subsidiaries, associates, joint ventures or affiliated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND INVESTMENTS IN CAPITAL ASSETS

Save as disclosed in the section headed "Use of proceeds from the Company's initial public offering" in this report, as at 30 June 2023, the Group did not have any future plans for material investments or investments in capital assets.

CORPORATE GOVERNANCE CODE

The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company has adopted corporate governance practices based on the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") as contained in Appendix 14 to the Listing Rules as its own code of corporate governance practices. During the Reporting Period, the Company has complied with all code provisions of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct governing Directors' securities transactions. The Company confirms that, having made specific enquiries of all the Directors, each of them has complied with the required standard as set out in the Model Code for the six months ended 30 June 2023.

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 and the interim report of the Group for the six months ended 30 June 2023.

UPDATES ON INFORMATION OF DIRECTORS

There was no change in the information which was required to be disclosed by Directors pursuant to Rule 13.51B(1) of the Listing Rules.

CONTRACTUAL ARRANGEMENTS

Please refer to the section headed "Contractual Arrangements" of the Prospectus for details. The Board has reviewed the overall performance of the Contractual Arrangements and believe that the Group complied with the Contractual Arrangements in all material respects during the Reporting Period and up to the date of this report.

QUALIFICATION REQUIREMENTS

Please refer to the section headed "Contractual Arrangements – PRC Laws and Regulations relating to Foreign Ownership in the Education Industry – Higher Education and Secondary Vocational Education" of the Prospectus in relation to the Sino-foreign cooperation requirement under the Negative List for the provision of higher education in the PRC where the foreign investor shall operate higher education in the PRC through cooperation with a PRC educational institution in compliance with the Sino-Foreign Regulation.

In relation to the interpretation of Sino-foreign cooperation, pursuant to the Sino-Foreign Regulation, if the Group were to apply for Lingnan Institute of Technology to be reorganized as a Sino-foreign joint venture private school for PRC students at a higher education institution (a "Sino-Foreign Joint Venture Private School"), the foreign investor in the Sino-Foreign Joint Venture Private School must be a foreign educational institution with relevant qualification and that provides high quality education (the "Qualification Requirement I"). Furthermore, pursuant to the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education (《教育部關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》), the foreign portion of the total investment in a Sino-Foreign Joint Venture Private School should be below 50% (the "Foreign Ownership Restriction"). In addition, pursuant to the Sino-Foreign Regulation, the establishment of Sino-Foreign Joint Venture Private School is subject to approval of education authorities at the provincial or national level. Pursuant to the Sino-foreign Vocational Skills Training Measures (《中外合作職業技能培訓辦學管理辦法》), the foreign investor in a Sino foreign technical school (a "Sino-Foreign Joint Venture Private Technical School") must be a foreign education institution or a foreign vocational skills training institution with relevant qualification and high quality (the "Qualification Requirement II"). If the Group were to apply for Lingnan Modern Technician College to be reorganized as a Sino-Foreign Joint Venture Private Technical School for PRC students at a technical school, it shall abide by the Qualification Requirement II.

As advised by the Company's PRC legal advisors, there was no update on any implementing measures or specific guidance being promulgated pursuant to the Sino-Foreign Regulation to provide quantitative or specific standards on the Qualification Requirement I and/or Qualification Requirement II in Guangdong Province during the Reporting Period and up to the date of this report.

Please also refer to the section headed "Contractual Arrangements – PRC Laws and Regulation relating to Foreign Ownership in the Education Industry – Plan to Comply with the Qualification Requirement" in the Prospectus for further details on the Group's efforts and actions undertaken to comply with the Qualification Requirement I and/or Qualification Requirement II. As of the date of this report, the Group is still waiting for approval from the California Bureau for Private Postsecondary Education to establish the new school in the State of California, the United States.

FOREIGN INVESTMENT LAW

Please refer to the section headed "Contractual Arrangements – Development In The PRC Legislation On Foreign Investment" of the Prospectus for the background of the Foreign Investment Law (《外商投資法實施條例》) and the impact and potential consequences of the Foreign Investment Law and its implementation regulations on the Group's contractual arrangements. As advised by the Company's PRC legal advisors, neither was there any change on the compliance status of the Group's contractual arrangements with the Foreign Investment Law as described in the Prospectus, nor was there any update on regulatory development in relation to the Foreign Investment Law during the Reporting Period and up to the date of this report.

COMPETING BUSINESS

The Board confirmed that neither the Directors nor any of their associates had any business or interest that competes or may compete with the business of the Group and there was no other conflicts of interest which any such person had or may have with the Group during the Reporting Period and up to the date of this report.

THE 2016 DECISION AND THE 2021 IMPLEMENTATION RULES

Please refer to the section headed “Business – Potential Implications of the 2016 Decision and Related Implementation Rules” and “Business – The 2021 Implementation Rules” of the Prospectus for details of the 2016 Decision and the 2021 Implementation Rules.

As part of the Group’s measures to mitigate its compliance risks in relation to the 2016 Decision, the 2021 Implementation Rules and other relevant legal and regulatory developments, including its decision to register its schools as for-profit private schools or non-profit private schools in the future, the Group has assigned the responsibility to its finance and legal departments to pay close attention to the developments of these policies and regulations and the operations of its schools. They will report to the Group’s Board on a regular basis and the Group will promptly consult with its PRC legal advisors as and when required. The Group will also ensure that its acquisition in the future will fully comply with the relevant rules and regulations in effect from time to time. The Group will ensure that any decision will be made on a fully-informed basis by its Board, taking into account the findings of its finance and legal departments and will update its shareholders and investors as and when appropriate.

The Board confirmed that no relevant update was required to be provided to its shareholders and investors in this regard during the Reporting Period and up to the date of this report.

By order of the Board
He Huishan
Chairman

Hong Kong, 30 August 2023

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Notes	Six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited) (Restated)
REVENUE	4	**277,947**	264,548
Cost of sales		**(161,932)**	(141,691)
Gross profit		**116,015**	122,857
Other income and gains	4	**35,202**	29,665
Selling and distribution expenses		**(9,933)**	(8,562)
Administrative expenses		**(36,309)**	(34,451)
Other expenses		**(9,135)**	(8,164)
Finance costs		**(6,477)**	(7,453)
PROFIT BEFORE TAX	5	**89,363**	93,892
Income tax expense	6	**(1,958)**	(1,449)
PROFIT FOR THE PERIOD		**87,405**	92,443
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		**5**	233
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**5**	233
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		**5**	233
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**87,410**	92,676

	Note	Six months ended 30 June 2023 RMB'000 (Unaudited)	Six months ended 30 June 2022 RMB'000 (Unaudited) (Restated)
Profit attributable to:			
Owners of the parent		87,341	92,462
Non-controlling interests		64	(19)
		87,405	92,443
Total comprehensive income attributable to:			
Owners of the parent		87,346	92,695
Non-controlling interests		64	(19)
		87,410	92,676
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted			
– For profit for the period		RMB0.07	RMB0.07

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited) (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	9	**1,291,465**	1,291,312
Investment properties		**50,805**	51,770
Right-of-use assets		**405,308**	407,798
Goodwill		**3,052**	3,052
Other intangible assets		**8,560**	8,426
Prepayments for non-current assets		**33,205**	7,374
Contract costs		**7,526**	7,972
Pledged deposits		**18,138**	30,000
Deferred tax assets		**986**	1,172
Total non-current assets		**1,819,045**	1,808,876
CURRENT ASSETS			
Prepayments, other receivables and other assets		**42,831**	244,814
Accounts receivable	10	**1,569**	7,767
Amounts due from related parties	14(c)	**16,023**	15,849
Amounts due from a director	14(c)	**–**	5,140
Financial assets at fair value through profit or loss		**80,000**	–
Contract costs		**8,967**	8,024
Cash and cash equivalents		**392,047**	247,305
Total current assets		**541,437**	528,899
CURRENT LIABILITIES			
Contract liabilities	4	**77,064**	177,517
Other payables and accruals		**152,533**	167,986
Interest-bearing bank and other borrowings		**131,370**	89,172
Lease liabilities		**29,682**	23,637
Tax payable		**15,646**	18,926
Amounts due to a related party	14(c)	**–**	41
Deferred income		**5,493**	5,362
Total current liabilities		**411,788**	482,641
NET CURRENT ASSETS		**129,649**	46,258
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,948,694**	1,855,134

	Note	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited) (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,948,694	1,855,134
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		127,434	122,460
Lease liabilities		109,659	107,238
Deferred income		85,001	86,246
Total non-current liabilities		322,094	315,944
Net assets		1,626,600	1,539,190
EQUITY			
Equity attributable to owners of the parent			
Share capital	11	11,124	11,124
Reserves		1,615,231	1,527,885
		1,626,355	1,539,009
Non-controlling interests		245	181
Total equity		1,626,600	1,539,190

	Attributable to owners of the parent								
	Share capital RMB'000 Note 11	Capital reserve – share premium RMB'000	Capital reserve – others RMB'000	Statutory and other surplus reserves RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2022 (audited)	11,124	346,895	5,593	258,223	85	915,917	1,537,837	181	1,538,018
Effect of adoption of amendments to HKAS 12 (note 2.2(c))	–	–	–	80	–	1,092	1,172	–	1,172
At 1 January 2023 (restated)	11,124	346,895	5,593	258,303	85	917,009	1,539,009	181	1,539,190
Profit for the period	–	–	–	–	–	87,341	87,341	64	87,405
Other comprehensive income for the period:									
Exchange differences on translation of financial statements	–	–	–	–	5	–	5	–	5
Total comprehensive income for the period	–	–	–	–	5	87,341	87,346	64	87,410
Transfer from retained profits	–	–	–	9,386	–	(9,386)	–	–	–
At 30 June 2023 (unaudited)	11,124	346,895*	5,593*	267,689*	90*	994,964*	1,626,355	245	1,626,600

* These reserve accounts comprise the consolidated reserves of RMB1,615,231,000 in the unaudited interim condensed consolidated statement of financial position as at 30 June 2023.

	Attributable to owners of the parent								
	Share capital RMB'000 Note 11	Capital reserve – share premium RMB'000	Capital reserve – others RMB'000	Statutory and other surplus reserves RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2021 (audited)	11,124	407,522	5,593	243,384	23	787,879	1,455,525	–	1,455,525
Effect of adoption of amendments to HKAS 12 (note 2.2(c))	–	–	–	109	–	1,332	1,441	–	1,441
At 1 January 2022 (restated)	11,124	407,522	5,593	243,493	23	789,211	1,456,966	–	1,456,966
Profit for the period (restated)	–	–	–	–	–	92,462	92,462	(19)	92,443
Other comprehensive income for the period: Exchange differences on translation of financial statements	–	–	–	–	233	–	233	–	233
Total comprehensive income for the period (restated)	–	–	–	–	233	92,462	92,695	(19)	92,676
Acquisition of a subsidiary	–	–	–	–	–	–	–	137	137
Final 2021 dividend declared	–	(60,627)	–	–	–	–	(60,627)	–	(60,627)
Transfer from retained profits (restated)	–	–	–	9,606	–	(9,606)	–	–	–
At 30 June 2022 (unaudited and restated)	11,124	346,895	5,593	253,099	256	872,067	1,489,034	118	1,489,152

	Notes	Six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**89,363**	93,892
Adjustments for:			
Finance costs		**6,477**	7,453
Exchange gain, net	4	**(240)**	–
Bank interest income	4	**(2,019)**	(1,979)
Loan interest income	4	**(3,974)**	–
Fair value gain, net:			
Financial assets at fair value through profit or loss	4	**–**	(1,116)
Government grants released	4	**(4,059)**	(4,856)
Loss on disposal of items of property, plant and equipment, net	5	**17**	112
Loss on disposal of other intangible assets	5	**15**	–
Loss on termination of leases	5	**80**	–
Reversal of provision for impairment of accounts receivable	5	**(35)**	(49)
Depreciation of property, plant and equipment	5	**28,403**	24,658
Depreciation of investment properties	5	**965**	965
Depreciation of right-of-use assets	5	**15,937**	16,173
Amortisation of other intangible assets	5	**945**	901
		131,875	136,154
Decrease in accounts receivable		**6,233**	5,395
Increase in prepayments, other receivables and other assets		**(5,345)**	(20,824)
Increase in contract costs		**(497)**	(937)
(Increase)/decrease in operating portion of amounts due from related parties		**(5,243)**	24,636
Increase/(decrease) in other payables and accruals		**5,888**	(15,593)
Decrease in amounts due to related parties		**(41)**	(467)
Decrease in contract liabilities		**(100,453)**	(110,041)
Cash generated from operations		**32,417**	18,323
Bank interest received		**2,019**	1,979
Mainland China corporate income tax paid		**(5,053)**	(3,412)
Net cash flows from operating activities		**29,383**	16,890

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash flows from operating activities	29,383	16,890
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary	–	(2,100)
Decrease in investing portion of prepayments, other receivables and other assets	211,488	–
Decrease/(increase) in amounts due from a director	5,171	(2,450)
Decrease in investing portion of amounts due from related parties	5,142	–
Purchases of financial assets at fair value through profit or loss	(80,000)	(195,000)
Proceeds from disposal of financial assets at fair value through profit or loss	–	151,694
Additions to other intangible assets	(1,094)	(641)
Purchases of items of property, plant and equipment	(70,851)	(65,211)
Proceeds from disposal of items of property, plant and equipment	105	318
Receipt of government grants	2,945	2,270
Net cash flows from/(used in) investing activities	72,906	(111,120)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank and other borrowings	91,160	24,090
Repayments of bank and other borrowings	(44,800)	(49,300)
Dividends paid	–	(60,627)
Interest paid	(5,991)	(8,203)
Lease payments	(10,023)	(11,631)
Decrease in pledged deposits	11,862	–
Net cash flows from/(used in) financing activities	42,208	(105,671)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	144,497	(199,901)
Cash and cash equivalents at beginning of period	247,305	482,393
Effect of foreign exchange rate changes, net	245	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD	392,047	282,492
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	392,047	282,492
Cash and cash equivalents as stated in the unaudited interim condensed consolidated statement of financial position and the unaudited interim condensed consolidated statement of cash flows	392,047	282,492

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, the "Company") was incorporated in the Cayman Islands on 15 August 2018 as an exempted company with limited liability under the Companies ACT of the Cayman Islands. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The principal activity of the Company is investment holding. During the reporting period, the Company and its subsidiaries were 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 2023 have been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial statements.

HKFRS 17	*Insurance Contracts*
Amendments to HKFRS 17	*Insurance Contracts*
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after 1 January 2022, if any.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below: *(Continued)*

(c) *(Continued)*

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets as at 1 January 2022. The quantitative impact on the financial information is summarised below.

Impact on the interim condensed consolidated statement of financial position:

			Increase	
	Note	**As at 30 June 2023 RMB'000 (Unaudited)**	As at 31 December 2022 RMB'000 (Unaudited)	As at 1 January 2022 RMB'000 (Unaudited)
Assets				
Deferred tax assets	(i)	986	1,172	1,441
Total non-current assets		986	1,172	1,441
Total Assets		986	1,172	1,441
Net assets		986	1,172	1,441
Equity				
Retained profits (included in reserves)		986	1,172	1,441
Equity attributable to owners of the parent		986	1,172	1,441
Total equity		986	1,172	1,441

Note (i): The deferred tax asset and the deferred tax liability arising from lease contracts of the same subsidiary have been offset in the statement of financial position for presentation purposes.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below: *(Continued)*

(c) *(Continued)*

Impact on the interim condensed consolidated statement of profit or loss and other comprehensive income:

	Increase/(decrease) For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Income tax expense	**186**	220
Profit for the period	**(186)**	(220)
Total comprehensive income for the period	**(186)**	(220)
Profit attributable to:		
Owners of the parent	**(186)**	(220)
Total comprehensive income attributable to:		
Owners of the parent	**(186)**	(220)

The adoption of amendments to HKAS 12 did not have any impact on the basic and diluted earnings per share attributable to ordinary equity holders of the parent and the interim condensed consolidated statements of cash flows for the six months ended 30 June 2023 and 2022.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below: *(Continued)*

(d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. OPERATING SEGMENT INFORMATION

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

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

Geographical information

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

Information about major customers

No revenue from services provided to a single customer accounted for 10% or more of the total revenue of the Group during the reporting period (six months ended 30 June 2022: Nil).

4. REVENUE, OTHER INCOME AND GAINS

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

	Notes	For the six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue			
Revenue from contracts with customers			
Tuition fees	(a)	**251,297**	239,584
Boarding fees	(a)	**21,824**	20,563
Other education service fees	(b)	**4,826**	4,401
		277,947	264,548
Other income and gains			
Rental income		**12,874**	14,653
Training income		**11,172**	5,559
Government grants:			
Related to assets	(c)	**2,641**	2,730
Related to income	(d)	**1,418**	2,126
Fair value gain, net:			
Financial assets at fair value through profit or loss		**–**	1,116
Bank interest income		**2,019**	1,979
Loan interest income	(e)	**3,974**	–
Brand licensing income	14(b)	**740**	692
Written-off of an amount due to a related party		**–**	467
Exchange gain, net		**240**	–
Others		**124**	343
		35,202	29,665

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.

4. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Notes: *(Continued)*

(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) interest income of RMB2,894,000 (six months ended 30 June 2022: Nil) from loans to Guangzhou Haige Meina Film Production Co., Ltd.; ii) interest income of RMB986,000 (six months ended 30 June 2022: Nil) from loans to other companies; iii) interest income of RMB28,000 (six months ended 30 June 2022: Nil) from loans to a director; and iv) interest income of RMB66,000 (six months ended 30 June 2022: Nil) 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 period/year are as follows:

	Six months ended 30 June 2023 RMB'000 (Unaudited)	Year ended 31 December 2022 RMB'000 (Audited)
At the beginning of the period/year	**177,517**	151,830
Revenue recognised that was included in the balance of contract liabilities at the beginning of the period/year	**(176,381)**	(148,185)
Increases due to cash received, including amounts recognised as revenue during the period/year	**172,488**	535,049
Revenue recognised that was not included in contract liabilities at the beginning of the period/year	**(95,364)**	(356,969)
Transfer to refund liabilities	**(1,196)**	(4,208)
At the end of the period/year	**77,064**	177,517

4. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Contract liabilities *(Continued)*

Revenue recognised in relation to contract liabilities

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

	For the six months ended 30 June	
	2023	2022
	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	**157,575**	133,023
Boarding fees	**18,806**	16,002
	176,381	149,025

Unsatisfied performance obligations

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June 2023 are as follows:

	30 June 2023	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Expected to be recognised within one year:		
Tuition fees	**76,982**	158,528
Boarding fees	**82**	18,989
	77,064	177,517

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

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

5. PROFIT BEFORE TAX

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

	Notes	For the six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		90,387	78,379
Pension scheme contributions (defined contribution scheme)****		10,454	8,323
		100,841	86,702
Depreciation of property, plant and equipment		28,403	24,658
Depreciation of right-of-use assets		15,937	16,173
Depreciation of investment properties		965	965
Amortisation of other intangible assets*		945	901
Direct operating expenses arising from rental-earning investment properties***		2,763	3,676
Lease payments not included in the measurement of lease liabilities		142	4
Reversal of provision for impairment of accounts receivable		(35)	(49)
Donation expenses***		500	2
Loss on disposal of items of property, plant and equipment, net***	9	17	112
Loss on disposal of other intangible assets***		15	–
Loss on termination of leases***		80	–
Auditor's remuneration		1,300	1,400
Fair value gain, net			
Financial assets at fair value through profit or loss	4	–	(1,116)
Bank interest income	4	(2,019)	(1,979)
Loan interest income	4	(3,974)	–
Written-off of an amount due to a related party	4	–	(467)
Government grants**	4	(4,059)	(4,856)
Exchange (gain)/loss, net		(240)	658

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

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

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

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

6. INCOME TAX

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

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

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

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

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

On 14 May 2021, the State Council released the Regulations for the Implementation of the Private Schools Promotion Law of the PRC (《中華人民共和國民辦教育促進法實施條例》) with an effective date of 1 September 2021 (the "2021 Implementation Rules"). The 2021 Implementation Rules are the detailed implementation rules of the Private Schools Promotion Law of the PRC. Pursuant to the 2016 Decision and the 2021 Implementation Rules, a private school may enjoy the preferential tax policies, which are not defined under neither the 2016 Decision nor the 2021 Implementation Rules, as stipulated by the related government authorities and a non-profit school may enjoy the same tax policies as enjoyed by a public school.

6. INCOME TAX *(Continued)*

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

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

Pursuant to the PRC CIT Law and the respective regulations, except for the preferential tax rate of 20% under the Notice Regarding the Implementation on Tax Reduction/Exemption Policies for Small and Micro-sized Enterprises (SEMs) available to Qingyuan Lingnan Driving School Co., Ltd., the Group's non-school subsidiary which operates in Mainland China is subject to CIT at a rate of 25% on its taxable income.

6. INCOME TAX *(Continued)*

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Current – Mainland China		
Charge for the period	**1,772**	1,229
Deferred	**186**	220
	1,958	1,449

7. DIVIDENDS

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Final declared and paid – Nil (six months ended 30 June 2022: HK5.6 cents) per ordinary share	**–**	60,627

No interim dividend has been declared by the Company during the reporting period (six months ended 30 June 2022: Nil).

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,334,000,000 (six months ended 30 June 2022: 1,334,000,000) in issue during the period.

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

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2023 and 2022.

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**87,341**	92,462

	Number of shares For the six months ended 30 June	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculations	**1,334,000,000**	1,334,000,000

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired assets at a cost of RMB28,678,000 (six months ended 30 June 2022: RMB71,600,000).

Assets with a net book value of RMB122,000 were disposed of by the Group during the six months ended 30 June 2023 (six months ended 30 June 2022: RMB430,000), resulting in a net loss on disposal of RMB17,000 (six months ended 30 June 2022: RMB112,000) (note 5).

10. 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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within one year	1,559	7,756
One to two years	10	11
	1,569	7,767

11. SHARE CAPITAL

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Issued and fully paid:		
1,334,000,000 (31 December 2022: 1,334,000,000) ordinary shares	11,124	11,124

12. CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any significant contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened (31 December 2022: Nil).

13. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Contracted, but not provided for:		
Property, plant and equipment	129,781	29,800

14. RELATED PARTY TRANSACTIONS

The Directors are of the view that the following persons and companies are related parties that had material transactions or balances with the Group during the period.

(a) Name and relationship of related parties

Name	Relationship
Mr. He Huishan (賀惠山)	Director of the Company and one of the shareholders
Ms. Zhou Lanqing (周蘭慶)	Spouse of Mr. He Huishan and one of the shareholders
Ms. He Huifen (賀惠芬)	Director of the Company, one of the shareholders and sister of Mr. He Huishan and Ms. He Huifang
Ms. He Huifang (賀惠芳) (passed away on 26 September 2022)	Sister of Mr. He Huishan and Ms. He Huifen and former director of the Company, one of the shareholders, before 26 September 2022
Mr. Du Wenyu (杜文宇)	Spouse of Ms. He Huifang and one of the shareholders since 26 September 2022
Mr. Han Liqing (韓利慶)	Spouse of Ms. He Huifen
Guangzhou Lingnan Tongwen Education Investment Management Co., Ltd.* (廣州嶺南同文教育投資管理有限公司, "Tongwen Investment")	A limited liability company indirectly owned by Ms. He Huifen, Mr. Han Liqing, Ms. Zhou Lanqing and Ms. He Huifang before 26 September 2022 and indirectly owned by Ms. He Huifen, Mr. Han Liqing, Ms. Zhou Lanqing, Mr. Du Wenyu and Ms. Zhang Limei since 26 September 2022
Guangzhou Lingnan Health Valley Investment Co., Ltd.* (廣州嶺南養生谷投資有限公司, "Health Valley")	A limited liability company controlled by Mr. He Huishan and Ms. Zhou Lanqing
Guangzhoushi Huangpuqu Lingnan Shuyuan Academy Training Center* (廣州市黃埔區嶺南書院培訓中心, "Huangpu Training Center")	A company controlled by Mr. Du Wenyu
Guangzhou Tianhe Lingnan International Kindergarten ("Lingnan International Kindergarten")	A school controlled by Mr. He Huishan

* The English names of these companies established in the PRC represent the best effort made by the Directors to translate the Chinese names as they have not been registered with any official English names.

14. RELATED PARTY TRANSACTIONS *(Continued)*

(b) **In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the period:**

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Rental income		
Tongwen Investment	**303**	288
Health Valley	**3,830**	5,942
Huangpu Training Center	**73**	73
	4,206	6,303

The rental income was made according to the published prices and conditions offered to the other third party lessees of the Group.

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Brand licensing income		
Lingnan International Kindergarten	**740**	692

The brand licensing income was received for the brand name used by Lingnan International Kindergarten. The fees were charged pursuant to the normal commercial terms in the agreements signed between the Group and Lingnan International Kindergarten.

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income on loans to a director		
Mr. He Huishan	**28**	–
Interest income on a loan to a related party		
Health Valley	**66**	–

14. RELATED PARTY TRANSACTIONS *(Continued)*

(b) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the period: *(Continued)*

The loans to a director are unsecured, bears interest at an effective annual interest rate of 3.48%. All of the loans to a director and related interests were fully repaid in March 2023.

The loan to a related party is unsecured, bears interest at an effective annual interest rate of 6.5%. All of the loan to a related party and related interests were fully repaid in March 2023.

(c) Outstanding balances with related parties

As disclosed in the unaudited interim condensed consolidated statement of financial position, the Group had outstanding balances due from/to related parties at 30 June 2023 as follows:

Amounts due from related parties:

Name	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Tongwen Investment	5,731	5,460
Health Valley	10,217	10,389
Lingnan International Kindergarten	75	–
	16,023	15,849

The amounts due from Tongwen Investment included an amount of RMB2,712,000 (31 December 2022: RMB2,712,000) paid on behalf of Guangzhou Kaifaqu Foreign Language School Affiliated to the South China Normal University (廣州開發區華南師範大學附屬外國語學校, the "Foreign Language School"), a private school controlled by Tongwen Investment.

Except for the rental of RMB2,712,000 paid on behalf of Foreign Language School, the other amounts due from the related parties were mainly trade in nature, unsecured, interest-free and repayable within one year, and were caused by the transactions disclosed in note 14(b) to the interim condensed consolidated financial statements.

14. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Outstanding balances with related parties *(Continued)*

Amounts due from a director:

Name	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Mr. He Huishan	–	5,140

Amounts due to a related party:

Name	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Lingnan International Kindergarten	–	41

(d) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Salaries, allowances and benefits in kind	1,656	1,420
Performance related bonuses	15	12
Pension scheme contributions	52	48
	1,723	1,480

The related party transactions in respect of rental income, brand licensing income and the loan(s) to a director and a related party above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 30 June 2023, the fair values of the Group's financial assets and liabilities approximated to their respective carrying amounts.

Management has assessed that the fair values of financial assets included in prepayments, other receivables and other assets, accounts receivable, amounts due from related parties, cash and cash equivalents, financial liabilities included in other payables and accruals, the current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank and other borrowings and pledged deposits have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for non-current portion of interest-bearing bank and other borrowings and pledged deposits as at the end of the reporting period were assessed to be insignificant. The fair values of the non-current portion of interest-bearing bank and other borrowings and pledged deposits approximate to their carrying amounts as at the end of the reporting period.

The Group invests in unlisted investments, which represent wealth management products issued by banks and a qualified fund company in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Financial assets at fair value through profit or loss	–	80,000	–	80,000

15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

Assets for which fair values are disclosed:

As at 30 June 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Pledged deposits	–	18,138	–	18,138

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	Total RMB'000 (Audited)
Pledged deposits	–	30,000	–	30,000

15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

Liabilities for which fair values are disclosed:

As at 30 June 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Non-current portion of interest-bearing bank and other borrowings	–	127,434	–	127,434

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	Total RMB'000 (Audited)
Non-current portion of interest-bearing bank and other borrowings	–	122,460	–	122,460

During the reporting period, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2022: Nil).