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**China Oriented International Holdings Limited**  
**向中國國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1871)**

**ANNOUNCEMENT ON THE INTERIM RESULTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2024**

**RESULTS**

The Board is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 30 June 2024, together with the comparative figures for the six months ended 30 June 2023. Capitalised terms and certain technical terms shall have the meaning as defined in the paragraph headed “Definitions and Glossary of Technical Terms” in this announcement. The term “we”, “us”, and “our” refer to the Company and where the context otherwise requires, the Group.

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

		<b>For the six months ended</b>	
		<b>30 June 2024</b>	30 June 2023
	<i>Notes</i>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	4	<b>18,147</b>	23,425
Cost of services rendered		<u><b>(14,715)</b></u>	<u>(17,077)</u>
Gross profit		<b>3,432</b>	6,348
Other income and losses, net	6	<b>398</b>	863
Selling and marketing expenses		<b>(877)</b>	(951)
Administrative expenses		<b>(6,367)</b>	(6,654)
Finance costs	7	<u><b>(1,848)</b></u>	<u>(2,290)</u>
Loss before income tax	8	<b>(5,262)</b>	(2,684)
Income tax credit/(expense)	9	<u><b>2,914</b></u>	<u>(568)</u>
Loss and total comprehensive expense for the period attributable to the owners of the Company		<u><b>(2,348)</b></u>	<u>(3,252)</u>
<b>Loss per share attributable to the owners of the Company</b>			
– Basic and diluted (RMB cents)	11	<u><b>(0.56)</b></u>	<u>(0.81)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at <b>30 June 2024</b>	As at 31 December 2023
	<i>Notes</i>	<b><i>RMB'000</i></b> <b>(Unaudited)</b>	<b><i>RMB'000</i></b> <b>(Audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment	<i>12</i>	<b>77,108</b>	83,072
Right-of-use assets	<i>13</i>	<b>45,105</b>	45,159
Prepayment paid for property, plant and equipment	<i>14</i>	<b>180</b>	360
		<b>122,393</b>	128,591
<b>Current assets</b>			
Trade and other receivables, deposits and prepayments	<i>14</i>	<b>886</b>	7,402
Bank balances and cash		<b>150,591</b>	152,359
		<b>151,477</b>	159,761
<b>Current liabilities</b>			
Trade and other payables and accruals	<i>15</i>	<b>12,806</b>	15,374
Contract liabilities		<b>14,032</b>	17,862
Tax liabilities		<b>159</b>	3,033
Lease liabilities	<i>16</i>	<b>1,612</b>	1,158
Borrowings		<b>36,230</b>	45,230
		<b>64,839</b>	82,657
<b>Net current assets</b>		<b>86,638</b>	77,104
<b>Total assets less current liabilities</b>		<b>209,031</b>	205,695

		<b>As at 30 June 2024 RMB'000 (Unaudited)</b>	As at 31 December 2023 RMB'000 (Audited)
<b>Non-current liabilities</b>			
Lease liabilities	<i>16</i>	<b>2,432</b>	2,317
Borrowings		<b>9,000</b>	9,000
Deferred tax liabilities	<i>17</i>	<b>4,769</b>	4,809
		<u><b>16,201</b></u>	<u>16,126</u>
<b>Net assets</b>		<u><b>192,830</b></u>	<u>189,569</u>
<b>EQUITY</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital	<i>18</i>	<b>3,939</b>	3,608
Reserves		<b>188,891</b>	185,961
		<u><b>192,830</b></u>	<u>189,569</u>
<b>Total equity</b>		<u><b>192,830</b></u>	<u>189,569</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2024*

## 1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 22 February 2017 under the Companies Law of the Cayman Islands. The address of the registered office of the Company in Cayman Islands is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The headquarters, head office and principal place of business in the PRC is located at Baililiu Village, Zhutang Township, Suiping County, Zhumadian City, Henan Province, the PRC. The principal place of business of the Company in Hong Kong is located at Rooms 1508-1513, Nan Fung Tower, 88 Connaught Road Central, Central, Hong Kong. The Shares are listed on the Main Board of the Stock Exchange.

In the opinion of the Directors, the Company's immediate and ultimate holding company is Alpha Leap Holdings Limited, which is incorporated in the British Virgin Islands (the "BVI") and is wholly-owned by Mr. Qi Xiangzhong.

The Company is an investment holding company. Its operating subsidiaries are engaged in the provision of driving training services in the PRC. The Company and its subsidiaries are collectively referred to as the "Group".

The condensed consolidated financial statements are presented in Renminbi, which is the currency of the primary economic environment of all the group entities operate (the functional currency of the group entities) and all values are rounded to the nearest thousand ("RMB'000"), unless otherwise stated.

## 2. BASIS OF PREPARATION

### Statement of compliance

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standards ("HKASs") 34 "Interim Financial Report" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and with the applicable disclosure requirements of Appendix D2 to the Listing Rules.

The preparation of the condensed consolidated financial statements in conformity with HKAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The condensed consolidated financial statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 December 2023 and therefore, do not include all of the information required in annual financial statements in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2023.

## Basis of measurement

The condensed consolidated financial statements have been prepared on the historical cost basis at the end of the reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The condensed consolidated financial statements have not been audited.

### 3. ADOPTION OF NEW AND REVISED HKFRSs

#### (a) Application of amendments to HKFRSs effective from 1 January 2024

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA, which are relevant and mandatorily effective for the period beginning on 1 January 2024 for the preparation of the Group's condensed consolidated financial statement:

Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 7 and HKFRS 7	Supplier finance arrangements
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback

The application of the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in the condensed consolidated financial statements.

#### (b) New and amendments to HKFRS in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

		Effective for annual reporting periods beginning on or after
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 9 and HKFRS 7	Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027

The Directors are in the progress of assessing the impact to the Group's consolidated financial performance and position by adopting the new and amendments to HKFRSs.

#### 4. REVENUE

Revenue, which is also the Group's turnover, represents the income from provision for driving training services and recognised over time. Revenue recognised during the periods are as follows:

	For the six months ended	
	30 June 2024 RMB'000 (Unaudited)	30 June 2023 RMB'000 (Unaudited)
<b>Driving training service income</b>		
Standard course	10,263	560
Premium course	7,713	22,646
Additional training fees	171	219
	<u>18,147</u>	<u>23,425</u>

#### 5. SEGMENT INFORMATION

The Group is principally engaged in provision of driving training services. For the purposes of assessing performance and allocating resources, the Group's operation is regarded as one reportable and operating segment which is provision of driving training services. The chief executive, Mr. Qi Xiangzhong, reviews the loss for the period of the Group as a whole. Accordingly, no segmental analysis is presented.

##### **Geographical information**

No geographical segment information is presented as the Group's revenue is all derived from the PRC based on the location of services provided and all of the Group's non-current assets are located in the PRC by physical location of assets.

##### **Information about major customers**

The Group offers packaged driving courses for preparation for driving tests to a large number of individual customers. No individual customer accounted for over 10% of the Group's total revenue during both periods.

## 6. OTHER INCOME AND LOSSES, NET

	For the six months ended	
	30 June 2024 <i>RMB'000</i> (Unaudited)	30 June 2023 <i>RMB'000</i> (Unaudited)
Income from issuance of certificate of qualification validation	–	313
Interest income	201	218
Income on expiry of driving courses withdrawn by trainees	231	450
Government grants	–	61
Value-added tax refund	–	5
Others	26	5
Loss on disposal of property, plant and equipment	(41)	(165)
Exchange loss, net	(19)	(24)
	<u>398</u>	<u>863</u>

## 7. FINANCE COSTS

	For the six months ended	
	30 June 2024 <i>RMB'000</i> (Unaudited)	30 June 2023 <i>RMB'000</i> (Unaudited)
Interest on bank loans	1,776	2,231
Interest on lease liabilities	72	59
	<u>1,848</u>	<u>2,290</u>



## 8. LOSS BEFORE INCOME TAX

	For the six months ended	
	30 June 2024 RMB'000 (Unaudited)	30 June 2023 RMB'000 (Unaudited)
<b>Loss before income tax has been arrived at after charging:</b>		
Directors' remuneration	758	750
Other staff costs		
– Salaries and other allowances	6,005	7,466
– Retirement benefit scheme contributions	537	774
	<u>7,300</u>	<u>8,990</u>
Auditor's remuneration	10	10
Depreciation of:		
– Property, plant and equipment	5,535	4,710
– Right-of-use assets	1,426	1,347
Donations	–	20
Gasoline expenses	2,894	4,392
	<u>2,894</u>	<u>4,392</u>

## 9. INCOME TAX (CREDIT)/EXPENSE

	For the six months ended	
	30 June 2024 RMB'000 (Unaudited)	30 June 2023 RMB'000 (Unaudited)
The PRC Enterprise Income Tax (“EIT”)		
– Current year	–	–
– (Over)/Under-provision in prior years	(2,874)	863
	<u>(2,874)</u>	<u>863</u>
Deferred tax credit	(40)	(295)
	<u>(40)</u>	<u>(295)</u>
	<u>(2,914)</u>	<u>568</u>

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

Pursuant to the applicable laws, rules and regulations of the Cayman Islands and the British Virgin Islands (the “BVI”), the Group is not subject to any income tax under these jurisdictions during both periods.

No provision for Hong Kong Profits Tax has been recognised during the six months ended 30 June 2023 and 2024 as the Group does not have income which arises in, or derived from, Hong Kong.

No provision for PRC EIT has been recognised in the consolidated financial statements during the six months ended 30 June 2024 as the Group did not have any assessable profits for the period (six months ended 30 June 2023: nil).

Under the Law of the PRC on EIT, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred tax has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained earnings of the PRC subsidiaries amounting to approximately RMB101,773,000 as at 30 June 2024 (six months ended 30 June 2023: RMB105,244,000), as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

## 10. DIVIDENDS

No dividend was paid/declared or proposed for ordinary shareholders of the Company during the interim period, nor has any dividend been proposed since the end of the reporting period (30 June 2023: Nil).

## 11. LOSS PER SHARE

The calculation of the basic loss per share attributable to the owners of the Company is based on the following data:

	<b>For the six months ended</b>	
	<b>30 June</b>	30 June
	<b>2024</b>	2023
<b>Loss</b>		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share (in RMB'000) (Unaudited)	<u><u>2,348</u></u>	<u><u>3,252</u></u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic loss	<u><u>420,349,966</u></u>	<u><u>400,000,000</u></u>

Diluted loss per share for the six months ended 30 June 2024 and 2023 was the same as the basic loss per share as there were no dilutive potential ordinary shares in existence during the six months ended 30 June 2024 and 2023.

## 12. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Equipment	Furniture and fixtures	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>COST</b>								
At 1 January 2023 (audited)	32,843	49,595	11,822	1,177	2,241	24,331	-	122,009
Additions	757	-	-	53	621	216	19,316	20,963
Disposals	-	-	-	-	-	(3,391)	-	(3,391)
Transfer	8,976	10,340	-	-	-	-	(19,316)	-
At 31 December 2023 and 1 January 2024 (unaudited)	42,576	59,935	11,822	1,230	2,862	21,156	-	139,581
Additions	-	-	-	5	38	6	-	49
Disposals	-	-	-	-	-	(1,907)	-	(1,907)
At 30 June 2024 (unaudited)	42,576	59,935	11,822	1,235	2,900	19,255	-	137,723
<b>ACCUMULATED DEPRECIATION</b>								
At 1 January 2022 (audited)	8,408	17,010	7,212	765	1,546	14,333	-	49,274
Provided for the year	1,798	4,315	1,369	117	452	1,669	-	9,720
Disposals	-	-	-	-	-	(2,485)	-	(2,485)
At 31 December 2023 and 1 January 2024 (audited)	10,206	21,325	8,581	882	1,998	13,517	-	56,509
Provided for the period	1,255	2,474	787	61	198	760	-	5,535
Disposals	-	-	-	-	-	(1,429)	-	(1,429)
At 30 June 2024 (unaudited)	11,461	23,799	9,368	943	2,196	12,848	-	60,615
<b>CARRYING VALUES</b>								
At 30 June 2024 (unaudited)	<u>31,115</u>	<u>36,136</u>	<u>2,454</u>	<u>292</u>	<u>704</u>	<u>6,407</u>	<u>-</u>	<u>77,108</u>
At 31 December 2023 (audited)	<u>32,370</u>	<u>38,610</u>	<u>3,241</u>	<u>348</u>	<u>864</u>	<u>7,639</u>	<u>-</u>	<u>83,072</u>

### 13. RIGHT-OF-USE ASSETS

	<b>Leasehold lands</b> <i>RMB'000</i>	<b>Building</b> <i>RMB'000</i>	<b>Motor vehicles</b> <i>RMB'000</i> <i>(Note)</i>	<b>Total</b> <i>RMB'000</i>
<b>COST</b>				
At 1 January 2023 (audited)	45,500	126	10,253	55,879
Additions	<u>836</u>	<u>–</u>	<u>143</u>	<u>979</u>
At 31 December 2023 and 1 January 2024 (audited)	46,336	126	10,396	56,858
Additions	<u>–</u>	<u>–</u>	<u>1,372</u>	<u>1,372</u>
<b>At 30 June 2024 (unaudited)</b>	<b><u>46,336</u></b>	<b><u>126</u></b>	<b><u>11,768</u></b>	<b><u>58,230</u></b>
<b>ACCUMULATED DEPRECIATION</b>				
At 1 January 2023 (audited)	5,334	90	3,517	8,941
Charges for the year	<u>1,466</u>	<u>22</u>	<u>1,270</u>	<u>2,758</u>
At 31 December 2023 and 1 January 2024 (audited)	6,800	112	4,787	11,699
Charges for the period	<u>747</u>	<u>11</u>	<u>668</u>	<u>1,426</u>
<b>At 30 June 2024 (unaudited)</b>	<b><u>7,547</u></b>	<b><u>123</u></b>	<b><u>5,455</u></b>	<b><u>13,125</u></b>
<b>CARRYING VALUES</b>				
<b>At 30 June 2024 (unaudited)</b>	<b><u>38,789</u></b>	<b><u>3</u></b>	<b><u>6,313</u></b>	<b><u>45,105</u></b>
At 31 December 2023 (audited)	<u>39,536</u>	<u>14</u>	<u>5,609</u>	<u>45,159</u>

*Note:*

As at 30 June 2024 and 31 December 2023, all motor vehicles in right-of-use assets are under hire-purchase arrangement with purchase options. The Group is reasonably certain to exercise the purchase options and the exercise price of purchase options, if any, were included in lease liabilities.

#### 14. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<b>30 June 2024</b>	31 December 2023
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Trade receivables	78	39
Other receivables	1,902	1,471
Less: allowance for expected credit loss	<u>(1,428)</u>	<u>(1,428)</u>
Other receivables, net of expected credit loss	474	43
Prepayments	<u>514</u>	<u>7,680</u>
	1,066	7,762
Less: Prepayment for property, plant and equipment classified as non-current assets	<u>(180)</u>	<u>(360)</u>
Current portion	<u><b>886</b></u>	<u><b>7,402</b></u>

The Group's payment methods with its customers for provision of driving training service are mainly on cash and through online payment platforms. Generally, the course enrollment fees are billed in advance with no credit period granted to customers. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

The following is an ageing analysis of trade receivables presented based on the invoice dates:

	<b>30 June 2024</b>	31 December 2023
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
0 – 30 days	<u><b>78</b></u>	<u><b>39</b></u>

The trade and other receivables and deposits are all denominated in the functional currency of the respective entities in the Group.

## 15. TRADE AND OTHER PAYABLES AND ACCRUALS

	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Audited)
Trade payables ( <i>Note</i> )	1,592	981
Construction costs payables	2,776	3,125
Accrued salaries and other staff cost	3,034	2,525
Accrued directors' remuneration	2,336	2,186
Examination fees payables	1,233	1,384
Other tax payables	1,178	1,263
Other payables	657	3,910
	<u>12,806</u>	<u>15,374</u>

### *Note:*

No credit period is granted by the trade creditors. Trade payables are normally settled within 30 days from the invoice date.

The following is an ageing analysis of trade payables presented based on the invoice date.

	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Audited)
0 – 60 days	721	595
61 – 90 days	456	109
91 – 120 days	228	90
121 – 365 days	–	–
Over 365 days	187	187
	<u>1,592</u>	<u>981</u>

## 16. LEASE LIABILITIES

Lease liabilities are presented in the condensed consolidated statement of financial position as follows:

	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Audited)
Lease liabilities payable:		
Within one year	1,908	1,466
Within a period of more than one year but not exceeding two years	1,218	1,292
Within a period of more than two years but not exceeding five years	1,248	1,037
Over five years	<u>305</u>	<u>368</u>
	<b>4,679</b>	4,163
Less: Future finance charges	<u>(635)</u>	<u>(688)</u>
Present value of lease liabilities	<b>4,044</b>	3,475
Less: Amounts due for settlement within twelve months from the end of the reporting period (shown under current liabilities)	<u>(1,612)</u>	<u>(1,158)</u>
Amounts due for settlement after twelve months from the end of the reporting period (shown under non-current liabilities)	<u><b>2,432</b></u>	<u>2,317</u>

The weighted average incremental borrowing rates applied to lease liabilities range from 5.4% to 12.8% (2023: 5.4% to 12.8%). All leases are entered at fixed prices. The Group does not face significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

## 17. DEFERRED TAX LIABILITIES/(ASSETS)

The following are the major deferred tax liabilities/(assets) recognised and movements thereon during the six months ended 30 June 2024.

	Right-of-use assets RMB'000	Lease liabilities RMB'000	Temporary difference on depreciation of property, plant and equipment RMB'000	Temporary difference on interest capitalisation RMB'000	Revenue recognition RMB'000	Deductible tax losses RMB'000	Total RMB'000
At 1 January 2023	274	(274)	3,498	1,748	2,265	(1,389)	6,122
Charged/(credited) to profit or loss	134	(136)	(734)	(148)	(207)	(222)	(1,313)
At 31 December 2023 and 1 January 2024	408	(410)	2,764	1,600	2,058	(1,611)	4,809
Charged/(credited) to profit or loss	(41)	27	(360)	(74)	408	-	(40)
At 30 June 2024	<u>367</u>	<u>(383)</u>	<u>2,404</u>	<u>1,526</u>	<u>2,466</u>	<u>(1,611)</u>	<u>4,769</u>

## 18. SHARE CAPITAL

	Number of Shares	Share capital RMB'000
Ordinary shares of HK\$0.01 each		
<b>Authorised</b>		
At 1 January 2023, 31 December 2023, 1 January 2024 and 30 June 2024	<u>10,000,000,000</u>	<u>90,179</u>
<b>Issued and fully paid</b>		
At 1 January 2023, 31 December 2023 and 1 January 2024	400,000,000	3,608
Issuance of shares upon the Rights Issue ( <i>Note</i> )	<u>35,958,192</u>	<u>331</u>
At 30 June 2024	<u>435,958,192</u>	<u>3,939</u>

*Note:*

On 16 January 2024, the Company proposed to conduct the Rights Issue on the basis of one (1) Rights Share for every two (2) Shares held at the subscription price of HK\$0.2 per Rights Share, to raise gross proceeds of up to approximately HK\$40.0 million before expenses, by way of the Rights Issue of up to 200,000,000 Rights Shares. On 20 March 2024, a total of 35,958,192 Rights Shares were issued and allotted at HK\$0.20 per Rights Share pursuant to the Rights Issue. Upon completion of the Rights Issue, the issued share capital of the Company comprises 435,958,192 Shares of HK\$0.01 each and the total amount of paid-up share capital became approximately HK\$4,360,000 (equivalent to approximately RMB3,939,000). The gross proceeds raised from the Rights Issue were approximately HK\$7,192,000 and the net proceeds from the Rights Issue after deducting the relevant expenses are approximately HK\$6,062,000, of which approximately HK\$5,702,000 (equivalent to approximately RMB5,278,000) are credited to the Company's equity under share premium.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

We are a provider of driving training service based in Zhumadian city, Henan province, the PRC. We engage in the provision of driving training services through our two major operating subsidiaries, namely Shun Da School and Tong Tai School. Shun Da School is a qualified level II driving school established and commenced operation in 2012 which offers driving training services for preparation for driving tests of Small Vehicles. Tong Tai School is a qualified level I driving school established and commenced operation in 2014 which offers driving training services for preparation for driving tests of both Large Vehicles and Small Vehicles.

Tong Tai School and Shun Da School are currently offering two types of driving training courses for our trainees, namely standard courses and premium courses. Standard courses are designed for trainees who wish to complete only part of the minimum training hours requirements with lower course fees and less training hours. Trainees, who have enrolled in our standard courses, wish to fulfil the minimum training hours requirements, or for other reasons wish to have further training, may subscribe from the respective school for additional training services on an hourly basis. Premium courses offer to trainees driving training for a number of training hours that is equal to the minimum training hours requirements specified in the Driving Training Curriculum. Our premium courses comprised holidays and weekends courses, economy courses and VIP courses. Our VIP courses for Large Vehicles provide different complimentary supporting services including pick-up services and/or accommodation services.

Throughout the year ended 31 December 2023 and first half of 2024, our overall number of course enrollments and number of trainees attended our driving courses declined mainly due to the continuous decline in the number of course enrollments for our driving courses of Large Vehicles. We recorded an overall negative growth for both the total number of course enrollment for, and the total number of trainees attended on, our driving courses for the six months ended 30 June 2024, as comparing to that for the corresponding period in 2023. This overall deterioration in our business performance is the effect of decrease in the actual number of training hours provided by the Group during the six months ended 30 June 2024 due to the decrease in the demand for driving courses, which had a significant impact on the number of course enrollments of Large Vehicles especially, due to the continuing deterioration of the market conditions of the logistics industry as a result of the continuous US-China trade tensions and the lower threshold for existing Small Vehicles driving schools to enter into the sector of driving training services offering Large Vehicles driving courses which intensified the keen competition in the driving training services market.

Our total number of course enrollments recorded an overall decrease of 12.4% from 5,404 for the six months ended 30 June 2023 to 4,736 for the six months ended 30 June 2024. Both Tong Tai School and Shun Da School marked negative growth in the overall number of course enrollments for the six months ended 30 June 2024, as comparing to that for the six months ended 30 June 2023. The total number of course enrollments of Shun Da School amounted to 511 (six months ended 30 June 2023: 863), representing a significant decrease of approximately 40.8% due to the restructure of the training location of the Group. The total number of course enrollments of Tong Tai School amounted to 4,225 (six months ended 30 June 2023: 4,541), representing a slight decrease of approximately 7.0%. The overall decrease in the number of course enrollments of both Large Vehicles and Small Vehicles is mainly attributable to the decrease in the demand for driving courses of Large Vehicles especially, which has been our primary source of revenue accounting for approximately 75.0% of our total revenue for the six months ended 30 June 2024, due to the continuing deterioration of the market conditions of the logistics industry as a result of the continuous US-China trade tensions and the lower threshold for existing Small Vehicles driving schools to enter into the sector of driving training services offering Large Vehicles driving courses which intensified the keen competition in the driving training services market.

The overall number of course enrollments for standard courses of both Large Vehicles and Small Vehicles increased by approximately 184.7% from 1,128 for the six months ended 30 June 2023 to 3,211 for the six months ended 30 June 2024 due to our newly designed driving courses of both Large Vehicles and Small Vehicles with lower course fees providing less or without training hours has captured the market share resulting from our sales and marketing and promotion activities throughout the year 2023 and first half of 2024.

The following table sets out a breakdown of the number of course enrollments by our trainees and by types of courses for the six months ended 30 June 2024, together with the comparative figures for the corresponding period in 2023:

	<b>For the six months ended 30 June</b>			
	<b>2024</b>		<b>2023</b>	
	<i><b>Number of course enrollments</b></i>	<i><b>%</b></i>	<i><b>Number of course enrollments</b></i>	<i><b>%</b></i>
<b>Tong Tai School</b>				
Large Vehicles				
– Standard courses	<b>1,689</b>	<b>35.7</b>	45	0.8
– Premium courses	<b>7</b>	<b>0.1</b>	2,307	42.7
Small Vehicles				
– Standard courses	<b>1,141</b>	<b>24.1</b>	371	6.9
– Premium courses	<b>1,388</b>	<b>29.3</b>	1,818	33.6
<b>Shun Da School</b>				
Small Vehicles				
– Standard courses	<b>381</b>	<b>8.0</b>	712	13.2
– Premium courses	<b>130</b>	<b>2.8</b>	151	2.8
Total	<b><u>4,736</u></b>	<b><u>100.0</u></b>	<b><u>5,404</u></b>	<b><u>100.0</u></b>
<b>Course</b>				
Total standard courses	<b>3,211</b>	<b>67.8</b>	1,128	20.9
Total premium courses	<b>1,525</b>	<b>32.2</b>	4,276	79.1
Total	<b><u>4,736</u></b>	<b><u>100.0</u></b>	<b><u>5,404</u></b>	<b><u>100.0</u></b>
<b>Driving school</b>				
Tong Tai School	<b>4,225</b>	<b>89.2</b>	4,541	84.0
Shun Da School	<b>511</b>	<b>10.8</b>	863	16.0
Total	<b><u>4,736</u></b>	<b><u>100.0</u></b>	<b><u>5,404</u></b>	<b><u>100.0</u></b>
<b>Driving course</b>				
Large Vehicles	<b>1,696</b>	<b>35.8</b>	2,352	43.5
Small Vehicles	<b>3,040</b>	<b>64.2</b>	3,052	56.5
Total	<b><u>4,736</u></b>	<b><u>100.0</u></b>	<b><u>5,404</u></b>	<b><u>100.0</u></b>

We recorded an overall decrease in both the number of trainees attended our driving courses and total revenue for the six months ended 30 June 2024. The overall number of trainees who attended our driving courses for the six months ended 30 June 2024 amounted to 5,469 (six months ended 30 June 2023: 6,213), representing a decrease of approximately 12.0%. The total revenue of the Group for the six months ended 30 June 2024 amounted to approximately RMB18.1 million (six months ended 30 June 2023: approximately RMB23.4 million), also representing a decrease of approximately 22.5%. The overall decrease in revenue was attributable to a decrease in each of the number of trainees who attended our driving courses and the actual number of training hours of our trainees for the six months ended 30 June 2024 which offset the positive effect of the overall increase in the average course fees per hour for our driving courses as a result of the higher average course fees per hour for our standard courses recognised as revenue for the six months ended 30 June 2024. Our provision of driving training services for Large Vehicles continued to be our primary source of revenue, accounting for approximately 75.0% of our total revenue (six months ended 30 June 2023: 80.2%). Revenue generated from premium courses of Large Vehicles contributed to approximately 20.0% of our total revenue (six months ended 30 June 2023: 79.2%) and revenue generated from standard courses of Large Vehicles contributed to approximately 54.5% of our total revenue (six months ended 30 June 2023: 0.4%).

The following table sets out a breakdown of the number of trainees attended our driving courses, as well as our revenue by types of vehicles and types of driving courses for the six months ended 30 June 2024, together with the comparative figures for the six months ended 30 June 2023:

	For the six months ended 30 June					
	2024			2023		
	<i>Number of trainees attended</i>	<i>RMB'000</i>	<i>%</i>	<i>Number of trainees attended</i>	<i>RMB'000</i>	<i>%</i>
<b>Large Vehicles</b>						
– Standard courses	1,657	9,897	54.5	69	92	0.4
– Premium courses	649	3,628	20.0	2,792	18,562	79.2
– Additional training services	N/A	82	0.5	N/A	131	0.6
Sub-total	<u>2,306</u>	<u>13,607</u>	<u>75.0</u>	<u>2,861</u>	<u>18,785</u>	<u>80.2</u>
<b>Small Vehicles</b>						
– Standard courses	997	366	2.0	1,168	468	2.0
– Premium courses	2,166	4,085	22.5	2,184	4,084	17.4
– Additional training services	N/A	89	0.5	N/A	88	0.4
Sub-total	<u>3,163</u>	<u>4,540</u>	<u>25.0</u>	<u>3,352</u>	<u>4,640</u>	<u>19.8</u>
Total	<u><u>5,469</u></u>	<u><u>18,147</u></u>	<u><u>100.0</u></u>	<u><u>6,213</u></u>	<u><u>23,425</u></u>	<u><u>100.0</u></u>

## **Future Development and Prospects**

Tough challenges have continued to pose shadows over the business environment of the driving training industry since the first half of 2024, however, our Group still persist in exploring new sources of course enrollments as our core of work, as well as strengthening internal control and management as our basic principle, carefully analysing and judging the current situation and disciplines of the driving training services market, and adopting all possible methods and measures to increase the number of course enrollments to stabilise our economic income and ensure a rational market operation.

The Group believes that the major reasons for encountering difficulties in exploring new sources of course enrollments in the first half of 2024 are:

Regulatory changes were introduced by the PRC government relating to the setting-up of driving schools in the PRC since the third quarter of 2021, which lowered the threshold for existing Small Vehicles driving schools to enter into the sector of driving training services offering Large Vehicles which intensified the keen competition in the driving training services market. The number of driving schools has been increasing constantly since the third quarter of 2021, and the number of driving schools operating training and examination sites for Large Vehicles and Small Vehicles also increased at the same time, putting further pressure on Tong Tai School and Shun Da School. Under such an intense competitive environment, the number of course enrollments are progressively dispersed across various provinces. At the same time, some schools resorted to adopting disorderly price reduction measures to sustain the operation, thereby seriously disrupting the normal driving training services market and leading to an overall reduction in economic benefits in the driving training industry. Furthermore, large-scale private enterprises in the industry continued to step into the driving training services market, adopting vicious and capital-intensive competitive measures, and has directly led to the closure of certain small and medium-sized driving schools with relatively weak sources of funds.

In facing the news changes of the driving training services market, the Group has to adjust course fees through promotion to maintain market shares as well as to lower operating costs to maintain gross margins, which have resulted in a continuous decrease in revenues in the first half of 2024 compared to the first half of 2023 while the number of course enrollments has remained stable.

To overcome the challenging environment, we will be adopting the following overall strategies throughout the year 2024 to improve our business and operational performance:

Firstly, to create a more distinctive driving school with more premium services. Regarding the core task of course enrollments, we will continue to promote the concept of “Service Comes First”, use our best endeavours to strive to enhance the total number of course enrollments. Secondly, to increase investments in infrastructure and implement smart teaching. We will continue to increase capital investments in sourcing unique teaching simulators for subject 2 and subject 3 to reduce the cost of driving training to avoid the impact on profitability due to price reductions. We will also reduce training hours provided for our driving courses in response to the challenge brought by price reduction. Thirdly, to actively explore new sources of course enrollments to expand our driving training services market. In the second half of 2024, in addition to the local market in Zhumadian City, we will adopt several approaches, such as potential acquisitions, cooperation, and joint ventures to expand the course enrollments. Tong Tai School has been negotiating in succession with local driving schools in Gansu and Xinjiang provinces for possible full capital injection, profit-sharing joint ventures, or provision of management services of their operations. Among these, the Group has reached a cooperation agreement with a science and technology technical secondary school in Wuwei City, Gansu Province, whereby their students will attend Large Vehicles driving training at Tong Tai School.

The Group firmly believes that as long as we make a timely and appropriate response to the current driving training services market situation, adopt the right strategic decisions to open up new sources of course enrollments as the core, effectively optimise the two major businesses, namely training and examination, and keep on performing solid work and be pragmatic, we will achieve satisfactory results in the second half of 2024.

## Financial Review

### 1. Overview

Our overall financial performance for the six months ended 30 June 2024 has slightly improved as compared to that for the six months ended 30 June 2023. We recorded a decline in total revenue by RMB5.3 million (or approximately 22.5%) from RMB23.4 million for the six months ended 30 June 2023 to RMB18.1 million for the six months ended 30 June 2024. Our gross profit has decreased by RMB2.9 million (or approximately 45.9%) from RMB6.3 million for the six months ended 30 June 2023 to RMB3.4 million for the six months ended 30 June 2024. Gross profit margin has also decreased by 8.2 percentage points from 27.1% for the six months ended 30 June 2023 to 18.9% for six months ended 30 June 2024.

The abovementioned decreases were offset by the income tax credit of approximately RMB2.9 million for the six months ended 30 June 2024 as compared to the income tax expense of approximately RMB0.6 million for the six months ended 30 June 2023 due to the overprovision of income tax in prior years. The net loss attributable to the owners of the Company has been reduced from approximately RMB3.3 million for the six months ended 30 June 2023 to approximately RMB2.3 million for the six months ended 30 June 2024. We also recorded a net loss margin attributable to the owners of the Company of 12.9% for the six months ended 30 June 2024 as compared to the net loss margin attributable to the owners of the Company of 13.9% for the six months ended 30 June 2023. We recorded the loss before income tax of approximately RMB5.3 million for the six months ended 30 June 2024 as compared to the loss before income tax of approximately RMB2.7 million for the six months ended 30 June 2023.

## **2. Revenue**

Our revenue decreased by approximately RMB5.3 million, or approximately 22.5% from RMB23.4 million for the six months ended 30 June 2023 to RMB18.1 million for the six months ended 30 June 2024. This decrease was mainly attributable to the significant decrease in revenue generated from the provision of driving training services for Large Vehicles of approximately RMB5.2 million and the slight decrease in revenue generated from the provision of driving training services for Small Vehicles of approximately RMB0.1 million. This decline in revenue is mainly attributable to the overall decrease in each of the number of trainees who attended our driving courses and the actual number of training hours for both Large Vehicles and Small Vehicles provided by the Group during the six months ended 30 June 2024 due to the decrease in the demand for driving courses, which had a significant impact on the number of course enrollments of Large Vehicles especially, which has been our primary source of revenue accounting for approximately 75.0% of our total revenue for the six months ended 30 June 2024, due to the continuing deterioration of the market conditions of the logistics industry as a result of the continuous US-China trade tensions and the lower threshold for existing Small Vehicles driving schools to enter into the sector of driving training services offering Large Vehicles driving courses which intensified the keen competition in the driving training services market.

The revenue generated from the provision of driving training services for Large Vehicles decreased by approximately RMB5.2 million, or approximately 27.6%, from approximately RMB18.8 million for the six months ended 30 June 2023 to approximately RMB13.6 million for the six months ended 30 June 2024. The decrease was mainly attributable to the effect of the decrease in each of the number of trainees who attended our driving courses of Large Vehicles and the actual number of training hours of our trainees of Large Vehicles from 2,861 and 163,718, respectively, for the six months ended 30 June 2023 to 2,306 and 94,032, respectively, for the six months ended 30 June 2024 which offset the positive effect from the increase in the average course fees per hour of standard courses for Large Vehicles recognised as revenue during the six months ended 30 June 2024 as a result of the increase in the number of trainees attended our standard courses of Large Vehicles with less training hours.



The revenue generated from the provision of driving training services for Small Vehicles has slightly decreased by approximately RMB0.1 million, or approximately 2.2%, from approximately RMB4.6 million for the six months ended 30 June 2023 to approximately RMB4.5 million for the six months ended 30 June 2024. Such decrease was mainly attributable to the lower average course fees per hour recognised as revenue during the six months ended 30 June 2024 due to the decrease in the number of trainees attended our standard courses of Small Vehicles which has been contributed a higher gross profit margin. The overall number of trainees who attended our driving courses of Small Vehicles decreased from 3,352 for the six months ended 30 June 2023 to 3,163 for the six months ended 30 June 2024 despite the actual number of training hours of our trainees of Small Vehicles increased from 57,124 for the six months ended 30 June 2023 to 60,280 for the six months ended 30 June 2024.

### **3. *Cost of services rendered***

For the six months ended 30 June 2024 and 2023, our Group's cost of services rendered amounted to approximately RMB14.7 million and RMB17.1 million, respectively. Our cost of services rendered mainly comprises employee benefit expenses paid to our driving instructors and other supporting staff, depreciation on property, plant and equipment and rights-of-use assets and fuel expenses. Our cost of services rendered decreased by approximately RMB2.4 million, or approximately 13.8%, from approximately RMB17.1 million for the six months ended 30 June 2023 to approximately RMB14.7 million for the six months ended 30 June 2024.

Employee benefit expenses decreased by approximately RMB1.7 million, or approximately 27.8%, from approximately RMB6.1 million for the six months ended 30 June 2023 to approximately RMB4.4 million for the six months ended 30 June 2024 which was mainly attributable to the decrease in salaries paid to our driving instructors and other supporting staff in line with the decrease in the actual number of training hours of our trainees. Our fuel expenses decreased by approximately RMB1.5 million, or approximately 34.1%, from approximately RMB4.4 million for the six months ended 30 June 2023 to approximately RMB2.9 million for the six months ended 30 June 2024, in line with the decrease in the actual number of training hours of our trainees. Our depreciation on property, plant and equipment and rights-of-use assets increased by approximately RMB0.8 million, or approximately 15.7%, from approximately RMB5.2 million for the six months ended 30 June 2023 to approximately RMB6.0 million for the six months ended 30 June 2024 as result of the increase in fixed depreciation charges of our training field and training motor vehicles and the amortisation charges of right-of-use assets.

#### **4. Gross profit and gross profit margin**

Our overall gross profit from the provision of driving training services significantly decreased by approximately RMB2.9 million, or approximately 45.9%, from approximately RMB6.3 million for the six months ended 30 June 2023 to approximately RMB3.4 million for the six months ended 30 June 2024 in line with the decrease in the revenue. Our gross profit margin from the provision of driving training services decreased by approximately 8.2 percentage points from approximately 27.1% for the six months ended 30 June 2023 to approximately 18.9% for the six months ended 30 June 2024. Our overall decrease in gross profit and gross profit margin was mainly attributable to (i) the overall decrease in the course fees and in each of the number of trainees who attended our driving courses and the actual number of training hours and (ii) the fixed depreciation charges of our training field and training motor vehicles and amortization charges of right-of-use assets, despite the overall increase in the average course fees per hour for our driving courses due to the increased number of trainees attended our standard courses of Large Vehicles.

Our gross profit for provision of driving training services for Large Vehicles decreased by approximately RMB2.6 million, or approximately 53.0%, from approximately RMB5.0 million for the six months ended 30 June 2023 to approximately RMB2.3 million for the six months ended 30 June 2024. Our gross profit margin from the provision of driving training services for Large Vehicles decreased by approximately 9.4 percentage points from approximately 26.5% for the six months ended 30 June 2023 to approximately 17.1% for the six months ended 30 June 2024. The decrease in both gross profit and gross profit margin was mainly attributable to (i) the overall decrease in each of the number of trainees who attended our driving courses and the actual number of training hours and (ii) the fixed depreciation charges of our training field and training motor vehicles and the amortisation charges of right-of-use assets.

Our gross profit for provision of driving training services for Small Vehicle decreased by approximately RMB0.3 million, or approximately 20.3%, from approximately RMB1.4 million for the six months ended 30 June 2023 to approximately RMB1.1 million for the six months ended 30 June 2024. Our gross profit margin from the provision of driving training services for Small Vehicles decreased by approximately 5.5 percentage points from approximately 29.7% for the six months ended 30 June 2023 to approximately 24.2% for the six months ended 30 June 2024. The decrease in both gross profit and gross profit margin was mainly attributable to the lower course fees and average course fees per hour due to the decrease in the number of trainees attended our standard courses of Small Vehicles which has been contributed a higher gross profit margin.

## **5. *Other income and losses, net***

Our other income and losses, net decreased by approximately RMB0.5 million, or approximately 53.9%, from approximately RMB0.9 million for the six months ended 30 June 2023 to approximately RMB0.4 million for the six months ended 30 June 2024 which was mainly attributable to the decrease in income from issuance of certificate of qualification validation from approximately RMB0.3 million received for the six months ended 30 June 2023 to RMB nil for the six months ended 30 June 2024 and the decrease in income on expiry of driving courses from approximately RMB0.5 million for the six months ended 30 June 2023 to approximately RMB0.2 million for the six months ended 30 June 2024 which was offset by the decrease in loss on disposal of training motor vehicles of Large Vehicles and Small Vehicles from approximately RMB165,000 for the six months ended 30 June 2023 to approximately RMB41,000 for the six months ended 30 June 2024.

## **6. *Selling and marketing expenses***

Our selling and marketing expenses decreased by approximately RMB0.1 million, or approximately 7.8%, from approximately RMB1.0 million for the six months ended 30 June 2023 to approximately RMB0.9 million for the six months ended 30 June 2024 which was mainly attributable to the decrease in employees benefit expenses to our sales employees in line with the decrease in revenue.

## **7. *Administrative expenses***

Our administrative expenses decreased by approximately RMB0.3 million, or approximately 4.3%, from approximately RMB6.7 million for the six months ended 30 June 2023 to approximately RMB6.4 million for the six months ended 30 June 2024 which was mainly attributable to the decrease in local tax surcharge in line with the decrease in revenue.

## **8. *Finance costs***

Our finance costs decreased by approximately RMB0.4 million, or approximately 19.3%, from approximately RMB2.3 million for the six months ended 30 June 2023 to approximately RMB1.8 million for the six months ended 30 June 2024 which was mainly attributable to the repayment of a bank borrowing during the period.

## **9. *Income tax credit***

We recorded an income tax credit for the six months ended 30 June 2024 of approximately RMB2.9 million as compared to our income tax expense for the six months ended 30 June 2023 of approximately RMB0.6 million, which was mainly attributable to the overprovision of income tax in prior years.

## **10. *Loss and total comprehensive expense for the period***

As a result of the above factors, we recorded the net loss attributable to the owners of the Company of approximately RMB2.3 million for the six months ended 30 June 2024 as compared to the net loss attributable to the owners of the Company of approximately RMB3.3 million for the six months ended 30 June 2023 which was mainly attributable to (i) the overall decrease in each of the number of trainees who attended our driving courses as well as the actual number of training hours; and (ii) the lower gross profit margin of Large Vehicles due to the fixed depreciation charges of our training field and training motor vehicles and the amortisation charges of right-of-use assets, which was offset by the income tax credit recognised for the six months ended 30 June 2024. Accordingly, we recorded a net loss margin attributable to the owners of the Company of 12.9% for the six months ended 30 June 2024 as compared to the net loss margin attributable to the owners of the Company of 13.9% for the six months ended 30 June 2023.

## **11. *Liquidity and source of funding and borrowing***

The Group's bank balances and cash decreased from approximately RMB152.4 million as at 31 December 2023 to approximately RMB150.6 million as at 30 June 2024, which was mainly attributable to the increase in operating cash inflows which was offset by the increase in cash outflow from the financing activities. The Group has concentration of credit risk arising from bank balances as there was a bank which individually contributed an amount of approximately RMB149.5 million (2023: RMB124.8 million), representing 99.2% (2023: 81.9%) of the Group's bank balances as at 30 June 2024. The management considers that the credit risk on liquid funds is low as counterparties are financial institutions with good reputation and have provided financing amounted to approximately RMB26.7 million (2023: RMB26.7 million) to the Group.

As at 30 June 2024, the current assets of the Group amounted to approximately RMB151.5 million, including approximately RMB150.6 million in bank balances and cash and approximately RMB0.9 million in trade and other receivables, deposits and prepayments. The current liabilities of the Group amounted to approximately RMB64.8 million, including approximately RMB12.8 million in trade and other payables and accruals, approximately RMB14.0 million in contract liabilities, approximately RMB0.2 million in tax liabilities, approximately RMB36.2 million in borrowings and approximately RMB1.6 million in lease liabilities. As at 30 June 2024, the current ratio of the Group, which is equivalent to the current assets divided by the current liabilities, was 2.34 (31 December 2023: 1.93).

As of 30 June 2024, the Group had aggregate interest-bearing borrowings of approximately RMB36.2 million which are repayable within one year and approximately RMB9.0 million which are repayable within a period of more than one year but not exceeding two years as compared to approximately RMB45.2 million which are repayable within one year and approximately RMB9.0 million which are repayable within a period of more than one year but not exceeding two years as of 31 December 2023. The decrease in borrowings is mainly due to the repayment of bank loan in June 2024.

## **12. *Gearing ratio***

As at 30 June 2024, the gearing ratio of the Group, which was calculated based on total debt, including all interest-bearing loans and lease liabilities divided by total equity, was approximately 0.26 times (31 December 2023: 0.30 times).

## **13. *Material investments***

The Group did not make any material investments during the six months ended 30 June 2024.

## **14. *Material acquisitions and disposals***

The Group did not make any material acquisitions and disposals during the six months ended 30 June 2024.

## **15. Capital structure**

On 16 January 2024, the Company proposed to conduct the Rights Issue on the basis of one (1) Rights Share for every two (2) Shares held at the subscription price of HK\$0.2 per Rights Share, to raise gross proceeds of up to approximately HK\$40.0 million before expenses, by way of the Rights Issue of up to 200,000,000 Rights Shares. On 20 March 2024, a total of 35,958,192 Rights Shares were issued and allotted at HK\$0.20 per Rights Share pursuant to the Rights Issue. Upon completion of the Rights Issue, the issued share capital of the Company comprises 435,958,192 Shares of HK\$0.01 each and the total amount of paid-up share capital became approximately HK\$4.4 million. The gross proceeds raised from the Rights Issue were approximately HK\$7.2 million and the net proceeds from the Rights Issue after deducting the relevant expenses are approximately HK\$6.1 million. As disclosed in the prospectus of the Company dated 20 February 2024, the Company intends to apply the net proceeds from the Rights Issue for the partial repayment of the outstanding bank borrowings of the Group.

As at 30 June 2024, the Company's total number of issued Shares was 435,958,192 of HK\$0.01 each. On 23 October 2019, the Company issued 100,000,000 ordinary shares at HKD1.28 per offer share from the share offer. The use of proceeds from the share offer was for business expansion and general working capital.

## **16. Borrowings and pledge of assets**

As of 30 June 2024, the Group had aggregate interest-bearing borrowings of approximately RMB45.2 million as compared to approximately RMB54.2 million as of 31 December 2023. The borrowings of RMB36.2 million are repayable within one year and approximately RMB9.0 million are repayable within a period of more than one year but not exceeding two years.

As of 30 June 2024, the Group's borrowings of approximately RMB45.2 million were at fixed interest rates. As of 30 June 2024, the non-current portion and current portion borrowings of the Group amounting to approximately RMB9.0 million and approximately RMB36.2 million, respectively, were guaranteed and pledged by certain prepaid land lease payments/rights-of-use assets, office buildings and the operation rights of certain subsidiaries of the Group.

## **17. *Contingent liabilities***

As at 30 June 2024, our Group did not have any material contingent liabilities or guarantees and no member of our Group was involved in any claim, litigation or arbitration of material importance and no claim, litigation or arbitration of material importance is known to our Directors to be pending or threatened against any member of our Group. Accordingly, no provision for the contingent liabilities in respect of litigation is necessary.

## **18. *Foreign exchange exposure***

As at 30 June 2024, the Group's exposure to foreign currency risk related primarily to certain bank balances and other payables denominated in HK\$. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign currency exposure and will consider hedging foreign currency exposure should the need arises.

## **19. *Employee and Remuneration Policy***

As at 30 June 2024, we had 220 employees, representing a slight increase from that of 210 employees as at 31 December 2023. The number of employees employed by the Group varies from time to time depending on need. Employees' remuneration is determined in accordance with prevailing industry practice and employees' working experiences and performance. The remuneration policy and package of the Group's employees are periodically reviewed. As required by the PRC laws and regulations, the Company participates in various employee social security plans for its employees that are administered by local governments, including among others, housing provident funds, pensions, medical insurance, social insurance and unemployment insurance.

Compensation of key executives of the Group is determined by the Company's remuneration committee which reviews and recommends to the Board of Directors the executives' compensation based on the Group's performance and the executives' respective contributions to the Group.

The Company has also adopted a share option scheme. For details, please refer to the section headed "Statutory and General Information – D. Share Option Scheme" in Appendix V to the Prospectus.

The total employees benefit expenses incurred by the Group for the six months ended 30 June 2024 was approximately RMB7.3 million (for the six months ended 30 June 2023: approximately RMB9.0 million).

The following table sets forth the total number of Directors and employees by function as at 30 June 2024:

<b>Function</b>	<i>Number of employees</i>	<i>% of the total</i>
Directors	6	2.7
Driving instructors	130	59.0
Sale and marketing	21	9.5
Finance and accounting	6	2.7
Teaching affair office	21	9.5
Administration	32	14.5
Vehicle management	4	1.8
	<hr/>	<hr/>
Total	<u>220</u>	<u>100.0</u>

## **SUBSEQUENT EVENTS**

There are no material events subsequent to 30 June 2024 which would materially affect the operating and financial performance of the Group as of the date of this announcement.

## **USE OF PROCEEDS**

On 24 October 2019, the Shares were listed on the Main Board of the Stock Exchange. The net proceeds from the IPO were approximately HK\$108.4 million after deducting the underwriting fees, the Stock Exchange trading fee, Securities and Future Commission transaction levy for the new shares in the Company and the listing and other expenses in connection with the IPO.



As at 30 June 2024, a total of approximately HK\$40.6 million had been utilised by the Group according to the allocation set out hereinbelow:

	<b>% of net proceeds</b>	<b>Net proceeds from IPO HK\$'000</b>	<b>Utilisation during the period from the listing date (i.e 24 October 2019) to 30 June 2024 HK\$'000</b>	<b>Unutilised amount as at 30 June 2024 HK\$'000</b>	<b>Expected timeframe for intend use HK\$'000</b>
Acquisition of a parcel of land	45.7	49,547	–	49,547	By the end of December 2024
Construction of training fields	12.3	13,333	–	13,333	By the end of December 2024
Purchase of training vehicles	9.7	10,517	8,462	2,055	By the end of December 2024
Recruitment and training costs for 40 new driving instructors	9.6	10,408	7,547	2,861	By the end of December 2024
Repayment of bank loans	12.7	13,769	13,769	–	–
Working capital and general corporate purposes	10.0	10,844	10,844	–	–
Total	<u>100.0</u>	<u>108,418</u>	<u>40,622</u>	<u>67,796</u>	

The Board does not anticipate any changes to the intended use of net proceeds as previously disclosed in the Prospectus.

*Note:*

To prepare for the increase in demand for driving courses, it is the Company's current intention to increase its training capacity by acquiring a parcel of land and constructing training fields in accordance with the future plans and use of proceeds as disclosed in the Prospectus. The Company believes that the new training fields will provide additional operational capacity which will allow Tong Tai School to offer desirable and flexible training hours for its trainees and attract new trainees in the future, which may strengthen the market position of Tong Tai School in the driving training industry. However, as a result of COVID-19 pandemic, there was insufficient commercial land supply during the years 2020 to 2023 and the Company had been unable to identify a suitable land parcel. The Company will continue to actively locate a suitable land parcel and with recovery of the Chinese economy from COVID-19 pandemic, the Company expects to identify and acquire the suitable land parcel by the end of 2024.

## **USE OF PROCEEDS FROM RIGHTS ISSUE**

The net proceeds from rights issue amounted to approximately HK\$6.1 million. The below table sets out the intended use of net proceeds and utilisation of the net proceeds as at 30 June 2024:

	<b>Intended use of net proceeds HK\$'000</b>	<b>Amount of the net proceeds utilised as at 30 June 2024 HK\$'000</b>	<b>Balance of the net proceeds unutilised as at 30 June 2024 HK\$'000</b>	<b>Expected timeline for utilising the unutilised proceeds HK\$'000</b>
Part repayment of the outstanding bank borrowings of the Group	<u>6,100</u>	<u>6,100</u>	<u>–</u>	<u>–</u>

## **INTERIM DIVIDEND**

The Board does not recommend the payment of any interim dividend to Shareholders for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the six months ended 30 June 2024, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

### **1. Compliance with the code provisions set out in the Corporate Governance Code**

The Company is committed to maintaining a high corporate governance standard to enhance the transparency, accountability and corporate value of the Company and safeguard the interests of the Shareholders. The Company has adopted the principles and code provisions in the Corporate Governance Code as fundamental guidelines for the corporate governance practices of the Company.

During the six months ended 30 June 2024, the Company has complied with all applicable code provisions set out in the Corporate Governance Code. The Company will continue to review and monitor the corporate governance practices of the Company to ensure compliance with the Corporate Governance Code and maintain high standard of corporate governance practices.

### **2. Directors' Securities Transactions**

The Company has adopted Model Code as its code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code.

Having made specific enquiry of all the Directors, all the Directors have confirmed that they had complied with the required standard set out in the Model Code regarding securities transactions by the Directors and there have been no incidents of non-compliance with the required standard set out in the Model Code.

### **3. Review by the Audit Committee**

The Audit Committee consists of three members, namely Mr. Wan San Fai Vincent (as the chairman), Mr. Chan Siu Wah and Mr. Xu Jianpo, all being independent non-executive Directors.

The Audit Committee has discussed with the management in reviewing the unaudited consolidated financial statements of the Group for the six months ended 30 June 2024. The Audit Committee is of the view that such results complied with the applicable accounting standards and requirements under the Listing Rules and other applicable legal and regulatory requirements.

## **PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This announcement is published on the websites of the Stock Exchange at (www.hkexnews.hk) and the website of the Company at (www.china-oriented.com). The interim report of the Group for the six months ended 30 June 2024 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Shareholders in due course.

## **ACKNOWLEDGEMENT**

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

## **DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS**

### **Definitions**

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“Audit Committee”	The audit committee of the Company, which was established on 19 September 2019 pursuant to the resolutions of the Board;
“Board”	the board of directors of the Company;
“Company”	China Oriented International Holdings Limited (向中國國際控股有限公司), an exempted company incorporated in the Cayman Islands on 22 February 2017;
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules;
“Director(s)”	director(s) of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“IPO”	the initial public offering of the Shares, further details of which are set out in the Prospectus;
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time;
“Main Board”	the stock market operated by the Stock Exchange, which excludes GEM and the options market;
“Ministry of Public Security”	Ministry of Public Security of the PRC (中華人民共和國公安部);
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules;
“PRC”	the People’s Republic of China, which for the purpose of this announcement and for geographical reference only, excludes Hong Kong, Macau Special Administrative Region and Taiwan;
“Prospectus”	the prospectus of the Company dated 11 October 2019;
“Record Date”	Monday, 19 February 2024, the record date for the determination of the entitlements under the Rights Issue;
“Rights Issue”	the proposed issue by way of rights of one (1) Rights Share for every two (2) Shares in issue and held on the Record Date at the subscription price of HK\$0.20 per Rights Share on the terms and subject to the conditions to be set out in the prospectus of the Company dated 20 February 2024;
“Rights Share(s)”	up to 200,000,000 new share(s) of HK\$0.01 each in the share capital of the Company to be allotted and issued pursuant to the Rights Issue, assuming no change in the number of Shares in issue on or before the Record Date;

“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	holders of the Shares;
“Shares”	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of our Company, which are traded in Hong Kong dollars and listed on the Main Board of the Stock Exchange;
“Shun Da School”	Suiping County Shunda Driver Training Company Limited* (遂平縣順達駕駛員培訓有限公司), a company established in the PRC with limited liability on 25 December 2012 and an indirect wholly-owned subsidiary of our Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Tongtai Cultural”	Zhumadian Tongtai Cultural Media Company Limited* (駐馬店通泰文化傳媒有限公司), a company established in the PRC with limited liability on 2 June 2016 and an indirect wholly-owned subsidiary of the Company; and
“Tong Tai School”	Zhumadian Tongtai Large Vehicles Driver Training Company Limited* (駐馬店通泰大型機動車駕駛員培訓有限公司), a company established in the PRC with limited liability on 24 April 2014 and an indirect wholly-owned subsidiary of our Company.

\* *for identification purposes only*

## Glossary of technical terms

This glossary contains explanations of certain terms used in this announcement in connection with us and our business. These terminologies and their given meanings may not correspond to those standard meanings and usage adopted in the industry.

“A1 Vehicles”	large passenger vehicles, being a type of vehicles classified by the Ministry of Public Security;
“A2 Vehicles”	large trailer vehicles with a total mass equal to or more than 4.5 metric tonnes, being a type of vehicles classified by the Ministry of Public Security;
“A3 Vehicles”	vehicles for carrying 10 or more passengers as city buses, being a type of vehicles classified by the Ministry of Public Security;
“B1 Vehicles”	medium passenger vehicles with a capacity for 10-19 passengers, being a type of vehicles classified by the Ministry of Public Security;
“B2 Vehicles”	large and medium sized trucks and large and medium sized working vehicles, being a type of vehicles classified by the Ministry of Public Security;
“C1 Vehicles”	small manual vehicles, light-goods manual vehicles and light-duty manual working vehicles, being a type of vehicles classified by the Ministry of Public Security;
“C2 Vehicles”	small automatic vehicles, light-goods automatic vehicles and light-duty automatic working vehicles, being a type of vehicles classified by the Ministry of Public Security;
“C6 Vehicles”	trailer vehicles with a total mass of less than 4.5 metric tonnes, being a type of vehicles classified by the Ministry of Public Security;
“Large Vehicles”	A1 Vehicles, A2 Vehicles, A3 Vehicles, B1 Vehicles and B2 Vehicles, which are generally used as commercial vehicles;

“qualified level I driving school”	a driving school possessing, among others, more than 80 training vehicles, and is qualified under the Qualifications of Motor Vehicle Driving Training Institutions (機動車駕駛員培訓機構資格條件) to provide driving training services in the PRC;
“qualified level II driving school”	a driving school possessing, among others, more than 40 driving vehicles, and is qualified under the Qualifications of Motor Vehicle Driving Training Institutions (機動車駕駛員培訓機構資格條件) to provide driving training services in the PRC; and
“Small Vehicles”	C1 Vehicles, C2 Vehicles and C6 Vehicles, which are generally used as private and/or commercial vehicles.

By order of the Board  
**China Oriented International Holdings Limited**  
**Qi Xiangzhong**  
*Chairman and Executive Director*

29 August 2024

*As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Qi Xiangzhong and Ms. Zhao Yuxia; one non-executive Director, namely Dr. Yeung Cheuk Kwong; and three independent non-executive Directors, namely Mr. Chan Siu Wah, Mr. Wan San Fai Vincent and Mr. Xu Jianpo.*