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Minsheng Education Group Company Limited
民生教育集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code:1569)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS

	Six months ended 30 June			
	2017	2016	**Change**	Percentage
	RMB'000	*RMB'000*	***RMB'000***	Change
	(unaudited)	(audited)		
Revenue	**254,627**	242,777	**+11,850**	+4.9%
Gross profit	**166,103**	154,255	**+11,848**	+7.7%
Profit for the period	**161,063**	149,539	**+11,524**	+7.7%
Core net profit *(Note)*	**176,526**	149,539	**+26,987**	+18.0%

Note: Core net profit is defined as profit for the period of the Group after adjusting for those items which are not indicative of the Group's operating performances. For details, please refer to the section headed "Financial Review" in this announcement.

The board (the "**Board**") of directors (the "**Directors**") of Minsheng Education Group Company Limited (the "**Company**") is pleased to announce the unaudited interim condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**" and "**We**") for the six months ended 30 June 2017 together with the comparative figures for the corresponding period in 2016.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Notes	Six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Audited)
REVENUE	4	**254,627**	242,777
Cost of sales		**(88,524)**	(88,522)
Gross profit		**166,103**	154,255
Other income and gains	4	**67,741**	33,090
Selling and distribution expenses		**(2,773)**	(2,791)
Administrative expenses		**(57,793)**	(31,085)
Other expenses, net		**(10,721)**	(1,373)
Finance costs	5	**(631)**	(1,275)
Share of loss of an associate		**(62)**	(385)
PROFIT BEFORE TAX	6	**161,864**	150,436
Income tax expense	7	**(801)**	(897)
PROFIT FOR THE PERIOD		**161,063**	149,539
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Available-for-sale investments:			
Change in fair value		**1,203**	1,414
Reclassification adjustments for gains on maturity included in profit or loss		**(111)**	(5,426)
		1,092	(4,012)
Exchange differences on translation of foreign operations		**(4,011)**	(9,935)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		**(2,919)**	(13,947)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**158,144**	135,592
Profit attributable to:			
Owners of the parent	8	**161,063**	142,446
Non-controlling interests		**–**	7,093
		161,063	149,539
Total comprehensive income attributable to:			
Owners of the parent		**158,144**	128,700
Non-controlling interests		**–**	6,892
		158,144	135,592
Earnings per share attributable to ordinary equity holders of the parent:			
Basic and diluted	8	**RMB0.0452**	RMB0.0462

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	**30 June 2017**	31 December 2016
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**600,989**	611,716
Prepaid land lease payments		**105,686**	106,431
Goodwill		**303,937**	303,937
Other intangible assets		**2,331**	2,682
Investments in associates		**33,464**	20,886
Available-for-sale investment		**6,000**	6,000
Deposits for acquisition of land use rights		**15,500**	15,500
Total non-current assets		**1,067,907**	1,067,152
CURRENT ASSETS			
Inventories		**1,157**	1,260
Trade receivables	*9*	**386**	873
Prepayments, deposits and other receivables		**45,162**	45,774
Available-for-sale investments		**426,233**	143,182
Investment deposits		**221,700**	362,600
Loan to an associate		**575**	707
Cash and bank balances		**1,372,677**	602,322
Total current assets		**2,067,890**	1,156,718
CURRENT LIABILITIES			
Deferred revenue	*10*	**5,355**	263,163
Other payables and accruals	*11*	**88,680**	110,729
Deferred income – current		**9,067**	7,488
Loans from the ultimate holding company		**–**	125,413
Loans from related parties		**–**	14,073
Tax payable		**287**	77
Total current liabilities		**103,389**	520,943
NET CURRENT ASSETS		**1,964,501**	635,775
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,032,408**	1,702,927

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES		
Deferred income – non-current	**82,604**	132,015
Total non-current liabilities	**82,604**	132,015
Net assets	**2,949,804**	1,570,912
EQUITY		
Share capital	**307**	209
Reserves	**2,949,497**	1,570,703
Total equity	**2,949,804**	1,570,912

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in the Cayman Islands on 13 December 2005 as an exempted company with limited liability under the laws of the Cayman Islands. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. During the period, the Group were principally engaged in providing educational services in the People's Republic of China (the "**PRC**").

2.1 BASIS OF PREPARATION

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and interpretations) issued by the International Accounting Standards Board ("**IASB**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain available-for-sale investments, which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**"), and all values are rounded to the nearest thousand except otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial consolidated financial statements for the year ended 31 December 2016, except for the adoption of new standards and interpretations effective as of 1 January 2017.

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRS 12 included in *Annual Improvements 2014-2016 Cycle*	*Disclosure of Interests in Other Entities*

The adoption of these new and revised IFRSs has no significant effect on these interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

3. OPERATING SEGMENT INFORMATION

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

IFRS 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 reviewed the financial results of the Group as a whole. Therefore, no further information about operating segments 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 over 90% of its long-term assets/capital expenditure were located/incurred in the PRC. Accordingly, no geographical segment information is presented.

Information about major customers

No service provided to a single customer contributes 10% or more of the total revenue of the Group during the reporting period.

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the value of services rendered during the period.

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Revenue		
Tuition fees	**236,212**	225,736
Boarding fees	**18,415**	17,041
	254,627	242,777
Other income and gains		
Investment income from available-for-sale investments and investment deposits	**6,604**	15,361
Other interest income	**4,121**	709
Net rental income	**593**	121
Government grants		
– Related to assets	**4,656**	2,684
– Related to income	**49,422**	4,104
Exchange gain, net	**–**	8,170
Others	**2,345**	1,941
	67,741	33,090

The government grants are related to the subsidies received from the local government for the purpose of compensating the operating expenses arising from the schools' teaching activities and expenditures on teaching facilities. There are no unfulfilled conditions or contingencies relating to such government grants recognised.

5. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Interest on loans from the ultimate holding company and related parties	**491**	1,275
Interest on bank loans	**140**	–
	631	1,275

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Depreciation	**23,302**	19,786
Amortisation of other intangible assets	**407**	446
Minimum lease payments under operating leases	**3,451**	1,186
Recognition of prepaid land lease payments	**1,183**	635
Auditor's remuneration	**2,022**	891
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**42,283**	38,573
Pension scheme contributions (defined contribution schemes)	**13,736**	10,850
Foreign exchange differences, net	**9,096**	(8,170)
Impairment of other receivables	**–**	252
Investment income from available-for-sale investments and investment deposits	**(6,604)**	(15,361)
Other interest income	**(4,121)**	(709)
Loss on disposal of items of property, plant and equipment, net	**37**	605
Donation expense	**600**	3

7. INCOME TAX

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current – Mainland China		
Charge for the period	**801**	897

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 operated.

The Company, Minsheng Education Company Limited, Minsheng Education Services Company Limited and Minsheng Education Development Company Limited, which were incorporated in the Cayman Islands, are not subject to income tax.

Minsheng Education Development (Hong Kong) Company Limited and Hong Kong College of Technology and Business Limited, which were incorporated in Hong Kong, were subject to profits tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period.

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 PRC Corporate Income Tax Law and the respective regulations, except for the preferential tax rate of 15% under the Western Development Tax Incentive Scheme available to Chongqing Li'ang Education Services Company Limited and Chongqing Pass Education Services Company Limited, the companies of the Group which operate in Mainland China are subject to Corporate Income Tax ("**CIT**") at a rate of 25% on their respective taxable income.

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

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue, during the six months ended 30 June 2017 and 30 June 2016.

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share and diluted earnings per share for the six months ended 30 June 2016 has been retrospectively adjusted for the effect of capitalization issue in connection with the Company's initial public offering ("**IPO**") as defined in the Prospectus.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2017 and 30 June 2016.

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**161,063**	142,446

	Number of shares	
	Six months ended 30 June	
	2017	2016
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	**3,560,024,530**	3,086,061,135

9. TRADE RECEIVABLES

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Trade receivables	**386**	873

The Group's students are required to pay tuition fees and boarding fees in advance for the upcoming school year, which normally commences in September. The outstanding receivables represent amounts related to students who have applied for the delayed payment of tuition fees and boarding fees. There is no fixed term for delayed payments. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified students, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aging analysis of the trade receivables as at the end of the reporting period, based on the transaction date and net of provisions, is as follows:

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Within 1 year	**84**	211
1 to 2 years	**140**	190
2 to 3 years	**70**	265
Over 3 years	**92**	207
	386	873

Receivables that were past due but not impaired relate to a number of independent students who are in temporary financial difficulties. Based on the individual assessment, the directors are of the opinion that no provision for impairment is necessary given the various efforts of these students to raise funds.

10. DEFERRED REVENUE

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Tuition fees	**532**	237,072
Boarding fees	**4,823**	26,091
	5,355	263,163

The students are entitled to the refund of payments in relation to the proportionate service not yet provided.

11. OTHER PAYABLES AND ACCRUALS

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Accrued bonuses and other employee benefits	**18,028**	19,522
Payables for catering services	**1,517**	2,221
Payables for purchase of property, plant and equipment	**20,443**	30,321
Payables for management fee	**6,640**	12,246
Miscellaneous expenses received from students *(note (i))*	**28,549**	22,277
Other tax payable	**1,606**	2,771
Payables for listing expenses	**2,984**	6,135
Other payables	**8,913**	15,236
	88,680	110,729

Other payables are non-interest-bearing and repayable on demand.

Note (i): The amount represents the miscellaneous expenses received from students which will be paid out on behalf of students.

12. INTERIM DIVIDEND

The Board does not declare any interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview

The Company is one of the largest private provider of higher education in China, as measured by total number of student enrollment. As at 30 June 2017, the Group had an aggregate of 32,515 students enrolled at the schools we owned and operated, namely, Chongqing College of Humanities, Science and Technology, Pass College of Chongqing Technology and Business University, Chongqing Vocational College of Applied Technology and Inner Mongolia Fengzhou Vocational College (Qingcheng Branch).

Our primary focus is to provide high-quality private formal higher education in China dedicated to nurturing professional talent. We offer a comprehensive range of diverse majors and courses, including through our collaborative relationships and cooperative education programs with local businesses and government agencies, through which we strive to improve our students' theoretical literacy and practical technique and career prospects. As a result, we have achieved high initial graduate employment rates for the schools we owned and operated. We attribute the relatively high initial graduate employment rates we have achieved to the effectiveness of our education, which we believe will continue to elevate our brand recognition and help us attract talented students.

Our Schools

As at 30 June 2017, the Group operated four schools in the PRC, three of which are located in Chongqing and the other school is situated in Inner Mongolia. Through these schools, we primarily offer formal higher education, including formal undergraduate education and formal junior college education. Typically, we charge our students tuition fees and boarding fees and we generally raise tuition fees involving certain majors at the schools we own and operate every two to three school years to reflect our increased operating costs. Students who have already enrolled at our schools continue to pay the tuition fees in effect when they first enrolled in our schools.

The fifth school of the Group, Laoling Minsheng Secondary Vocational School, was established on 20 September 2016 and is expected to enroll its first batch of students in September 2018.

In addition, as disclosed in the prospectus of the Company dated 10 March 2017 (the "**Prospectus**"), pursuant to certain cooperation agreements entered into between the Group, the People's Government of Laoling and Bureau of Education of Laoling, Laoling Secondary Vocational and Technical School will be managed and operated by Laoling Minsheng Secondary Vocational School under an entrustment management arrangement. We have completed the filing of the said entrustment management arrangement with the People's Government of Dezhou in April 2017.

Our Investments in Overseas Schools

In order to introduce advanced curriculums and innovative teaching methods into our schools in the PRC to bolster our education quality and reputation, and to create more exchange opportunities for our students in the PRC, we have invested in Beacon International College PTE. LTD. ("**Beacon International College**") in Singapore and Hong Kong Nang Yan College of Higher Education Limited ("**Hong Kong Nang Yan College of Higher Education**") in Hong Kong.

As at 30 June 2017, we directly owned approximately 25.6% equity interest in Beacon International College and were one of the two members of Hong Kong Nang Yan College of Higher Education, which is a company limited by guarantee established under the laws of Hong Kong.

Operational Update on the Group's Business

1. Compared with the same period last year, as at 30 June 2017, our number of school teachers has increased by approximately 147, of which, number of teachers having graduate qualification or above increased by approximately 57, number of teachers holding deputy senior title or above increased by approximately 37;

2. The Group and the Group's schools have recruited more experienced, strong and young personnel including the positions of investment, investor relations, teaching, administration, logistics and other positions;

3. Our Pass College of Chongqing Technology and Business University and Chongqing Vocational College of Applied Technology have implemented job competition mechanism for mid-level management staff; and

4. The Group has further improved the teaching conditions in 2017, for instance, (1) Chongqing College of Humanities, Science and Technology has recently built Innovation and Entrepreneurship College and Innovation and Entrepreneurship Training Base, (2) Chongqing College of Humanities, Science and Technology and Chongqing Vocational College of Applied Technology have refurbished their stadiums, (3) student apartments in Pass College of Chongqing Technology and Business University and Chongqing Vocational College of Applied Technology have configured new facilities, (4) Shandong Laoling Minsheng Secondary Vocational School has finished the new campus planning, and has started the basic construction.

Outlook

To expand the Group's school numbers and student sizes, through:

1. mergers and acquisitions of:

   i. independently organized ordinary undergraduate higher education institutions;

   ii. independent colleges with preliminary conditions to be converted to independently organized ordinary undergraduate higher education institutions;

   iii. higher vocational (junior) colleges with preliminary conditions to be upgraded to independently organized ordinary undergraduate higher education institutions; and

   iv. specialized secondary colleges, such as colleges having medical major, arts specialised colleges, and aviation specialised colleges.

2. internal growth by:

   i. increasing the student enrollment quota. For example, in 2017, Chongqing College of Humanities, Science and Technology's junior college to undergraduate programs increased new student enrollment quota on the basis of the original plan;

   ii. increasing the new education project. In July 2017, the Ministry of Education approved Pass College of Chongqing Technology and Business University for the first time to hold higher education continuing education, three approved junior college majors, namely the securities and futures, accounting and marketing in relation to higher education continuing education starting the student enrollments in 2017;

   iii. increasing the educational training programs. For example, Chongqing College of Humanities, Science and Technology started the first phase of the teacher qualification certificate training class and will gradually carry out teacher qualification certificate examination course trainings to several thousands of school students with major of teacher trainings. In 2017, 666 students have enrolled in the first phase;

   iv. increasing the tuition fees and accommodation fees appropriately. For example, in 2017, we have raised our tuition fees for certain majors in our schools and, three schools in Chongqing plans to raise student accommodation fees;

   v. increasing the service items. In the second half of 2017, certain schools of the Group will increase logistics service items; and

vi. striving for the government's subsidies support policy. In July 2017, the Group's three schools in Chongqing have received an aggregate of approximately RMB47.5 million of per-student governmental subsidies.

To expand the internationalised school operation

1. to choose universities with both good brand name and good quality in Europe and the United States as our acquisition targets;

2. to set up a marketing department and an international college in each school to carry out a variety of models of cooperation in operating schools such as 2 + 2 and 3 + 1 programs; and

3. to cooperate with international famous universities to carry out network teaching.

To develop intelligence campuses

1. gradually expand the teaching by network, for example, Chongqing College of Humanities, Science and Technology has developed five network courses, and has already provided for several thousands of students to study, number of network courses will gradually be expanded; and

2. the Group and campuses achieve information management and services.

To improve the centralised management

1. The Group's schools share courses with a high level of quality;

2. The Group's schools share high-quality teacher resources; and

3. The Group and its schools share logistics supply, including the implementation of a unified tender and procurement for large amounts procurement, building construction, and strengthen management.

Financial Review

Revenue

Revenue represents the value of services rendered during the reporting period. The Group derives revenue primarily from tuition fees and boarding fees our Schools collect from students.

The revenue of the Group increased by approximately 4.9% from approximately RMB242.8 million for the six months ended 30 June 2016 to approximately RMB254.6 million for the six months ended 30 June 2017. This increase was primarily due to the increase of the Group's student enrollment and average tuition fees.

Cost of Sales

Cost of sales consists primarily of staff costs, depreciation and amortization, cost of cooperative education, utilities, cost of repairs, office expenses, student study and practice fees and other costs.

The cost of sales for the six months ended 30 June 2017 and 2016 remained steady, primarily due to (i) an increase in staff costs by approximately 5.1% from approximately RMB45.3 million for the six months ended 30 June 2016 to approximately RMB47.6 million for the six months ended 30 June 2017; and (ii) an increase in rental expenses by approximately RMB1.3 million, mainly due to increased rental payments we made to the landlord with respect to an agreement entered into by Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) in 2017, offset by the decrease in cost of repairs, office expenses and other costs by approximately RMB3.6 million, with our continuous effort to control costs.

Gross Profit

The gross profit increased by approximately RMB11.8 million, or approximately 7.7% from approximately RMB154.3 million for the six months ended 30 June 2016 to approximately RMB166.1 million for the six months ended 30 June 2017, and gross profit margin increased from approximately 63.5% for the six months ended 30 June 2016 to approximately 65.2% for the six months ended 30 June 2017, mainly due to the increase in student enrollment and school utilization rate.

Other Income and Gains

Other income and gains consists primarily of government grants, net exchange gain, investment income from available-for-sale investments and investment deposits, other interest income and net rental income.

Other income and gains increased by approximately 104.5% from approximately RMB33.1 million for the six months ended 30 June 2016 to approximately RMB67.7 million for the six months ended 30 June 2017. This increase was primarily due to (i) our increased utilization of grants by the local government in Chongqing for daily expenses, resulting in the transfer of government subsidies from deferred income to the condensed consolidated statement of profit or loss; and (ii) an increase in interest income from bank deposits attributable to unutilized listing proceeds, partially offset by a decrease in investment income from available-for-sale investments and investment deposits as the average balances of available-for-sale investments and investment deposits decreased.

Selling and Distribution Expenses

Selling and distribution expenses consist primarily of salaries and other benefits for our staff who are in charge of student recruitment and advertising, advertising expenses and student recruitment expenses.

Selling and distribution expenses remained steady as advertising expenses and student recruitment expenses mainly incurred in the second half of the fiscal year.

Administrative Expenses

Administrative expenses primarily consist of the salaries and other benefits for general and administrative staff, office-related expenses, depreciation of office buildings and equipment, environment and health expenses, travel and transportation expenses and rental expenses.

Administrative expenses increased by approximately 85.9% from approximately RMB31.1 million for the six months ended 30 June 2016 to approximately RMB57.8 million for the six months ended 30 June 2017, primarily due to (i) a substantial increase in auditor's remuneration (approximately RMB1.1 million), legal and professional services fees (approximately RMB14.1 million) and other listing expenses (approximately RMB0.3 million) incurred in connection with the IPO; and (ii) an increase in staff costs for our administrative staff at Chongqing College of Humanities, Science and Technology and Pass College of Chongqing Technology and Business University for the six months ended 30 June 2017.

Other Expenses, Net

Other expenses consist primarily of expenses relating to donations made to third-party educational and other institutions, loss on disposal of property, plant and equipment and net exchange loss.

Other expenses, net increased substantially from approximately RMB1.4 million for the six months ended 30 June 2016 to approximately RMB10.7 million for the six months ended 30 June 2017. This increase was primarily attributable to a net foreign currency exchange loss for the six months ended 30 June 2017, because our overseas subsidiaries borrowed funds from our PRC subsidiaries which resulted in large amounts of U.S. dollar denominated funds and the appreciation of Renminbi against U.S. dollar.

Finance Costs

Finance costs mainly represent interest on loans we borrowed from the ultimate holding company and certain related parties. Finance costs decreased from approximately RMB1.3 million for the six months ended 30 June 2016 to approximately RMB0.6 million for the six months ended 30 June 2017, mainly due to the repayment of loans from the ultimate holding company and related parties in March 2017.

Profit for the period

As a result of the above factors, profit for the period of the Group increased by 7.7% from RMB149.5 million for the six months ended 30 June 2016 to RMB161.1 million for the six months ended 30 June 2017.

Core Net Profit

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Profit for the period	**161,063**	149,539
Add:		
Listing expenses	**15,463**	–
Core net profit	**176,526**	149,539

Core net profit for the six months ended 30 June 2017 increased by approximately RMB27.0 million (18.0%) as compared with the corresponding period in 2016. Core net profit margin increased from 61.6% for the six months ended 30 June 2016 to 69.3% for the six months ended 30 June 2017.

Financial and Liquidity Position

Net Current Assets

As at 30 June 2017, the Group had net current assets of approximately RMB1,964.5 million, which primarily consisted of available-for-sale investments, investment deposits and cash and bank balances. The current assets as at 30 June 2017 increased to approximately RMB2,067.9 million from approximately RMB1,156.7 million as at 31 December 2016. The increase in current assets primarily reflected (i) an increase in cash and bank balances, which increased from approximately RMB602.3 million as at 31 December 2016 to approximately RMB1,372.7 million as at 30 June 2017, mainly due to the amount of approximately RMB1,245.8 million received from issues of shares on IPO and over-allotment option, partially offset by the repayment of the loans from the ultimate holding company and certain related parties of approximately RMB139.5 million in the first half of the year 2017; and (ii) an increase of approximately RMB283.0 million in available-for-sale investments from approximately RMB143.2 million as at 31 December 2016 to approximately RMB426.2 million as at 30 June 2017 as we made additional investments in available-for-sale investments as part of our liquidity management measures, and was partially offset by a decrease in investment deposits, which decreased from approximately RMB362.6 million as at 31 December 2016 to approximately RMB221.7 million as at 30 June 2017, as we redeemed a certain amount of investment deposits and deposited the funds at commercial banks as our cash and bank balances. The current liabilities decreased from approximately RMB520.9 million as at 31 December 2016 to approximately RMB103.4 million as at 30 June 2017, mainly reflecting (i) a decrease of approximately RMB257.8 million in deferred revenue as the tuition fee have been recognized in the condensed consolidated statement of profit or loss for the 2016-2017 school year as at 30 June 2017; (ii) a decrease of approximately RMB125.4 million and RMB14.1 million of loans from the ultimate holding company and related parties respectively which was fully repaid on 7 March 2017 and 17 March 2017; and (iii) a decrease of approximately RMB22.0 million in other payables and accruals mainly due to the settlement of payables for construction in progress.

Capital Commitments

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

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contracted, but not provided for:		
Equipment	**1,545**	6,121
Buildings	**10,275**	7,248
Loan committed to an associate	**13,019**	26,877
	24,839	40,246

At the end of the reporting period, the Group did not have significant capital commitments that are authorised but not contracted for.

Indebtedness

As at 30 June 2017, the Group did not have any outstanding bank loans, nor any unutilized banking facilities. On 25 February 2017, the Group obtained a term loan facility from Bank of China (Hong Kong) Limited with a maximum principal amount of US$25.0 million or its equivalent in Hong Kong dollar. This facility has a term of six months from the date of the facility letter and bears an interest of 1.50% per annum over LIBOR (for draw-downs in United States dollar) or 1.50% per annum over HIBOR (for draw-downs in Hong Kong dollar). The Group has made a draw-down of this term loan facility on 7 March 2017 amounted to approximately US$20.8 million (equivalent to approximately RMB143.2 million) to fully repay the loans borrowed from the ultimate holding company and related parties on 7 March 2017 and 17 March 2017. The bank loan has been fully repaid on 22 March 2017 by using the proceeds from IPO.

On 7 March 2017 and 17 March 2017, the Group had fully repaid the loans from ultimate holding company and related parties of approximately RMB125.4 million and RMB14.1 million respectively. The amount borrowed from the ultimate holding company was in connection with the repurchase of issued ordinary shares from previous investors beginning in the second half of 2015. The amount due to related parties was mainly used as loans to Hong Kong Nang Yan College of Higher Education.

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

Contingent Liabilities

As at 30 June 2017, the Group did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the Group (2016: nil).

Pledge of Assets

As at 30 June 2017, the Group did not pledge any assets.

Foreign Exchange Exposure

The majority of the Group's revenue and expenditures are denominated in RMB. As at 30 June 2017, certain bank balances were denominated in United States dollar ("**US$**") and Hong Kong dollar ("**HK$**"). The Group currently does not have any foreign currency hedging policies. The management will continue to monitor the Group's foreign exchange risk exposure and consider adopting prudent measures as appropriate.

Gearing Ratio

The gearing ratio decreased to nil as at 30 June 2017 from approximately 8.9% as at 31 December 2016, primarily due to the Group had fully repaid interest-bearing loans from the ultimate holding company and certain related parties on 7 March 2017 and 17 March 2017.

Employment, Training and Development

As at 30 June 2017, the Group had a total of 2,156 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. As required by PRC laws and regulations, we participate in various employee social security plans for our employees that are administered by local governments, including housing provident fund, pension, medical, maternity insurance, work-related injury insurance and unemployment insurance.

In addition, the Group provides comprehensive training programs to its existing and newly recruited employees and/or sponsors the employees to attend various job-related training courses.

OTHER INFORMATION

Events after the Reporting Period

The Group has no significant subsequent events after 30 June 2017 which are required to be disclosed as at the date of this announcement.

Interim Dividend

The Board does not recommend an interim dividend in respect of the six months ended 30 June 2017.

Purchase, Sale or Redemption of Listed Securities of the Company

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 22 March 2017 (the "**Listing Date**") by way of a global offering of its ordinary shares (the "**Global Offering**"). Pursuant to the Global Offering, 1,000,000,000 shares (25% of the then total number of shares of the Company of 4,000,000,000) were issued to the public. The gross proceeds received by the Company from the Global Offering were approximately HK$1,380.0 million (equivalent to approximately RMB1,224.1 million).

On 20 April 2017, a total number of 17,720,000 shares were issued by the Company at HK$1.38 per share upon the exercise of over-allotment shares option granted to the relevant underwriters in connection with the Global Offering. The additional gross proceeds received by the Company in connection with the over-allotment shares issue was approximately HK$24.5 million (equivalent to approximately RMB21.7 million).

Please refer to the Prospectus and the announcements of the Company dated 21 March 2017 and 19 April 2017 for further details of the Global Offering.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period from the Listing Date to 30 June 2017.

Corporate Governance Code

During the period from the Listing Date up to 30 June 2017 (both dates inclusive), the Company has complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct governing Directors' securities transactions. The Company confirms that, having made specific enquiries of all the Directors, each of them has complied with the required standard as set out in the Model Code throughout the period from the Listing Date up to 30 June 2017 (both dates inclusive).

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 interim condensed consolidated financial statements and the interim report of the Group for the six months ended 30 June 2017.

Publication of Interim Results Announcement and Interim Report

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.minshengedu.com. The interim report of the Company for the six months ended 30 June 2017 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the above websites in due course.

Acknowledgement

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

By order of the Board
Minsheng Education Group Company Limited
Li Xuechun
Chairman

Hong Kong, 29 August 2017

As at the date of this announcement, the executive Directors are Mr. Li Xuechun, Ms. Zhang Weiping, Mr. Zuo Yichen and Mr. Lam Ngai Lung, the non-executive Directors are Mr. Lin Kaihua and Ms. Li Yanping, and the independent non-executive Directors are Mr. Chan Ngai Sang, Kenny, Mr. Yu Huangcheng and Mr. Wang Wei Hung, Andrew.