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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

	Year ended 31 December			
	2017	2016	**Change**	Percentage
	RMB'000	*RMB'000*	***RMB'000***	Change
Revenue	**477,780**	444,997	**+32,783**	**+7.4%**
Gross profit	**278,688**	258,606	**+20,082**	**+7.8%**
Profit for the year	**260,847**	249,749	**+11,098**	**+4.4%**
Core net profit *(Note)*	**310,353**	235,251	**+75,102**	**+31.9%**
	As at 31 December			Percentage
	2017	2016	**Change**	Change
Total number of students enrolled	**41,120**	32,635	**+8,485**	**+26.0%**

Note: Core net profit is defined as profit for the year 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 audited consolidated annual results of the Company and its subsidiaries (collectively referred to as the "**Group**" or "**We**") for the year ended 31 December 2017 together with the comparative figures for the year ended 31 December 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017** **RMB'000**	2016 RMB'000
REVENUE	4	**477,780**	444,997
Cost of sales		**(199,092)**	(186,391)
Gross profit		**278,688**	258,606
Other income and gains	4	**146,292**	97,753
Selling and distribution expenses		**(7,783)**	(11,693)
Administrative expenses		**(125,701)**	(86,301)
Other expenses, net		**(25,222)**	(3,745)
Finance costs	5	**(3,043)**	(2,595)
Share of loss of an associate		**(269)**	(667)
PROFIT BEFORE TAX	6	**262,962**	251,358
Income tax expense	7	**(2,115)**	(1,609)
PROFIT FOR THE YEAR		**260,847**	249,749
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Available-for-sale investments:			
Change in fair value		**320**	182
Reclassification adjustments for gains on maturity included in profit or loss		**(111)**	(5,426)
		209	(5,244)
Exchange differences on translation of foreign operations		**(29,431)**	(33,478)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**(29,222)**	(38,722)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**231,625**	211,027
Profit attributable to:			
Owners of the parent		**259,947**	243,431
Non-controlling interests		**900**	6,318
		260,847	249,749
Total comprehensive income attributable to:			
Owners of the parent		**230,725**	204,909
Non-controlling interests		**900**	6,118
		231,625	211,027
Earnings per share attributable to ordinary equity holders of the parent:	8		
Basic		**RMB0.0686**	RMB0.0800
Diluted		**RMB0.0686**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,066,138**	611,716
Prepaid land lease payments		**330,957**	106,431
Goodwill		**303,937**	303,937
Other intangible assets		**3,380**	2,682
Investments in associates		**36,023**	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		**1,761,935**	1,067,152
CURRENT ASSETS			
Inventories		**1,351**	1,260
Trade receivables	*9*	**807**	873
Prepayments, deposits and other receivables		**31,784**	45,774
Available-for-sale investments		**466,320**	143,182
Investment deposits		**243,370**	362,600
Loan to an associate		**–**	707
Cash and bank balances		**1,696,278**	602,322
Restricted bank balances		**20,000**	–
Total current assets		**2,459,910**	1,156,718
CURRENT LIABILITIES			
Deferred revenue	*10*	**321,835**	263,163
Other payables and accruals	*11*	**289,809**	110,729
Deferred income – current		**17,134**	7,488
Interest-bearing bank and other borrowings		**144,118**	–
Loans from the ultimate holding company		**–**	125,413
Loans from related parties		**–**	14,073
Tax payable		**859**	77
Total current liabilities		**773,755**	520,943
NET CURRENT ASSETS		**1,686,155**	635,775
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,448,090**	1,702,927

	2017	2016
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Deferred income – non-current	**271,407**	132,015
Interest-bearing bank and other borrowings	**30,000**	–
Total non-current liabilities	**301,407**	132,015
Net assets	**3,146,683**	1,570,912
EQUITY		
Equity attributable to owners of the parent		
Share capital	**307**	209
Reserves	**3,025,378**	1,570,703
	3,025,685	1,570,912
Non-controlling interests	**120,998**	–
Total equity	**3,146,683**	1,570,912

NOTES TO 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 year, the Company and its subsidiaries (collectively referred to as the "**Group**") were principally engaged in providing educational services in the People's Republic of China (the "**PRC**").

2.1 BASIS OF PREPARATION

These 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 Group has adopted the following revised standards for the first time for the current year's consolidated financial statements.

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*

Other than as explained below regarding the impact of Amendments to IAS 7, the adoption of the above revised standards has had no significant financial effect on these financial statements.

Amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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 year, 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 accounted for 10% or more of the total revenue of the Group during the year.

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the value of services rendered during the year.

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

	2017	2016
	RMB'000	*RMB'000*
Revenue		
Tuition fees	**440,368**	412,526
Boarding fees	**37,412**	32,471
	477,780	444,997
Other income and gains		
Dividend income from an available-for-sale investment	**360**	360
Investment income from available-for-sale investments and investment deposits	**24,693**	25,372
Other interest income	**7,789**	1,500
Net rental income	**1,659**	1,194
Government grants*		
– Related to assets	**9,639**	6,331
– Related to income	**93,317**	33,356
Exchange gain, net	**–**	27,097
Others	**8,835**	2,543
	146,292	97,753

* 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

	2017	2016
	RMB'000	*RMB'000*
Interest on loans from the ultimate holding company and related parties	**491**	2,595
Interest on bank loans and other loans	**2,552**	–
	3,043	2,595

6. PROFIT BEFORE TAX

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

	2017	2016
	RMB'000	*RMB'000*
Depreciation	**47,344**	38,861
Amortisation of other intangible assets	**1,042**	868
Minimum lease payments under operating leases	**6,983**	4,711
Recognition of prepaid land lease payments	**2,717**	1,578
Auditor's remuneration	**4,247**	4,994
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**106,813**	88,583
Equity-settled share option expense	**451**	–
Pension scheme contributions (defined contribution schemes)	**28,432**	22,477
Foreign exchange differences, net	**20,468**	(27,097)
Impairment of trade receivables	**–**	1,841
Impairment of other receivables	**–**	435
Recovery of other receivables	**–**	(1,000)
Dividend income from an available-for-sale investment	**(360)**	(360)
Investment income from available-for-sale investments and investment deposits	**(24,693)**	(25,372)
Other interest income	**(7,789)**	(1,500)
Loss on disposal of items of property, plant and equipment, net	**1,966**	2,121
Donation expense	**2,629**	691

7. INCOME TAX

	2017	2016
	RMB'000	*RMB'000*
Current – Mainland China		
Charge for the year	**2,115**	1,609

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

The Company, 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 year.

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 year.

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, Chongqing Pass Education Services Company Limited and Chongqing Huizhi Education Services Company Limited, the companies of the Group which operate in Mainland China are subject to Corporate Income Tax at a rate of 25% on their respective taxable income.

According to the Implementation Rules for the Law for Promoting Private Education (the "**Implementation Rules**"), private schools, whether requiring reasonable returns or not, may enjoy preferential tax treatments. Private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. It is stated in the Implementation Rules that the relevant authorities under the State Council may introduce preferential tax treatments and related policies applicable to private schools requiring reasonable returns. During the year and up to the date of this announcement, no separate policies, regulations or rules have been introduced by the authorities in this regard. In accordance with the historical tax returns filed to the relevant tax authorities and the confirmation obtained therefrom, the Group's schools which require reasonable returns did not pay corporate income tax and had enjoyed the preferential corporate income tax exemption treatments in 2017.

As a result, no income tax expense was recognised for the Group's schools for the year ended 31 December 2017 (2016: Nil).

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 year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue, during the years ended 31 December 2017 and 2016.

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share and diluted earnings per share for the year ended 31 December 2017 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 calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the share option, where applicable (see below).

No diluted earnings per share is presented for the year ended 31 December 2016 as the Group had no dilutive potential ordinary shares in issue during the prior year.

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

	2017	2016
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**259,947**	243,431

	Number of shares	
	2017	2016
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**3,790,753,205**	3,042,795,428
Effect of dilution – weighted average number of ordinary shares:		
Share options issued by the Company	**886,898**	–
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**3,791,640,103**	N/A

9. TRADE RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**807**	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 ageing 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:

	2017	2016
	RMB'000	*RMB'000*
Within 1 year	**584**	211
1 to 2 years	**201**	190
2 to 3 years	**10**	265
Over 3 years	**12**	207
	807	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

	2017	2016
	RMB'000	*RMB'000*
Tuition fees	**291,710**	237,072
Boarding fees	**30,125**	26,091
	321,835	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

	2017	2016
	RMB'000	*RMB'000*
Accrued bonuses and other employee benefits	**24,614**	19,522
Payables for catering services	**6,970**	2,221
Payables for purchase of property, plant and equipment	**65,057**	30,321
Payables for management fee	**32,364**	12,246
Miscellaneous expenses received from students *(note (i))*	**25,124**	22,277
Other tax payable	**2,605**	2,771
Payables for listing expenses	**–**	6,135
Payables for audit fee	**2,250**	–
Payables for interest	**32,309**	–
Other payables*	**98,516**	15,236
	289,809	110,729

* Payables of RMB72.0 million to the non-controlling shareholders of Chongqing Electronic Information College is included within other payables.

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. EVENTS AFTER THE REPORTING PERIOD

(1) On 12 February 2018, Chongqing Jierui Education Technology Co., Ltd.* (重慶傑睿教育科技有限公司) ("**Jierui**"), a company designated by the Company, entered into an agreement and a supplemental agreement (collectively, the "**Laoling Agreements**") with the People's Government of Laoling (the "**Laoling Government**") in relation to the proposed establishment of a high school offering grade 10 to grade 12 secondary education programs in Laoling, Dezhou, Shandong, the PRC, namely Laoling Senior High School Affiliated with Minsheng Education Group (the "**Minsheng Laoling High School**"). Pursuant to the Laoling Agreements, the total investment amount for the establishment of the Minsheng Laoling High School is budgeted to be approximately RMB200.0 million.

(2) On 10 March 2018, Shiji Kuangao (Beijing) Investment Management Limited* (世紀寬高（北京）投資管理有限公司) ("**Shiji Kuangao**") has entered into the School Sponsor's Interest Transfer Agreement with Shouguang City Hongjing Town Development and Investment Company Limited* (壽光市宏景城鎮建設投資有限公司) and Shouguang City No.1 Middle School* (壽光市第一中學) to acquire 100% their school sponsor's interest of Shouguang Bohai Experimental School* (壽光市渤海實驗學校) ("**Bohai Experimental School**") (The second name of school namely, The Experimental High School associated with University of Chinese Academy of Sciences Basic Education Institute* (中國科學院大學基礎教育研究院附屬實驗中學) and Shouguang No.1 Secondary School Branch School* (壽光一中分校)) and the land, building, facilities and equipment of the east side of Bohai Experimental School, for a total consideration of RMB151.73 million. On 12 March 2018, Jierui, a company designated by the Company, has entered into an equity transfer agreement with a shareholder of Shiji Kuangao and Shiji Kuangao to acquire 100% of the equity interest of Shiji Kuangao and its assets at a consideration of RMB4.0 million.

13. DIVIDEND

The Board do not recommend the payment of any dividend in respect of the year (2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview

The Company is one of the largest private higher education providers in China, as measured by total number of student enrollment. Currently, the Group owned and operated five private higher education schools in China, namely, Chongqing College of Humanities, Science and Technology, Pass College of Chongqing Technology and Business University, Chongqing Vocational College of Applied Technology, Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) and Chongqing Electronic Information College.

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 graduate employment rates for our graduates from the schools we owned and operated. We attribute the relatively high 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 in China

1. *Existing Schools*

   Five schools in the PRC were operated by the Group throughout the entire year ended 31 December 2017, four of which are located in Chongqing and one 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.

   Chongqing College of Humanities, Science and Technology – a formal university-level education institution located in Chongqing, the PRC. Its predecessor was Southwest University Yucai College, which was a private independent college recognized by the Ministry of Education of the PRC (the "**MOE**") in March 2003. In April 2013, the school was approved by the MOE to convert to an independent university-level education institution and was the first private school in Chongqing that has been approved by the MOE to convert from an independent college to a formal university-level education institution. This school provides formal undergraduate education and junior college education. It also offers preparatory education (預科教育) to qualified ethnic minority students. It offers approximately 43 majors in a wide range of subject areas;

Pass College of Chongqing Technology and Business University – an independent college located in Chongqing, the PRC which was recognized by the MOE in December 2003. This school provides formal undergraduate education and junior college education. It offers approximately 26 majors. As an independent college, Pass College of Chongqing Technology and Business University is a separate and independent legal entity from Chongqing Technology and Business University, and carries out its own day-to-day school administration, human resources management, student recruitment, curriculum and major design and formulation and financial accounting;

Chongqing Vocational College of Applied Technology – a degree-granting higher education institution located in Chongqing, the PRC. This school was approved as a higher vocational school by the People's Government of Chongqing in April 2005 and was registered with the Civil Affairs Department of Chongqing in December 2006. It provides junior college education with approximately 16 majors;

Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) – a degree-granting higher education institution located in Hohhot, Inner Mongolia, the PRC. We became one of the school sponsors and entitled to the entire interest in Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) in 2008. It primarily provides junior college education in approximately 11 majors; and

Chongqing Electronic Information College – a full-time ordinary higher education institution located in Chongqing city, the PRC, providing junior college education.

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.

2. *Acquisition of New Schools*

Chongqing Electronic Information College

Chongqing Electronic Information College is a full-time ordinary higher education institution located in Chongqing City, the PRC.

On 6 November 2017, Chongqing Yuecheng Zhiyuan Education Technology Co., Ltd. ("**Chongqing Yuecheng**"), a consolidated affiliated entity of the Company, entered into the capital increase agreement with Chongqing Chuangsite Technology Company Limited and Chongqing Electronic Information College, pursuant to which Chongqing Yuecheng agreed to make a capital contribution of RMB125 million to Chongqing Electronic Information College ("**Capital Contribution**"). Upon completion of such capital contribution, 51% of the school sponsor's interest in Chongqing Electronic Information College will be owned by Chongqing Yuecheng.

Commencing from 1 December 2017, Chongqing Yuecheng has been entrusted to manage Chongqing Electronic Information College, including but not limited to the aspects of the assets, business operation, human resources, students and legal documents of Chongqing Electronic Information College. In return of its management services, Chongqing Yuecheng is entitled to 51% of the net profits of Chongqing Electronic Information College. The financial results of Chongqing Electronic Information College have been consolidated in the financial results of the Group under the prevailing accounting principles since the commencement of the Entrustment Arrangement.

On 23 February 2018, Chongqing Yuecheng has completed the Capital Contribution to Chongqing Electronic Information College and has completed all the registration procedures with Chongqing City Civil Affairs Bureau (重慶市民政局) in relation to Chongqing Yuecheng becoming one of the school sponsors of Chongqing Electronic Information College. Accordingly, Chongqing Yuecheng now owns 51% of the school sponsor's interest in Chongqing Electronic Information College. Chongqing Yuecheng has also completed all registration procedures with Chongqing City Civil Affairs Bureau (重慶市民政局) in relation to the change of the legal representative of Chongqing Electronic Information College to the person designated by Chongqing Yuecheng.

Anhui Wonder University of Information Engineering

Anhui Wonder University of Information Engineering ("**Wonder University**") is a private higher education institution located in Hefei, Anhui, the PRC, which was established in 2001, offering courses and programs leading to higher education degrees.

On 30 August 2017, Chongqing Yuecheng entered into the acquisition agreement with the current school sponsor of Wonder University pursuant to which Chongqing Yuecheng agreed to acquire 51% of the school sponsor's interest in Wonder University for a total consideration of RMB500 million. As at 31 December 2017, the application for transferring the school sponsorship is going through the approval procedures of government authorities. Further announcement(s) in this regard will be made as and when appropriate in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). On completion, the financial results of Wonder University will be consolidated in the financial results of the Group under the prevailing accounting principles. The Company is closely following up the progress of approval procedures and will publish further announcements in respect of such matter pursuant to the Listing Rules in due course.

3. Establishment of New School

Laoling Minsheng Secondary Vocational School (樂陵民生職業中等專業學校)

As disclosed in the prospectus of the Company, the Group established Laoling Minsheng Secondary Vocational School (樂陵民生職業中等專業學校) in Laoling, Dezhou, Shandong Province, the PRC on 20 September 2016 with a proposed investment amount of RMB200.0 million, and the construction work had been commenced. This school will have a enrollment capacity of 6,000 students after completion of contruction, and the first batch of student enrollment is anticipated to arrive in September 2018.

Laoling Senior High School Affiliated with Minsheng Education Group (the "Minsheng Laoling High School")

On 12 February 2018, Chongqing Jierui Education Technology Co., Ltd. ("**Jierui**"), a company designated by the Company, entered into an agreement and a supplemental agreement (collectively, the "**Laoling Agreements**") with the People's Government of Laoling (the "**Laoling Government**") in relation to the proposed establishment of a high school offering grade 10 to grade 12 secondary education programs in Laoling, Dezhou, Shandong, the PRC, namely Minsheng Laoling High School.

Pursuant to the Laoling Agreements, the total investment amount for the establishment of the Minsheng Laoling High School is budgeted to be approximately RMB200.0 million. The Minsheng Laoling High School will be established as an all-day high school with 60 classes for a total of approximately 3,000 students with appropriate facilities, and set up in accordance with the standards for standardized schools in Shandong province. The parties will strive to start accepting student enrollment prior to September 2018. Subject to applicable laws and government policies, Jierui will be entitled to choose, or procure the Minsheng Laoling High School to choose, whether the Minsheng Laoling High School will be a profit making or non-profit making school.

The establishment of the Minsheng Laoling High School represents the Group's first step in expanding the scope of its businesses into the high school market in the PRC. With the support of the Laoling Government, the proposed establishment of the Minsheng Laoling High School represents an excellent opportunity to enter into the high school segment of the market in which the Group can acquire the know-how and experience in operating high schools. Having a high school segment will create synergies with the Group's tertiary education institutions in the long run in terms of branding, student referral opportunities and other aspects of the Group's education business, and the entry into the high school segment of the education market in the PRC will provide a new source of growth for the Group.

Our Investments in Overseas Schools

In addition to our schools 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**") in Hong Kong.

As at 31 December 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, which is a company limited by guarantee established under the laws of Hong Kong.

Number of enrolled students

Thanks to our brand management and quality education delivered, the number of students in our schools has reached a record high of 41,120 students (2016: 32,635 students). We believe our continuous effort in maintaining and improving the schools' reputation can attract more potential students to join our schools.

	Number of Enrolled Students as at 31 December	
	2017	2016
Schools		
Chongqing College of Humanities, Science and Technology	**19,529**	18,727
Pass College of Chongqing Technology and Business University	**10,471**	9,920
Chongqing Vocational College of Applied Technology	**2,884**	2,370
Inner Mongolia Fengzhou Vocational College (Qingcheng Branch)	**2,288**	1,618
Chongqing Electronic Information College [Note]	**5,948**	–
Total	**41,120**	32,635

Note: Chongqing Yuecheng, a consolidated affiliated entity of the Company, has been entrusted to manage Chongqing Electronic Information College commencing from 1 December 2017. On 23 February 2018, the Capital Contribution and all the registration procedures for such acquisition has been completed.

Operational Update on the Group's Business

1. Compared with last year, as at 31 December 2017, our number of school teachers has increased by approximately 286 or approximately 26%;

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, and (4) the new campus of Shandong Laoling Minsheng Secondary Vocational School is under construction and will be put to use in 2018.

The Group's revenue from continuing operation includes tuition fees and boarding fees of schools of the Group. Tuition and boarding fees are generally received by schools in advance prior to the beginning of each academic year. Revenue is recognised after the price was fixed or determinable, and services were provided.

Other income and gains are mainly investment income from available-for-sale investments and investment deposit and government grants.

	Total income Year ended 31 December			
	2017	2016	Change	Percentage
	RMB (thousand)	*RMB (thousand)*	*RMB (thousand)*	Change
Tuition fees				
Chongqing College of Humanities, Service and Technology	**267,466**	259,077	+8,389	+3.2%
Pass College of Chongqing Technology and Business University	**134,934**	128,913	+6,021	+4.7%
Chongqing Vocational College of Applied Technology	**17,653**	13,844	+3,809	+27.5%
Inner Mongolia Fengzhou Vocational College (Qingcheng Branch)	**14,964**	10,692	+4,272	+40.0%
Chongqing Electronic Information College	**5,351**	–	+5,351	N/A
Total tuition fees	**440,368**	412,526	+27,842	+6.7%
Boarding fees	**37,412**	32,471	+4,941	+15.2%
Other income and gains	**146,292**	97,753	+48,539	+49.7%
Total	**624,072**	542,750	+81,322	+15.0%

Outlook

To expand the Group's higher education 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 MOE 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. As of 31 December 2017, 1,067 students have enrolled;

    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, four 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, Chongqing College of Humanities, Science and Technology, Pass College of Chongqing Technology and Business University, Chongqing Vocational College of Applied Technology under the Group in Chongqing have received an aggregate of approximately RMB47.5 million of average governmental subsidies. In addition, Chongqing Electronic Information College also received an aggregate of approximately RMB18.4 million of governmental subsidies.

To expand the scope of business into the high school market in the PRC through

1. the establishment of high schools; and

2. mergers and acquisitions of high schools with both good brand name and good quality.

To expand the internationalised school operation

1. 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

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

To develop intelligence campuses

1. to gradually expand the teaching by network. Affiliated schools of the Group have developed and utilised 28 network courses, and have 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 7.4% from approximately RMB445.0 million in 2016 to approximately RMB477.8 million in 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 increased by approximately 6.8% from RMB186.4 million in 2016 to approximately RMB199.1 million in 2017. This increase was primarily due to (i) an increase in staff costs by approximately 6.6% from approximately RMB100.0 million in 2016 to approximately RMB106.6 million in 2017; (ii) an increase in depreciation expenses from approximately RMB29.6 million in 2016 to approximately RMB33.5 million in 2017, mainly due to new upgrade and renovation on premises and newly acquired equipment to support the growth of our schools; and (iii) an increase in cost of repairs by approximately RMB2.2 million, mainly due to repair and maintenance on buildings and student facilities of our school.

Gross Profit

The gross profit increased by approximately RMB20.1 million, or approximately 7.8% from approximately RMB258.6 million in 2016 to approximately RMB278.7 million in 2017, and gross profit margin slightly increased by 0.2% from approximately 58.1% in 2016 to approximately 58.3% in 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, investment income from available-for-sale investments and investment deposits, other interest income and net rental income.

Other income and gains increased by approximately 49.6% from approximately RMB97.8 million in 2016 to approximately RMB146.3 million in 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 profit or loss; and (ii) an increase in interest income from bank deposits attributable to unutilized listing proceeds.

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 decreased by approximately 33.3% from approximately RMB11.7 million in 2016 to approximately RMB7.8 million in 2017, primarily due to our continuous effort to control student recruitment promotion costs and improve advertising efficiency.

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 45.7% from approximately RMB86.3 million in 2016 to approximately RMB125.7 million in 2017, primarily due to (i) a substantial increase by approximately RMB13.1 million in listing-related expenses, auditor's remuneration and legal and professional services fees recorded in connection with the Global Offering in 2016/17; and (ii) a substantial increase in staff costs for our directors, and administrative staff at Chongqing College of Humanities, Science and Technology, Pass College of Chongqing Technology and Business University and Hong Kong office in 2017 due to the rapid growth of our Group.

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 RMB3.7 million in 2016 to approximately RMB25.2 million in 2017. This increase was primarily attributable to a net foreign currency exchange loss in 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, banks and others. Finance costs increased from approximately RMB2.6 million in 2016 to approximately RMB3.0 million in 2017, mainly due to the increased interest we paid on bank loans and other borrowings, partially offset by the repayment of loans from the ultimate holding company and related parties in 2017.

Profit for the Year

As a result of the above factors, profit for the year of the Group increased by 4.4% from RMB249.7 million in 2016 to RMB260.8 million in 2017.

Core Net Profit

The Group defines its core net profit as its profit for the year 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 years presented below:

	2017	2016
	RMB'000	RMB'000
Profit for the year	**260,847**	249,749
Add:		
Listing-related expenses	**25,738**	12,599
Unrealised exchange loss/(gain)	**20,468**	(27,097)
Share option expenses	**3,300**	–
Core net profit	**310,353**	235,251

Core net profit in 2017 increased by approximately RMB75.1 million (31.9%) as compared with 2016. Core net profit margin increased from 52.9% in 2016 to 65.0% in 2017.

Financial and Liquidity Position

Net Current Assets

As at 31 December 2017, the Group had net current assets of approximately RMB1,686.2 million, which primarily consisted of available-for-sale investments, investment deposits and cash and bank balances. The current assets as at 31 December 2017 increased to approximately RMB2,459.9 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 RMB1,716.3 million as at 31 December 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 2017; and (ii) an increase of approximately RMB323.1 million in available-for-sale investments from approximately RMB143.2 million as at 31 December 2016 to approximately RMB466.3 million as at 31 December 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 RMB243.4 million as at 31 December 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 increased from approximately RMB520.9 million as at 31 December 2016 to approximately RMB773.8 million as at 31 December 2017, mainly reflecting (i) an increase of approximately RMB58.7 million in deferred revenue as the increased in tuition fee received due to an increase in student numbers for the 2017-2018 school year as at 31 December 2017 and the acquisition of Chongqing Electronic Information College in 2017; (ii) an increase of approximately RMB144.1 of bank and other borrowings, offset by 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) an increase of approximately RMB179.1 million in other payables and accruals mainly due to the increase of payables to non-controlling interest shareholders, interest payables and payables for purchase of property, plant and equipment.

Capital Commitments

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

	2017	2016
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Equipment	**7,653**	6,121
Buildings	**19,364**	7,248
Loan committed to an associate	**8,359**	26,877
Acquisition of a private school	**500,000**	–
	535,376	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

The Group's interest-bearing bank and other borrowings primarily consisted of short-term working capital loans and long-term project loans for the continuous development of our school buildings and facilities.

The Group primarily borrows loans from banks and others to supplement our working capital and finance our expenditure. The bank loans and other borrowings amounted to RMB174.1 million as at 31 December 2017, all dominated in Renminbi. As at 31 December 2017, our bank loans and other borrowings bore effective interest rates ranging from 1.2% to 24.0% per annum.

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.

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 31 December 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 31 December 2017, certain of the Group's buildings and land with a net carrying amount of approximately RMB284.4 million (2016: Nil) were pledged to secure bank loans and other borrowings.

Foreign Exchange Exposure

The majority of the Group's revenue and expenditures are denominated in RMB. As at 31 December 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 5.5% as at 31 December 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 31 December 2017, the Group had a total of 2,662 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 events occurred after the reporting period are disclosed in note 12 to the financial statements.

Dividend

The Board does not recommend any dividend in respect of the year ended 31 December 2017 (2016: nil).

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 31 December 2017.

Corporate Governance Code

During the period from the Listing Date up to 31 December 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 31 December 2017 (both dates inclusive).

Use of Proceeds

Net proceeds from the Listing (including the Over-allotment Option and after deducting underwriting fee and relevant expenses) amounted to approximately HK$1,374.7 million. As at 31 December 2017, a total amount of HK$219.4 million out of the net proceeds had been used by the Group according to the allocation set out in the Prospectus.

The following sets forth a summary of the utilization of the net proceeds:

Purpose	**Percentage to total amount**	**Net proceeds** *HKD (million)*	**Utilitised amount at 31 December 2017** *HKD (million)*	**Unutilitised amount at 31 December 2017** *HKD (million)*
Acquiring additional existing schools in the PRC and overseas	55.0%	756.1	31.3	724.8
Establishing new schools or expanding the existing schools we own or operate	21.2%	291.4	–	291.4
Repaying a term loan from a third-party financial institution	14.8%	203.5	162.0	41.5
Financing working capital and general corporate use	9.0%	123.7	26.1	97.6
Total	100.0%	1,374.7	219.4	1,155.3

Audit Committee and Review of Annual 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 audited annual consolidated financial statements and the annual report of the Group for the year ended 31 December 2017.

Publication of Annual Results Announcement and Annual Report

This annual 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 annual report of the Company for the year ended 31 December 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, 12 March 2018

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

As at the date of this announcement, the 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.