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 2018

FINANCIAL HIGHLIGHTS

	Six months ended 30 June			
	2018	2017	**Change**	Percentage
	RMB'000	*RMB'000*	***RMB'000***	Change
	(unaudited)	(unaudited)		
Revenue	**316,253**	254,627	**+61,626**	+24.2%
Gross profit	**188,545**	166,103	**+22,442**	+13.5%
Profit for the period	**220,992**	161,063	**+59,929**	+37.2%
Core net profit *(Note)*	**227,223**	185,622	**+41,601**	+22.4%

	As at 30 June			Percentage
	2018	2017	**Change**	Change
Total number of students enrolled	**43,344**	32,515	**+10,829**	+33.3%

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 including structured entities (collectively referred to as the "**Group**" or "**We**") for the six months ended 30 June 2018 together with the comparative figures for the corresponding period in 2017.

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

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**316,253**	254,627
Cost of sales		**(127,708)**	(88,524)
Gross profit		**188,545**	166,103
Other income and gains	*4*	**44,924**	67,741
Selling and distribution expenses		**(6,453)**	(2,773)
Administrative expenses		**(54,952)**	(57,793)
Other expenses, net		**(3,379)**	(10,721)
Finance costs	*5*	**(2,356)**	(631)
Share of loss of an associate		**(39)**	(62)
Fair value gains on investments at fair value through profit or loss	*9*	**60,254**	–
PROFIT BEFORE TAX	*6*	**226,544**	161,864
Income tax expense	*7*	**(5,552)**	(801)
PROFIT FOR THE PERIOD		**220,992**	161,063
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) may be reclassified to profit or loss in subsequent periods (net of tax)			
Available-for-sale investments:			
Change in fair value		**–**	1,203
Reclassification adjustments for gains on maturity included in profit or loss		**–**	(111)
		–	1,092
Exchange differences on translation of foreign operations		**12,903**	(4,011)
Net other comprehensive income/(loss) may be reclassified to profit or loss in subsequent periods		**12,903**	(2,919)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**12,903**	(2,919)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**233,895**	158,144

	Note	Six months ended 30 June **2018** *RMB'000* **(Unaudited)**	2017 *RMB'000* (Unaudited)
Profit attributable to:			
Owners of the parent	*8*	**217,914**	161,063
Non-controlling interests		**3,078**	–
		220,992	161,063
Total comprehensive income attributable to:			
Owners of the parent		**230,817**	158,144
Non-controlling interests		**3,078**	–
		233,895	158,144
Earnings per share attributable to ordinary equity holders of the parent:	*8*		
Basic		**RMB0.0542**	RMB0.0452
Diluted		**RMB0.0542**	N/A

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	**30 June 2018** *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,212,300**	1,066,138
Prepaid land lease payments		**356,693**	330,957
Goodwill		**303,937**	303,937
Other intangible assets		**4,611**	3,380
Investments in associates		**44,716**	36,023
Available-for-sale investment	*9*	**–**	6,000
Equity investment at fair value through other comprehensive income	*9*	**8,450**	–
Equity investment at fair value through profit or loss	*9*	**112,774**	–
Deposits for acquisition of land use rights		**15,500**	15,500
Total non-current assets		**2,058,981**	1,761,935
CURRENT ASSETS			
Inventories		**1,277**	1,351
Trade receivables	*10*	**532**	807
Prepayments, deposits and other receivables		**71,625**	31,784
Available-for-sale investments	*9*	**–**	466,320
Short-term investments measured at fair value through profit or loss	*9*	**291,454**	–
Investment deposits	*9*	**–**	243,370
Short-term investments measured at amortised cost	*9*	**339,430**	–
Cash and bank balances		**1,316,368**	1,696,278
Restricted bank balances		**5,189**	20,000
Total current assets		**2,025,875**	2,459,910
CURRENT LIABILITIES			
Deferred revenue	*11A*	**–**	321,835
Contract liabilities	*11B*	**16,654**	–
Other payables and accruals	*12*	**355,470**	289,809
Deferred income – current		**17,936**	17,134
Interest-bearing bank and other borrowings	*13*	**28,761**	144,118
Tax payable		**1,488**	859
Total current liabilities		**420,309**	773,755
NET CURRENT ASSETS		**1,605,566**	1,686,155
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,664,547**	3,448,090

	Note	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Deferred income – non-current		**246,571**	271,407
Interest-bearing bank and other borrowings	*13*	**30,000**	30,000
Total non-current liabilities		**276,571**	301,407
Net assets		**3,387,976**	3,146,683
EQUITY			
Equity attributable to owners of the parent			
Share capital		**307**	307
Reserves		**3,263,593**	3,025,378
		3,263,900	3,025,685
Non-controlling interests		**124,076**	120,998
Total equity		**3,387,976**	3,146,683

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 unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2018 (the "**Period**") have been prepared in accordance with International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. These financial statements are presented in Renminbi ("**RMB**"), and all values are rounded to the nearest thousand except otherwise indicated.

The accounting policies and basis of preparation used in the preparation of these unaudited interim condensed consolidated financial statements are the same as those used in the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of the new and revised IFRSs (which also include IASs and Interpretations) as disclosed in note 2.2 below.

These unaudited interim condensed consolidated financial statements do not include all information and disclosures required in the Group's annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2017.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the period's financial statements:

IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
International Financial Reporting Interpretations Committee ("**IFRIC**") 22	*Foreign Currency Transactions and Advance Consideration*
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28

Other than as further explained below, the application of these new and revised IFRSs in the period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these interim condensed consolidated financial statements.

IFRS 9

IFRS 9 Financial Instruments replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

(i) Classification and measurement

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss ("**FVPL**"), amortised cost, or fair value through other comprehensive income ("**FVOCI**') The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent solely payments of principal and interest on the principal amount outstanding (the "**SPPI**" criterion).

The new classification and measurement of the Group's debt instruments are as follows:

– Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's *trade receivables, financial assets included in prepayments, deposits and other receivables, and short-term investments measured at amortised cost.*

Other financial assets are classified and subsequently measured, as follows:

– *Equity instruments at FVOCI*, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9. Under IAS 39, the Group's unquoted equity instruments were classified as available-for-sale financial assets.

– *Financial assets at FVPL* comprise derivative instruments and quoted equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Under IAS 39, the Group's derivative instruments were classified as available-for-sale investments.

The assessment of the Group's business model was made as of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

With the initial application date of 1 January 2018, the Group selected not to adjust the comparative information as at 31 December 2017 and recognised the transition adjustments, amounting to RMB2,860,000, against the opening balance of equity at 1 January 2018 amounting to RMB2,860,000.

The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39.

(ii) Impairment

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The new impairment model requires the recognition of impairment provisions based on expected credit losses model rather than only incurred credit losses model as is the case under IAS 39. The impact of the change in impairment methodology on the Group's retained earnings as at 1 January 2018 was immaterial.

(iii) Hedge accounting

The adoption of hedge accounting requirement of IFRS 9 has no impact on the Group's interim condensed consolidated financial statements, as the Group does not have any hedge instrument.

IFRS 15

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective method of adoption and it elected to apply that method to only those contracts that were not completed at the date of initial application. The comparative information for each of the primary financial statements would be presented based on the requirements of IAS 18 and related interpretations.

The Group were principally engaged in providing educational services in the PRC.

The adoption of IFRS 15 has no significant impacts on the recognition of service income from the provision of education and boarding services, and has no material impact on opening balances as at 1 January 2018.

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	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Tuition fees	**291,430**	236,212
Boarding fees	**24,823**	18,415
	316,253	254,627
Other income and gains		
Investment income from available-for-sale investments and investment deposits	**–**	6,604
Investment income	**6,236**	–
Other interest income	**10,222**	4,121
Net rental income	**519**	593
Government grants*		
– Related to assets	**9,262**	4,656
– Related to income	**16,672**	49,422
Others	**2,013**	2,345
	44,924	67,741

* 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	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on loans from the ultimate holding company and related parties	**–**	491
Interest on bank loans	**2,356**	140
	2,356	631

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation	**35,783**	23,302
Amortisation of other intangible assets	**521**	407
Minimum lease payments under operating leases	**3,675**	3,451
Recognition of prepaid land lease payments	**3,620**	1,183
Auditor's remuneration	**1,000**	2,022
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**58,583**	42,283
Equity-settled share option expense	**270**	–
Pension scheme contributions (defined contribution schemes)	**20,726**	13,736
Foreign exchange differences, net	**1,283**	9,096
Reversal of impairment of other receivables	**(500)**	–
Impairment of other receivables	**47**	–
Investment income from available-for-sale investments and investment deposits	**–**	(6,604)
Investment income	**(6,236)**	–
Other interest income	**(10,222)**	(4,121)
Fair value gains on investment at fair value through profit or loss	**60,254**	–
Loss on disposal of items of property, plant and equipment, net	**6**	37
Donation expense	**1,029**	600

7. INCOME TAX

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current – Mainland China		
Charge for the period	**5,552**	801

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, Minsheng Education Development Company Limited, Minsheng Vocational Education Company Limited and Minsheng Secondary Education 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.

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 period 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 2018.

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 2018 and 2017.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, adjusted to reflect the share option, where applicable (see below).

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**217,914**	161,063

	Number of shares Six months ended 30 June	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	**4,017,720,000**	3,560,024,530
Effect of diluted-weighted average number of ordinary shares:		
Share options	**6,234,118**	–
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	**4,023,954,118**	N/A

9. OTHER INVESTMENTS

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Current assets		
Short-term investments measured at		
– Amortised cost (i)	**339,430**	–
– Fair value through profit or loss (ii)	**291,454**	–
Investment deposits (i)	**–**	243,370
Available-for-sale investments (ii)	**–**	466,320
	630,884	709,690
Non-current assets		
Equity investment measured at		
– Fair value through other comprehensive income (iii)	**8,450**	–
– Fair value through profit or loss (iv)	**112,774**	–
Available-for-sale investment (iii)	**–**	6,000
	121,224	6,000

(i) Short-term investments measured at amortised cost

Short-term investments measured at amortised cost are wealth management products with guaranteed returns. They are denominated in RMB. The investments are held for collection of contractual cash flows and the contractual cash flows of these investments qualify for solely payments of principal and interest, and hence they are measured at amortised cost. None of these investments are past due.

Upon the adoption of IFRS 9, the Group has reclassified investment deposits to short-term investments measured at amortised cost.

(ii) Short-term investments measured at fair value through profit or loss

Short-term investments measured at fair value through profit or loss are wealth management products with an expected rate of return ranging from 3.2% to 4.3% per annum for the period. They are denominated in RMB. The return on all of these wealth management products is not guaranteed, and hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore, they are measured at fair value through profit or loss. None of these investments are past due. The fair values are based on cash flow discounted using the expected return based on management judgement and are within categorized level 3 of fair value hierarchy.

Upon the adoption of IFRS 9, the Group has reclassified available-for-sale investments to short-term investments measured at fair value through profit or loss.

(iii) Equity investment at fair value through other comprehensive income

Equity investment at fair value through other comprehensive income comprises unlisted security. The fair value of the unlisted security is measured using a valuation technique with unobservable inputs and hence categorized within level 3 of the fair value hierarchy.

Upon the adoption of IFRS 9, the Group has reclassified available-for-sale investment to equity investment at fair value through other comprehensive income.

(iv) Equity investment at fair value through profit or loss

Equity investment at fair value through profit or loss comprises listed security. The fair value of the listed security is determined based on the closing prices quoted in active markets. It is accounted for using its fair value based on quoted market prices (level 1: quoted price (unadjusted) in active markets) without deduction for transaction costs.

(v) Fair value gains on investments at fair value through profit or loss

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Fair value changes on equity investment at fair value through profit or loss	**52,644**	–
Fair value changes on short-term investments at fair value through profit or loss	**7,610**	–
	60,254	–

10. TRADE RECEIVABLES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Trade receivables	**532**	807

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 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within 1 year	**189**	584
1 to 2 years	**233**	201
2 to 3 years	**98**	10
Over 3 years	**12**	12
	532	807

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.

11A. DEFERRED REVENUE

	30 June 2018 *RMB'000* (Unaudited)	31 December 2017 *RMB'000* (Audited)
Tuition fees	–	291,710
Boarding fees	–	30,125
	–	321,835

Upon the adoption of IFRS 15, the Group has reclassified deferred revenue to contract liabilities (note 11B).

11B. CONTRACT LIABILITIES

	30 June 2018 *RMB'000* (Unaudited)	31 December 2017 *RMB'000* (Audited)
Tuition fees	**8,356**	–
Boarding fees	**8,298**	–
	16,654	–

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

During the period, revenue recognised that was included in the contract liabilities at the beginning of the period is RMB313,831,000.

12. OTHER PAYABLES AND ACCRUALS

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Accrued bonuses and other employee benefits	**29,679**	24,614
Payables for catering services	**5,178**	6,970
Payables for purchase of property, plant and equipment	**49,093**	65,057
Payables for management fee	**24,065**	32,364
Miscellaneous expenses received from students *(note (i))*	**38,132**	25,124
Other tax payable	**1,872**	2,605
Payables for listing expenses	**91,730**	–
Payables for audit fee	**1,000**	2,250
Payable for interest	**6,986**	32,309
Other payables	**107,735**	98,516
	355,470	289,809

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.

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2018			31 December 2017		
	Effective interest rate *(%)*	**Maturity**	*RMB'000* **(Unaudited)**	Effective interest rate *(%)*	Maturity	*RMB'000* (Audited)
Current						
Bank loans-unsecured	**N/A**	**N/A**	**–**	5.2-12.0	2018	29,000
Current portion of long term bank loans-secured	**8.3**	**2018**	**20,250**	8.3	2018	40,500
Other loans-unsecured	**15.0-24.0**	**2018**	**8,511**	15.0-24.0	2018	74,618
			28,761			144,118
Non-current						
Government loans-secured	**1.2**	**2032**	**30,000**	1.2	2032	30,000
			30,000			30,000
			58,761			174,118

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Analysed into:		
Bank loans:		
Within one year or on demand	**20,250**	69,500
Other borrowings repayable:		
Within one year or on demand	**8,511**	74,618
Government loans:		
Beyond five years	**30,000**	30,000
	58,761	174,118

Notes:

(a) Certain of the Group's bank loans and government loans are secured by the Group's certain property, plant and equipment and certain leasehold lands, which had an aggregate carrying value at the end of the reporting period of approximately RMB281,616,000 (31 December 2017: RMB284,375,000).

(b) All borrowings are in RMB.

(c) The Group's other loans are unsecured, bear interest at rates ranging from 15.0% to 24.0%, and are repayable in one year.

14. INTERIM DIVIDEND

The Board does not declare any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: 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 and one high school 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 with the high school Shouguang Bohai Experimental School.

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, practical technique and career prospects. As a result, we have achieved high graduate employment rates for our graduates from the schools we own and operate. We attribute the relatively high graduate employment rates to the effectiveness of our education programmes, which we believe it will continue to elevate our brand reputation and help us attract talented students.

Recent development on regulations

It has come to the Group's attention that on 10 August 2018, the Ministry of Justice of the PRC has published the review draft of the draft Amendments to the Regulations on the Implementation of the Non-state Education Promotion Law of the People's Republic of China《中華人民共和國民辦教育促進法實施條例（修訂草案）（送審稿）》(the "**Draft Amendments**") for consultation. As advised by the Company's legal advisers as to the laws of the PRC ("**PRC Legal Advisers**"), the Draft Amendments are still under consultation and are not yet promulgated or implemented in the PRC. Accordingly, as at the date of this announcement, the business operations of the Group have not been affected by the Draft Amendments. The Company will continue to follow the development of the Draft Amendments and other relevant laws and regulation.

Our Schools in China

1. *Existing Schools*

Six schools in the PRC have been operating by the Group throughout the period ended 30 June 2018, four of which are located in Chongqing, one is situated in Inner Mongolia and one in Shandong. Through these schools, we primarily offer formal higher education, including undergraduate and junior college education. Tuition fees and boarding fees are the major income of the Group and we usually raise our fees in certain programmes every two to three school years due to the increasing operating costs. Existing students will continue to pay the same tuition fees when they first enrolled to our schools.

Chongqing College of Humanities, Science and Technology is a formal university-level education institution located in Chongqing, the PRC. Its predecessor was Southwest University Yucai College, which was a private independent college certified by the Ministry of Education of the PRC (the "**MOE**") in March 2003. In April 2013, the college was approved by the MOE to convert to an independent university-level education institution and was the first private college in Chongqing obtaining such approval. Chongqing College of Humanities, Science and Technology provides undergraduate and junior college education. It also offers preparatory education (預科教育) to qualified ethnic minority students. Approximately 43 programmes in a wide range of subject areas are available for students to choose from.

Pass College of Chongqing Technology and Business University is an independent college located in Chongqing, the PRC, which was certified by the MOE in December 2003. This college provides undergraduate and junior college education with approximately 26 majors. As an independent college, Pass College of Chongqing Technology and Business University is a sole 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 programme design and formulation and financial accounting duties.

Chongqing Vocational College of Applied Technology is a degree-granting higher education institution located in Chongqing, the PRC, which obtained approval 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) is 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 with approximately 11 majors.

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

Bohai Experimental School is a high school located in Shouguang, Shandong Province, the PRC, with approximately 2,501 students, together with an outstanding teaching team and facilities.

In addition, as disclosed in the prospectus of the Company dated 10 March 2017 (the "**Prospectus**"), pursuant to certain cooperation agreements entered into among 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 (重慶電信職業學院)

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 a 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 (the "**Entrusting Arrangement**"). 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 (安徽文達信息工程學院)

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 an 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 30 June 2018, 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 (the "**Listing Rules**") Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). 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.

Bohai Experimental School (壽光市渤海實驗學校)

Shouguang Bohai Experimental School, also known as, The Experimental High School associated with University of Chinese Academy of Sciences Basic Education Institute ("**Bohai Experimental School**"), is a school located in Shouguang, Shandong Province, the PRC, with approximately 2,501 students and 284 teachers and staff as at 30 June 2018.

On 10 March 2018, Shiji Kuangao (Beijing) Investment Management Co., Ltd. ("**Shiji Kuangao**") entered into the school sponsor's interest transfer agreement ("**Interest Transfer Agreement**") with Shouguang City Hongjing Town Development and Investment Company Limited and Shouguang City No.1 Middle School, pursuant to which, Shiji Kuangao agreed to acquire 100% of the school sponsor's interest of Bohai Experimental School, and the land, building, facilities and equipment of the east side of the Bohai Experimental School for a total consideration of approximately RMB151.73 million.

On 12 March 2018, Chongqing Jierui Education Technology Co., Ltd. ("**Jierui**"), a consolidated affiliated entity of the Company, entered into an equity transfer agreement with the shareholder of Shiji Kuangao and Shiji Kuangao, to acquire 100% of the equity interest of Shiji Kuangao ("**Equity Transfer Agreement**"). Pursuant to the Interest Transfer Agreement, Shiji Kuangao will be entitled to acquire Bohai Experimental School.

The completion of the Equity Transfer Agreement and the Interest Transfer Agreement took place on 2 May 2018. For details of the above transaction, please refer to the announcements of the Company dated 12 March 2018, 13 April 2018 and 2 May 2018.

On 2 May 2018, Chongqing Mengzhuo Education Technology Co., Ltd.* (重慶夢卓教育科技有限公司), an indirect wholly-owned subsidiary of the Company entered into a set of contractual arrangements in relation to Shiji Kuangao, Jierui and its shareholders, so that the Group is able to exercise control over Shiji Kuangao as the school sponsor of Bohai Experimental School and the Company is able to consolidate the financial results of Jierui, Shiji Kuangao and Bohai Experimental School into the Group's results from 2 May 2018, the commencement date of the contractual arrangements. For details of the contractual arrangements, please refer to the announcement of the Company dated 2 May 2018.

Yunnan University Dianchi College (雲南大學滇池學院) (the "Dianchi College")

Please refer to the section headed "Events after the Reporting Period" under "Other Information" in this announcement for details.

3. *Establishment of New School*

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

The Group constructed 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 has been in process, and the approval procedure has not been completed, therefore student enrollment cannot be commenced by September 2018.

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

On 12 February 2018, Jierui (a consolidated affiliated entity of 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 school has already started student enrollment, approximately more than 400 students are anticipated to enroll for the first batch in September 2018.

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.

Hebei University of Technology City College (河北工業大學城市學院) (the "City College")

Please refer to the section headed "Events after the Reporting Period" under "Other Information" in this announcement for details.

Our Investments in Overseas Schools

In addition to our schools in the PRC, we have invested in Top Education Group Ltd. ("**Top Education**"), a private higher education provider in Australia offering accredited undergraduate and postgraduate award courses in business and law which was listed on the main board of the Stock Exchange on 11 May 2018.

On 21 April 2018, Minsheng Education Development Company Limited, a direct wholly-owned subsidiary of the Company, entered into a cornerstone investment agreement with Top Education to subscribe for 209,000,000 ordinary shares at the final offer price, which will represent (i) approximately 8.32% (Note) of the total number of issued shares of Top Education immediately upon completion of its global offering, assuming the over-allotment option is not exercised, or (ii) approximately 8.01% (Note) of the total issued shares of Top Education immediately upon completion of its global offering, assuming the over-allotment option is exercised in full. (Note: Without taking into account the shares of Top Education that may be issued upon the vesting of the performance rights granted under its pre-IPO performance rights plan and any shares of Top Education that may be issued upon the exercise of any options granted under its share option scheme.)

The Group also 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 30 June 2018, we directly owned approximately 8.07% equity interest in Top Education, 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 programmes delivered, the number of students in our schools has reached a record high of 43,344 students as at 30 June 2018 (30 June 2017: 32,515 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 30 June	
	2018	2017
Schools		
Chongqing College of Humanities, Science and Technology	**19,481**	18,654
Pass College of Chongqing Technology and Business University	**10,447**	9,896
Chongqing Vocational College of Applied Technology	**2,857**	2,347
Inner Mongolia Fengzhou Vocational College (Qingcheng Branch)	**2,267**	1,618
Chongqing Electronic Information College	**5,791**	–
Bohai Experimental School	**2,501**	–
Total	**43,344**	32,515

Operational Update on the Group's Business

1. Our number of teachers reached 1,639 as at 30 June 2018, increased by 49.8% as compared to the same period of last year;

2. The Group and its schools have recruited more experienced, strong and young personnel to take up duties in including the positions of investment, business development, investor relations, teaching, administration, logistics and others;

3. Pass College of Chongqing Technology and Business University and Chongqing Vocational College of Applied Technology have launched well-structured promotion mechanism to encourage better performance from mid-level management staff; and

4. The Group has further improved both the teaching conditions and the education environment in the first half of 2018, for instance, (1) Chongqing Institute of Humanities and Technology completed the campus landscape planning and design, and in July 2018, certain landscape projects were commenced, (2) the construction plan on the newly acquired land of Pass College of Chongqing Technology and Business University has been approved by the government, and (3) the new campus of Laoling Minsheng Secondary Vocational School has commenced its construction and will be expected to complete in September 2018.

   Revenue contribution of the Group is mainly from tuition fees and boarding fees, which are generally received prior to the beginning of each academic year. Revenue is realised after the price was fixed or determinable, and services were provided.

   Other income and gains are mainly investment income from short-term investments measured at amortised cost, other interest income and government grants.

	Total income Six months ended 30 June 2018 *RMB ('000)*	2017 *RMB ('000)*	Change *RMB ('000)*	Percentage Change
Tuition fees				
Chongqing College of Humanities, Science and Technology	**157,951**	147,239	+10,712	+7.3%
Pass College of Chongqing Technology and Business University	**80,104**	71,551	+8,553	+12.0%
Chongqing Vocational College of Applied Technology	**14,103**	9,216	+4,887	+53.0%
Inner Mongolia Fengzhou Vocational College (Qingcheng Branch)	**8,460**	8,206	+254	+3.1%
Chongqing Electronic Information College	**28,682**	–	+28,682	N/A
Bohai Experimental School	**2,130**	–	+2,130	N/A
Total tuition fees	**291,430**	236,212	+55,218	+23.4%
Boarding fees	**24,823**	18,415	+6,408	+34.8%
Other income and gains	**44,924**	67,741	-22,817	+33.7%
Total	**361,177**	322,368	+38,809	+12.0%

Outlook

To expand the Group's higher education school network and increase number of student through:

1. mergers and acquisitions of:

    i. independent ordinary higher education institutions;

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

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

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

2. internal growth by:

    i. increasing the student enrollment quota. For example, in 2018, junior college to bachelor programs of Chongqing College of Humanities, Science and Technology's increased new student enrollment quota on the basis of the original plan;

    ii. adding new programmes to attract more students. In July 2017, the MOE approved Pass College of Chongqing Technology and Business University for the first time to hold higher education continuing education, with three junior college majors approved, namely the securities and futures, accounting and marketing in relation to higher education continuing education, and available in 2017 academic year;

    iii. providing more professional training programs in education. For instance, Chongqing College of Humanities, Science and Technology started the second phase of the teacher qualification certificate training class and will expand to several thousands of teaching school students. There were 1,826 students enrolled as of 30 June 2018;

    iv. raising the tuition fees appropriately. In 2018, we have increased tuition fees for certain majors in our schools, while the four schools in Chongqing have plans to raise student accommodation fees; and

    v. diversifying the service items provided. In the first half of 2018, certain schools of the Group have increased logistics service items.

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 reputable and quality high schools.

To extend school network internationally

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

2. cooperate with international renowned universities to carry out online programmes.

To develop intelligence campuses

1. gradually provide more classes through internet. Affiliated schools of the Group have developed and used 28 network courses, and are already in use by several thousands of students, number of online courses is expected to gradually expand; and

2. implement information management and services in the Group and campuses.

To improve centralised management

1. share quality courses amongs different schools in the Group;

2. share high quality teachers; and

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

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 24.2% from approximately RMB254.6 million for the six months ended 30 June 2017 to approximately RMB316.3 million for the six months ended 30 June 2018. 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 2018 increased by approximately RMB39.2 million, or approximately 44.3% to approximately RMB127.7 million from approximately RMB88.5 million for the six months ended 30 June 2017, primarily due to (i) an increase in staff costs by approximately 34.9% from approximately RMB47.6 million for the six months ended 30 June 2017 to approximately RMB64.2 million for the six months ended 30 June 2018; and (ii) an increase in depreciation and amortization expenses from approximately RMB16.6 million for the six months ended 30 June 2017 to RMB32.5 million for the six months ended 30 June 2018, mainly due to newly acquired equipment to support the growth of our schools; and (iii) an increase in cost of repairs by approximately RMB3.4 million, mainly due to repair and maintenance on buildings and student facilities of our schools.

Gross Profit

The gross profit increased by approximately RMB22.4 million, or approximately 13.5% from approximately RMB166.1 million for the six months ended 30 June 2017 to approximately RMB188.5 million for the six months ended 30 June 2018, and gross profit margin decreased from approximately 65.2% for the six months ended 30 June 2017 to approximately 59.6% for the six months ended 30 June 2018, mainly due to the increase in staff costs and depreciaton and amortization expenses as mentioned in cost of sales above.

Other Income and Gains

Other income and gains consists primarily of government grants, investment income, other interest income and net rental income.

Other income and gains decreased by approximately 36.7% from approximately RMB67.7 million for the six months ended 30 June 2017 to approximately RMB44.9 million for the six months ended 30 June 2018. This decrease was primarily due to (i) our decreased 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) partially offset by 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 increase significantly from approximately RMB2.8 million for the six months ended 30 June 2017 to approximately RMB6.5 million for the six months ended 30 June 2018 as the Group took more efforts on advertising and student recruitment in April and May 2018.

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 remained steady at approximately RMB55.0 million for the six months ended 30 June 2018, primarily due to the absence of listing expenses in 2018.

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 decreased substantially from approximately RMB10.7 million for the six months ended 30 June 2017 to approximately RMB3.4 million for the six months ended 30 June 2018. This decrease was primarily attributable to a significant decrease in net foreign currency exchange loss for the six months ended 30 June 2018, because our overseas subsidiaries borrowed funds from our PRC subsidiaries which resulted in large amounts of U.S. dollar denominated funds and the depreciation of Renminbi against U.S. dollar.

Finance Costs

Finance costs mainly represent interest on loans we borrowed from the bank. Finance costs increased from approximately RMB0.6 million for the six months ended 30 June 2017 to approximately RMB2.4 million for the six months ended 30 June 2018, mainly due to the loans borrowed for the operation of Chongqing Electronic Information College.

Profit for the Period

As a result of the above factors, profit for the period of the Group increased by 37.2% from approximately RMB161.1 million for the six months ended 30 June 2017 to approximately RMB221.0 million for the six months ended 30 June 2018.

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	
	2018	2017
	RMB'000	*RMB'000*
Profit for the period	**220,992**	161,063
Add:		
Listing-related expenses	**–**	15,463
Unrealised exchange loss	**1,283**	9,096
Share option expenses	**4,948**	–
Core net profit	**227,223**	185,622

Core net profit for the six months ended 30 June 2018 increased by approximately RMB41.6 million or 22.4% as compared with the corresponding period in 2017. Core net profit margin decreased from 72.9% for the six months ended 30 June 2017 to 71.8% for the six months ended 30 June 2018.

Financial and Liquidity Position

Net Current Assets

As at 30 June 2018, the Group had net current assets of approximately RMB1,605.6 million, which primarily consisted of short-term investments measured at fair value through profit or loss, short-term investments measured at amortised cost and cash and bank balances. The current assets as at 30 June 2018 decreased to approximately RMB2,025.9 million from approximately RMB2,459.9 million as at 31 December 2017. The decrease in current assets primarily reflected (i) a decrease in cash and bank balances, which decreased from approximately RMB1,716.3 million as at 31 December 2017 to approximately RMB1,321.6 million as at 30 June 2018, mainly due to (a) an equity investment at fair value through profit or loss purchased with a cost of approximately RMB56.4 million, (b) the repayment of the bank loans and other borrowings of approximately RMB115.4 million in the first half of the year 2018 and the payment of RMB64 million to acquire Shiji Kuangao and Bohai Experimental School; (ii) decrease of approximately RMB174.9 million in short-term investments measured at fair value through profit or loss from approximately RMB466.3 million as at 31 December 2017 to approximately RMB291.5 million as at 30 June 2018; and (iii) an increase in short-term investments measured at amortised cost, which increase from approximately RMB243.4 million as at 31 December 2017 to approximately RMB339.4 million as at 30 June 2018, as we made more investments in wealth management products with guaranteed returns. The current liabilities decreased from approximately RMB773.8 million as at 31 December 2017 to approximately RMB420.3 million as at 30 June 2018, mainly reflecting (i) a decrease of approximately RMB305.2 million in deferred revenue as the tuition fee have been recognized in profit or loss for the 2017-2018 school year as at 30 June 2018; (ii) a decrease of approximately RMB115.4 million of bank loans and other borrowings; and (iii) partially offset by an increase of approximately RMB65.7 million in other payables and accruals mainly due to the increase of payables for equity arisen from business combination.

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 RMB58.8 million as at 30 June 2018, all dominated in Renminbi. As at 30 June 2018, our bank loans and other borrowings bore effective interest rates ranging from 1.2% to 24.0% per annum.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operations and 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 2018, 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 (year ended 31 December 2017: nil).

Pledge of Assets

As at 30 June 2018, certain of the Group's buildings and land with a net carrying amount of approximately RMB281.6 million (year ended 31 December 2017: approximately RMB284.4 million) 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 30 June 2018, 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 1.7% as at 30 June 2018 from approximately 5.5% as at 31 December 2017, primarily due to the Group had repaid considerable amount of bank loans and other borrowings during the period.

Employment, Training and Development

As at 30 June 2018, the Group had a total of 2,875 employees. The total employee benefit expense (excluding directors' remuneration) for the six months ended 30 June 2018 amounted to approximately RMB79.6 million. 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.

The Directors and senior management may also receive options to be granted under the share option scheme adopted by the Company on 2 March 2017 for the purpose is to give the eligible persons an opportunity to have a personal stake in the Company and help motivate them to optimize their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group. 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

Acquisition of 51% issued share capital of Leed International Education Group Inc. ("Leed International")

On 20 August 2018, Minsheng Vocational Education Company Limited ("**Minsheng Vocational**") (as the purchaser), a wholly-owned subsidiary of the Company, and Leed Education Holding Limited, National Education Holding Limited and Hyde Education Holding Limited (collectively as the "**Vendors**") entered into a share purchase agreement (the "**Share Purchase Agreement**") between the Vendors and Minsheng Vocational in relation to the acquisition of 51% of the issued share capital of Leed International Education Group Inc. ("**Leed International**") (the "**Acquisition**"), pursuant to which Minsheng Vocational conditionally agreed to acquire from the Vendors, and the Vendors conditionally agreed to sell, 22,886,250 shares in the capital of Leed International at the consideration of RMB582.5 million equivalent USD payable by Mincheng Vocational for the Acquisition. The consideration shall be paid by three instalments.

On the same date subsequent to the execution of the Share Purchase Agreement, Minsheng Vocational will pay the first instalment as a deposit, and the entrustment arrangement in relation to Dianchi College has commenced in accordance with the terms of the Share Purchase Agreement and the relevant management agreement.

Leed International indirectly owns the sponsorship interests of Dianchi College, Dianchi College is a private higher education institution (an independent college) offering undergraduate courses in Kunming, Yunnan Province, China. In the 2017-2018 school year, there were approximately 18,470 students in Dianchi College. As of the date of this announcement, Dianchi College has admitted about 6,000 new students and is expected to reach approximately 19,200 students in the 2018-2019 school year. The tuition fee for the Dianchi College for the 2018-2019 school year is approximately RMB16,000 to RMB24,500 (the tuition fee depends on the major).

According to the Notice of the Yunnan Provincial Department of Education on the 13th Five-Year Plan for the Development of Ordinary Higher Education Scales issued by the Yunnan Provincial Department of Education on 13 January 2017, the Yunnan Provincial Department of Education gave the Dianchi College "General Higher Education 2020". The annual development goal of the scale has reached 28,000 students.

For details of the Acquisition, please refer to the announcement of the Company dated 21 August 2018.

Entering into agreement in relation to the cooperation of sponsoring the City College

On 9 July 2018, the Company entered into a framework agreement (the "**Framework Agreement**") with the Zhangjiakou Municipal People's Government (張家口市人民政府) (the "**Zhangjiakou Government**") and Hebei University of Technology (河北工業大學) ("**Hebei University of Technology**", together with the Zhangjiakou Government, the "**Parties**") in relation to the proposed cooperation (the "**Proposed Cooperation**") regarding the operation of the City College. Pursuant to the Framework Agreement, with the support of Zhangjiakou Government, Hebei University of Technology and the Company will co-operate the City College in Zhangjiakou City of Hebei Province. By taking advantage of the respective strengths, the Parties strive to make the City College the best private undergraduate college in Hebei Province and the application-oriented training base for talents in Hebei Province before the 2022 Winter Olympic Games, with around 10,000 undergraduate and junior college students in total. Please refer to the announcement of the Company dated 9 July 2018 for details.

On 22 August 2018, Chongqing Yuecheng Zhiyuan Education Technology Co., Ltd.* (重慶悅誠智遠教育科技有限公司), a consolidated affiliated entity of the Company, entered into (i) a cooperation agreement with Hebei University of Technology in relation to the cooperation of sponsoring the City College; and (ii) a framework agreement with Hebei University of Technology in relation to the conversion of the City College into an independently organised private undergraduate higher education institution. On 23 August 2018, Chongqing Yuecheng entered into an agreement with the Zhangjiakou Government and Zhangjiakou Economic Development Zone Management Committee* (張家口經濟開發區管理委員會) in relation the cooperation of construction and development of City College. For details, please refer to the announcement of the Company dated 24 August 2018.

Interim Dividend

The Board does not recommend an interim dividend in respect of the six months ended 30 June 2018.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company, nor any of its subsidiaries, purchased, sold or redeemed any listed securities of the Company during the six months ended 30 June 2018.

Corporate Governance Code

Throughout the six months ended 30 June 2018, 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 six months ended 30 June 2018.

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 2018.

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 2018 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, 24 August 2018

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.

* *for identification purpose only*