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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1569)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

	Year ended 31 December			
	2019 *RMB'000*	2018 *RMB'000*	**Change** *RMB'000*	Percentage Change
Revenue	**1,005,436**	623,143	**382,293**	**+61.4%**
Gross profit	**516,490**	333,368	**183,122**	**+54.9%**
EBITDA *(Note 3)*	**536,660**	418,947	**117,713**	**+28.1%**
Profit for the year	**333,981**	332,828	**1,153**	**+0.3%**
Adjusted net profit *(Note 1)*	**386,136**	338,198	**47,938**	**+14.2%**

	As at 31 December			
	2019	2018	**Change**	Percentage Change
Number of students				
Number of on-campus students	**85,765**	65,496	**20,269**	**+30.9%**
Number of online education students managed by the Group under an entrusted management arrangement	**112,847**	– *(Note 2)*	**N/A**	**N/A**

Notes:

1. Adjusted net profit is defined as profit for the Reporting 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 "Management Discussion and Analysis – Financial Review" in this announcement.

2. The Online Education Entities were not managed by the Group as at 31 December 2018 and were not consolidated subsidiaries of the Group as at 31 December 2019.

3. EBITDA refers to earnings before interest, income tax expense, depreciation and amortization.

A final dividend in respect of the year ended 31 December 2019 of HK$2.84 cents per ordinary share (equivalent to RMB2.59 cents, according to the central parity rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China on 25 March 2020, i.e. RMB0.9124 equivalent to HKD1.00) (2018: Nil) was proposed pursuant to a resolution passed by the Board on 25 March 2020 and subject to the approval of the shareholders of the Company at the annual general meeting of the Company. The expected date of payment of final dividend will be on or no later than 31 August 2020. Information regarding the date of the annual general meeting, date of closure of register of members in relation to the annual general meeting and the final dividend and payment date of the final dividend will be further announced separately by the Company in due course.

The board (the "**Board**") of directors (the "**Directors**") of Minsheng Education Group Company Limited (the "**Company**") is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively referred to as the "**Group**" or "**We**") for the year ended 31 December 2019 (the "**Reporting Period**") together with the comparative figures for the year ended 31 December 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** **_RMB'000_**	2018 *RMB'000*
REVENUE	*4*	**1,005,436**	623,143
Cost of sales		**(488,946)**	(289,775)
Gross profit		**516,490**	333,368
Other income and gains	*4*	**139,018**	189,884
Selling and distribution expenses		**(16,043)**	(16,794)
Administrative expenses		**(185,118)**	(143,501)
Other expenses, net		**(28,327)**	(835)
Finance costs	*5*	**(79,613)**	(13,202)
Share of loss of an associate		**(153)**	(644)
PROFIT BEFORE TAX	*6*	**346,254**	348,276
Income tax expense	*7*	**(12,273)**	(15,448)
PROFIT FOR THE YEAR		**333,981**	332,828
Attributable to:			
Owners of the parent		**341,607**	332,839
Non-controlling interests		**(7,626)**	(11)
		333,981	332,828
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:	*8*		
Basic		**RMB0.0850**	RMB0.0828
Diluted		**RMB0.0850**	RMB0.0827

	2019	2018
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**333,981**	332,828
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	**(20,834)**	(18,577)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**(20,834)**	(18,577)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**(2,396)**	(2,070)
Exchange differences on translation of financial statements	**18,200**	54,973
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**15,804**	52,903
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(5,030)**	34,326
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**328,951**	367,154
Total comprehensive income attributable to:		
Owners of the parent	**336,577**	367,165
Non-controlling interests	**(7,626)**	(11)
	328,951	367,154

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,316,856**	2,157,994
Right-of-use assets		**745,916**	–
Prepaid land lease payments		**–**	744,785
Goodwill		**1,685,099**	1,685,099
Other intangible assets		**6,027**	6,257
Investment in an associate		**1,908**	2,030
Equity investment at fair value through other comprehensive income		**–**	6,380
Equity investment at fair value through profit or loss		**56,165**	61,347
Other non-current assets		**770,841**	382,559
Total non-current assets		**5,582,812**	5,046,451
CURRENT ASSETS			
Inventories		**1,408**	1,381
Trade receivables	*9*	**9,801**	5,510
Prepayments, other receivables and other assets		**74,236**	62,986
Short-term investments measured at amortised cost		**97,000**	–
Cash and bank balances		**1,308,361**	1,505,820
Restricted bank balances		**–**	2,324
		1,490,806	1,578,021
Asset classified as held for sale		**3,984**	–
Total current assets		**1,494,790**	1,578,021
CURRENT LIABILITIES			
Contract liabilities	*10*	**586,851**	534,097
Other payables and accruals	*11*	**535,970**	697,349
Deferred income – current		**22,894**	19,937
Interest-bearing bank and other borrowings		**321,080**	244,635
Tax payable		**15,648**	11,063
Total current liabilities		**1,482,443**	1,507,081

	2019	2018
	RMB'000	*RMB'000*
NET CURRENT ASSETS	**12,347**	70,940
TOTAL ASSETS LESS CURRENT LIABILITIES	**5,595,159**	5,117,391
NON-CURRENT LIABILITIES		
Deferred income – non-current	**273,389**	282,027
Interest-bearing bank and other borrowings	**330,132**	214,099
Other long term liabilitity	**296,581**	310,538
Deferred tax liabilities	**5,000**	–
Put option liability	**819,264**	781,332
Total non-current liabilities	**1,724,366**	1,587,996
Net assets	**3,870,793**	3,529,395
EQUITY		
Equity attributable to owners of the parent		
Share capital	**307**	307
Reserves	**3,757,125**	3,408,101
	3,757,432	3,408,408
Non-controlling interests	**113,361**	120,987
Total equity	**3,870,793**	3,529,395

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

Minsheng Education Group Company Limited (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**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for an equity investment at fair value through other comprehensive income included in asset classified as held for sale, an equity investment at fair value through profit or loss and a loan to an associate included in other non-current assets, 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 new and revised standards for the first time for the current year's consolidated financial statements.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Other than as explained below regarding the impact of IFRS 16 *Leases*, Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures* and IFRIC 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's consolidated financial statements. The nature and impact of the new and revised IFRSs are described below:

(a) IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

The Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under IAS 17 and related interpretations.

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC-4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC-4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property, machinery, vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and leases with a lease term of 12 months or less ("**short-term leases**") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedient when applying IFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

As a lessee – Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. Accordingly, the carrying amounts of the right-of-use assets and the lease liabilities at 1 January 2019 were the carrying amounts of the recognised assets and liabilities (i.e., finance lease payables) measured under IAS 17.

Financial impact at 1 January 2019

The impact arising from the adoption of IFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) *RMB'000*
Assets	
Increase in right-of-use assets	762,829
Decrease in prepaid land lease payments	(744,785)
Decrease in prepayments, other receivables and other assets	(18,044)
Increase in total assets	–
Liabilities	
Increase in interest-bearing bank and other borrowings	–
Increase in total liabilities	–

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	9,713
Less:	
Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	987
Adjustments relating to variable lease payments linked to future performance of an underlying asset	8,726
Weighted average incremental borrowing rate as at 1 January 2019	–
Discounted operating lease commitments at 1 January 2019	–
Lease liabilities as at 1 January 2019	–

(b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically includes requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

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 revenue derived from services 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

An analysis of revenue is as follows:

	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Tuition fees	**927,489**	570,630
Boarding fees	**77,947**	52,513
	1,005,436	623,143
Other income and gains		
Investment income from short-term investments measured at amortised cost and short-term investments measured at fair value through profit or loss	**5,048**	15,172
Rental income:		
Fixed lease payments	**12,864**	N/A
Variable lease payments	**1,609**	N/A
	14,473	2,926
Bank interest income	**12,646**	23,228
Interest income from a company controlled by the former shareholders of a subsidiary	**14,573**	–
Government grants*		
– Related to assets	**20,449**	18,676
– Related to income	**65,326**	59,682
Exchange gain, net	**–**	8,894
Management service income	**–**	54,173
Fair value gains on equity investment at fair value through profit or loss	**–**	296
Others	**6,503**	6,837
	139,018	189,884

* 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

	2019 *RMB'000*	2018 *RMB'000*
Interest on bank loans and other borrowings	**22,893**	8,925
Interest on sale and leaseback liabilities	**18,750**	1,197
Interest on lease liabilities	**38**	–
Interest on put option liability	**37,932**	3,080
	79,613	13,202

6. PROFIT BEFORE TAX

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

	2019 *RMB'000*	2018 *RMB'000*
Depreciation of property, plant and equipment	**117,246**	71,720
Amortisation of other intangible assets	**1,716**	1,241
Minimum lease payments under operating leases	**–**	8,125
Lease payments not included in the measurement of lease liabilities	**7,842**	–
Depreciation of right-of-use assets (2018: recognition of prepaid land lease payments)	**19,050**	7,736
Auditor's remuneration	**3,000**	3,180
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**267,499**	146,097
Equity-settled share option expense	**3,773**	2,514
Pension scheme contributions (defined contribution schemes)	**59,389**	41,284
	330,661	189,895
Foreign exchange differences, net	**1,776**	(8,894)
Impairment of financial assets:		
Impairment of trade receivables	**558**	80
Impairment of financial assets included in prepayments, other receivables and other assets	**12,901**	47
Reversal of impairment of financial assets included in prepayments, other receivables and other assets	**–**	(500)
	13,459	(373)
Investment income from short-term investments measured at amortised cost and short-term investments measured at fair value through profit or loss	**(5,048)**	(15,172)
Bank interest income	**(12,646)**	(23,228)
Interest income from a company controlled by the former shareholders of a subsidiary	**(14,573)**	–
Fair value loss/(gain) from an equity investment at fair value through profit or loss	**6,470**	(296)
Fair value loss from a loan to an associate included in other non-current assets measured at fair value	**5,130**	–
Loss on disposal of items of property, plant and equipment, net	**388**	140
Donation expense	**886**	834

7. INCOME TAX

	2019	2018
	RMB'000	*RMB'000*
Current – Mainland China		
Charge for the year	**7,273**	15,448
Deferred	**5,000**	–
	12,273	15,448

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, Minsheng Education Development Company Limited, Minsheng Vocational Education Company Limited, Minsheng Secondary Education Company Limited, Minsheng Education Technology Company Limited, Minsheng Education Investment Company Limited (formerly knownly as Minsheng Education Information Company Limited) and Leed International Education Group Inc., which were incorporated in the Cayman Islands, are not subject to income tax.

Minsheng Education Development (Hong Kong) Company Limited, Hong Kong College of Technology and Business Limited and Leed International Education Group (China) 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 and Chongqing Pass Education Services Company Limited, and the preferential rate of 20% under the Notice Regarding the Implementation on Tax Reduction/Exemption Policies for Small and Micro-sized Enterprises (SEMs) available to Chongqing Huizhi 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 year, 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 compliance confirmation obtained therefrom, except for Laoling Minsheng Education High School Company Limited, which was incorporated as a limited company the Group's schools did not pay corporate income tax for the provision of formal educational services and have enjoyed the preferential tax treatments in 2019.

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 owners of the parent, and the weighted average number of ordinary shares of 4,017,720,000 (2018: 4,017,720,000) in issue during the year.

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

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

	2019	2018
	RMB'000	*RMB'000*
Earnings		
Profit attributable to owners of the parent, used in the basic and diluted earnings per share calculation	**341,607**	332,839

	Number of shares	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**4,017,720,000**	4,017,720,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	**2,813,137**	4,993,230
	4,020,533,137	4,022,713,230

9. TRADE RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**9,897**	5,510
Impairment	**(96)**	–
	9,801	5,510

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 year, based on the transaction date and net of loss allowance, is as follows:

	2019	2018
	RMB'000	*RMB'000*
Within 1 year	**9,428**	5,162
1 to 2 years	**370**	309
2 to 3 years	**3**	39
Over 3 years	**–**	–
	9,801	5,510

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019	2018
	RMB'000	*RMB'000*
At beginning of year	**–**	–
Impairment losses *(Note 6)*	**558**	80
Amount written off as uncollectible	**(462)**	(80)
At end of year	**96**	–

The Group applies the simplified approach to provide for the expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. Trade receivables from students are considered to be credit-impaired when the students drop out from the tuition programmes and are assessed individually for lifetime ECL provision.

The Group assessed the expected loss on trade receivables from students grouped based on the ageing of the trade receivables, considering the historical default experience and forward-looking information, as appropriate. The Group uses debtors' ageing to assess the impairment for students in relation to its college and high school education because these customers consist of a large number of students with common risk characteristics that are representative of the students' abilities to pay all amounts due in accordance with the contractual terms. The loss rate applied is minimal. Generally, trade receivables are written off when the student drops out from the tuition programmes and are not subject to enforcement activity.

10. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	2019	2018
	RMB'000	*RMB'000*
Short-term advances received from customers		
Tuition fees	**535,025**	486,752
Boarding fees	**51,826**	47,345
	586,851	534,097

Contract liabilities include short-term advances received from students in relation to the proportionate service not yet provided. The Group receives tuition and boarding fees from students in advance prior to the beginning of each academic year. Tuition and boarding fees are recognised proportionately over the relevant period of the applicable program. The students are entitled to refund of the payment in relation to the proportionate service not yet provided.

11. OTHER PAYABLES AND ACCRUALS

	2019	2018
	RMB'000	*RMB'000*
Accrued bonuses and other employee benefits	**59,444**	50,553
Payables for catering services	**29,007**	13,794
Payables for purchase of property, plant and equipment	**199,092**	158,290
Payables for management fee	**24,313**	68,469
Miscellaneous expenses received from students *(Note (i))*	**40,300**	32,502
Other tax payable	**2,110**	1,131
Payables for audit fee	**1,820**	3,960
Payables for interest	**7,577**	6,426
Consideration payable for business combination	**91,730**	91,730
Payables to companies controlled by the non-controlling shareholders of a subsidiary	**–**	193,638
Other payables*	**80,577**	76,856
	535,970	697,349

* Payable of RMB20,000,000 (2018: RMB20,000,000) to the non-controlling shareholder of Chongqing Electronic Information College is included within other payables.

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

Note:

(i) The amounts represent the miscellaneous expenses received from students which will be paid out on behalf of students.

12. EVENTS AFTER THE REPORTING PERIOD

Coronavirus Disease 2019 (COVID-19)

Subsequent to the end of the reporting period, there has been an outbreak of the Corona Virus Disease across China. The Group had provided and completed its education services for the fall semester of the 2019/2020 school year by early January 2020. The opening of the Group's school campuses for the spring semester of the 2019/2020 school year has been delayed and management has implemented certain alternative action plans for students during the school closure period, including implementing on-line modules and remote website learning activities.

In view of the alternative action plans described above, the directors assessed and preliminarily concluded that there was no significant impact on the financial position of the Group subsequent to the year ended 31 December 2019 and up to the date of this announcement. The directors will remain alert to the development of the pandemic and take additional measures as appropriate.

13. DIVIDENDS

Subsequent to the end of the reporting period, the board of directors recommended the payment of a final dividend of RMB2.59 cents per share totalling RMB104 million for the year ended 31 December 2019 (2018: nil). The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is the leading private higher education and vocational education operator in the PRC. Based on the total number of students, the Company is one of the largest private higher education and vocational education groups in the PRC. In response with the development trend of "Internet + education" and empowerment of education with intelligent technology, and in order to implement the strategy of "integration of offline and online education, parallel development of formal education and vocational education", the Company is the first to develop online education on top of the fundamentals of the Group's on-campus education, so as to achieve a coordinated development of on-campus education and online education.

The Group mainly focuses on providing high-quality (i) higher education and vocational education in the PRC; and (ii) online formal education and vocational training business, and is committed to nuturing high-end application-oriented and innovative talents in order to cope with the market as well as industry and enterprise demand.

As of 31 December 2019, the total number of on-campus students amounted to 85,765 and the number of online education students managed by the Group under an entrusted management arrangement amounted to 112,847, of which 98,033 were at or above junior college level.

On-campus education

The Group currently operates and/or manages 11 schools in Chongqing, Yunnan Province, Shandong Province and Inner Mongolia Autonomous Region, which include:.

(i) **Seven higher education schools –** Chongqing College of Humanities, Science and Technology, Dianchi College of Yunnan University, Pass College of Chongqing Technology and Business University, Chongqing Vocational College of Applied Technology, Chongqing Electronic Information College, Inner Mongolia Fengzhou Vocational College (Qingcheng Branch), and Qufu Fareast Vocational and Technical College managed and operated under an entrusted management;

(ii) **Two secondary vocational schools –** Laoling Minsheng Secondary Vocational School and Laoling Secondary Vocational and Technical School; and

(iii) **Two high schools –** Shouguang Bohai Experimental School and Laoling Minsheng Education High School* (樂陵民生教育高級中學) .

For details, please refer to the sub-section of "On-campus education of the Group" below.

Online education

In October 2019, the Group commenced the entrusted management of Guangdong Mingshi Online Education Technology Co., Ltd* (廣東明世在線教育科技有限公司). ("**Mingshi Online**") and Guangdong Minsheng Online Education Technology Co., Ltd* (廣東民生在線教育科技有限公司) ("**Minsheng Online**") (together referred to as the "**Online Education Entities**").

For details, please refer to the sub-section of "Online education of the Group" below.

Development of Major business during the Reporting Period

1. **The Group has continued its external mergers and acquisition strategy.** During the Reporting Period, the Group has continued its external mergers and acquisitions strategy, which has laid down a solid foundation for the future development of the Group. During the Reporting Period:

   (i) Chongqing Yuecheng Zhiyuan Education Technology Co., Ltd.* (重慶悦誠智遠教育科技有限公司) ("**Chongqing Yuecheng**"), a consolidated affiliated entity of the Company, has commenced its comprehensive management of Qufu Fareast Vocational and Technical College;

   (ii) The Group entered into an equity transfer agreement for an indirect acquisition of 51% of the school sponsor interest in Nanchang Vocational University (previously known as Nanchang Vocational College (Undergraduate));

   (iii) Chongqing Mengzhuo Education Technology Co., Ltd.* (重慶夢卓教育科技有限公司) ("**Chongqing Mengzhuo**"), a consolidated affiliated entity of the Company, has commenced the entrusted management of the Online Education Entities.

2. **The Group has expanded into online education business.** Chongqing Mengzhuo has commenced the entrusted management of the Online Education Entities, represents an expansion of the Group's business into online education on top of the fundamentals of the Group's on-campus education, so as to achieve a coordinated development of on-campus education and online education.

3. **The Group's number of students has been growing substantially.** The number of students on-campus students of the Group as of 31 December 2019 amounted to 85,765 students, increased by approximately 30.9% as compared to the corresponding period 2018, which is mainly due to the number of newly enrolled students has increased for 2019-2020 school year as compared to 2018-2019 school year.

   The number of online education students managed by the Group under an entrusted management arrangement as of 31 December 2019 amounted to 112,847,which is mainly due to the Group has commenced the entrusted management of the Online Education Entities since October 2019.

4. **The Group's schools have added new enrollment majors that meet the needs of industrial development.** During the 2019-2020 school year, the Group's schools have added 14 new majors include big data technology and application, drug operation and management, early childhood development and health management, internet of things application technology, drone application technology, railway signaling and automatic control, community rehabilitation, leisure services and management, communication engineering, digital media arts, traditional Chinese medicine rehabilitation technology, health management, railway transport operation, dancing and management were added to the enrollment subjects. These new majors were added in order to adopt the development of the industry, meet the market needs in the cultivation direction of high-end application-oriented and innovative talents, which is conducive to increasing enrollment and employment, and enhancing the core competitiveness of our schools.

5. **The Yangzonghai new campus project of Dianchi College of Yunnan University was officially launched.** In October 2019, the construction of Yangzonghai new campus of Dianchi College of Yunnan University was officially started. The project was listed as a "Four-One hundred" key construction project in Yunnan province, and was listed as a "Major indicator, Major project, Major work" project by the Kunming Municipal Government. The construction project covers an area of 1,753 acres. The new campus is planned to be completed and put into use in 2023. Upon completion, the new campus are expected to accommodate approximately 43,000 students.

On-campus education of the Group

As at 31 December 2019, the Group operated and/or managed eleven schools in the PRC which primarily offer higher education and vocational education. Set forth below are certain particulars of the eleven schools of the Group:

Undergraduate Schools

Chongqing College of Humanities, Science and Technology

Chongqing College of Humanities, Science and Technology is a private university-level education school located in Chongqing, the PRC. Its predecessor, Southwest University Yucai College, was recognized by the Ministry of Education of the PRC (the "**MOE**") as an independent college in March 2003. In April 2013, the college was approved by the MOE to convert into a private independently organised university-level education school and was the first and only one private university-level education school in Chongqing obtaining such approval for conversion. Chongqing College of Humanities, Science and Technology mainly provides undergraduate education. The college has 18 second-level colleges and currently offers 43 undergraduate majors and 1 junior college major, covering 9 subject categories.

The tuition fee for Chongqing College of Humanities, Science and Technology for the 2019-2020 school year is approximately RMB12,000 to RMB18,000, depends on the major.

During the Reporting Period, Chongqing College of Humanities, Science and Technology has commenced the teachers' certification training. An accumulative of 4,691 teachers have been received the training as of 31 December 2019.

In 2019, Chongqing University of Humanities Science and Technology was granted the title of "Demonstration Unit for Ethnic Unity and Progress". The students participated in the 5th National Comprehensive Talent Skills Competition for Applied Talents and won one gold and 12 silver medals. They participated in the 6th National College Student Economic News Competition for the first time and won the championship and first runner-up awards. They won 1 gold and 9 bronze prizes in the 11th National Ethnic Traditional Sports Meeting. They also won the 2019 Red Dot Design Award in German and the design award in the 13th China Star in the packaging design category. The teachers won the 1st prize in the comprehensive skill category in the 2019 National Basic Skill Demonstration Competition of Music Teachers of Higher Education Institutes, and won all the individual awards in various competition categories.

Dianchi College of Yunnan University

Dianchi College of Yunnan University is an independent college located in Kunming city, Yunnan Province, the PRC, which was established in 2001. Dianchi College of Yunnan University offers formal undergraduate education. The college currently offers 47 undergraduate majors, covering 8 subject categories.

The tuition fee for Dianchi College of Yunnan University for the 2019-2020 school year is approximately RMB16,000 to RMB24,500, depends on the major.

In 2019, students from Dianchi College of Yunnan University won two 1st awards in the national competition in the finals of the 10th National University Student BIM Application Skills Contest, and won 11 gold medals in the fifth "Internet +" Yunnan University Student Innovation and Entrepreneurship Competition ranking the first in terms of the number of gold medals in Yunnan Province.

Pass College of Chongqing Technology and Business University

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. The college mainly provides undergraduate education and certain junior college education and currently offers 24 undergraduate majors and 3 junior college majors.

The tuition fee for Pass College of Chongqing Technology and Business University for the 2019-2020 school year is approximately RMB12,000 to RMB16,000, depends on the major.

During the Reporting Period, Pass College of Chongqing Technology and Business University has commenced the adult continuing education and currently offers three undergraduate majors, namely business administration, marketing and accounting and three junior college majors, namely securities and future, marketing and accounting. During the Reporting Period, there were a total of 3,689 adult students for degree and junior college programs. The tuition fee for adult continuing education for the school year 2019-2020 is approximately RMB2,600 to RMB2,800, depends on the major.

In 2019, students from Pass College of Chongqing Technology and Business University participated in the "China University Student Investment and Trading Strategy Competition" and won the individual competition championship, one first runner-up award and four second runner-up awards in the individual competition category. The Foreign Language Institute won the championship in the integration ability competition as a participating unit, while the students from the Business English major won sixteen first prize awards, eight first runner-up awards and six second runner-up awards in the individual competition category.

Higher Vocational Schools

Chongqing Vocational College of Applied Technology

Chongqing Vocational College of Applied Technology is a full-time ordinary higher education institution located in Chongqing, the PRC, providing junior college education. The college 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. The college currently offers 27 majors.

The tuition fee for Chongqing Vocational College of Applied Technology for the 2019-2020 school year is approximately RMB4,800 to RMB9,800, depends on the major.

Inner Mongolia Fengzhou Vocational College (Qingcheng Branch)

Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) is a full-time ordinary higher education institution located in Hohhot city, Inner Mongolia, the PRC, providing junior college education. We became one of its school sponsors and have been entitled to the entire interest in Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) in 2008. The college currently offers 21 majors.

The tuition fee for Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) for the 2019-2020 school year is approximately RMB3,000 to RMB7,000, depends on major.

Chongqing Electronic Information College

Chongqing Electronic Information College is a full-time ordinary higher education institution located in Chongqing, the PRC, providing junior college education. The college currently offers 28 majors.

The tuition fee for Chongqing Electronic Information College for the 2019-2020 school year is approximately RMB5,000 to RMB12,000, depends on the major.

Qufu Fareast Vocational and Technical College

Qufu Fareast Vocational and Technical College is a full-time ordinary higher education institution located in Qufu city, Shandong province, the PRC, providing junior college education. The college currently offers 27 majors.

Since February 2019, Qufu Fareast Vocational and Technical College has been entrusted to Chongqing Yuecheng for management and 51% of the net profit of Qufu Fareast Vocational and Technical College was paid to Chongqing Yuecheng as management fee.

The tuition fee for Qufu Fareast Vocational and Technical College for the 2019-2020 school year is approximately RMB4,600 to RMB9,980, depends on the major.

Secondary vocational schools

Laoling Minsheng Secondary Vocational School

Laoling Minsheng Secondary Vocational School is a full-time regular specialized secondary school located in Laoling city, Shandong province, the PRC, providing secondary vocational education, and the first batch of students has commenced the school year in September 2018. The school currently offers 10 majors.

Laoling Secondary Vocational and Technical School

Laoling Secondary Vocational and Technical School is a full-time regular specialized secondary school located in Laoling city, Shandong Province, the PRC, providing secondary vocational education.

Pursuant to certain cooperation agreements entered into among the Group, the People's Government of Laoling and the Bureau of Education of Laoling, Laoling Secondary Vocational and Technical School is managed and operated by Laoling Minsheng Secondary Vocational School under an entrusted management arrangement. The school currently offers 4 majors.

High schools

Shouguang Bohai Experimental School

Shouguang Bohai Experimental School is a high school located in Shouguang city, Shandong province, the PRC, offering grade 10 to grade 12 secondary education programs.

Laoling Minsheng Education High School

Laoling Minsheng Education High School is a high school located in Laoling city, Shandong province, the PRC, offering grade 10 to grade 12 secondary education programs.

Online education of the Group

Since October 2019, the Online Education Entities have been entrusted to the Group. The Online Education Entities is located in Guangzhou, Guangdong Province, the PRC, its principal business is to provide academic training and vocational and certification training business through online platform.

As of 31 December 2019, the Online Education Entities provided (i) approximately 200+ undergraduate and junior college major; and (ii) 15 vocational training programmes.

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 whose shares are listed on the Stock Exchange (Stock Code: 1752), the Group has 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**"), a company limited by guarantee established under the laws of Hong Kong, in Hong Kong.

As at 31 December 2019, we directly owned approximately 8.31% of equity interest in Top Education and approximately 22.9% of equity interest in Beacon International College, and we were one of the two members of Hong Kong Nang Yan College.

Total number of students

As at 31 December 2019, the Group's (i) total number of on-campus education students amounted to 85,765, representing an increase of approximately 30.9% as compared to that of 31 December 2018; and (ii) total number of online education students managed by the Group under an entrusted management arrangement amounted to 112,847.

	Number of Student as at 31 December	
	2019	2018
On-campus education		
Chongqing College of Humanities, Science and Technology	**22,349**	20,696
Dianchi College of Yunnan University	**21,208**	18,948
Pass College of Chongqing Technology and Business University	**14,987**	10,923
Chongqing Electronic Information College	**5,283**	6,080
Qufu Fareast Vocational and Technical College *(Note 2)*	**10,659**	– (Note 1)
Chongqing Vocational College of Applied Technology	**3,956**	3,157
Inner Mongolia Fengzhou Voctaional College (Qingcheng Branch)	**1,800**	2,048
Laoling Minsheng Secondary Vocational School	**573**	261
Laoling Secondary Vocational and Technical School *(Note 3)*	**581**	357
Shouguang Bohai Experimental School	**2,979**	2,544
Laoling Minsheng Education High School	**1,390**	482
Total	**85,765**	65,496
Online Education		
Online Education Entities managed by the Group under an entrusted management arrangement *(Note4)* comprised:		
Junior college or above	**98,033**	– (Note 1)
Vocational and certification training	**14,814**	– (Note 1)
Total	**112,847**	– (Note 1)

Notes:

(1) Qufu Fareast Vocational and Technical College and the Online Education Entities were not operated/managed by the Group as at 31 December 2018.

(2) Since February 2019, Qufu Fareast Vocational and Technical College has been entrusted to Chongqing Yuecheng for management.

(3) Since July 2018, Laoling Secondary Vocational and Technical School has been entrusted to Laoling Minsheng Secondary Vocational School for management.

(4) Since October 2019, the Online Education Entities have been entrusted to Chongqing Mengzhuo for management. As at 31 December 2019, the Online Education Entities were not consolidated subsidiaries of the Group.

Acquisitions in progress during the Reporting Period

Qufu Fareast Vocational and Technical College

Qufu Fareast Vocational and Technical College is a full-time ordinary higher education institution located in Qufu city, Shandong province, the PRC.

On 23 November 2018, Chongqing Yuecheng, as purchaser, and a third party ("**Ms. Pan**"), as vendor, entered into a share transfer agreement (the "**Share Transfer Agreement**"), pursuant to which Ms. Pan agreed to sell to Chongqing Yuecheng, and Chongqing Yuecheng agreed to acquire, 51% of the equity interest of Qufu Changyong Corporate Management Consulting Company Limited ("**Qufu Changyong**"), at a total consideration of RMB91.8 million. Upon completion, Chongqing Yuecheng will hold 51% of equity interest in Qufu Changyong and indirectly hold 51% of school sponsor interest in Qufu Fareast Vocational and Technical College through Qufu Changyong.

Subsequent to the execution of the Share Transfer Agreement, on 23 November 2018, Chongqing Yuecheng, Ms. Pan, Qufu Changyong and Qufu Fareast Vocational and Technical College signed an entrustment agreement (the "**Qufu Fareast Vocational and Technical College Entrustment Agreement**"), pursuant to which, with effect from the date of completion of the payment of the first instalment until the date of completion, Qufu Fareast Vocational and Technical College would be entrusted to Chongqing Yuecheng for management. During the entrustment period, 51% of the net profit of Qufu Fareast Vocational and Technical College will be paid to Chongqing Yuecheng as management fee.

Since February 2019, Qufu Fareast Vocational and Technical College has been entrusted to Chongqing Yuecheng for management.

For details, please refer to announcements of the Company dated 25 November 2018 and 15 January 2019.

Nanchang Vocational University

Nanchang Vocational University (previously known as Nanchang Vocational College (Undergraduate)) is a full-time ordinary private higher vocational undergraduate college located in Nanchang city, Jiangxi province, PRC, and is one of the first 15 pilot vocational undergraduate institutions in the PRC.

On 15 March 2019, Chongqing Yiersheng Education Technology Company Limited ("**Chongqing Yiersheng**"), a wholly-owned subsidiary of Chongqing Yuecheng, a third party ("**Mr. Zhang**"), as vendor, Nanchang Hezhitong Education Consulting Company Limited* (南昌合至同教育諮詢有限公司) ("**Nanchang Hezhitong**") and Nanchang Vocational University entered into an equity transfer agreement, pursuant to which Chongqing Yiersheng conditionally agreed to acquire, and Mr. Zhang conditionally agreed to sell, 51% of the equity interest of Nanchang Hezhitong, at a total consideration of RMB510 million, which was to be satisfied in cash by instalments. Upon completion, Chongqing Yiersheng would hold 51% of equity interest in Nanchang Hezhitong and indirectly hold 51% of school sponsor's interest in Nanchang Vocational University through Nanchang Hezhitong.

For details, please refer to the announcement of the Company dated 15 March 2019.

Online Education Entities

Mingshi Online is located in Guangzhou, Guangdong province, the PRC, which the principal business is to provide online adult education, mainly including academic training and vocational and certification training business.

Mingsheng Online is located in Guangzhou, Guangdong province, the PRC. Its principal business is education consulting and research and development of education equipment.

In October 2019, Chongqing Mengzhuo, Mr. Pan Guoqiang, Mingshi Online, Minsheng Online, Guangdong Mingshi Group Company Limited* (廣東明世集團有限公司) and Ms. Liu Ruiqiong entered into an entrusted management agreement, pursuant to which the rights of entrusted management of the Online Education Entities would be granted to Chongqing Mengzhuo.

According to the entrusted management agreement, if (i) Minsheng Online's audited total net profit increases year-on-year from 2020 to 2022; (ii) the aggregate audited net profit of Minsheng Online for the financial years 2020 to 2022 will not be less than RMB60 million; (iii) the audited net profit of Minsheng Online for the financial year 2022 will not be less than RMB30 million (i.e. the net profit requirement under the entrusted management agreement); and (iv) the reorganization arrangement under the entrusted management agreement has been completed, Chongqing Mengzhuo or its related entities shall have the pre-emptive right to acquire up to 100% equity interest in Minsheng Online through equity transfer and capital increase.

For details, please refer to the announcements of the Company dated 13 October 2019 and 25 February 2020.

Anhui Wonder University, Anhui Hefei Information Technology School and Anhui Sky-Aviation International Academy,

(i) Anhui Wonder University is a private independently organized university-level education school established in 2001 in Hefei Anhui Province, the PRC, which mainly provides undergraduate education, as well as some junior college education and adult continuing education; (ii) Anhui Hefei Information Technology School is a secondary vocational school established in 2006 in Hefei, Anhui Province, the PRC; and (iii) Anhui Sky-Aviation International Academy is a training institution established in 2011 in Hefei, Anhui Province, the PRC, which mainly provides private and commercial pilot license training and aviation professional training.

On 22 November 2019, Chongqing Yuecheng and Chongqing Yujingao Education Technology Co. Ltd.* (重慶渝京澳教育科技有限公司) ("**Chongqing Yujingao**"), each a consolidated affiliated entity of the Company, entered into a restructuring investment agreement with Anhui Wonder University, Anhui Hefei Information Technology School and Anhui Sky-Aviation International Academy, Mr. Xie Chungui, Ms. Zhang Xuming and Anhui Tianhe Law Firm (the "**Administrator**"), pursuant to which, (i) Chongqing Yuecheng has conditionally agreed to acquire 51% equity interest of Wenda Electronics through a capital investment of RMB500 million in Wenda Electronics, thereby indirectly holding 51% of school sponsor's interest of Anhui Wonder University and Anhui Hefei Information Technology School; and (ii) Chongqing Yujingao has conditionally agreed to acquire 51% equity interest of Anhui Sky-Aviation International Academy through a capital investment of RMB100 million in Anhui Sky-Aviation International Academy, for the future development of Anhui Sky-Aviation International Academy.

As at the date of this announcement, the draft restructuring plan will become to effect once it is formally approved in the creditors' meeting and approved by the Hefei Intermediate Court, the Company will issue further announcement(s) in accordance with the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as and when appropriate to provide updated information to shareholders of the Company and investors.

For details, please refer to the announcements of the Company dated 25 November 2019 and 20 February 2020.

Discontinued acquisition during the Reporting Period

Hebei University of Technology City College

On 9 July 2018, Zhangjiakou Government, Hebei University of Technology and the Company have signed a framework agreement in relation to the cooperation of sponsoring the Hebei University of Technology City College. On 22 August 2018, Chongqing Yuecheng and Hebei University of Technology have formally entered into (i) Hebei University of Technology City College Sponsorship Cooperation Agreement and (ii) Hebei University of Technology City College Conversion Framework Agreement. 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 Hebei University of Technology City College and certain subsequent agreements in relation to the details of the cooperation.

In view of the delayed in the progress of the transactions contemplated under the abovementioned signed agreements, and in view of the best interests of the Company and its shareholders as a whole, after friendly and arms-length negotiations between all parties, on 22 January 2020, the Company, Chongqing Yuecheng, the Zhangjiakou Government, the Zhangjiakou Economic Development Zone Management Committee and Hebei University of Technology reached agreements on the termination of such signed agreements, and entered into termination/release agreements.

For further details, please refer to the announcements dated 9 July 2018, 24 August 2018 and 22 January 2020.

Expansion of financing channels during the Reporting Period

During the Reporting Period, the Group proactively expanded financing channels through bank loans, with a view to provide regular and long-term financial support for the business development of the Company. In February and July 2019, according to a USD50 million banking facilities agreement (the "**Facilities Agreement**") signed between the Company and Bank of China (Hong Kong) Company Limited, the Company withdrew an aggregate of HKD390 million for 5 years, which was mainly used for the Company's mergers and acquisitions activities.

Provision of loan during the Reporting Period

On 24 December 2018 and 27 June 2019, Chongqing Yuecheng, as the lender, Leed National Education Technology (Beijing) Limited* (勵德國教教育科技（北京）有限公司) ("**Leed National**"), as the borrower designated by the vendors of Leed International Education Group Inc. ("**Leed International**"), Minsheng Vocational Education Company Limited and the vendors of Leed International entered into loan agreements, pursuant to which, Chongqing Yuecheng agreed to lend to Leed National, and Leed National agreed to borrow from Chongqing Yuecheng, loans in the principal amounts of RMB200 million and RMB200 million, respectively. The abovementioned loans have been released in accordance to the terms of the loan agreement during the Reporting Period.

For further details of the loan, please refer to the announcements dated 26 December 2018, 4 January 2019 and 27 June 2019.

Outlook

The Group will focus on higher education and vocational education and strive to achieve a long-term and stable development through online and offline integrated development, with an aim to strengthen its market position. To achieve the above objectives, the Group plans to implement the following business strategies:

(i) Online and offline coordinated development

The national policies encourage the development of online-education, encourage the establishment of an education system serving lifelong learning for all, improve the coordinated and coordinated development mechanism of vocational and technical education, higher education, and continuing education, make use of the advantages of online education and artificial intelligence, and innovate education and learning methods. Individual, suitable for everyone, more open and flexible education system, and building a learning society. According to the Guiding Opinions on Promoting the Healthy Development of Online Education* (關於促進在線教育健康發展的指導意見) jointly issued by eleven departments including the MOE, it is mentioned that online education is an integral part of education services, which can innovate the form of organization of education and enrich modern learning methods. The Group believes that the online education market has huge potential, and its online education business can produce a high degree of synergy with the Group's campus education business. The Group will fully grasp the development opportunities brought by relevant online education policies, actively seek acquisition targets for high-quality online education, continuously improve the quality of existing online education, and will put higher education vocational education as the core element to promote campus education and online education in order to achieve a coordinated and synergise development.

(ii) Continue its external mergers and acquisition strategy

The Group will continue the external merger and acquisitions strategy and the potential merger and acquisitions targets mainly include: (1) private university-level education schools; and (2) online education institutions. The Group will focus on actively seeking suitable target and expansion opportunities in areas with market potential in the PRC and areas where higher education resources are relatively scarce.

(iii) Increase the Group's revenue base through the organic growth

The Group will further increase the capacity of existing schools and optimize their facilities, thereby enhancing the Group's revenue base and strengthening students' sense of belonging to the school. For example, the new academic building of Dianchi College of Yunnan University has been put in use in the 2019-2020 school year. The new dormitory building of Chongqing University of Humanities and Science and Technology and Passion College of Chongqing Technology and Business University have been put in use in the 2019-2020 school year, adding 2,150 and 1,200 beds respectively. In addition, the construction of the Dianchi College of Yunnan University's Yangzonghai new campus officially commenced in October 2019 and is expected to be completed in 2023.

Risk assessment in relation to the policy impact on the Group's operations

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 its legal advisers as to the laws of the PRC, the Company wishes to clarify that 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 Company and its subsidiaries have not been affected by the Draft Amendments. The Company will continue to follow the development of the Draft Amendments and the relevant laws and regulations.

Where appropriate, the Company will make further announcement(s) in this regard in compliance with the Listing Rules.

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 collected from students.

The revenue of the Group increased by approximately 61.4% from approximately RMB623.1 million for the year ended 31 December 2018 to approximately RMB1,005.4 million for the year ended 31 December 2019. This increase was primarily due to (i) the fully consolidation of Dianchi College of Yunnan University in the Reporting Period; and (ii) the increase of the Group's on-campus student enrollment of approximately 30.9% as compared to the corresponding period in 2018.

Cost of sales

Cost of sales consists primarily of teaching staff costs, depreciation and amortization, cost of cooperative education, utilities and other costs.

The cost of sales increased by approximately 68.7% from approximately RMB289.8 million for the year ended 31 December 2018 to approximately RMB488.9 million for the year ended 31 December 2019. This increase was primarily due to (i) the increase in the number of teaching staff and their salaries and allowances; and (ii) the increase in the depreciation of new schools newly consolidated to the Group since the end of the corresponding period in 2018.

Gross profit

The gross profit increased by approximately 54.9% from approximately RMB333.4 million for the year ended 31 December 2018 to approximately RMB516.5 million for the year ended 31 December 2019, and gross profit margin decreased from approximately 53.5% to approximately 51.4%, which was mainly due to (i) the increase in average salaries and allowances for teaching staff; and (ii) the increase in depreciation of new schools newly consolidated to the Group since the end of the corresponding period in 2018.

Other income and gains

Other income and gains consist primarily of government grants, interest income and rental income and etc.

Other income and gains decreased by approximately 26.8% from approximately RMB189.9 million for the year ended 31 December 2018 to approximately RMB139.0 million for the year ended 31 December 2019. This decrease was primarily due to (i) the management income of Dianchi College of Yunnan University has not been recorded during the Reporting Period as it has been fully consolidated to the Group since the end of the corresponding period in 2018; and (ii) the decrease of the investment income from the bank interest income.

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 4.5% from approximately RMB16.8 million for the year ended 31 December 2018 to approximately RMB16.0 million for the year ended 31 December 2019, which was primarily due to the Group has implemented a stringent cost control on the advertising and marketing cost in relation to the student recruitment during the Reporting Period.

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 and travel and transportation expenses.

Administrative expenses increased by approximately 29.0% from approximately RMB143.5 million for the year ended 31 December 2018 to approximately RMB185.1 million for the year ended 31 December 2019 due to the administrative expenses of Dianchi College of Yunnan University have fully consolidated into the Group during the Reporting Period.

Other expenses

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 the provision of bad debts.

Other expenses increased substantially from approximately RMB0.8 million for the year ended 31 December 2018 to approximately RMB28.3 million for the year ended 31 December 2019. This increase was primarily attributable to the provision of bad debts of approximately RMB13.5 million during the Reporting Period.

Finance costs

Finance costs mainly include (i) interests on bank loans and other borrowings; (ii) the interest on the put option liability in connection with the put option (the "**Put Option**") granted by the vendors of Leed International; and (iii) interest on sale and leaseback liabilities.

Finance costs has increased significantly from approximately RMB13.2 million for the year ended 31 December 2018 to approximately RMB79.6 million for the year ended 31 December 2019, which was mainly due to (i) interests on bank loans and other borrowings which were borne by the schools we newly acquired through merger and acquisitions and the Group; (ii) interest on the Put Option liability arose from the acquisition of Leed International in August 2018; and (iii) increase in interest from sale and lease back liabilities.

Fair value loss from an equity investment at fair value through profit or loss

Fair value loss from an equity investment at fair value through profit or loss has been recorded of approximately RMB6.5 million for the year ended 31 December 2019, as compared to fair value gain of RMB0.3 million for the year ended 31 December 2018, which was mainly due to substantial decrease in the fair value of the equity investment in Top Education.

Profit for the year

As a result of the above factors, profit for the year of the Group increased by approximately 0.3% from approximately RMB332.8 million for the year ended 31 December 2018 to approximately RMB334.0 million for the year ended 31 December 2019.

Adjusted net profit

The Group defines its adjusted 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 a 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:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Profit for the year	**333,981**	332,828
Add:		
Unrealised exchange loss/(gain)	**1,776**	(7,738)
Share option expenses	**12,447**	13,108
Interest of the Put Option liability arose from the acquisition of Leed International	**37,932**	–
Adjusted net profit	**386,136**	338,198

Adjusted net profit for the year ended 31 December 2019 increased by approximately RMB47.9 million or approximately 14.2% as compared with the corresponding period in 2018. Adjusted net profit margin decreased from approximately 54.3% for the year ended 31 December 2018 to approximately 38.4% for the year ended 31 December 2019.

Financial and Liquidity Position

Net current assets

As at 31 December 2019, the Group had net current assets of approximately RMB12.3 million, which primarily consisted of cash and bank balances. The current assets as at 31 December 2019 decreased to approximately RMB1,494.8 million from approximately RMB1,578.0 million as at 31 December 2018. The decrease in current assets primarily attributable to a decrease in cash and cash equivalents, which decreased from approximately RMB1,505.8 million as at 31 December 2018 to approximately RMB1,405.4 million as at 31 December 2019, mainly due to (a) net cash flows from operating activities of RMB389.6 million; (b) the advance of two loans to Leed National of RMB400.0 million in total; (c) purchase of items of property, plant and equipment of RMB227.6 million; and (d) net cash flows in total from financing activities of RMB138.9 million.

The current liabilities decreased from approximately RMB1,507.1 million as at 31 December 2018 to approximately RMB1,482.4 million as at 31 December 2019, mainly reflecting a decrease of approximately RMB161.3 million in other payables and accruals and partially offset by increase in contract liabilities of RMB52.8 million and increase in current-portion of bank loan and other borrowings of RMB76.4 million.

Capital commitments

The Group had the following capital commitments at the end of the Reporting Period:

	2019	2018
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Equipment	**40,207**	10,887
Buildings	**208,085**	110,595
Loan commitment	**50,000**	400,000
Acquisition of a private school	**172,440**	591,800
	470,732	1,113,282

At the end of the Reporting Period, the Group did not have significant capital commitments that are authorised but not contracted for (2018: Nil).

Indebtedness

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

The bank loans and other borrowings amounted to approximately RMB651.2 million as at 31 December 2019, dominated in Renminbi and Hong Kong dollar ("**HK$**"). As at 31 December 2019, our bank loans and other borrowings bore effective interest rates ranging from 2.5% to 24% 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 31 December 2019, the Group did not have material contingent liabilities, guarantees or litigations or claims of material importance, pending or threatened against any member of the Group (2018: nil).

Pledge of assets

As at 31 December 2019, certain of the Group's buildings and land with a net carrying amount of approximately RMB96.8 million (31 December 2018: RMB342.0 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 31 December 2019, certain bank balances were denominated in United States dollar and 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, which is calculated by dividing total borrowings by total equity, increased to approximately 16.8% as at 31 December 2019 from approximately 13.0% as at 31 December 2018, which was due to the increase in newly-borrowed bank loans during Reporting Period.

Salary increment for employees, training and development

In 2019, in order to motivate our faculty staff for better work performance, the Group has reviewed and increased the salaries of employees. The increment in salaries is based on their performance, experience and prevailing industry practices, with all compensation policies and packages reviewed on a regular basis. As required by the PRC laws and regulations, we participate in various employee social security plans for our employees that are administered by local governments, including pension, medical, maternity, work-related injury, unemployment insurance and housing provident fund.

In addition, the Group provides comprehensive training programs to its existing and newly recruited employees and/or sponsors its employees to attend various job-related training courses and also support some excellent teachers to study, receive training and academic exchange with famous universities abroad.

OTHER INFORMATION

Events after the Reporting Period

Subsequent to the end of the reporting period, there has been an outbreak of the Corona Virus Disease across China. The Group had provided and completed its education services for the fall semester of the 2019/2020 school year by early January 2020. The opening of the Group's school campuses for the spring semester of the 2019/2020 school year has been delayed and management has implemented certain alternative action plans for students during the school closure period, including implementing on-line modules and remote website learning activities.

In view of the alternative action plans described above, the directors assessed and preliminarily concluded that there was no significant impact on the financial position of the Group subsequent to the year ended 31 December 2019 and up to the date of this announcement. The directors will remain alert to the development of the pandemic and take additional measures as appropriate. The Group will release further announcement as and when appropriate in the event that there is any significant financial impact from COVID-19 on the Group's financial results and reflect such impact in the Group's 2020interim and annual financial statements.

Final Dividend

A final dividend in respect of the year ended 31 December 2019 of HK$2.84 cents per ordinary share (equivalent to RMB2.59 cents, according to the central parity rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China on 25 March 2020, i.e. RMB0.9124 equivalent to HKD1.00) (2018: Nil) was proposed pursuant to a resolution passed by the Board on 25 March 2019 and subject to the approval of the shareholders of the Company at the annual general meeting of the Company. The expected date of payment of final dividend will be on or no later than 31 August 2020. Information regarding the date of the annual general meeting, date of closure of register of members in relation to the annual general meeting and the final dividend and payment date of the final dividend will be further announced separately by the Company in due course.

Purchase, sale or redemption of listed securities of the Company

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities for the year ended 31 December 2019.

Corporate Governance Code

For the year ended 31 December 2019, 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 for the year ended 31 December 2019.

Use of proceeds

Net proceeds from the shares of the Company being listed on the Stock Exchange on 22 March 2017 (including the relevant over-allotment option and after deducting underwriting fee and relevant expenses) amounted to approximately HK$1,374.7 million. As at 31 December 2019, a total amount of approximately HK$909.2 million out of the net proceeds had been used by the Group according to the allocation set out in the prospectus of the Company dated 10 March 2017.

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

Purpose	**Percentage to total amount**	**Net proceeds**	**Utilised amount at 31 December 2019**	**Unutilised amount at 31 December 2019**
		HKD *(million)*	***HKD*** *(million)*	***HKD*** *(million)*
Acquiring additional existing schools in the PRC and overseas	55.0%	756.1	694.8	61.3
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	52.4	71.3
Total	**100.0%**	**1,374.7**	**909.2**	**465.5**

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 annual consolidated financial statements and the annual report of the Group for the year ended 31 December 2019.

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, respectively. The annual report of the Company for the year ended 31 December 2019 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, 25 March 2020

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.