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

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1569)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

The teaching plans of certain schools of the Group have been adjusted due to the impact of the Novel Coronavirus Disease 2019 (COVID-19) pandemic, therefore tuition fees income amounting to approximately RMB34 million has been deferred to be recognized in July 2020. However, the Group's financial performance still achieved growth as below:

	Six months ended 30 June		Change RMB'000	Percentage Change
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)		
Revenue	542,735	526,397	16,338	+3.1%
Gross profit	306,830	306,529	301	+0.1%
EBITDA ^(Note 3)	338,510	304,871	33,639	+11.0%
Profit for the period	236,420	203,674	32,746	+16.1%
Adjusted net profit ^(Note 1)	251,086	232,818	18,268	+7.8%
	As at 30 June		Change	Percentage Change
	2020	2019		
Number of students				
Number of on-campus students	84,821	74,450	10,371	+13.9%
Number of online education students managed by the Group under an entrusted management arrangement	127,824 ^(Note 2)	– ^(Note 2)	N/A	N/A

Notes:

- 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.
- The Guangdong Online Education Entities were not managed by the Group as at 30 June 2019 and were not consolidated subsidiaries of the Group as at 30 June 2020.
- EBITDA refers to earnings before interest, income tax expense, depreciation and amortization.

The board (the “**Board**”) of directors (the “**Directors**”) of Minsheng Education Group Company Limited (the “**Company**”) is pleased to announce the unaudited interim condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**” or “**we**”) for the six months ended 30 June 2020 (the “**Reporting Period**”) together with the comparative figures for the corresponding period in 2019.

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

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
	<i>Notes</i>	RMB'000	RMB'000
REVENUE	4	542,735	526,397
Cost of sales		<u>(235,905)</u>	<u>(219,868)</u>
Gross profit		306,830	306,529
Other income and gains	4	67,006	39,258
Selling and distribution expenses		(6,959)	(5,554)
Administrative expenses		(89,385)	(83,129)
Other expenses, net		(4,553)	(10,536)
Finance costs		(40,035)	(36,821)
Gain on disposal of a subsidiary		7,093	–
Share of profit of a joint venture		2,619	–
Share of loss of an associate		(146)	(341)
Fair value (loss)/gain on equity investment at fair value through profit or loss		<u>(2,845)</u>	<u>905</u>
PROFIT BEFORE TAX	5	239,625	210,311
Income tax expense	6	<u>(3,205)</u>	<u>(6,637)</u>
PROFIT FOR THE PERIOD		<u>236,420</u>	<u>203,674</u>
Attributable to:			
Owners of the parent		236,315	207,125
Non-controlling interests		<u>105</u>	<u>(3,451)</u>
		<u>236,420</u>	<u>203,674</u>
Earnings per share attributable to ordinary equity holders of the parent:			
Basic	8	<u>RMB0.0584</u>	<u>RMB0.0516</u>
Diluted		<u>RMB0.0584</u>	<u>RMB0.0515</u>

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PROFIT FOR THE PERIOD	<u>236,420</u>	<u>203,674</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	<u>(21,735)</u>	<u>(1,259)</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>(21,735)</u>	<u>(1,259)</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	<u>15,697</u>	<u>1,664</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>15,697</u>	<u>1,664</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	<u>(6,038)</u>	<u>405</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>230,382</u>	<u>204,079</u>
Total comprehensive income attributable to:		
Owners of the parent	<u>230,277</u>	207,530
Non-controlling interests	<u>105</u>	<u>(3,451)</u>
	<u>230,382</u>	<u>204,079</u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		2,292,219	2,316,856
Right-of-use assets		736,725	745,916
Goodwill		1,759,973	1,685,099
Other intangible assets		7,276	6,027
Investment in a joint venture		324,119	–
Investment in an associate		1,780	1,908
Equity investment at fair value through profit or loss	9	54,409	56,165
Other non-current assets	10	645,037	770,841
		<u>5,821,538</u>	<u>5,582,812</u>
TOTAL non-current assets			
CURRENT ASSETS			
Inventories		1,592	1,408
Trade receivables	11	12,768	9,801
Prepayments, other receivables and other assets		150,384	74,236
Short-term investments measured at amortised cost	9	–	97,000
Cash and bank balances		1,314,945	1,308,361
		<u>1,479,689</u>	<u>1,490,806</u>
Asset classified as held for sale	9	–	3,984
		<u>1,479,689</u>	<u>1,494,790</u>
TOTAL current assets			
CURRENT LIABILITIES			
Contract liabilities	12	47,228	586,851
Refund liabilities		17,139	–
Other payables and accruals	13	646,576	535,970
Dividend payable		109,239	–
Deferred income – current		22,310	22,894
Interest-bearing bank and other borrowings		431,292	321,080
Loans from the ultimate holding company		146,192	–
Tax payable		15,707	15,648
		<u>1,435,683</u>	<u>1,482,443</u>
TOTAL current liabilities			
NET CURRENT ASSETS			
		<u>44,006</u>	<u>12,347</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>5,865,544</u>	<u>5,595,159</u>

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
NON-CURRENT LIABILITIES		
Deferred income – non-current	271,956	273,389
Interest-bearing bank and other borrowings	243,620	330,132
Other long term liability	290,949	296,581
Deferred tax liabilities	5,000	5,000
Put option liability	837,588	819,264
	<u>1,649,113</u>	<u>1,724,366</u>
 Total non-current liabilities	 <u>1,649,113</u>	 <u>1,724,366</u>
 Net assets	 <u>4,216,431</u>	 <u>3,870,793</u>
 EQUITY		
Equity attributable to owners of the parent		
Share capital	322	307
Reserves	4,102,643	3,757,125
	<u>4,102,965</u>	<u>3,757,432</u>
 Non-controlling interests	 <u>113,466</u>	 <u>113,361</u>
 Total equity	 <u>4,216,431</u>	 <u>3,870,793</u>

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 six months ended 30 June 2020 (the “**Period**”), 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

The unaudited interim condensed consolidated financial information of the Group for the Period has been prepared in accordance with International Accounting Standard (“**IAS**”) 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the Group’s annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019. The unaudited interim condensed consolidated financial information is presented in Renminbi (“**RMB**”), and all values are rounded to the nearest thousand except otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised IFRSs for the first time for the Period’s financial information:

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to IFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

The nature and impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

- (b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.
- (c) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The amendment did not have any impact on the Group's unaudited interim condensed consolidated financial information.
- (d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's unaudited interim condensed consolidated financial information.

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 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 revenue derived from service provided to a single customer accounted for 10% or more of the total revenue of the Group during the Period.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue from contracts with customers		
Tuition fees	522,757	487,673
Boarding fees	19,978	38,724
	<u>542,735</u>	<u>526,397</u>
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	17	1,285
Rental income	3,112	6,390
Bank interest income	5,864	6,013
Interest income from a company controlled by the former shareholders of a subsidiary	10,297	4,037
Government grants		
– Related to assets	11,731	10,210
– Related to income	30,599	7,700
Exchange differences, net	1,720	–
Management service income	2,282	–
Others	1,384	3,623
	<u>67,006</u>	<u>39,258</u>

The government grants were 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. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	64,758	57,730
Depreciation of right-of-use assets	9,191	9,194
Amortisation of other intangible assets	1,062	865
Minimum lease payments under operating leases	3,266	3,468
Auditor's remuneration	1,280	1,180
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	132,353	100,350
Equity-settled share option expense	1,631	2,414
Pension scheme contributions (defined contribution schemes)	23,950	22,559
	157,934	125,323
Foreign exchange differences, net	(1,720)	2,919
Impairment of financial assets:		
Impairment of financial assets included in prepayments, other receivables and other assets	–	6,450
Reversal of impairment of financial assets included in prepayments, other receivables and other assets	(12)	–
	(12)	6,450
Investment income from short-term investments measured at amortised cost and short-term investments measured at fair value through profit or loss	(17)	(1,285)
Bank interest income	(5,864)	(6,013)
Interest income from a company controlled by the former shareholders of a subsidiary	(10,297)	(4,037)
Fair value loss/(gain) on equity investment at fair value through profit or loss	2,845	(905)
Gain on disposal of a subsidiary	(7,093)	–
Loss on disposal of items of property, plant and equipment, net	68	–
Donation expense	4,016	621

6. INCOME TAX

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current – Mainland China		
Charge for the Period	<u>3,205</u>	<u>6,637</u>

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 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 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, 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 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, 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 and had enjoyed the preferential corporate income tax exemption treatments in the Period.

7. INTERIM DIVIDEND

The Board does not declare any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

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

The calculation of the basic earnings per share amount is based on the profit for the Period attributable to ordinary equity holders of the parent of RMB236,315,000 (2019: RMB207,125,000), and the weighted average number of ordinary shares of 4,046,291,429 (2019: 4,017,720,000) shares in issue during the Period.

The calculation of the diluted earnings per share amount is based on the profit for the Period attributable to ordinary equity holders of the parent of RMB236,315,000 (2019: RMB207,125,000). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares of 4,046,291,429 (2019: 4,017,720,000) in issue during the Period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares of nil (2019: 5,344,483) assumed to have been issued at no consideration on the deemed exercise of share options into ordinary shares.

9. OTHER INVESTMENTS/ASSET CLASSIFIED AS HELD FOR SALE

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Current assets		
Short-term investments measured at amortised cost (i)	<u>–</u>	<u>97,000</u>
Non-current assets		
Equity investments measured at		
– Fair value through profit or loss (ii)	<u>54,409</u>	<u>56,165</u>
Non-current asset classified as held for sale		
Equity investment at fair value through other comprehensive income (iii)	<u>–</u>	<u>3,984</u>

(i) Short-term investments measured at amortised cost

Short-term investments measured at amortised cost are wealth management products with guaranteed returns. They were denominated in RMB. The investments were 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 were measured at amortised cost.

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

Equity investment at fair value through profit or loss represents a listed security. The fair value of the listed security is determined based on the closing price quoted in an active market. It is categorised within level 1 of the fair value hierarchy.

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

Equity investment at fair value through other comprehensive income represents an unlisted security. The fair value of the unlisted security is measured using a valuation technique with unobservable inputs and hence categorised within level 3 of the fair value hierarchy. As at 31 December 2019, the equity investment at fair value through other comprehensive income is reclassified to asset held for sale according to the security transfer agreement entered into with an independent third party in December 2019. And it was categorised within level 1 of the fair value hierarchy at 31 December 2019.

10. OTHER NON-CURRENT ASSETS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Prepayments for acquisition of land use rights	164,575	199,972
Prepayments for property, plant and equipment	–	121,058
Long-term prepayments, other receivables and other assets	8,131	9,480
Loan to a third party	32,000	–
Loan to an associate – Hong Kong Nang Yan College of Higher Education Limited	40,331	40,331
Loan to a company controlled by the former shareholder of a subsidiary	400,000	400,000
	645,037	770,841

11. TRADE RECEIVABLES

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 1 year	12,597	9,428
1 to 2 years	168	370
2 to 3 years	3	3
	12,768	9,801

12. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
<i>Short-term advances received from customers</i>		
Tuition fees	37,093	535,025
Boarding fees	10,135	51,826
	47,228	586,851

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.

13. OTHER PAYABLES AND ACCRUALS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Accrued bonuses and other employee benefits	42,385	59,444
Payables for catering services	29,005	29,007
Payables for purchase of property, plant and equipment	174,869	199,092
Payables for management fee	47,996	24,313
Miscellaneous expenses received from students (<i>note (i)</i>)	56,736	40,300
Other tax payable	770	2,110
Payables for audit fee	1,280	1,820
Payables for interest	9,341	7,577
Consideration payable for business combination	205,800	91,730
Other payables*	78,394	80,577
	646,576	535,970

* Payables of RMB20,000,000 (31 December 2019: 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is the leading private ordinary higher education and vocational education operator in the PRC. Based on the total number of students, the Company is one of the largest private ordinary higher education and vocational education groups in the PRC. Since its establishment, the Group has been dedicated to the development of on-campus education with focus on higher education. In 2019, in response with the development trend of “Internet+education” and empowerment of education with intelligent technology, the Group became 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 ordinary higher education and vocational education in the PRC, and is committed to nurturing high-end application-oriented and innovative talents in order to cope with the market demand. The Group has positioned its development in the future as one with parallel development of ordinary higher education and vocational education as well as coordinated development of on-campus education and online education, among which, the on-campus education mainly provides undergraduate education, and the online education focuses on ordinary higher education and vocational education.

As of 30 June 2020, the total number of on-campus students and online education students under an entrusted management arrangement of the Group amounted to 212,645, of which (i) 84,821 were on-campus students with 52,531 being undergraduate students (representing approximately 61.9% of the number of on-campus students); and (ii) 127,824 were online education platform students managed by the Group under an entrusted management arrangement with 113,084 being undergraduate and junior college students.

On-campus education

The Group currently operates and/or manages 10 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 operated under an entrusted management;
- (ii) **Two secondary vocational schools** – Laoling Minsheng Secondary Vocational School and Laoling Secondary Vocational and Technical School operated under an entrusted management; and
- (iii) **One high school** – 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”.

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 “**Guangdong Online Education Entities**”).

In March 2020, the Group acquired 100% of the issued share capital of TCL Educational Web Limited* (TCL教育網有限公司) (“**TCL Educational Web**”), which indirectly holds 50% of the equity interests in Beijing Open Distance Education Centre Company Limited* (北京奧鵬遠程教育中心有限公司) (“**Open Distance Education**”) through Open University Online Long Distance Learning Education Technology Company Limited* (電大在線遠程教育技術有限公司) (“**Open University Online**”) and holds 80% of the equity interests in Silk Road (Beijing) International Educational Technology Centre Company Limited* (絲綢之路(北京)國際教育科技中心有限公司) (“**Silk Road**”) through Shenzhen TCL Education Technology Company Limited* (深圳TCL教育科技有限責任公司) (“**Shenzhen TCL**”). The financial results of TCL Educational Web were consolidated to those of the Group on 30 March 2020.

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 achieved significant progress in online education business development.** In March 2020, the Group acquired 100% of the issued share capital of TCL Educational Web which indirectly holds 50% of equity interest in Open Distance Education through Open University Online and holds 80% of the equity interests in Silk Road through Shenzhen TCL. As of 30 June 2020, (i) as the largest distance education public service system platform in PRC, Open Distance Education cooperated with 39 national-wide prestigious universities and provided more than 500 undergraduate and junior college majors to approximately 974,000 enrolled students; (ii) IMOOC (慕課網) provided over 3,000 courses, with cumulative users of about over 19 million including approximately 7.857 million registered users; (iii) Open Distance Education had trained approximately 762,000 teachers during the Reporting Period.

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

2. **Intermediate achievements have been made for the conversion of independent colleges.** The Ministry of Education of the PRC issued the Implementation Plan on Promoting the Conversion of Independent Colleges in May 2020, which reiterates the conversion of independent colleges as the priority for the establishment of higher education institutions and the determination to promote the conversion of independent colleges. During the Reporting Period, the Group made steady progress in the conversion of the two independent colleges of the Group, namely Pass College of Chongqing Technology and Business University and Dianchi College of Yunnan University, and the conversion of Pass College of Chongqing Technology and Business University has been approved by the People’s Government of Chongqing and has been reported to the Ministry of Education of the PRC for approval. The Group believes that the successful conversion of independent colleges will help improve its ability to increase student enrollment and tuition fees, raise the revenue of the colleges and further improve the quality of the colleges.
3. **Student enrollment quota for the new school year has been growing steadily.** The Group’s schools have received from the local education authorities the student enrollment quota for 2020/2021 school year which was 36,199 (excluding adult education programs), representing a year-on-year increase of 3,588, of which the undergraduate student enrollment quota was 18,698, representing a year-on-year increase of 1,710.
4. **The Group made smooth progress towards its new campus construction projects.** The Group’s schools have more new campus under construction to increase the capacity: (i) Yangzonghai new campus of Dianchi College of Yunnan University officially commenced construction in October 2019, which covers a planned area of approximately 860 mu (亩). The Phase I project has a gross floor area of approximately 200,000 sq.m., and can accommodate 12,500 students upon completion, and is expected to put into use in 2022; (ii) new High-speed Railway Campus of Qufu Fareast Vocational and Technical College covers an area of approximately 463 mu and the Phase I project has a gross floor area of approximately 60,000 sq.m. which is expected to be put into use in 2020.
5. **The financing channels have been continuously expanded and optimized.** During the Reporting Period, the Group proactively expanded diversified financing channels, with a view to provide regular and long-term financial support for the business development of the Company by obtaining low-cost funds through debt financing and equity financing. (i) In April 2020, the Group was granted a loan of RMB750 million from International Finance Corporation (a member of World Bank Group) at a relatively low financing costs in the market, with a term of 8 years and an interest rate of 1.5% above the International Finance Corporation RMB Fixed Rate per annum; (ii) in June 2020, the Group placed 200,000,000 shares at a price of HK\$1.22 per share by way of top-up placing, and the net proceeds raised were approximately HK\$239 million.

On-campus education of the Group

As at 30 June 2020, the Group operated and/or managed ten schools in the PRC which primarily offer higher education and vocational education. Set forth below are certain particulars of the ten schools of the Group:

Name of School	Number of Major	Number of Student	2019/2020 School Year	
			Tuition Fee Level ^(Note 1) RMB	Boarding Fee Level ^(Note 1) RMB
Undergraduate Schools				
Chongqing College of Humanities, Science and Technology	42 undergraduate majors 1 junior college major	22,329	12,000-18,000	1,600-2,000
Dianchi College of Yunnan University	47 undergraduate majors	21,187	16,000-24,500	300-1,200
Pass College of Chongqing Technology and Business University	24 undergraduate majors 3 junior college majors	17,469 ^(Note 2)	12,000-16,000 ^(Note 2)	1,200-1,300
Higher Vocational Schools				
Chongqing Vocational College of Applied Technology	27	3,919	4,800-9,800	1,200
Inner Mongolia Fengzhou Vocational College (Qingcheng Branch)	21	1,779	5,000-7,000	1,200
Chongqing Electronic Information College	28	5,272	5,000-12,000	1,200-1,400
Qufu Fareast Vocational and Technical College ^(Note 3)	27	10,604	4,600-9,980	800-1,500
Secondary Vocational Schools/ High School				
Laoling Minsheng Secondary Vocational School	10	515	5,000	1,000
Laoling Secondary Vocational and Technical School ^(Note 4)	4	454	N/A	1,000
Laoling Minsheng Education High School	N/A	1,293	15,000	1,000
Total	234	84,821		

Notes:

- (1) The tuition fees and boarding fees of the above-mentioned ten schools apply only to newly enrolled students for relevant school years.
- (2) As of 30 June 2020, the number of students of adult education in Pass College of Chongqing Technology and Business University reached 6,190, whose tuition fee is RMB2,600-2,800 per year.
- (3) Since February 2019, Qufu Fareast Vocational and Technical College has been entrusted to Chongqing Yuecheng Zhiyuan Education Technology Co., Ltd.* (重慶悅誠智遠教育科技有限公司) for management.
- (4) Since September 2016, Laoling Secondary Vocational and Technical School has been entrusted to Laoling Minsheng Secondary Vocational School for management.

Online education of the Group

Guangdong Online Education Entities

Since October 2019, the Guangdong Online Education Entities have been entrusted to the Group, which primary provides formal education service and vocational training through online platform.

As of 30 June 2020, the Guangdong Online Education Entities provided (i) more than 260 undergraduate and junior college majors with a total of 113,084 enrolled students; and (ii) 12 vocational training programmes with a total of 14,740 students.

TCL Educational Web

In March 2020, the Group acquired 100% of the issued share capital of TCL Educational Web, which indirectly holds 50% of the equity interests in Open Distance Education through Open University Online and holds 80% of the equity interests in Silk Road through Shenzhen TCL.

(i) Open Distance Education

Open Distance Education is the first platform for distance education public service system in the PRC, and the only national and largest platform for distance education public service system. Its principal business includes three sectors: academic education services, massive online open course (“MOOC”) and continuing education for teachers.

As of 30 June 2020, (i) Open Distance Education cooperated with 39 national-wide prestigious universities and provided more than 500 undergraduate and junior college majors to approximately 974,000 enrolled students; (ii) Open Distance Education’s IMOOC (慕課網) offered over 3,000 courses and had in total about over 19 million users with approximately 7.857 million being registered users; (iii) Open Distance Education had trained approximately 762,000 teachers during the Reporting Period.

(ii) *Silk Road*

Silk Road provides domestic and foreign users in the PRC with services for the online Chinese Proficiency Test (HSK) and for examination of the Certificate for Teachers of Chinese to Speakers of Other Language (CTCSOL), as well as full-spectrum technical support services for the examinations. In April 2010, it became the first online examination site for the Chinese Proficiency Test (HSK) in China, and is responsible for the expansion of the global Chinese Proficiency Test network and undertake the construction of the online examination system. As at 30 June 2020, Silk Road had 70 online examination centres in China and 9 online examination centres abroad.

Our investments in overseas schools

In addition to our schools in the PRC, we have invested in schools in Australia, Singapore and Hong Kong:

Top Education

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). As at 30 June 2020, the Company owned approximately 8.47% of equity interest in Top Education.

Beacon International College

The Group has invested in Beacon International College PTE. LTD. (“**Beacon International College**”) in Singapore. As at 30 June 2020, the Company owned 22.9% of equity interest in Beacon International College.

Hong Kong Nang Yan College

The Company has invested in 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. The Company was one of the two members of Hong Kong Nang Yan College.

Total number of students

As at 30 June 2020, the Group’s total number of on-campus education and online education students reached 212,645, of which (i) total number of on-campus education students amounted to 84,821, representing an increase of approximately 13.9% as compared to that of 30 June 2019; and (ii) total number of online education platform students managed by the Group under an entrusted management arrangement amounted to 127,824. The following is a breakdown of the number of students by different levels of courses:

	Number of Student as at 30 June		Percentage Change
	2020	2019	(%)
On-campus education			
Undergraduate program	52,531	48,167	+9.1%
Junior college program	23,837	18,957	+25.7%
Secondary vocational program/high school program	2,262 <i>(Note 1)</i>	3,622	-37.5% <i>(Note 1)</i>
Adult education program	6,191	3,704	+67.1%
Total	<u>84,821</u>	<u>74,450</u>	<u>+13.9%</u>
Online Education			
Guangdong Online Education Entities managed by the Group under an entrusted management arrangement <i>(Note 2)</i>			
Comprised:			
Junior college or above	113,084	— <i>(Note 3)</i>	N/A
Vocational and certification training	14,740	— <i>(Note 3)</i>	N/A
Total	<u>127,824</u>	<u>— <i>(Note 3)</i></u>	<u>N/A</u>

Notes:

- (1) As at 30 June 2019, the number of students in Shouguang Bohai Experimental School was 2,562. Since 18 June 2020, Shouguang Bohai Experimental School ceased to be consolidated into the financial statements of the Group. For details, please refer to “Discontinued acquisition during the Reporting Period” below.
- (2) Since October 2019, the Guangdong Online Education Entities have been entrusted to Chongqing Mengzhuo Education Technology Company Limited* (重慶夢卓教育科技有限公司) for management. As at 30 June 2020, the Guangdong Online Education Entities were not consolidated subsidiaries of the Group.
- (3) Guangdong Online Education Entities have not become the education institutions which were operated/ managed by the Group as at 30 June 2019.

Discontinued acquisition during the Reporting Period

After friendly and arms-length negotiations between all parties, during the reporting period, the Group discontinued the project regarding Hebei University of Technology City College and Shouguang Bohai Experimental School, which is in the best interests of the Company and shareholders as a whole.

For further details regarding the discontinued acquisition, please refer to the announcements of the Company dated 22 January 2020, 19 June 2020 and 15 July 2020.

Impact on the Group of the COVID-19 pandemic

In the face of the Novel Coronavirus Disease 2019 (“**COVID-19**”) outbreak at the beginning of 2020, the Group’s schools have taken effective disease prevention and control measures and proactively organised online education activities, so as to achieve class suspension with continuing education and place emphasis both on disease containment and class resumption. The students gradually returned to school for class during May and June 2020.

In order to fight against the COVID-19 pandemic, the Group donated anti-epidemic supplies and equipment with a total worth of approximately RMB4 million to all universities in Chongqing City, and organised teacher and student volunteers to participate in the fight against the pandemic in Hubei and other cities across the country. As a member of Wuhan bound medical team from Chongqing City, outstanding graduate representatives from universities operated by the Group arrived at the front line of Wuhan and devoted themselves into the prevention and control of the pandemic. Their stories have received widespread coverage by many mainstream media outlets such as People’s Daily and xinhuanet.com.

As of 30 June 2020, (i) adjustments have been made according to the teaching plans of certain schools of the Group, therefore tuition fees income amounting to approximately RMB34 million has been deferred to be recognized in July 2020; and (ii) in accordance with the relevant guideline on refunding of boarding fees to the students due to the pandemic outbreak issued by local competent education authorities, the Group’s schools recorded refunded boarding fees of approximately RMB21 million in aggregate. Save as disclosed above, there was no significant impact on the financial position of the Group since the outbreak of the COVID-19 pandemic up to the date of this announcement.

Upgraded the internal organisational structure

On 20 July 2020, Ms. Zhang Weiping, Chief Executive Officer and executive Director of the Company, was appointed as the vice-chairperson of the Board of the Company. In addition, on 27 July 2020, the Company appointed the following three senior management: (i) Mr. Derek Yiyi Feng was appointed as a president of the Company, responsible for the online education business, overseas investment and mergers and acquisitions of the Group; (ii) Ms. Huang Yu was appointed as a president of the Company, responsible for the on-campus education business and public affairs of the Group; and (iii) Mr. Wang Wei was appointed as the audit director of the Company, responsible for the audit and risk control of the Group.

Outlook

In view of the huge development potential in the ordinary higher education and vocational education in China, the Group will implement the strategy of “parallel development of ordinary higher education and vocational education, coordinated development of on-campus education and online education”, in an effort to achieve the following objectives:

(i) Leader in promoting private higher education

The on-campus education of the Group will focus on the undergraduate courses, and will implement the following business strategies:

Organic growth

The Ministry of Education (“MOE”) of the PRC announced in May 2020 that the student enrollment scale of Junior college to bachelor’s degree transfer programmes and graduate programmes in 2020 will increase by 511,000 as compared with last year. Furthermore, it was proposed by the State Council proposed in the Government Work Report in May 2020 that student enrollment for higher vocational colleges will be substantially increased by 2 million in this year and next year, which is expected to benefit the schools operated by the Group. In order to increase the capacity of these schools, the Group plans to expand its existing campuses and build new campuses in phases, so as to accommodate more students and to meet its development needs.

External mergers and acquisitions

According to the 2019 National Education Operation and Development Statistics* (2019年全國教育事業發展統計公報) issued by the MOE, there are 757 private colleges and universities (including 257 independent colleges) in China. The Group will seize the market opportunity arising from the conversion of independent colleges and proactively seek quality private university-level education schools as potential merger and acquisitions targets to further expand its school network.

Upgrading of school education levels

The Group is committed to nurturing high-end application-oriented talents and make great efforts to upgrade its school education levels. Chongqing College of Humanities, Science and Technology is the first and only education pilot unit to offer professional postgraduate studies among the private higher institutions in Chongqing City. The Group also invested in Top Education as Australian National Institute of Management and Commerce which is operated by Top Education offers undergraduate and postgraduate programmes certified by the MOE of the PRC. Looking ahead, the Group will proactively seek opportunities to develop postgraduate programmes, so as to enrich its programme portfolio and upgrade its school education levels.

(ii) *Pioneer in promoting online and offline coordinated development*

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, and efforts should be made to encourage private capital to establish online education organizations, so as to accelerate the integration of online and offline education. The Group believes that the online education market has huge potential, and its online education business, while maintaining rapid development, can produce effective synergetic effects with its campus education business.

The Group will proactively consolidate its existing campus education and online education resources to provide students with mixed education mode and promote seamless integration and effective interaction between online education and campus education, so as to improve its capability to provide education service for the students. Focusing on ordinary higher education and vocational education, the Group will actively seek acquisition targets for high-quality online education, in an effort to expand its business presence of online education.

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.

Due to the outbreak of the COVID-19 pandemic, (i) the teaching plans of certain schools of the Group have been adjusted due to the COVID-19 pandemic, therefore tuition fees income amounting to approximately RMB34 million has been deferred to be recognized in July 2020; and (ii) the Group's schools had to refund the boarding fees amounting to approximately RMB21 million to the students in accordance to the boarding fees refund policy released by the relevant local educational authorities due to the COVID-19 pandemic during the Reporting Period. Despite of the above negative impacts, the Group continued to record increase in revenue, which increased by approximately 3.1% from approximately RMB526.4 million for the six months ended 30 June 2019 to approximately RMB542.7 million for the six months ended 30 June 2020.

Cost of sales

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

The cost of sales increased by approximately 7.3% from RMB219.9 million for the six months ended 30 June 2019 to approximately RMB235.9 million for the six months ended 30 June 2020. This increase was primarily due to the increase in staff costs and costs of depreciation and amortization.

Gross profit

The gross profit increased by approximately 0.1% from approximately RMB306.5 million for the six months ended 30 June 2019 to approximately RMB306.8 million for the six months ended 30 June 2020, and gross profit margin slightly decreased from approximately 58.2% to approximately 56.5%. The slight decrease was mainly due to (i) the teaching plans of certain schools of the Group has been adjusted due to the COVID-19, therefore tuition fees income amounting to approximately RMB34 million have been deferred to be recognized in July 2020; and (ii) the Group's schools had to refund the boarding fees amounting to approximately RMB21 million to the students in accordance to the boarding fees refund policy released by the relevant local educational authorities due to COVID-19 during the Reporting Period.

Other income and gains

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

Other income and gains increased by approximately 70.7% from approximately RMB39.3 million for the six months ended 30 June 2019 to approximately RMB67.0 million for the six months ended 30 June 2020. This increase was primarily due to the increase of the government grants and the 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 increased by approximately 25.3% from approximately RMB5.6 million for the six months ended 30 June 2019 to approximately RMB7.0 million for the six months ended 30 June 2020, which was primarily due to the increase in the staff salaries and 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, consultation expenses, office-related expenses, depreciation of office buildings and equipment, environment and health expenses, travel and transportation expenses and rental expenses.

Administrative expenses increased by approximately 7.5% from approximately RMB83.1 million for the six months ended 30 June 2019 to approximately RMB89.4 million for the six months ended 30 June 2020.

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 decreased substantially from approximately RMB10.5 million for the six months ended 30 June 2019 to approximately RMB4.6 million for the six months ended 30 June 2020. The decrease was primarily attributable to the provision of bad debts of approximately RMB6.5 million for the six months ended 30 June 2019 was not occurred during the period for the six months ended 30 June 2020.

Finance costs

Finance costs mainly include (i) interests on bank loans and other borrowings; and (ii) the interest on the put option liability in connection with the put option (the “**Put Option**”) granted by the vendors of the Leed International Education Group Inc. (“**Leed International**”).

Finance costs has increased from approximately RMB36.8 million for the six months ended 30 June 2019 to approximately RMB40.0 million for the six months ended 30 June 2020, which was mainly due to (i) interests on bank loans and other borrowings which were borne by the schools in our Group, (ii) interest on the Put Option liability arose from the acquisition of Leed International in August 2018; and (iii) decrease in interest from sale and lease back liabilities.

Fair value loss/gain 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 amounted to RMB2.8 million, as compared to a fair value gain of approximately RMB0.9 million for the six months ended 30 June 2019 which was mainly due to decrease in the fair value of the equity investment in Top Education during the corresponding period.

Profit for the period

As a result of the above factors, profit for the period of the Group increased by approximately 16.1% from approximately RMB203.7 million for the six months ended 30 June 2019 to approximately RMB236.4 million for the six months ended 30 June 2020.

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:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	236,420	203,674
Add:		
Unrealised exchange (gain)/loss	(1,758)	696
Share option expenses	5,193	9,706
Interest of the Put Option liability arose from the acquisition	18,324	18,742
Less:		
Gain on disposal of a subsidiary	(7,093)	—
Adjusted net profit	<u>251,086</u>	<u>232,818</u>

Adjusted net profit for the six months ended 30 June 2020 increased by approximately RMB18.3 million or approximately 7.8% as compared with the corresponding period in 2019. Adjusted net profit margin increased from approximately 44.2% for the six months ended 30 June 2019 to approximately 46.3% for the six months ended 30 June 2020.

Financial and Liquidity Position

Net current assets

As at 30 June 2020, the Group had net current assets of approximately RMB44.0 million, which primarily consisted of cash and bank balances. The current assets as at 30 June 2020 slightly decreased to approximately RMB1,479.7 million from approximately RMB1,494.8 million as at 31 December 2019. The decrease in current assets primarily attributable to a decrease in cash and bank balances, which decreased from approximately RMB1,405.4 million as at 31 December 2019 to approximately RMB1,314.9 million as at 30 June 2020, mainly due to the decrease in short-term investments measured at amortised cost.

The current liabilities decreased from approximately RMB1,482.4 million as at 31 December 2019 to approximately RMB1,435.7 million as at 30 June 2020, mainly reflecting a decrease of approximately RMB539.6 million in contract liabilities as at 30 June 2020; and (ii) an increase of approximately RMB110.6 million in other payables and accruals.

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 RMB674.9 million as at 30 June 2020, dominated in Renminbi and Hong Kong dollar (“**HK\$**”). As at 30 June 2020, our bank loans and other borrowings bore effective interest rates ranging from 2.5% 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 assesses its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

Contingent liabilities

As at 30 June 2020, 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 (2019: nil).

Pledge of assets

As at 30 June 2020, certain of the Group's buildings and land with a net carrying amount of approximately RMB94.9 million (31 December 2019: RMB96.8 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 2020, 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 assess 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, slightly decreased to approximately 16.0% as at 30 June 2020 from approximately 16.8% as at 31 December 2019, which was due to the increase in total equity 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

Dividend

The Board does not recommend any dividend in respect of the six months ended 30 June 2020 (2019: nil).

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 six months ended 30 June 2020.

Corporate Governance Code

For the six months ended 30 June 2020, 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 six months ended 30 June 2020.

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 consolidated financial statements and the interim report of the Group for the six months ended 30 June 2020.

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, respectively. The interim report of the Company for the six months ended 30 June 2020 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, 17 August 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.