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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 2021

##### FINANCIAL HIGHLIGHTS

	Six months ended 30 June			Percentage change
	2021	2020	Change	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Revenue	<b>1,238,054</b>	542,735	<b>695,319</b>	<b>+128.1%</b>
Gross Profit	<b>726,869</b>	306,830	<b>420,039</b>	<b>+136.9%</b>
Adjusted EBITDA <sup>(Note 1)</sup>	<b>583,671</b>	343,920	<b>239,751</b>	<b>+69.7%</b>
Adjusted net profit for the period <sup>(Note 2)</sup>	<b>440,299</b>	251,086	<b>189,213</b>	<b>+75.4%</b>

*Notes:*

- Adjusted EBITDA is defined as to earnings before interest, income tax expenses, depreciation and amortization after adjusting for items which are not indicative of the Group's operating performances.
- 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 board (the “**Board**”) of directors (the “**Directors**”) of Minsheng Education Group Company Limited (the “**Company**”) is pleased to announce the interim condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**” or “**We**”) for the six months ended 30 June 2021 (the “**Reporting Period**”) together with the comparative figures for the corresponding period in 2020.

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

For the six months ended 30 June 2021

	Note	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
REVENUE	4	1,238,054	542,735
Cost of sales		<u>(511,185)</u>	<u>(235,905)</u>
Gross profit		726,869	306,830
Other income and gains	4	80,431	67,006
Selling and distribution expenses		(99,395)	(6,959)
Administrative expenses		(210,230)	(89,385)
Other expenses, net		(5,627)	(4,553)
Finance costs		(59,441)	(40,035)
Gain on disposal of a subsidiary		–	7,093
Share of profit and loss of:			
A joint venture		–	2,619
An associate		(63)	(146)
Fair value loss from an equity investment at fair value through profit or loss		<u>(14,979)</u>	<u>(2,845)</u>
PROFIT BEFORE TAX	5	417,565	239,625
Income tax expense	6	<u>(28,571)</u>	<u>(3,205)</u>
PROFIT FOR THE PERIOD		<u><u>388,994</u></u>	<u><u>236,420</u></u>

**Six months ended 30 June**

	<b>2021</b>	<b>2020</b>
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	<b>13,111</b>	(21,735)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	<b>13,111</b>	(21,735)
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	<b>(10,667)</b>	15,697
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	<b>(10,667)</b>	15,697
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>	<b>2,444</b>	(6,038)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>391,438</b>	230,382
Profit attributable to:		
Owners of the parent	<b>383,864</b>	236,315
Non-controlling interests	<b>5,130</b>	105
	<b>388,994</b>	236,420
Total comprehensive income attributable to:		
Owners of the parent	<b>386,308</b>	230,277
Non-controlling interests	<b>5,130</b>	105
	<b>391,438</b>	230,382
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:</b>		
Basic and diluted	<b>8 RMB0.0910</b>	RMB0.0584

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

		30 June 2021	31 December 2020
	<i>Note</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		2,699,715	2,471,014
Right-of-use assets		843,305	840,434
Goodwill		2,090,469	1,782,894
Other intangible assets		442,384	33,006
Investment in a joint venture		–	412,224
Investment in an associate		1,497	1,603
Financial assets at fair value through profit or loss		102,955	110,818
Deferred tax assets		6,793	–
Other non-current assets	9	<u>649,794</u>	<u>731,907</u>
Total non-current assets		<u><b>6,836,912</b></u>	<u><b>6,383,900</b></u>
<b>CURRENT ASSETS</b>			
Inventories		12,199	2,694
Trade receivables	10	619,063	20,004
Prepayments, other receivables and other assets		188,554	79,078
Short-term investments measured at fair value through profit or loss		20,010	–
Restricted bank deposits		482,000	–
Cash and cash equivalents		<u>2,294,891</u>	<u>2,624,670</u>
Total current assets		<u><b>3,616,717</b></u>	<u><b>2,726,446</b></u>
<b>CURRENT LIABILITIES</b>			
Trade payables	11	775,499	2,552
Contract liabilities	12	179,485	637,730
Other payables and accruals	13	1,353,747	694,734
Dividend payable		37,983	62,179
Deferred income		24,102	21,698
Interest-bearing bank and other borrowings		581,918	446,324
Loans from the ultimate holding company		137,540	137,236
Tax payable		<u>16,787</u>	<u>22,147</u>
Total current liabilities		<u><b>3,107,061</b></u>	<u><b>2,024,600</b></u>
NET CURRENT ASSETS		<u><b>509,656</b></u>	<u><b>701,846</b></u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><b>7,346,568</b></u>	<u><b>7,085,746</b></u>

		<b>30 June 2021</b>	31 December 2020
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>NON-CURRENT LIABILITIES</b>			
Financial liability at fair value through profit or loss		–	74,652
Deferred income		<b>249,091</b>	262,484
Interest-bearing bank and other borrowings		<b>1,232,853</b>	1,317,689
Other long term liability		<b>279,800</b>	285,324
Payables for compensation fees	13	<b>110,316</b>	107,732
Deferred tax liabilities		<b>76,421</b>	16,948
Put option liability		<b>879,643</b>	859,038
		<hr/>	<hr/>
Total non-current liabilities		<b>2,828,124</b>	2,923,867
		<hr/>	<hr/>
Net assets		<b>4,518,444</b>	4,161,879
		<hr/>	<hr/>
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital		<b>322</b>	322
Reserves		<b>4,386,755</b>	4,035,320
		<hr/>	<hr/>
		<b>4,387,077</b>	4,035,642
		<hr/>	<hr/>
Non-controlling interests		<b>131,367</b>	126,237
		<hr/>	<hr/>
Total equity		<b>4,518,444</b>	4,161,879
		<hr/>	<hr/>

## 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 2021 (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 2020. 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 2020, except for the adoption of the following revised IFRSs for the first time for the Period’s financial information:

Amendments to IFRS 9, IAS 39,

IFRS 7, IFRS 4 and IFRS 16

Amendments to IFRS 16

*Interest Rate Benchmark Reform – Phase 2*

*Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

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

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“**RFR**”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

The Group had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate and the London Interbank Offered Rate (“**LIBOR**”) as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the “economically equivalent” criterion is met.

- (b) Amendment to IFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the period ended 30 June 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the COVID-19 pandemic. The amendments did not have any impact on the financial position or performance of the Group as the Group does not have any rent concessions arising as a direct consequence of the COVID-19 pandemic.

### **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, other income and gains is as follows:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue from contracts with customers</b>		
Tuition fees	<b>609,515</b>	522,757
Boarding fees	<b>46,413</b>	19,978
Distance education services	<b>459,783</b>	–
Teacher training services	<b>26,019</b>	–
Online courses services	<b>34,813</b>	–
Sales of books	<b>10,184</b>	–
Other educational services	<b>51,327</b>	–
	<b>1,238,054</b>	<b>542,735</b>
<b>Other income and gains</b>		
Investment income from short-term investments measured at fair value through profit or loss	<b>16,919</b>	17
Rental income:		
Fixed lease payments	<b>7,176</b>	2,697
Variable lease payments	<b>–</b>	415
	<b>7,176</b>	<b>3,112</b>
Bank interest income	<b>15,450</b>	5,864
Interest income from a company controlled by the former shareholders of a subsidiary	<b>10,447</b>	10,297
Government grants		
– Related to assets	<b>12,043</b>	11,731
– Related to income	<b>1,683</b>	30,599
Exchange differences, net	<b>1,525</b>	1,720
Management service income	<b>11,445</b>	2,282
Others	<b>3,743</b>	1,384
	<b>80,431</b>	<b>67,006</b>

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):

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Depreciation of property, plant and equipment	<b>75,507</b>	64,758
Depreciation of right-of-use assets	<b>21,022</b>	9,191
Amortisation of other intangible assets	<b>31,816</b>	1,062
Lease payments not included in the measurement of lease liabilities	<b>7,740</b>	3,266
Auditor's remuneration	<b>1,800</b>	1,280
Employee benefit expense (including directors' remuneration):		
Wages and salaries	<b>243,120</b>	139,485
Equity-settled share option expense	<b>3,086</b>	5,193
Pension scheme contributions (defined contribution schemes)	<b>39,562</b>	23,975
	<b>285,768</b>	168,653
Foreign exchange differences, net	<b>(1,525)</b>	(1,720)
Impairment of financial assets:		
Impairment of financial assets included in prepayments, other receivables and other assets	<b>4,308</b>	–
Reversal of impairment of trade receivables	<b>(137)</b>	–
Reversal of impairment of financial assets included in prepayments, other receivables and other assets	<b>–</b>	(12)
	<b>4,171</b>	(12)
Investment income from short-term investments measured at fair value through profit or loss	<b>(16,919)</b>	(17)
Bank interest income	<b>(15,450)</b>	(5,864)
Interest income from a company controlled by the former shareholders of a subsidiary	<b>(10,447)</b>	(10,297)
Fair value loss from an equity investment at fair value through profit or loss	<b>14,979</b>	2,845
Gain on disposal of a subsidiary	<b>–</b>	(7,093)
Loss on disposal of items of property, plant and equipment, net	<b>–</b>	68
Donation expense	<b>206</b>	4,016

## 6. INCOME TAX

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current – Mainland China		
Charge for the Period	32,597	3,205
Deferred	<u>(4,026)</u>	<u>–</u>
	<u>28,571</u>	<u>3,205</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, the preferential tax rate of 15% for high-tech enterprises available to Doxue Network Technology (Beijing) Company Limited\* (都學網絡科技 (北京) 有限公司) (“**Doxue Network**”) and Beijing Open Distance Education Centre Company Limited\* (北京奧鵬遠程教育中心有限公司) (“**Open Distance Education**”), 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 for the provision of formal educational services and enjoyed the preferential tax treatments in the Period.



## 9. OTHER NON-CURRENT ASSETS

	<b>30 June 2021 RMB'000 (Unaudited)</b>	31 December 2020 RMB'000 (Audited)
Prepayments for acquisition of land use rights	<b>163,730</b>	163,730
Prepayments for acquisition of a private school and companies	<b>18,360</b>	100,360
Long-term prepayments, other receivables and other assets	<b>8,103</b>	7,875
Loan to an associate - Hong Kong Nang Yan College of Higher Education Limited	<b>27,601</b>	27,942
Loan to a company controlled by the former shareholder of a subsidiary	<b>400,000</b>	400,000
Loan to a third party	<b>32,000</b>	32,000
	<b><u>649,794</u></b>	<u>731,907</u>

## 10. 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:

	<b>30 June 2021 RMB'000 (Unaudited)</b>	31 December 2020 RMB'000 (Audited)
Within 1 year	<b>611,954</b>	16,249
1 to 2 years	<b>6,542</b>	3,553
2 to 3 years	<b>567</b>	202
	<b><u>619,063</u></b>	<u>20,004</u>

## 11. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the period, based on the invoice date, is as follows:

	<b>30 June 2021 RMB'000 (Unaudited)</b>	31 December 2020 RMB'000 (Audited)
Within 1 year	<b>622,705</b>	2,552
1 to 2 years	<b>75,999</b>	-
2 to 3 years	<b>34,271</b>	-
Over 3 years	<b>42,524</b>	-
	<b><u>775,499</u></b>	<u>2,552</u>

The trade payables are non-interest-bearing and are normally settled on 30-60-day terms.

## 12. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	<b>30 June 2021 RMB'000 (Unaudited)</b>	31 December 2020 RMB'000 (Audited)
<i>Short-term advances received from customers</i>		
Tuition fees (i)	<b>9,755</b>	580,303
Boarding fees (i)	<b>13,691</b>	53,717
Distance education service fees (ii)	<b>124,694</b>	–
Teacher training services	<b>6,210</b>	–
Other education business	<b>25,135</b>	3,710
	<b><u>179,485</u></b>	<b><u>637,730</u></b>

- (i) 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.
- (ii) The Group receives service fees in advance prior to the beginning of each academic year. Service fees are recognised proportionately over the relevant periods of the applicable program. The cooperative universities are entitled to the refund of the payment in relation to the proportionate service not yet provided.

### 13. OTHER PAYABLES AND ACCRUALS

	<b>30 June 2021 RMB'000 (Unaudited)</b>	31 December 2020 RMB'000 (Audited)
Current portion:		
Accrued bonuses and other employee benefits	77,102	53,594
Payables for catering services	6,558	8,661
Payables for purchase of property, plant and equipment	243,618	282,537
Payables for management fee	31,558	33,171
Payables for compensation fees	60,000	60,000
Miscellaneous expenses received from students ( <i>note (i)</i> )	85,844	42,871
Tuition fees received from students ( <i>note (ii)</i> )	589,663	–
Other tax payable	10,287	2,918
Payables for audit fee	1,800	2,345
Payables for interest	9,831	9,370
Refund liabilities	179	1,267
Consideration payable for business combination	100,800	100,800
Other payables*	<u>136,507</u>	<u>97,200</u>
	<u><b>1,353,747</b></u>	<u><b>694,734</b></u>
Non-current portion:		
Payables for compensation fees	<u><b>110,316</b></u>	<u><b>107,732</b></u>

\* Payables of RMB20,000,000 (31 December 2020: 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.

*Note (ii):* The amounts represent payment of tuition fee from students received on half of cooperative universities. The balance would be remitted to cooperative universities within one year.

#### **14. EVENT AFTER THE PERIOD**

On 6 August 2021, the Group acquired 51% equity interests in Beijing Xiaoai Intelligent Technology Company Limited at a total consideration not higher than RMB80.1 million. The Group is in the process of assessing the initial accounting treatment for the acquisition and will incorporate the relevant financial information in 2021 annual financial statements.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Strong Growth in the Vocational Education Market

In recent years, accompanied with the upgrading of China's industrial structure, the demand for skilled talents has become more prominent. According to the Manufacturing Talent Development Planning Guide (製造業人才發展規劃指南) jointly issued by the Ministry of Education of the PRC (“**Ministry of Education**”), the Ministry of Human Resources and Social Security and the Ministry of Industry and Information Technology, in 2020, the skilled personnel population in China only accounted for approximately 26% of the total employment population, and high-skilled personnel only accounted for approximately 28% of the total population of skilled personnel, and there was still a large gap compared with the developed countries. The nation attaches great importance to vocational education, issued a series of encouraging policies such as the National Vocational Education Reform Implementation Plan (國家職業教育改革實施方案), Vocational Skills Improvement Action Plan (職業技能提升行動方案), and China Education Modernization 2035 (中國教育現代化2035), and implemented the “Internet + Vocational Skills Training Plan” of the vocational education skills improvement action. The Vocational Education Law of the PRC (中華人民共和國職業教育法) has undergone important revisions, clarifying that vocational education and general education have the same important status. To successfully running vocational education in the new era, accelerating the construction of a modern vocational education system and building a service-skilled society have become important goals for the development of vocational education in China.

In this context, China's vocational education market is growing strongly. According to the 2020 White Paper on Vocational Education Industry (2020年職業教育行業白皮書) published by Mob Institute (a global leading digital intelligent technology platform based in Shanghai), the scale of China's vocational education market has increased from approximately RMB343.4 billion in 2014 to approximately RMB811.0 billion in 2022, an eight-year compound growth rate of approximately 11.3%, among which, the market size of academic vocational education has increased from approximately RMB127.0 billion in 2014 to approximately RMB288.0 billion in 2022, an eight-year compound growth rate of about 10.8%, while the market size of non-academic vocational education has increased from approximately RMB216.4 billion in 2014 to approximately RMB523.0 billion in 2022, an eight-year compound growth rate of about 11.7%. The market size of online vocational education will increase from approximately RMB185.0 billion in 2016 to approximately RMB649.66 billion in 2025, a nine-year compound growth rate of about 15.0%.

## **Business Review of the Reporting Period**

The Group is a leading “Internet+” vocational education group in China. Its business closely meets the needs of the nation and society. It actively promotes strategic transformation, integrates and serves the construction of the country’s modern vocational education system, and uses technology to empower the development of vocational education, and promotes the internet and the deep integration of vocational education. It has established an “Internet+” vocational education business system that integrates campus education + online education, academic qualifications + non-academic qualifications, secondary vocational to professional postgraduate-education degrees, and “recruitment and training”, opening up a new space for the development of vocational education which has laid the competitive advantage of the Group.

In the first half of 2021, the Group’s strategic transformation has achieved significant results, with a diversified layout of seven major business streams including on-campus education, online academic education services, vocational ability improvement, examination and assessment, technology platform services, human resources and employment, and international education, providing comprehensive vocational education services oriented by career development and skill improvement.

The following are the main business operations of the Group:

### ***On-campus education***

The Group’s on-campus education is committed to constructing a vocational education service system for the training of secondary vocational, higher vocational, applied undergraduate and professional postgraduate students. As of 30 June 2021, the Group’s school network covers Chongqing, Shandong, Yunnan, Inner Mongolia, Hong Kong, Singapore and Australia. The Group operated and/or managed 10 schools in the PRC (including 7 higher education schools, 2 secondary vocational schools and one high school); the total number of students was 97,002, of which undergraduates students accounted for approximately 57.9%). The Group’s schools offer a total of 114 undergraduate majors, 117 higher vocational (junior college) majors, 18 secondary vocational majors, and 4 postgraduate cultivation and construction majors under 11 university disciplines.

Set forth below are certain particulars of the ten schools of the Group:

	<b>2020/2021 Academic year</b>			
	<b>Number of Major</b>	<b>Number of Student</b>	<b>Tuition Fee Level<sup>(Note 1)</sup> RMB</b>	<b>Boarding Fee Level<sup>(Note 1)</sup> RMB</b>
	<b>Undergraduate Schools</b>			
Chongqing College of Humanities, Science and Technology	42 undergraduate majors 1 junior college major	22,244	12,000-18,000	1,300-1,600
Dianchi College of Yunnan University	48 undergraduate majors	23,864	16,000-24,500	300-1,200
Pass College of Chongqing Technology and Business University	24 undergraduate majors 3 junior college majors Adult higher education	12,000  8,234 <sup>(Note 2)</sup>	12,000-16,000  2,600-2,800 <sup>(Note 2)</sup>	1,200-1,500
<b>Junior College</b>				
Chongqing Vocational College of Applied Technology	25	5,978	4,800-9,800	1,200
Inner Mongolia Fengzhou Vocational College (Qingcheng Branch)	21	1,633	5,000-8,000	1,200
Chongqing Electronic Information College	32	8,097	5,000-12,000	1,200-1,400
Qufu Fareast Vocational and Technical College <sup>(Note 3)</sup>	35	11,295	5,800-9,980	800-1,500
<b>Secondary Vocational Schools/High School</b>				
Laoling Minsheng Secondary Vocational School	13	964	5,600	1,200
Laoling Secondary Vocational and Technical School <sup>(Note 4)</sup>	5	538	N/A	1,200
Laoling Minsheng Education High School	N/A	2,155	15,000-17,000	1,200
<b>Total</b>	<b>249</b>	<b>97,002</b>		

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 2021, the number of students of adult higher education in Pass College of Chongqing Technology and Business University reached 8,234, 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.

The following is a breakdown of the total number of enrolled students by different education level as at 30 June 2021:

	<u>Number of enrolled students as at 30 June</u>		
	2021	2020	Percentage change (%)
<b>On-campus education</b>			
Undergraduate	56,147	52,531	+6.9%
Junior college	28,495	23,837	+19.5%
Secondary vocational program/high school	4,126	2,262	+82.4%
Adult higher education	8,234	6,191	+33.0%
<b>Total</b>	<b>97,002</b>	<b>84,821</b>	<b>+14.3%</b>

## *Online academic education services*

The online academic education services of the Group mainly covers online education, open education, adult higher education, self-study exams and professional postgraduate (master/doctoral) education, which are mainly for adults who have the need to upgrade their academic qualifications.

Online academic education services are provided by Beijing Open Distance Education Center Company Limited\* (北京奧鵬遠程教育中心有限公司) (“**Open Distance Education**”), Doxue Network Technology (Beijing) Company Limited\* (都學網絡科技(北京)有限公司) (“**Doxue Network**”) and Guangdong Mingshi Online Education Technology Company Limited\* (廣東明世在線教育科技有限公司) and Guangdong Minsheng Online Education Technology Company Limited\* (“**Minsheng Online**”) (廣東民生在線教育科技有限公司) which are managed by the Group (collectively referred to as the “**Guangdong Online Education Entities**”).

1. **Open Distance Education.** Open Distance Education is a nationwide distance education service operating organization. As of 30 June 2021, Open Distance Education has established partnerships with more than 100 domestic key universities, and open universities at the provincial level and junior college, to provide support services of online education, open education and adult higher education to approximately 1.04 million students through more than 1,800 Open Distance Education learning centers established across the nation.
2. **Doxue Network.** Doxue Network is a leading enterprise in management postgraduate education services in the country. Its MBACHina platform is an active online platform in the industry. Its business school rankings are widely recognized by the industry, universities and learners, and it has a wide range of influence in the industry. As of 30 June 2021, Doxue Network has cooperated with more than 200 domestic and overseas business schools, and have accumulated new users and existing users of the period of approximately 174,000 people and 2.25 million people, respectively.
3. **Guangdong Online Entities.** Guangdong Online Entities is a leading adult online education technology service platform. As of 30 June 2021, Guangdong Online Entities provides more than 1,300 undergraduate and junior college professional courses, covering open education, adult higher education and self-study exam qualification education services. There were approximately 138,000 students enrolled in junior college education or above level courses.

### *Vocational ability improvement*

The Group's vocational ability improvement business mainly covers information technology (“IT”) vocational training, teachers training and vocational qualification certificate training businesses, mainly through IMOOC (慕課網), OPEN2U platform, cloud training platform and teacher training center under Open Distance Education, Guangdong Online Education Entities and the MOOC China Alliance operated by the Group to provide services.

IMOOC focuses on IT online education, creates cutting-edge IT quality courses, cultivates practical technical talents for enterprises, and have more than 3,000 high-quality training courses, nearly 1,000 high-level industry lecturers, and more than 21 million users, and ranked in the front in the mainstream vocational education, adult education brand rankings. As the pioneer of mobile learning for teachers, the Group has launched platforms such as “Open Distance's Teacher Education Network” (奧鵬教師教育網), “Teacher Training Bao” (師訓寶), and “Teacher's Secretary” (教師秘書) and other mobile learning application tools, and built a school-based training platform for the development of education departments, universities and teachers in various regions. The center and other educational institutions provide a full range of remote training support services; as of 30 June 2021, approximately 678,000 teachers were trained within this year.

### *Examination and assessment*

The examination services of the Group mainly cover the unified national examination for online education and various process examinations, Chinese Proficiency Test (“HSK”) and China Certification and Accreditation Association examinations (“CCAA”).

Examination and assessment services are mainly provided by Open Distance Education and Silk Road (Beijing) International Educational Technology Center Company Limited\* (絲綢之路(北京)國際教育科技中心有限公司) (“Silk Road”). Open Distance Education organizes the implementation of the national unified examination for online education and organizes the implementation of process examinations for cooperative colleges and universities and undertakes socialized examinations. In 2020, its examination services have served 7 million persons. Silk Road is the industry's leading professional service organization for online HSK test. It is the world's first HSK online test center and it is also one of the three test service organizations authorized to independently develop sub-test centers in the world, with more than 130 establishments domestically and overseas, which have accumulated more than 180,000 internet-based examination users.

## *Human resources and employment*

The Group actively deploys human resources and employment services to create a closed loop of “recruitment and training” integrated talent training. In July 2021, the Group signed to acquire 51% equity interests in Beijing Xiaoai Intelligent Technology Co., Ltd.\* (北京小愛智能科技有限公司) (“**Xiaoai Technology**”). Xiaoai Technology is an internet company that mainly provides SaaS services for the human resources industry. It provides a tripartite online human resource service platform for human resource service companies, employers and individuals, and uses modern information technology to improve service efficiency and reduce service costs. The website platform operated by Xiaoai Technology (<https://www.workai.com.cn>) currently has more than 750 human resources companies, more than 10,000 employers have settled in, linking C-end users and job demands targeted to approximately 3 million people.

For details of the Group’s acquisition of Xiaoai Technology, please refer to the relevant announcement issued by the Group on 18 July 2021. On 6 August 2021, the Group has completed the acquisition and is currently holding of 51% equity interests of Xiaoai Technology.

## *Technology platform services*

The Group attaches great importance to the construction and investment of new educational infrastructure. Guided by new development concepts and information technology, and oriented to the needs of high-quality education development, focusing on information networks, platform systems, digital resources, innovative applications, credible security, etc., it constructed a new infrastructure system, created core productivity, and established a user-centric, end-to-end, fully closed-loop education service cloud platform (including IaaS infrastructure, developer platform, multi-cloud resource management platform, middle-level services, technical products, OPEN application center, terminal services, etc.). A number of its core technologies have reached the leading level in the same industry, and have obtained level protection level 3 certification, and passed ISO20000 certification (IT information technology service management system), ISO27001 certification (information security management system) and ISO9001 certification (Quality Assurance System).

The Group has three national-level high-tech enterprises (including Xiaoai Technology acquired by the Group in July 2021), and its schools and companies have undertaken an aggregate of more than 200 national/provincial and ministerial-level scientific research topics and projects, and have invested over RMB1 billion in the construction of basic technology capability, with more than 110 invention patents and more than 300 software copyrights.

### *International education*

The Group implements the development concept of “Chinese+”, cooperates with governmental bodies, major universities and industry associations, initiates and operates the MOOC China Alliance, and jointly builds a “Chinese+” Belt and Road vocational education service platform to create convergence, display, publicity and output China’s high-quality vocational education resources are a window to enhance the international influence of China’s vocational education, provide support for Chinese enterprises to “go global,” and build customized professional talents for the “Belt and Road” initiative. Among them, international education achievements such as “Building a New System for Cultivating “Belt and Road” Engineering Scientific and Technological Talents” won the special awards in provincial teaching achievement.

In addition to the Group’s schools in the PRC, the Group invests in schools in Hong Kong Special Administrative Region, Australia and Singapore:

#### **Hong Kong Nang Yan College**

The Group has invested in Hong Kong Nang Yan College of Higher Education Limited (“**Hong Kong Nang Yan College**”) in Hong Kong Special Administrative Region, 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.

#### **Top Education**

The Group has invested in Top Education Group Ltd. (“**Top Education**”), a private higher education provider in Australia whose shares are listed on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (Stock Code: 1752). As at 30 June 2021, the Company owned approximately 8.60% 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 2021, the Company owned 22.9% of equity interest in Beacon International College.

## Building High Quality Education

The Group attaches great importance to building high quality education and education services, and has implemented the concept of “building morality and quality first” throughout the whole process of education services, and continuously improving the quality, characteristics and effectiveness of education.

1. Nearly 10 majors of the Group’s schools have been selected for the Ministry of Education’s “New Engineering”, “New Liberal Arts”, “Excellent Engineer” and “Double Ten-Thousand Plan” provincial-level first-class undergraduate professional construction; the only provincial-level key discipline among private universities in Yunnan Province has been established and first-class subjects, category B plateau subjects; won nearly 30 national and provincial teaching achievement awards in recent years; 6 majors were approved as provincial-level first-class majors; number of gold awards in the previous China “Internet+” University Student Innovation and Entrepreneurship Competitions ranked the first among the national private universities. The Group’s schools have won honors such as “National Advanced Social Organization”, “National Advanced Unit of Private Education”, “Excellent Private Higher Education Institutions of China”, “National Graduate Employment Model Colleges”, “National Demonstration Universities for Deepening Innovation and Entrepreneurship Education Reform”; which has cultivated a large number of outstanding graduates, including advanced models such as National March 8th Red Flag Bearer, “Chinese Youth May Fourth Medal”, and “National Outstanding Communist Youth League Member”.
2. In accordance with the development requirements of “Internet + Vocational Education” proposed in the National Vocational Education Reform Implementation Plan (國家職業教育改革實施方案), the Group has deeply integrated information technology and vocational education, developed and integrated more than 10 online vocational education service platforms and 1,500 TB digital learning resources, have built a total of nearly 20 national and provincial quality online open courses. IMOOC and OPEN2U platform were selected into the “Internet + Vocational Skills Training Program” of the Ministry of Human Resources and Social Security and the Ministry of Finance and were approved as a national high-quality online vocational skills training platform; Open Distance Education won four national and provincial education achievement awards and two provincial science and technology awards.

## Actively Fulfill Social Responsibilities

1. During the COVID-19 pandemic, the Group donated 2-4 infrared thermal imaging automatic thermometers per school to all 71 universities in Chongqing at the instant; initiated and cooperated with relevant units to donate medical supplies, equipment, and special funds worth more than RMB100 million. The “stops classes without stopping school” campaign provides free access to more than 200 various learning platforms and more than 1 million resources, and serves more than 10 million learners.
2. The Group actively participated in poverty alleviation campaign, and built a mobile digital learning resource service platform for Wei County and Qinglong County in Hebei Province for free, and gathered 15,000 course resources. In August 2021, the Group established the “Funding Project for People’s Reproductive Talents” in the Chongqing Education Development Foundation which amounted to RMB40 million. During the “14th Five-Year Plan” (國家「十四五」規劃) period, the Group will provide tuition subsidies to undergraduate and junior college students from Chongqing’s poverty alleviation campaign and return-to-poverty monitoring households and marginal households prone to poverty, each students will be given a subsidy of RMB8,000 per year for five consecutive years.

## Future Outlook

The Group actively implements the national 14th Five-Year Plan and the 2035 Long-Term Goal Outline For the Deployment (2035年遠景目標綱要) requirements of “building a high-quality education system”, combined with the “One Belt, One Road” and “Rural Revitalization” and other national strategies, on the basis of the existing “Internet+” of the vocational education service platform, adhere to the technology empowerment, learners as the center and quality as the lifeline, upgrade and optimize all links of the service value chain, and create “continuous iteration of high-quality products and services-user growth-performance growth” virtuous circle; unite industry stakeholders to realize the “education platform + external ecology” synergy and value co-creation, to build a mutually beneficial and win-win “Internet+” vocational education new ecology. Committed to let every learner get more education and learning opportunities, more ability improvement opportunities, more employment options and more career promotion opportunities, to run a satisfactory vocational education for the people, and to cultivate high-quality professional talents that the nation urgently needs which will able to promote China’s industry toward the mid-to-high end of the global industrial value chain.

## **Financial Review**

### ***Revenue***

Revenue represents the value of services rendered during the Reporting Period. The Group derives revenue primarily from providing education and related services to students and users.

The total revenue increased by approximately 128.1% to approximately RMB1,238.1 million for the six months ended 30 June 2021 from that of approximately RMB542.7 million for the six months ended 30 June 2020, which was mainly due to (i) the consolidation of the online education entities during the Reporting Period; and (ii) the increase in the student number which led to the increase in the revenue derived from tuition fee and accommodation fee.

### ***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 116.7% from approximately RMB235.9 million for the six months ended 30 June 2020 to approximately RMB511.2 million for the six months ended 30 June 2021. This increase was primarily due to (i) the increase in the operating costs due to the consolidation of the online education entities during the Reporting Period; and (ii) the increase in the number of teaching staff and their salaries and allowances.

### ***Gross profit***

The gross profit increased by approximately 136.9% from approximately RMB306.8 million for the six months ended 30 June 2020 to approximately RMB726.9 million for the six months ended 30 June 2021, and gross profit margin increased from approximately 56.5% to approximately 58.7%, which was mainly due to (i) the consolidation of the online education entities during the Reporting Period; and (ii) the optimization of operating costs during the Reporting Period.

### ***Other income and gains***

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

Other income and gains increased by approximately 20.0% from approximately RMB67.0 million for the six months ended 30 June 2020 to approximately RMB80.4 million for the six months ended 30 June 2021. This increase was primarily due to (i) the consolidation of online education entities during the Reporting Period; and (ii) the increase in the interest income from the bank deposits and investment income from short-term investments measured at fair value through profit or loss and etc.

### *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 promoting, promoting expenses and student recruitment expenses and marketing cost of the online education entities.

Selling and distribution expenses substantially increased by approximately 13.2 times from approximately RMB7.0 million for the six months ended 30 June 2020 to approximately RMB99.4 million for the six months ended 30 June 2021, which was primarily due to the increase in promoting and marketing cost of the online education entities due to the consolidation of the online education entities 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 135.1% from approximately RMB89.4 million for six months ended 30 June 2020 to approximately RMB210.2 million for the six months ended 30 June 2021 due to (i) the consolidation of the online education entities during the Reporting Period; and (ii) a general increase in the administrative expenses of the Group's schools during the Reporting Period.

### *Other expenses, net*

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

Other expenses slightly increased from approximately RMB4.6 million for the six months ended 30 June 2020 to approximately RMB5.6 million for the six months ended 30 June 2021. This increase was primarily attributable to the consolidation of the online education entities 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 to the vendors of Leed International Education Group Inc. (“**Leed International**”); and (iii) interest on sale and leaseback liabilities.

Finance costs has increased by approximately 48.5% from approximately RMB40.0 million for the six months ended 30 June 2020 to approximately RMB59.4 million for the six months ended 30 June 2021, which was mainly due to (i) increase in bank loans and other borrowings of the Group; and (ii) increase in the loan from International Finance Corporation and other financial institutions during the Reporting Period.

### *Profit for the period*

As a result of the above factors, profit for the period of the Group increased by approximately 64.6% from approximately RMB236.4 million for the six months ended 30 June 2020 to approximately RMB389.0 million for the six months ended 30 June 2021.

### *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:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit for the period	<b>388,994</b>	236,420
Add:		
Unrealised exchange loss/(gain)	<b>1,130</b>	(1,758)
Share option expenses	<b>3,086</b>	5,193
Interest of the Put Option liability arose from the acquisition of Leed International	<b>20,605</b>	18,324
Amortisation of intangible assets due to consolidation	<b>23,900</b>	–
Long-term payable conversion fee discounted into the account loss of Dianchi College of Yunnan University	<b>2,584</b>	–
Less:		
Gain on disposal of a subsidiary	–	(7,093)
Adjusted net profit	<b><u>440,299</u></b>	<b><u>251,086</u></b>

Adjusted net profit for the six months ended 30 June 2021 increased by approximately RMB189.2 million or approximately 75.4% as compared with the corresponding period in 2020. Adjusted net profit margin decreased from approximately 46.3% for the six months ended 30 June 2020 to approximately 35.6% for the six months ended 30 June 2021.

## **Financial and Liquidity Position**

### *Net current assets*

As at 30 June 2021, the Group had net current assets of approximately RMB509.7 million, which primarily consisted of cash and bank balances. The current assets as at 30 June 2021 increase to approximately RMB3,616.7 million from approximately RMB2,726.4 million as at 31 December 2020. The increase in current assets was primarily attributable to an increase of trade receivables from approximately RMB20.0 million as at 31 December 2020 to approximately RMB619.1 million as at 30 June 2021, mainly due to the consolidation of online education entities during the Reporting Period.

The current liabilities increased from approximately RMB2,024.6 million as at 31 December 2020 to approximately RMB3,107.1 million as at 30 June 2021, mainly reflecting (i) an increase of approximately RMB772.9 million in trade payables; and (ii) an increase of approximately RMB659.0 million in other payables and accruals due to the consolidation of the online education entities during the Reporting Period.

### *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 and loans from the ultimate holding company amounted to approximately RMB1,952.3 million as at 30 June 2021, denominated in Renminbi, United States dollar ("US\$") and Hong Kong dollar ("HK\$"). As at 30 June 2021, our bank loans and other borrowings bore effective interest rates ranging from 2.2% to 7.7% per annum. The loan of Chongqing Zhenzhi Zhiye Co., Ltd.\* (重慶臻智置業有限責任公司) (a wholly-owned subsidiary of Chongqing Electronic Information College) amounted to RMB6.14 million, with interest rates ranging from 15%-24% per annum.

The Group maintains a balance between continuity of funding and flexibility through generated cash flows from operating activities and other borrowings. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

### ***Contingent liabilities***

As at 30 June 2021, 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 (2020: nil).

### ***Pledge of assets***

As at 30 June 2021, certain of the Group's buildings and land with a net carrying amount of approximately RMB92.6 million (31 December 2020: RMB93.7 million) and restricted bank deposits of RMB482.0 million (31 December 2020: nil) were pledged to secure bank loans and other borrowings.

### ***Foreign exchange exposure***

The majority of the Group's revenue and expenditures are denominated in RMB. As at 30 June 2021, certain bank balances were denominated in US\$ 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, decreased to approximately 43.2% as at 30 June 2021 from approximately 45.7% as at 31 December 2020, which was due to the repayment of part of the bank and other borrowings by the Group during the Reporting Period.

### ***Salary increment for employees, training and development***

In 2021, 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**

### **Interim Dividend**

The Board does not recommend any interim dividend in respect of the six months ended 30 June 2021 (2020: 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 2021.

### **Corporate Governance Code**

For the six months ended 30 June 2021, the Company has complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange.

### **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 2021.

### **Audit committee and review of interim financial information**

The audit committee of the Board has reviewed together with the management the accounting principles and policies adopted by the Group and the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2021.

## **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](http://www.hkexnews.hk) and on the website of the Company at [www.minshengedu.com](http://www.minshengedu.com), respectively. The interim report of the Company for the six months ended 30 June 2021 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.

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

Hong Kong, 17 August 2021

*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.*