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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 2023**

#### **HIGHLIGHTS**

**1. *Continuously strengthened the Group's diversified vocational education's business and service capabilities***

During the Reporting Period, the Group continued to integrate internal and external resources, continuously strengthened its integrated vocational education service capabilities of “Enrollment – Assessment – Teaching – Practical Training – Examination – Employment” and gathered resources of learning services and resources of digital intelligence employment services, continuously improved the comprehensive ability of employment services for talents, to connect colleges, students and enterprises, to realize data interoperability and precise matching employment services for talents, and developed to a leading “Internet +” vocational education group in China. At present, the Group has perfected the layout of eight business sectors: (i) online education services, (ii) on-campus education, (iii) vocational ability improvement and training, (iv) human resources services, (v) integration of digital intelligence, industry and education services, (vi) education informatization services, (vii) examination and evaluation services, and (viii) international education services, with over 1,900 learning centres in all 31 provinces, autonomous regions and municipalities throughout the nation and more than 1,500 colleges and universities, bringing together approximately 850 human resources companies and approximately 31,000 employers, linking approximately 3.1 million C-end users and approximately 3.5 million of jobs, serving students and users at the total scale of more than 50 million, forming an online + offline “Internet +” vocational education network and talent employment service system covering the whole nation.

## **2. *Further enhanced human resources service capabilities***

The Group has built a closed loop of talent training that integrates “enrollment-training-employment” and created a service platform for skilled talents of “Excellent Learning and Happy Work” (優學樂業), dedicated to providing skilled talents with high-quality internship training, employment, job selection and professional ability improvement services. With rich experience in digitalization and practical service capabilities, the Group provides enterprises, human resources service agencies, colleges and governments with a variety of digital products and solutions, stable one-stop talent services and technology supply chains, and launched the “Zhiyonggong” (智用工) “, “Yunzhiai” (雲智愛), “Ailinggong” (愛靈工), “School-Enterprise Express” (校企職通車) and “Regional Talent Navigation” (區域人才領航) and many other digital intelligent products and comprehensive service solutions.

## **3. *Deepen the integration of industry-education, focusing on the development strategy of national key industries***

The Group’s schools actively responded to the national policy of vocational education’s integration of industry-education, closely follow the development strategy of national key industries, promote school-enterprise cooperation, deepen the integration of industry-education, and comprehensively improve the training quality of applied technology talents. As of 30 June 2023, the Group’s schools have a total of approximately 1,000 off-campus practical training bases and have cooperated to build industrial colleges and achieved good results.

In addition, the Group’s digital intelligence, industry-education integration service integrates the resources of leading enterprises in various fields, combines the Group’s strong teaching and research strength and product research and development investment, and builds support for the integration of industry-education in secondary vocational, junior colleges and undergraduate colleges. An integrated platform for cooperation, covering professional groups related to strategic emerging industries such as artificial intelligence, big data, blockchain, information security, intelligent manufacturing, industrial internet, new energy vehicles, intelligent networked vehicles, digital economy, and new media, provides vocational colleges with a variety of cooperation models including co-construction of industrial colleges, co-construction of majors, co-construction of industry-education integration bases, and empowerment training.

## **4. *Financial and capital structure has been continuously stable which provides strong support to the future development***

For the six months ended 30 June 2023, the revenue of the Group was approximately RMB1,209.0 million; and earnings before interest, taxes, depreciation and amortization (EBITDA) was approximately RMB566.9 million, representing a slightly decrease of approximately 0.1% as compared to that of the corresponding period in 2022. As of 30 June 2023, the net assets of the Group was approximately RMB5,140.5 million, and its cash reserves was approximately RMB3,015.3 million. The Group’s financial and capital structure has been continuously stable which provides strong support to the future development of the Group.

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 2023 (the “**Reporting Period**”) together with the comparative figures for the corresponding period in 2022.

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

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
REVENUE	4	1,209,022	1,274,021
Cost of sales		<u>(483,945)</u>	<u>(539,859)</u>
Gross profit		725,077	734,162
Other income and gains	4	79,334	75,064
Selling and distribution expenses		(117,077)	(110,315)
Administrative expenses		(243,407)	(232,930)
Other expenses, net		(6,707)	(26,971)
Finance costs		(100,498)	(72,744)
Share of loss of an associate		<u>—</u>	<u>(11)</u>
PROFIT BEFORE TAX	5	336,722	366,255
Income tax expense	6	<u>(30,177)</u>	<u>(17,165)</u>
PROFIT FOR THE PERIOD		<u><b>306,545</b></u>	<u><b>349,090</b></u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		<u>(65,707)</u>	<u>(87,359)</u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		<u>(65,707)</u>	<u>(87,359)</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		<u>28,574</u>	<u>50,567</u>

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2023</b>	2022
		<b>(Unaudited)</b>	(Unaudited)
		<b>RMB'000</b>	RMB'000
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		<u>28,574</u>	<u>50,567</u>
<b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD</b>		<u><b>(37,133)</b></u>	<u>(36,792)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<u><b>269,412</b></u>	<u>312,298</u>
Profit attributable to:			
Owners of the parent		<u>292,608</u>	339,399
Non-controlling interests		<u>13,937</u>	<u>9,691</u>
		<u><b>306,545</b></u>	<u>349,090</u>
Total comprehensive income attributable to:			
Owners of the parent		<u>255,475</u>	302,607
Non-controlling interests		<u>13,937</u>	<u>9,691</u>
		<u><b>269,412</b></u>	<u>312,298</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:</b>			
Basic and diluted	8	<u><b>RMB0.0694</b></u>	<u>RMB0.0805</u>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	<i>Notes</i>	<b>30 June 2023 (Unaudited) RMB'000</b>	31 December 2022 (Audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>3,187,081</b>	3,210,791
Right-of-use assets		<b>817,628</b>	837,230
Goodwill		<b>2,338,424</b>	2,338,424
Other intangible assets		<b>392,081</b>	434,285
Investment in an associate		<b>2,140</b>	2,063
Financial assets at fair value through profit or loss		<b>10,391</b>	14,176
Deferred tax assets		<b>14,357</b>	13,552
Other non-current assets		<b>196,027</b>	190,988
		<hr/> <b>6,958,129</b> <hr/>	<hr/> 7,041,509 <hr/>
<b>Total non-current assets</b>		<b>6,958,129</b>	7,041,509
<b>CURRENT ASSETS</b>			
Inventories		<b>9,861</b>	10,003
Trade receivables	9	<b>801,779</b>	684,137
Prepayments, other receivables and other assets		<b>582,117</b>	566,089
Financial assets at fair value through profit or loss		<b>158,300</b>	177,755
Cash and cash equivalents		<b>3,015,307</b>	3,477,088
		<hr/> <b>4,567,364</b> <hr/>	<hr/> 4,915,072 <hr/>
<b>Total current assets</b>		<b>4,567,364</b>	4,915,072
<b>CURRENT LIABILITIES</b>			
Trade payables	10	<b>868,463</b>	944,220
Contract liabilities	11	<b>221,226</b>	909,607
Other payables and accruals	12	<b>1,011,828</b>	965,689
Dividend payable		<b>264,737</b>	102,428
Deferred income		<b>20,929</b>	22,832
Interest-bearing bank and other borrowings		<b>727,233</b>	598,051
Tax payable		<b>42,974</b>	21,907
Put option liability		<b>977,630</b>	944,472
		<hr/> <b>4,135,020</b> <hr/>	<hr/> 4,509,206 <hr/>
<b>Total current liabilities</b>		<b>4,135,020</b>	4,509,206
<b>NET CURRENT ASSETS</b>		<b>432,344</b>	405,866

	<i>Notes</i>	<b>30 June 2023 (Unaudited) RMB'000</b>	31 December 2022 (Audited) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		<b><u>7,390,473</u></b>	<b><u>7,447,375</u></b>
NON-CURRENT LIABILITIES			
Deferred income		232,479	242,395
Interest-bearing bank and other borrowings		1,623,707	1,759,483
Other long term liability		258,399	264,119
Deferred tax liabilities		<u>135,428</u>	<u>144,262</u>
Total non-current liabilities		<b><u>2,250,013</u></b>	<b><u>2,410,259</u></b>
Net assets		<b><u>5,140,460</u></b>	<b><u>5,037,116</u></b>
EQUITY			
Equity attributable to owners of the parent			
Share capital		322	322
Reserves		<u>4,913,351</u>	<u>4,815,763</u>
		<b>4,913,673</b>	<b>4,816,085</b>
Non-controlling interests		<u>226,787</u>	<u>221,031</u>
Total equity		<b><u>5,140,460</u></b>	<b><u>5,037,116</u></b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

## 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 2023 (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 2022. 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 2022, except for the adoption of the following revised IFRSs for the first time for the Period’s financial information:

IFRS 17	<i>Insurance Contracts</i>
Amendments to IFRS 17	<i>Insurance Contracts</i>
Amendments to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 – Comparative Information</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

### 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has two reportable operating segments as follows:

- (a) on-campus education
- (b) online education

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, non-lease-related finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

<b>Six months ended 30 June 2023</b>	<b>On-campus education RMB'000 (unaudited)</b>	<b>Online education RMB'000 (unaudited)</b>	<b>Total RMB'000 (unaudited)</b>
<b>Segment revenue (note 4)</b>			
Sales to external customers	741,142	467,880	1,209,022
Intersegment sales	<u>—</u>	<u>142</u>	<u>142</u>
			<b>1,209,164</b>
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(142)</u>
Revenue			<u><u>1,209,022</u></u>
<b>Segment results</b>	<b>394,152</b>	<b>50,251</b>	<b>444,403</b>
Interest income			21,150
Corporate and other unallocated expenses			(29,423)
Finance costs (other than interest on lease liabilities)			<u>(99,408)</u>
Profit before tax			<u><u>336,722</u></u>

Six months ended 30 June 2022	On-campus education <i>RMB'000</i> (unaudited)	Online education <i>RMB'000</i> (unaudited)	Total <i>RMB'000</i> (unaudited)
<b>Segment revenue (note 4)</b>			
Sales to external customers	<u>721,431</u>	<u>552,590</u>	<u>1,274,021</u>
<b>Segment results</b>			
Interest income	367,106	66,395	433,501
Corporate and other unallocated expenses			21,458
Finance costs (other than interest on lease liabilities)			(27,601)
			<u>(61,103)</u>
Profit before tax			<u>366,255</u>

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2023 and 31 December 2022:

	On-campus education <i>RMB'000</i>	Online education <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Segment assets</b>			
30 June 2023 (unaudited)	<u>9,480,482</u>	<u>3,114,851</u>	<u>12,595,333</u>
31 December 2022 (audited)	<u>10,000,259</u>	<u>3,135,786</u>	<u>13,136,045</u>
<b>Segment liabilities</b>			
30 June 2023 (unaudited)	<u>3,675,925</u>	<u>2,778,680</u>	<u>6,454,605</u>
31 December 2022 (audited)	<u>4,382,442</u>	<u>2,812,425</u>	<u>7,194,867</u>

#### 4. REVENUE, OTHER INCOME AND GAINS

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

	<b>For the six months ended 30 June</b>	
	<b>2023</b>	<b>2022</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>681,295</b>	666,552
Boarding fees	<b>59,847</b>	54,879
Distance education services	<b>341,118</b>	436,288
Teacher training services	<b>45,255</b>	31,124
Online courses services	<b>14,007</b>	18,749
Sales of books	<b>11,123</b>	6,594
Other educational services	<b>56,377</b>	59,835
	<b><u>1,209,022</u></b>	<b><u>1,274,021</u></b>
<b>Other income and gains</b>		
Investment income from short-term investments measured at fair value through profit or loss	<b>23,733</b>	19,734
Rental income:		
Fixed lease payments	<b>10,397</b>	10,661
Bank interest income	<b>11,238</b>	11,179
Interest income from a company controlled by the former shareholders of a subsidiary	<b>9,912</b>	10,279
Government grants		
– Related to assets	<b>11,736</b>	12,575
– Related to income	<b>3,286</b>	314
Others	<b>9,032</b>	10,322
	<b><u>79,334</u></b>	<b><u>75,064</u></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.

## Disaggregated revenue information for revenue from contracts with customers

### Six months ended 30 June 2023

Segments	On-campus education RMB'000	Online education RMB'000	Total RMB'000
<b>Timing of revenue recognition</b>			
<i>Revenue recognised over time:</i>			
Tuition fees	681,295	–	681,295
Boarding fees	59,847	–	59,847
Distance education services	–	341,118	341,118
Teacher training services	–	45,255	45,255
Online courses services	–	14,007	14,007
Other educational services	–	46,419	46,419
<i>Revenue recognised at a point in time:</i>			
Sales of books	–	11,123	11,123
Commission income	–	9,958	9,958
	<b>741,142</b>	<b>467,880</b>	<b>1,209,022</b>
	<b>741,142</b>	<b>467,880</b>	<b>1,209,022</b>

### Six months ended 30 June 2022

Segments	On-campus education RMB'000	Online education RMB'000	Total RMB'000
<b>Timing of revenue recognition</b>			
<i>Revenue recognised over time:</i>			
Tuition fees	666,552	–	666,552
Boarding fees	54,879	–	54,879
Distance education services	–	436,288	436,288
Teacher training services	–	31,124	31,124
Online courses services	–	18,749	18,749
Other educational services	–	49,980	49,980
<i>Revenue recognised at a point in time:</i>			
Sales of books	–	6,594	6,594
Commission income	–	9,855	9,855
	<b>721,431</b>	<b>552,590</b>	<b>1,274,021</b>
	<b>721,431</b>	<b>552,590</b>	<b>1,274,021</b>

## 5. PROFIT BEFORE TAX

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

	<b>For the six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Depreciation of property, plant and equipment	<b>86,195</b>	80,901
Depreciation of right-of-use assets	<b>21,629</b>	25,205
Amortisation of other intangible assets	<b>43,015</b>	43,941
Lease payments not included in the measurement of lease liabilities	<b>8,563</b>	9,554
Auditor's remuneration	<b>1,800</b>	1,800
Employee benefit expense (including directors' remuneration):		
Wages and salaries	<b>284,724</b>	298,321
Equity-settled share option expense	<b>575</b>	1,628
Pension scheme contributions(defined contribution schemes)	<b>81,602</b>	77,078
	<b>366,901</b>	377,027
Foreign exchange differences, net	<b>82</b>	5,571
Impairment of financial assets:		
Impairment of trade receivables	<b>1,975</b>	116
Impairment of financial assets included in prepayments, other receivables and other assets	<b>3,372</b>	5,835
Reversal of impairment of trade receivables	<b>(7,184)</b>	(2,501)
Reversal of impairment of financial assets included in prepayments, other receivables and other assets	<b>–</b>	(512)
	<b>(1,837)</b>	2,938
Investment income from short-term investments measured at fair value through profit or loss	<b>(23,733)</b>	(19,734)
Bank interest income	<b>(11,238)</b>	(11,179)
Interest income from a company controlled by the former shareholders of a subsidiary	<b>(9,912)</b>	(10,279)
Fair value loss from an equity investment at fair value through profit or loss	<b>4,074</b>	16,890
Loss on disposal of items of property, plant and equipment, net	<b>137</b>	43
Donation expense	<b>3,300</b>	867

## 6. INCOME TAX

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current – Mainland China		
Charge for the Period	39,816	28,712
Deferred	<u>(9,639)</u>	<u>(11,547)</u>
	<u>30,177</u>	<u>17,165</u>

## 7. INTERIM DIVIDEND

The Board does not declare any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

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

The calculation of the basic earnings per share amounts is based on the profit for the Period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,217,720,000 (2022: 4,217,720,000) shares in issue during the Period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2023 and 2022.

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

	For the six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Earnings		
Profit attributable to owners of the parent, used in the basic and diluted earnings per share calculation	<u>292,608</u>	<u>339,399</u>
	Number of shares	
	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u>4,217,720,000</u>	<u>4,217,720,000</u>

## 9. 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 2023 <i>RMB'000</i> (Unaudited)</b>	31 December 2022 <i>RMB'000</i> (Audited)
Within 1 year	703,082	641,237
1 to 2 years	81,786	42,297
2 to 3 years	16,681	364
Over 3 years	<u>230</u>	<u>239</u>
	<b><u>801,779</u></b>	<b><u>684,137</u></b>

## 10. 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 2023 <i>RMB'000</i> (Unaudited)</b>	31 December 2022 <i>RMB'000</i> (Audited)
Within 1 year	782,802	914,985
1 to 2 years	58,765	16,934
2 to 3 years	21,455	7,696
Over 3 years	<u>5,441</u>	<u>4,605</u>
	<b><u>868,463</u></b>	<b><u>944,220</u></b>

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

## 11. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
<i>Short-term advances received from customers</i>		
Tuition fees (i)	<b>5,690</b>	631,833
Boarding fees (i)	<b>13,543</b>	70,185
Distance education service fees (ii)	<b>141,230</b>	151,825
Teacher training services	<b>38,904</b>	37,117
Other education business	<b>21,859</b>	18,647
	<b><u>221,226</u></b>	<b><u>909,607</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 the refund of the payment in relation to the proportionate service not yet provided.
- (ii) Contract liabilities mainly include short-term advances received from cooperative universities and other customers in relation to the proportionate service not yet provided. Service fees are recognised proportionately over the service periods of the applicable program. The cooperative universities and other customers are entitled to the refund of the payment in relation to the proportionate service not yet provided. The gross amount due to customers for the provision of services is expected to be settled within one year.

## 12. OTHER PAYABLES AND ACCRUALS

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Accrued bonuses and other employee benefits	<b>88,194</b>	95,844
Payables for catering services	<b>6,235</b>	4,156
Payables for purchase of property, plant and equipment	<b>205,892</b>	299,304
Payables for management fee	<b>26,571</b>	21,124
Payables for compensation fees	<b>60,000</b>	60,000
Miscellaneous expenses received from students	<b>185,607</b>	102,465
Tuition fees received from students	<b>281,529</b>	212,753
Other tax payable	<b>10,637</b>	11,730
Payables for audit fee	<b>1,825</b>	2,925
Payables for interest	<b>1,556</b>	1,855
Refund liabilities	<b>898</b>	1,282
Consideration payable for business combination	<b>57,225</b>	57,225
Payables to the non-controlling shareholder of subsidiaries	<b>20,000</b>	20,000
Other payables	<b>65,659</b>	75,026
	<b><u>1,011,828</u></b>	<b><u>965,689</u></b>

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

### 13. EVENTS AFTER THE REPORTING PERIOD

#### Update on provision of loans

On 28 July 2023, the Company announced that pursuant to the loan agreement dated 27 June 2019 (the “**2<sup>nd</sup> Loan Agreement**”), the loan thereunder (the “**2<sup>nd</sup> Loan**”) extended by Chongqing Yuecheng Zhiyuan Education Technology Co. Ltd\* (重慶悅誠智遠教育科技有限公司) (“**Chongqing Yuecheng**”, a consolidated affiliated entity of the Company, as the lender) has become immediately payable by Leed National Education Technology (Beijing) Limited\* (勵德國教教育科技(北京)有限公司) (“**Leed National**”, as the borrower) on 27 July 2023 as it fails to repay the 2<sup>nd</sup> Loan with outstanding principal and accrued interests on the expiry of a 30-day grace period after maturity of the 2<sup>nd</sup> Loan. In addition, pursuant to the terms of the 2<sup>nd</sup> Loan Agreement, the loan extended by Chongqing Yuecheng under the loan agreement dated 24 December 2018 (together with the 2<sup>nd</sup> Loan Agreement, the “**Loan Agreements**”) also became immediately due and payable upon expiry of the said grace period after the maturity of the 2<sup>nd</sup> Loan. As of 27 July 2023, the outstanding principal amount with accrued interests under the Loan Agreements amounted to approximately RMB411,824,246.58 and the share charge over the 49% of the issued share capital in Leed International still subsists.

As at the date of this announcement, Chongqing Yuecheng and Leed National are in dispute regarding the Loan Agreements and are in the process of resolving disputes in the manner as stipulated under the Loan Agreements.

For further details of the provision of loans, please refer to the announcements of the Company dated 26 December 2018, 4 January 2019, 27 June 2019 and 28 July 2023.

#### Grant of option in relation to the acquisition of 49% of issued share capital of Leed International

The Company announced on 3 August 2023 (after trading hours) that, pursuant to the share purchase agreement dated 20 August 2018 (the “**Share Purchase Agreement**”), between the 4th, the 5th anniversary of the date on which the Share Purchase Agreement took effect, Minsheng Vocational Education Company Limited (a wholly-owned subsidiary of the Company) (“**Minsheng Vocational**”) granted Leed Education Holding Limited, National Education Holding Limited and Hyde Education Holding Limited (collectively as the “**Vendors**”) the option (the “**Option**”) which entitled the Vendors to sell the shares of Leed International owned by the Vendors to Minsheng Vocational.

Pursuant to the deed of option dated 3 August 2023 executed by Minsheng Vocational in favour of the Vendors, the Vendors have the right but not the obligation to require Minsheng Vocational to purchase all (but not some) the remaining 49% of the issued share capital of Leed International at an exit price of RMB981,500,000 which is determined in accordance with the terms of the Share Purchase Agreement.

The option period of the Option commenced from 3 August 2023 and expired at 5:00 p.m. on 17 August 2023. As announced in the announcement of the Company dated 18 August 2023, as at 17 August 2023 5:00 p.m., Minsheng Vocational had not received any notice of exercise of the Option granted under the option deed. Accordingly, the Option expired at 5:00 p.m. on 17 August 2023.

For further details of the grant of option in relation to the acquisition of 49% of issued share capital of Leed International, please refer to the announcements of the Company dated 3 August 2023 and 18 August 2023.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Policy Review of the Reporting Period

*The nation actively promotes the high-quality development of vocational education and deepens the integration of production and education with school-enterprise cooperation*

In June 2023, the National Development and Reform Commission, the Ministry of Education and other ministries jointly issued a notice on the “Implementation Plan for Vocational Education Integration, Empowerment and Improvement Actions (2023-2025)” (《職業教育產教融合賦能提升行動實施方案(2023-2025年)》) which implemented the spirit of the 20th National Congress of the Communist Party of China. It proposed 19 policies and measures in 5 aspects, including promoting the formation of the head-goose effect of the integration of production and education, consolidating the development foundation of vocational colleges, building a training base for integration of production and education, deepening school-enterprise cooperation for the integration of production and education, and improving the combination of incentives and support measures; it is further proposed that by 2025, the number of pilot cities for the integration of industry and education in the country has reached about 50, and the breakthrough and leading role of the pilot cities have been fully exerted. More than 10,000 enterprises integrating industry and education have been built and cultivated across the country. The enterprise system and combined incentive policy system for the integration of industry and education are sound improved, various funding channels have steadily increased investment in vocational education, industry needs are better integrated into the entire process of talent training, and a development pattern of education and industry integration and positive interaction has gradually formed.

In the first half of 2023, the main theme of vocational education’s task across the nation generally emphasized the guidance of Xi Jinping’s thoughts on socialism with Chinese characteristics for a new era, in-depth study and implementation of the spirit of the 20th National Congress of the Communist Party of China, comprehensive implementation of the party’s educational policies, and the promotion of modern vocational education. Quality development is placed in a more prominent position, and it insists on serving the comprehensive development of students and economic and social development. It is based on improving the key capabilities of vocational schools, focusing on deepening the integration of production and education, focusing on promoting the integration of vocational and general education, and focusing on the integration of science and education, to further enhance the strategic support ability of vocational education for China’s high-quality development.

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

During the Reporting Period, the Group continued to strengthen and improve its integrated vocational education service capabilities of “Enrollment-Assessment – Teaching – Practical Training – Examination – Employment” and gathered resources of learning services and resources of digital intelligence employment services, continuously improved the comprehensive ability of employment services for talents, to connect colleges, students and enterprises, to realize data interoperability and precise matching employment services for talents, and developed to a leading “Internet +” vocational education group in China. At present, the Group has perfected the layout of eight business sectors: (i) online education services, (ii) on-campus education, (iii) vocational ability improvement and training, (iv) human resources services, (v) integration of digital intelligence, industry and education services, (vi) education informatization services, (vii) examination and evaluation services, and (viii) international education services, with over 1,900 learning centres in all 31 provinces, autonomous regions and municipalities throughout the nation and more than 1,500 colleges and universities, bringing together more than 850 human resources companies and approximately 31,000 employers, linking approximately 3.1 million C-end users and approximately 3.5 million jobs, serving students and users at the total scale of more than 50 million, and forming an online + offline “Internet +” vocational education network and talent employment service system covering the whole nation.

The business operations of the Group’s main business sectors during the Reporting Period are as follows:

### ***1. Online Education Services***

The Group’s online education services mainly cover higher academic continuing education and postgraduate (master’s/doctoral) education. Facing towards to those who need to improve their academic qualifications, through cooperation with colleges of higher education, domestic and foreign business schools, provincial open universities and junior colleges, through the national online and offline learning center, the Group provides online learning services for students and users.

#### *Higher academic continuing education online services*

The Group’s higher academic continuing education online services are provided by a wholly-owned subsidiary of the Company, namely Beijing Open Distance Education Center Company Limited\* (北京奧鵬遠程教育中心有限公司) (“**Open Distance Education**”) and a consolidated affiliated entity of the Company, namely Guangdong Minsheng Online Education Technology Company Limited\* (廣東民生在線教育科技有限公司) (“**Minsheng Online**”). As of 30 June 2023, Open Distance Education and Minsheng Online cooperated with approximately 350 domestic key universities, provincial open universities, junior colleges and secondary vocational schools, to provide support services of online education, open education, adult higher education and self-study examination qualification education to approximately 870,000 students throughout over 1,900 learning centres across the nation.

## *Postgraduate management education services*

The Group's postgraduate management education services are provided by Doxue Network Technology (Beijing) Company Limited\* (都學網絡技術(北京)有限公司) (“**Doxue Network**”), a consolidated affiliated entity of the Company. Doxue Network is a national leading enterprise in postgraduate management education services. Its MBACHina platform is an active, intelligent and diversified learning information online platform in the industry, which gathers professional and famous teachers in the industry for those who want to improve their academic qualifications, and provides information channels for real-time consultation and learning courses that suit their needs. The business school rankings released by the MBACHina platform are widely recognized by the industry, universities and learners, and have extensive influence in the industry. As of 30 June 2023, Doxue Network cooperated with more than 180 domestic and foreign business schools; and the platform had newly added approximately 110,000 registered users and the cumulative number of registered users reached approximately 3.25 million.

## **2. *On-campus Education***

The Group is committed to constructing a vocational education service system for the training of secondary vocational schools, junior colleges, applied undergraduate and professional postgraduate students. As of 30 June 2023, the Group's schools were located in Chongqing, Shandong, Yunnan and Inner Mongolia, and the Group operated or managed 10 schools (including 7 higher education institutions, 2 secondary vocational schools and 1 high school). As of 30 June 2023, the total number of students was approximately 100,100, of which full-time undergraduate students accounted for approximately 57.9%. The Group's schools offer a total of 120 undergraduate majors, 127 junior college majors, 51 secondary vocational majors and 4 postgraduate cultivation and construction majors. The Group's undergraduate colleges now offer 1 key subject at provincial and above level, 2 key disciplines, 4 key cultivation disciplines, 15 first-class majors and 44 first-class programmes. The Group has established the only provincial level key discipline among private universities in Yunnan Province.

The Group's schools actively respond to the national policy of vocational education's integration of industry-education, closely follow the development strategy of national key industries, promote school-enterprise cooperation, and comprehensively improve the training quality of applied talents. As of 30 June 2023, the Group's schools have a total of approximately 1,000 off-campus practical training bases and have cooperated to build industrial colleges, and have achieved good results. The industry-education integration project of Dianchi College of Yunnan University has been selected into the first and second batch of “New Engineering” (新工科) projects of the Ministry of Education, and one of the first batch of “New Liberal Arts” (新文科) projects of the Ministry of Education, which was the only private university in the nation being selected for two consecutive years.

### 3. *Vocational Ability Improvement and Training*

The Group's vocational ability improvement and training business mainly covers (i) teacher continuing education training; (ii) information technology (“IT”) vocational training; (iii) cloud training platform; and (iv) vocational qualification certificate training businesses.

#### (i) *Teacher continuing education and training*

The Group's teacher continuing education and training is provided by Open Distance Education. As the pioneer of mobile learning for teachers, the Group has launched platforms such as “Open Distance Education's Teachers Network” (奧鵬教師教育網), “Teacher Training Bao” (師訓寶) and “I-Classmate” (i同學) and other mobile learning application tools, and built a “school-based” (校本) training platform, providing all-round, full-process online training, hybrid training and offline training and other support services for educational administrative departments, teacher development centers, primary and secondary schools, colleges and universities and other educational institutions in various places. As of 30 June 2023, Open Distance Education more than 500 partnered schools, and completed more than 15,000 training projects, has trained approximately 8.8 million teachers, and formed a total of 30TB+ course resources.

#### (ii) *IT vocational training*

The Group's IT vocational training is provided by IMOOC, a subsidiary of Open Distance Education. IMOOC focuses on IT online education, creates cutting-edge IT technology quality courses, and cultivates practical technical talents for enterprises. It has built more than 3,000 high quality training courses, and the platform has gathered nearly 1,000 high-level industry lecturers and accumulated approximately 23 million users as of 30 June 2023.

IMOOC has been selected into the top 10 of the “Vocational Education APP Ranking List” (職業教育APP排行榜) released by the Chinese Academy of Sciences for consecutive years. It has also been selected in the Apple application store to regularly recommend applications on various topics such as “Helping the Workplace” (助力職場), “Everyone Can Program” (人人能編程) and “Easy Learning to Program” (輕鬆學編程).

#### (iii) *Cloud training*

The Group's cloud training is based on the education cloud platform, which focuses on industry applications, integrates resources and services of cloud training providers for co-provision of online training solutions to colleges and universities, provides all-rounded trainings for cultivation of application oriented talents, and facilitates the cultivation of talents and enhancement of comprehensive vocational skills. Currently, the platform has incorporated over 60 training projects, covering 11 categories including computer, big data, architecture, machinery, pharmaceuticals, finance and trade, radio, film and television, tourism, agriculture, logistics and general education. In particular, general education-oriented trainings apply to most majors, while other specialized trainings cover over 20 undergraduate majors and over 40 junior college majors.

(iv) *Vocational qualification certificate training*

As of 30 June 2023, the Group provided over 40 vocational qualification certificate training programs such as teachers qualification certificate and human resources specialist, with a total of approximately 5,900 person counts trained during the Reporting Period.

#### 4. *Human Resources Services*

The Group actively deploys human resources services to create a talent training closed loop that integrates “Enrollment-Training-Employment”. A consolidated affiliated entity of the Company, Beijing Xiaoai Intelligent Technology Company Limited\*(北京小愛智能科技有限公司) (“**Xiaoai Technology**”) created a skilled talent service platform of “Excellent Learning and Happy Work” (優學樂業), dedicated to providing Chinese skilled talents with high-quality internship training, employment, job selection and professional ability improvement services. Relying on its rich digital experience and matured landing service capabilities, Xiaoai Technology provides different digital products and solutions as well as a stable one-stop person-time service and technology supply chain for enterprises, human resources organizations and colleges. The platform consists of (i) “Zhigonggong” (智用工) – providing digital employment SaaS for employment enterprises; (ii) “Yunzhiai” (雲智愛) and “Ailingong” (愛靈工) – providing HROSaaS for third-party human resource service agencies; (iii) through “School-Enterprise Express” (校企職通車) – providing colleges and universities with an internship employment management system that connects schools, students and enterprises, with first of all, data exchange and display on the same platform. The School-Enterprise Express is also one of the first batch of compliant platforms that complies with the Ministry of Education’s new “Regulations on the Management of Vocational School Student Internships” (《職業學校學生實習管理規定》) ; and to provide regional governments – a comprehensive solution for the digital gig job market that has SaaS + skills training and capability improvement + talent training base + industry-education integration. The platform aims to solve the employment problem, increase the employment income, meet the employment needs of enterprises, promote the development of enterprises, and provide needed high quality talent for key regional industries.

As of 30 June 2023, the business of Xiaoai Technology covered 20 provinces, autonomous regions and municipalities throughout the nation, and the platform had approximately 850 human resources companies with over 31,000 employers settling on the platform, linking approximately 3.1 million C-end users and approximately 3.5 million of jobs.

## **5. *Integration of Digital Intelligence, Industry and Education Services***

Revolving around the integration of industry and education, the Group integrates the resources of leading enterprises in various fields, combines the Group's strong teaching and research strength and product research and development investment, and builds an integrated platform of integration and cooperation which support for secondary vocational schools, junior colleges and undergraduate colleges and universities. The Group's integration of industry and education covers various professional groups related to strategic emerging industries such as artificial intelligence, big data, blockchain, information security, intelligent manufacturing, industrial internet, new energy vehicles, intelligent networked vehicles, digital economy, and new media. For the construction of professional groups in colleges and universities, the Group provides products and services including enrollment services, teaching services, course construction services, experimental training room construction, teaching software platform construction, teacher training, student internship, employment and etc.

## **6. *Education Informatization Services***

The Group attaches great importance to the construction of new education infrastructure. Guided by new development concepts and information technology and oriented to the needs of high quality education development, and by 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.).

The Group's education informatization services are provided by a consolidated affiliated entity of the Company, namely UMOOC Online Education Technology (Beijing) Company Limited\* (優慕課在線教育科技(北京)有限公司) (“**UMOOC**”), Open Distance Education and Doxue Network.

UMOOC provides education and teaching informatization construction, online teaching support, mixed teaching applications and other services for undergraduate colleges and vocational colleges. As of 30 June 2023, UMOOC has partnered with more than 400 undergraduate colleges and vocational colleges, and the services provided by UMOOC covered more than 13 million students. The “Campuswit” platform released by Doxue Network is committed to providing business education in major colleges and universities, and providing students with a full life cycle and all round one-stop solution, with products covering business education enrollment, online teaching, academic affairs, dissertation, career development, alumni management and other different stages of process.

## **7. Examination and Evaluation Services**

Examination and evaluation services are mainly provided by Open Distance Education and another Group's subsidiary, namely Silk Road (Beijing) International Education Technology Center Company Limited\* (絲綢之路(北京)國際教育技術中心有限公司) (“**Silk Road**”). Silk Road is the world's first HSK online test center and is an industry-leading professional service organization for the HSK online test. As of 30 June 2023, it has built more than 80 test centers/exams at home and abroad and has accumulated more than 180,000 internet-based examination users.

## **8. International Education Services**

The Group's international education services is provided by Open Distance Education, Doxue Network, and other two Group's subsidiaries, namely Beijing Zhongmin Guohe Education Technology Co., Ltd.\* (北京中民國合教育科技有限公司) and Shanghai Zhiaosheng International Business Development Co., Ltd.\* (上海智奧勝國際商務發展有限公司). The international education services including undergraduate, master's and doctoral study abroad programme, operations of Chinese and foreign academic exchange projects, intermediary services for studying abroad, long-term and stable cooperative relations with colleges and educational institutions in the United States, United Kingdom and other countries, and integrating language training, application for studying abroad, overseas study tours, internship employment, overseas services, international schools, etc. are integrated in order to create a closed loop of all-round study abroad services.

## **FUTURE OUTLOOK**

In the future, the Group will use the growth of talents as a link to build a comprehensive digital intelligence service Internet platform for talents, build a digital intelligence service platform ecosystem for learning, employment, and entrepreneurship, and provide one-stop, integrated digital intelligence management and operation services for upstream and downstream partners, providing digital services for various schools and education and training institutions, providing industry-education integration and employment docking services for labor companies and human resource service companies, providing employment and business incubation services for industries, providing the region with a comprehensive solution for digital intelligence empowerment, industry and city integration, providing growth navigation and personalized services for individual learners. Through the collaborative cooperation model of government, industry, university, research, research and service, it can achieve resource sharing, cloud symbiosis, and win-win cooperation with partners.

## Financial Review of the Reporting Period

### *Revenue*

Revenue represents the value of services of the Group rendered during the Reporting Period. The Group derives revenue primarily from providing on-campus education and online education services to students and users. The total revenue decreased by approximately 5.1% to approximately RMB1,209.0 million for the six months ended 30 June 2023 from that of approximately RMB1,274.0 million for the six months ended 30 June 2022, which was mainly due to the decrease in the revenue of online education resulted from the suspension of new student enrollment of online formal education (as stated in the paragraph headed “Suspension of new student enrollment of online formal education” below) under Open Distance Education during the Reporting Period, which was partly offset by the increase in the revenue of on-campus education during the Reporting Period.

### *Suspension of new student enrollment of online formal education*

Open Distance Education was notified by the education institutions that Open Distance Education has cooperation relationship that the General Office of the Ministry of Education had requested the relevant schools which participated in the pilot work of modern distance education to cease student enrolment of online formal education. Open Distance Education’s cooperative programs with such education institutions therefore ceased new student enrolment of online formal education (the “**Suspension**”) in 2022 Autumn. However, Open Distance Education continued in provision of online formal education services to more than 500,000 existing registered students during the Reporting Period.

The Board is of the view that despite of the temporary impact of the Suspension on the Group’s online education segment for the Reporting Period, the Group’s online education segment is still promising in the long run due to reasons below:

- (i) online formal education is of the several forms of formal education in the PRC and the overall national policy of the PRC for the formal education industry as a whole conducive to the continued development of the industry. For instance, the Opinions of the Ministry of Education on Promoting the Reform of Academic Continuing Education in Colleges and Universities in the New Era (Jiao Zhi Cheng [2022] No. 2) (《教育部關於推進新時代普通高等學校學歷繼續教育的實施意見》教職成[2022]2號) was issued to promote higher education schools to step up to a new stage of higher formal continuing education, and to integrate correspondence education, amateur education and online education. The state supports universities affiliated to the central ministries and commissions, local universities and higher vocational schools to promote the classified development of continuing education for academic qualifications according to their own school orientation and distinctive advantages and encourages schools to develop high-quality online courses independently or jointly with relevant institutions. In September 2022, the executive meeting of the State Council announced supporting policies for special re-financing for equipment renovation and financial support, with education informatization as a key support area;

- (ii) the Group’s online education segment encompasses a broad range of products and services for a variety of students and education institutions. While its online formal education had suspended new student enrollment in 2022 Autumn, due to the aforementioned policies in formal continuing education business, the types of products and services offered by the Group has increased, including but not limited to open education, adult higher education, self-study examination qualification education, international education, vocational education, teacher continuing training, course resources, human resources services, and SaaS platform, all of which have been launched with most of them have achieved extensive cooperation with relevant business partners. The Group has formed a diversified development model for online education segment; and
- (iii) the Group will continue to give full play of its network, technology platform, effective experience accumulated in distance education services, resource platform and talent team to provide various formal continuing education services and non-formal education services to more colleges and universities across the country. With the digital “platform for learning, employment and entrepreneurship” that will be put into the market, the Company is of the view that the business of the Group under “internet +” vocational education will be promising in the long term.

### ***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 decreased by approximately 10.4% from approximately RMB539.9 million for the six months ended 30 June 2022 to approximately RMB483.9 million for the six months ended 30 June 2023. The decrease was primarily due to the decrease in the expenses of online education during the Reporting Period.

### ***Gross profit***

The gross profit slightly decreased by approximately 1.2% from approximately RMB734.2 million for the six months ended 30 June 2022 to approximately RMB725.1 million for the six months ended 30 June 2023, and gross profit margin increased from approximately 57.6% to approximately 60.0%, which was mainly due to increase of cost efficiency of the Group in general 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 5.6% from approximately RMB75.1 million for the six months ended 30 June 2022 to approximately RMB79.3 million for the six months ended 30 June 2023. This increase was primarily due to the increase in the return of financial products during the Reporting Period.

### *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 increased by approximately 6.2% from approximately RMB110.3 million for the six months ended 30 June 2022 to approximately RMB117.1 million for the six months ended 30 June 2023, which was primarily due to the increase in promoting and marketing cost 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 4.5% from approximately RMB232.9 million for the six months ended 30 June 2022 to approximately RMB243.4 million for the six months ended 30 June 2023 due to the increase in the administrative cost of the Group in general 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 substantially decreased by approximately 75.2% from approximately RMB27.0 million for the six months ended 30 June 2022 to approximately RMB6.7 million for the six months ended 30 June 2023. This decrease was primarily attributable to the change in fair value loss of the Group's investment projects.

### *Finance costs*

Finance costs mainly include (i) interests on bank loans and other borrowings; and (ii) the interest of the put option liability arose from the acquisition of Leed International Education Group Inc. (“**Leed International**”).

Finance costs has increased by approximately 38.2% from approximately RMB72.7 million for the six months ended 30 June 2022 to approximately RMB100.5 million for the six months ended 30 June 2023, which was mainly due to the increase in the interest rates of financing and the increase in bank loans and other borrowings of the Group during the Reporting Period.

### ***Profit for the period***

As a result of the above factors, profit for the period of the Group decreased by approximately 12.2% from approximately RMB349.1 million for the six months ended 30 June 2022 to approximately RMB306.5 million for the six months ended 30 June 2023.

### ***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>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Profit for the period	<b>306,545</b>	349,090
Add:		
Unrealised exchange (gain)/loss	<b>(7,205)</b>	5,871
Share option expenses	<b>575</b>	1,628
Interest of the put option liability arose from the acquisition of Leed International	<b>33,159</b>	21,605
Amortisation of intangible assets due to consolidation	<b>27,674</b>	27,674
Change in fair value loss	<b>4,074</b>	16,890
	<b>364,822</b>	422,758
Adjusted net profit	<b>364,822</b>	422,758

Adjusted net profit for the six months ended 30 June 2023 decreased by approximately RMB57.9 million or approximately 13.7% as compared with that of the corresponding period in 2022. Adjusted net profit margin decreased from approximately 33.2% for the six months ended 30 June 2022 to approximately 30.2% for the six months ended 30 June 2023.

## **Financial and Liquidity Position**

### ***Net current assets***

As at 30 June 2023, the Group had net current assets of approximately RMB432.3 million, which primarily consisted of cash and bank balances. The current assets as at 30 June 2023 decreased to approximately RMB4,567.4 million from approximately RMB4,915.1 million as at 31 December 2022. The decrease in current assets was primarily attributable to a decrease of cash and cash equivalents during the Reporting Period.

The current liabilities decreased from approximately RMB4,509.2 million as at 31 December 2022 to approximately RMB4,135.0 million as at 30 June 2023. The decrease in current liabilities was primarily attributable to a decrease of contract liabilities during the Reporting Period.

### ***Indebtedness***

The Group's interest-bearing loan from financial institutions 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 interest-bearing loan from financial institutions and other borrowings amounted to approximately RMB2,350.9 million as at 30 June 2023, denominated in Renminbi, United States dollar (“US\$”) and Hong Kong dollar (“HK\$”). As at 30 June 2023, our interest-bearing loan from financial institutions and other borrowings bore effective interest rates ranging from 2.2% to 7.4% 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 RMB6.1 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 2023, the Group did not have material contingent liabilities (31 December 2022: nil).

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

As at 30 June 2023, certain of the Group's assets with a net carrying amount of approximately RMB81.8 million (31 December 2022: RMB82.7 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 2023, 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, slightly decreased to approximately 45.7% as at 30 June 2023 from approximately 46.8% as at 31 December 2022. The gearing ratio is on a healthy level.

## **EVENTS AFTER THE REPORTING PERIOD**

### **Update on provision of loans**

On 28 July 2023, the Company announced that pursuant to the loan agreement dated 27 June 2019 (the "**2<sup>nd</sup> Loan Agreement**"), the loan thereunder (the "**2<sup>nd</sup> Loan**") extended by Chongqing Yuecheng Zhiyuan Education Technology Co. Ltd\* (重慶悅誠智遠教育科技有限公司) ("**Chongqing Yuecheng**", a consolidated affiliated entity of the Company, as the lender) has become immediately payable by Leed National Education Technology (Beijing) Limited\* (勵德國教教育科技(北京)有限公司) ("**Leed National**", as the borrower) on 27 July 2023 as it fails to repay the 2<sup>nd</sup> Loan with outstanding principal and accrued interests on the expiry of a 30-day grace period after maturity of the 2<sup>nd</sup> Loan. In addition, pursuant to the terms of the 2<sup>nd</sup> Loan Agreement, the loan extended by Chongqing Yuecheng under the loan agreement dated 24 December 2018 (together with the 2<sup>nd</sup> Loan Agreement, the "**Loan Agreements**") also became immediately due and payable upon expiry of the said grace period after the maturity of the 2<sup>nd</sup> Loan. As of 27 July 2023, the outstanding principal amount with accrued interests under the Loan Agreements amounted to approximately RMB411,824,246.58 and the share charge over the 49% of the issued share capital in Leed International still subsists.

As at the date of this announcement, Chongqing Yuecheng and Leed National are in dispute regarding the Loan Agreements and are in the process of resolving disputes in the manner as stipulated under the Loan Agreements.

For further details of the provision of loans, please refer to the announcements of the Company dated 26 December 2018, 4 January 2019, 27 June 2019 and 28 July 2023.

## **Grant of option in relation to the acquisition of 49% of issued share capital of Leed International**

The Company announced on 3 August 2023 (after trading hours) that, pursuant to the share purchase agreement dated 20 August 2018 (the “**Share Purchase Agreement**”), between the 4th, the 5th anniversary of the date on which the Share Purchase Agreement took effect, Minsheng Vocational Education Company Limited (a wholly-owned subsidiary of the Company) (“**Minsheng Vocational**”) granted Leed Education Holding Limited, National Education Holding Limited and Hyde Education Holding Limited (collectively as the “**Vendors**”) the option (the “**Option**”) which entitled the Vendors to sell the shares of Leed International owned by the Vendors to Minsheng Vocational.

Pursuant to the deed of option dated 3 August 2023 executed by Minsheng Vocational in favour of the Vendors, the Vendors have the right but not the obligation to require Minsheng Vocational to purchase all (but not some) the remaining 49% of the issued share capital of Leed International at an exit price of RMB981,500,000 which is determined in accordance with the terms of the Share Purchase Agreement.

The option period of the Option commenced from 3 August 2023 and expired at 5:00 p.m. on 17 August 2023. As announced in the announcement of the Company dated 18 August 2023, as at 17 August 2023 5:00 p.m., Minsheng Vocational had not received any notice of exercise of the Option granted under the option deed. Accordingly, the Option expired at 5:00 p.m. on 17 August 2023.

For further details of the grant of option in relation to the acquisition of 49% of issued share capital of Leed International, please refer to the announcements of the Company dated 3 August 2023 and 18 August 2023.

## **TRAINING AND DEVELOPMENT FOR EMPLOYEES**

As at 30 June 2023, the Group has approximately 7,500 employees (as at 30 June 2022: 7,456 employees).

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.

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.

## **CORPORATE GOVERNANCE CODE**

The Company is committed to the establishment of good corporate governance practices and procedures with a view to be a transparent and responsible organization which is open and accountable to the shareholders of the Company (the “**Shareholders**”). The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all Shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is the foundation to create more value for the Shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for Shareholders.

Throughout the six months ended 30 June 2023, the Company has complied with the code provisions set out in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS**

The Company has also adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors.

Having made specific enquiry with all Directors, it is confirmed that all Directors have complied with the required standard set out in the Model Code regarding securities transactions by the Directors throughout the six months ended 30 June 2023.

## **INTERIM DIVIDEND**

The Board does not declare any interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: nil).

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2023.

## **AUDIT COMMITTEE**

The audit committee of the Company (the “**Audit Committee**”) has reviewed and discussed with the management in relation to the accounting principles and practices adopted by the Company, the internal controls and financial report matters, and the Company's policies and practices on corporate governance. The interim results have been reviewed by the Audit Committee.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company (<http://www.minshengedu.com>). The interim report for the Reporting Period containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the Shareholders and available on the above websites in due course.

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

Hong Kong, 22 August 2023

*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 of the Company are Mr. Li Xuechun, Ms. Zhang Weiping, Mr. Zuo Yichen and Mr. Lam Ngai Lung, the non-executive Directors of the Company are Mr. Shen Jinzhou and Ms. Li Yanping, and the independent non-executive Directors of the Company are Mr. Chan Ngai Sang, Kenny, Mr. Yu Huangcheng and Mr. Wang Wei Hung, Andrew.*