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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 2022

HIGHLIGHTS

The fruits from the policies in favor of national vocational education continuously ripen to promote high-quality development of vocational education

On 1 May 2022, the newly revised “Vocational Education Law of the People’s Republic of China* (《中華人民共和國職業教育法》)” was officially implemented. This is the first revision of the Vocational Education Law in the past 26 years. It carries great significance in establishing a strong nation of education and human resources and a skilled society for our nation. The new law takes multiple measures to promote the operating of schools by enterprises, clearly stipulates that enterprises should play an important role in running schools, promote enterprises to deeply participate in vocational education, use capital, technology, knowledge, facilities and other elements to set up vocational schools and vocational training institutions, and encourage enterprises to hold high-quality vocational education. Recently, the promulgation of the vocational education reform plan, the release of the “Opinions on Promoting the High-quality Development of Modern Vocational Education* (《關於推動現代職業教育高質量發展的意見》)”, and the important revision of the Vocational Education Law show that the party and the state attach great importance to vocational education and promote the reform and development of vocational education in an unprecedented manner.

Deepen the integration of the Group’s “Internet +” vocational education comprehensive service capabilities

In 2021, the Group has successfully achieved the strategic transformation of “Internet +” vocational education. During the Reporting Period, the Group continued to integrate internal and external resources, and continued to strengthen and improve the Group’s “Enrollment Assessment - Teaching - Practical Training - Examination - Employment” integrated vocational education service capabilities. At present, the Group has perfected the layout of seven business sectors: online education services, on-campus education, vocational ability improvement, human resources and employment, education informatization services, examination and evaluation and international education, and has set up over 1,900 online and offline learning centres in all 31 provinces throughout the nation, cooperating with more than 20 national ministries and institutes, more than 30 industry-leading companies and more than 1,000 colleges and universities, bringing together more than 700 human resources companies and more than 20,000 employers, serving students and users at the total scale of more than 50 million, forming an “online + offline”, “Internet +” vocational education network covering the whole nation.

Despite the impact of the COVID-19 pandemic, the Group’s overall revenue continued to grow

Despite the challenges of local and multi-point spread of the COVID-19 pandemic during the Reporting Period, the Group firmly adhered to the working principle of seeking progress while maintaining stability, and the Group’s revenue during the Reporting Period still maintained growth. As of 30 June 2022, (i) the Group’s revenue was approximately RMB1,274.0 million, representing an increase of approximately 2.9% compared to the six months ended 30 June 2021; (ii) the Group’s adjusted EBITDA was approximately RMB592.0 million, representing an increase of approximately 1.4% compared to the six months ended 30 June 2021.

The Group’s asset structure continues to be stable, supporting future business development

As at 30 June 2022, the Group’s total assets were approximately RMB11,195.8 million, cash reserves were approximately RMB2,696.5 million (inclusive of cash and cash equivalents, restricted bank deposits and short term investments measured at fair value through profit or loss of the Group for the Reporting Period), which lays a solid foundation for the Group for long-term development in the future.

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 2022 (the “**Reporting Period**”) together with the comparative figures for the corresponding period in 2021.

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

For the six months ended 30 June 2022

	<i>Note</i>	Six months ended 30 June	
		2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
REVENUE	4	1,274,021	1,238,054
Cost of sales		<u>(539,859)</u>	<u>(511,185)</u>
Gross profit		734,162	726,869
Other income and gains	4	75,064	80,431
Selling and distribution expenses		(110,315)	(99,395)
Administrative expenses		(232,930)	(210,230)
Other expenses, net		(26,971)	(20,606)
Finance costs		(72,744)	(59,441)
Share of profit and loss of an associate		<u>(11)</u>	<u>(63)</u>
PROFIT BEFORE TAX	5	366,255	417,565
Income tax expense	6	<u>(17,165)</u>	<u>(28,571)</u>
PROFIT FOR THE PERIOD		<u><u>349,090</u></u>	<u><u>388,994</u></u>

Six months ended 30 June

	<i>Note</i>	2022	2021
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
OTHER COMPREHENSIVE INCOME			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		<u>(87,359)</u>	<u>13,111</u>
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods		<u>(87,359)</u>	<u>13,111</u>
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		<u>50,567</u>	<u>(10,667)</u>
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods		<u>50,567</u>	<u>(10,667)</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		<u>(36,792)</u>	<u>2,444</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>312,298</u>	<u>391,438</u>
Profit attributable to:			
Owners of the parent		<u>339,399</u>	383,864
Non-controlling interests		<u>9,691</u>	<u>5,130</u>
		<u>349,090</u>	<u>388,994</u>
Total comprehensive income attributable to:			
Owners of the parent		<u>302,607</u>	386,308
Non-controlling interests		<u>9,691</u>	<u>5,130</u>
		<u>312,298</u>	<u>391,438</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic and diluted	8	<u>RMB0.0805</u>	<u>RMB0.0910</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

		30 June 2022	31 December 2021
	<i>Note</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		3,087,901	3,061,628
Right-of-use assets		865,509	859,308
Goodwill		2,335,902	2,335,902
Other intangible assets		476,179	519,433
Investment in an associate		1,614	1,545
Financial assets at fair value through profit or loss		93,975	96,539
Deferred tax assets		11,619	10,607
Other non-current assets		<u>603,925</u>	<u>604,352</u>
Total non-current assets		<u><u>7,476,624</u></u>	<u><u>7,489,314</u></u>
CURRENT ASSETS			
Inventories		11,463	11,590
Trade receivables	9	808,939	606,031
Prepayments, other receivables and other assets		202,197	190,216
Short-term investments measured at fair value through profit or loss		6,010	204,400
Cash and cash equivalents		2,585,376	2,750,227
Restricted bank deposits		<u>105,160</u>	<u>186,016</u>
Total current assets		<u><u>3,719,145</u></u>	<u><u>3,948,480</u></u>
CURRENT LIABILITIES			
Trade payables	10	864,371	807,138
Contract liabilities	11	308,204	986,560
Other payables and accruals	12	1,018,561	1,178,005
Dividend payable		182,230	23
Deferred income		23,577	22,891
Interest-bearing bank and other borrowings		492,081	295,719
Tax payable		<u>24,890</u>	<u>28,091</u>
Total current liabilities		<u><u>2,913,914</u></u>	<u><u>3,318,427</u></u>
NET CURRENT ASSETS		<u><u>805,231</u></u>	<u><u>630,053</u></u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>8,281,855</u></u>	<u><u>8,119,367</u></u>

		30 June 2022	31 December 2021
	<i>Note</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Financial liability at fair value through profit or loss		7,840	7,840
Deferred income		248,510	260,472
Interest-bearing bank and other borrowings		1,715,581	1,683,208
Other long term liability		269,024	274,777
Payables for compensation fees	12	56,325	55,116
Deferred tax liabilities		137,642	148,177
Put option liability		922,348	900,742
		<hr/>	<hr/>
Total non-current liabilities		3,357,270	3,330,332
		<hr/>	<hr/>
Net assets		4,924,585	4,789,035
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital		322	322
Reserves		4,713,511	4,591,483
		<hr/>	<hr/>
		4,713,833	4,591,805
		<hr/>	<hr/>
Non-controlling interests		210,752	197,230
		<hr/>	<hr/>
Total equity		4,924,585	4,789,035
		<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 2022 (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 2021. 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 2021, except for the adoption of the following revised IFRSs for the first time for the Period’s financial information:

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to IFRSs 2018-2020	<i>Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41</i>

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 services 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:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Tuition fees	666,552	609,515
Boarding fees	54,879	46,413
Distance education services	436,288	459,783
Teacher training services	31,124	26,019
Online courses services	18,749	34,813
Sales of books	6,594	10,184
Other educational services	<u>59,835</u>	<u>51,327</u>
	<u>1,274,021</u>	<u>1,238,054</u>
Other income and gains		
Investment income from short-term investments measured at fair value through profit or loss	19,734	16,919
Rental income:		
Fixed lease payments	<u>10,661</u>	<u>7,176</u>
Bank interest income	11,179	15,450
Interest income from a company controlled by the former shareholders of a subsidiary	10,279	10,447
Government grants		
– Related to assets	12,575	12,043
– Related to income	314	1,683
Exchange differences, net	–	1,525
Others	<u>10,322</u>	<u>15,188</u>
	<u>75,064</u>	<u>80,431</u>

The government grants were related to the subsidies received from the local government for the purpose of compensating the operating expenses arising from the schools' teaching activities and expenditures on teaching facilities. There are no unfulfilled conditions or contingencies relating to such government grants recognised.

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
<i>Revenue recognised over time:</i>		
Tuition fees	666,552	609,515
Boarding fees	54,879	46,413
Distance education services	436,288	459,783
Teacher training services	31,124	26,019
Online courses services	18,749	34,813
Other educational services	49,980	31,553
<i>Revenue recognised at a point in time:</i>		
Sales of books	6,594	10,184
Other educational services	9,855	19,774
	<u>1,274,021</u>	<u>1,238,054</u>

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	80,901	75,507
Depreciation of right-of-use assets	25,205	21,022
Amortisation of other intangible assets	43,941	31,816
Lease payments not included in the measurement of lease liabilities	9,554	7,740
Auditor's remuneration	1,800	1,800
Employee benefit expense (including directors' remuneration):		
Wages and salaries	298,321	243,120
Equity-settled share option expense	1,628	3,086
Pension scheme contributions (defined contribution schemes)	77,078	39,562
	377,027	285,768
Foreign exchange differences, net	5,571	(1,525)
Impairment of financial assets:		
Impairment of trade receivables	116	–
Impairment of financial assets included in prepayments, other receivables and other assets	5,835	4,308
Reversal of impairment of trade receivables	(2,501)	(137)
Reversal of impairment of financial assets included in prepayments, other receivables and other assets	(512)	–
	2,938	4,171
Investment income from short-term investments measured at fair value through profit or loss	(19,734)	(16,919)
Bank interest income	(11,179)	(15,450)
Interest income from a company controlled by the former shareholders of a subsidiary	(10,279)	(10,447)
Fair value loss from an equity investment at fair value through profit or loss	16,890	14,979
Loss on disposal of items of property, plant and equipment, net	43	–
Donation expense	867	206

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:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 1 year	803,398	600,169
1 to 2 years	4,394	5,206
2 to 3 years	908	572
Over 3 years	<u>239</u>	<u>84</u>
	<u>808,939</u>	<u>606,031</u>

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:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 1 year	842,626	790,112
1 to 2 years	10,314	12,259
2 to 3 years	6,928	3,410
Over 3 years	<u>4,503</u>	<u>1,357</u>
	<u>864,371</u>	<u>807,138</u>

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:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
<i>Short-term advances received from customers</i>		
Tuition fees (i)	10,518	620,510
Boarding fees (i)	13,277	65,108
Distance education service fees (ii)	239,991	226,852
Teacher training services	23,004	43,582
Other education business	21,414	30,508
	<u>308,204</u>	<u>986,560</u>

- (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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Current portion:		
Accrued bonuses and other employee benefits	78,306	120,257
Payables for catering services	6,025	6,954
Payables for purchase of property, plant and equipment	251,304	365,119
Payables for management fee	22,698	20,340
Payables for compensation fees	60,000	60,000
Miscellaneous expenses received from students (<i>note (i)</i>)	136,565	71,479
Tuition fees received from students (<i>note (ii)</i>)	338,088	280,945
Other tax payable	9,097	17,907
Payables for audit fee	1,825	3,125
Payables for interest	1,281	1,240
Refund liabilities	1,913	542
Consideration payable for business combination	38,685	156,215
Payables to the non-controlling shareholder of subsidiaries	20,000	20,000
Other payables	52,774	53,882
	<u>1,018,561</u>	<u>1,178,005</u>
Non-current portion:		
Payables for compensation fees	<u>56,325</u>	<u>55,116</u>

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Policy Review of the Reporting Period

The fruits from the policies in favor of national vocational education continuously ripen to promote high-quality development of vocational education

As of now, there are approximately 11,400 vocational colleges nationwide, with approximately 31 million students and more than 1.35 million full-time teachers, the nation has established the largest vocational education system in the world. Vocational secondary education and vocational higher education account for half of the total number of students enrolled and enrolled in vocational education. Vocational education has provided approximately 10 million graduates to the market every year, and trains hundreds of millions of people every year. Vocational education has become an irreplaceable and indispensable type of education in economic development, social progress and improvement of people's livelihood.

On 1 May 2022, the newly revised “Vocational Education Law of the People's Republic of China* (《中華人民共和國職業教育法》)” was officially implemented. This is the first revision of the Vocational Education Law in the past 26 years. It carries great significance in establishing a strong nation of education, human resources and a skilled society for our nation. The new law takes multiple measures to promote the operating of schools by enterprises, clearly stipulates that enterprises should play an important role in running schools, promote enterprises to deeply participate in vocational education, use capital, technology, knowledge, facilities and other elements to set up vocational schools and vocational training institutions, and encourage enterprises to hold high-quality vocational education.

Recently, the promulgation of the vocational education reform plan, the release of the “Opinions on Promoting the High-quality Development of Modern Vocational Education* (《關於推動現代職業教育高質量發展的意見》)”, and the important revision of the Vocational Education Law show that the party and the state attach great importance to vocational education and promote the reform and development of vocational education in an unprecedented manner.

Business Review of the Reporting Period

The Group is a leading “Internet +” vocational education group in China, which has always firmly chosen the path in vocational education. Its business layout is closely related to the needs of the nation and society, to integrate and serve the construction of the national modern vocational education system, assist the development of vocational education with technological empowerment, to promote the deep integration of the internet and vocational education.

In 2021, the Group has successfully achieved the strategic transformation of “Internet +” vocational education. During the Reporting Period, the Group continued to integrate internal and external resources, and continued to strengthen and improve the Group’s “Enrollment Assessment – Teaching – Practical Training – Examination” – Employment” integrated vocational education service capabilities. At present, the Group has perfected the layout of seven business sectors: online education services, on-campus education, vocational ability improvement, human resources and employment, education informatization services, examination and evaluation and international education. The Group has set up over 1,900 online and offline learning centres in all 31 provinces throughout the nation, cooperating with more than 20 national ministries and institutes, more than 30 industry-leading companies and more than 1,000 colleges and universities, bringing together more than 700 human resources companies and more than 20,000 employers, serving students and users at the total scale of more than 50 million, forming an online + offline, “Internet +” vocational education network covering the whole nation.

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

1. Online Education Services

The Group’s online education services mainly cover online education, open education, adult higher education, self-study examinations and professional degree postgraduate (master’s/doctoral) education. Aiming at adults who need to improve their academic qualifications, through cooperation with key domestic universities, domestic and foreign business schools, provincial open universities and higher vocational colleges, through the national online and offline learning center, to provides online learning services for students and users.

Adult online education services

The Group’s adult online education services are provided by the 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 Education**”) and the 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 2022, Open Education and Minsheng Online have cooperated with more than 300 domestic key universities, provincial open universities and higher vocational colleges, providing support services of online education, open education, adult higher education and self-study examination qualification education to approximately 1.1 million students throughout over 1,900 online and offline 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 online platform in the industry, which gathers professional and famous teachers in the industry to create an intelligent and diversified learning information platform for those who want to improve their academic qualifications, providing 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 2022, Doxue Network has cooperated with more than 160 domestic and foreign business schools; the platform has newly added approximately 212,000 users and the cumulative number of users is approximately 2.89 million.

2. *On-campus education*

The Group 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 2022, the Group's schools are located in Chongqing, Shandong, Yunnan, Inner Mongolia, Hong Kong, Singapore and Australia and other regions. The Group operated or managed 10 schools in Mainland China (including 7 higher education institutions, 2 secondary vocational schools and 1 high school); the total number of students was 101,636, of which full-time undergraduate students accounted for approximately 57.0%. The Group's schools offer a total of 118 undergraduate majors, 127 higher vocational (junior college) majors, 56 secondary vocational majors and 4 postgraduate cultivation and construction majors. The Group's undergraduate colleges now offer 2 key subjects at provincial and above level, 2 key cultivation disciplines, 14 first-class majors and 30 first-class programmes. The Group has established the only provincial-level key discipline among private universities in Yunnan Province.

3. *Vocational Ability Improvement*

The Group's vocational ability improvement business mainly covers information technology (“**IT**”) vocational training, teacher continuing training and vocational qualification certificate training businesses.

IT vocational training

The Group's IT vocational training is provided by IMOOC, a subsidiary of Open 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, nearly 1,000 high-level industry lecturers, and accumulated more than 23 million users. It has been selected in the Apple application store to regularly recommend applications on topics such as "Helping the Workplace", "Everyone Can Program" and "Easy Learning to Program".

Teacher continuing training

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 "I-Classmate" (i同學) and other mobile learning application tools, and built a "school-based" 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 2022, approximately 7 million teachers have been trained cumulatively. The teacher training case of Open Education was selected as an annual training for typical case in the "China Teacher Training Development Report (2021) (《中國教師培訓發展報告(2021)》)".

In 2022, with the help of the digital intelligent platform, Open Education's teacher training program actively explore the post-training tracking and guidance mode, create a "return to work live broadcast room", provide a communication platform for teachers' return to work practice, and solve the problem of the "last mile" of training.

Cloud training platform

As an important part of the "recruitment and training" integrated service system, and based on the educational cloud platform, the Group's cloud training platform 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 50 training projects, covering 11 categories such as 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.

Vocational qualification certificate training

As of 30 June 2022, the Group provided a total of over 40 vocational qualification certificate training programs such as teachers qualification certificate and human resources specialist, with a total of approximately 14,000 person counts trained during the Reporting Period.

4. *Examination and Evaluation*

The examination services of the Group mainly provide online and offline course examinations and unified online education examinations for online education colleges across the nation, China Certification and Accreditation Association examinations, Chinese Proficiency Test (“**HSK**”) and etc.

Examination and Evaluation services are mainly provided by the subsidiaries of the Company, namely Open Education and 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**”). Open Education has established a standardized test center system that covers the whole country and extends to the grassroots level. At the same time, with the help of AI, big data, cloud computing and other technologies, it has independently developed an online test system, question bank system, test administration system, monitoring system and evaluation system. It provides partners with system reservation registration, arrangement, invigilation, supervision, test management, test operation and test taker services, and especially under the current situation of different levels of epidemic prevention and control policies in various regions of China, formulates and provides targeted examination solutions, epidemic prevention and control plans and related epidemic prevention services and emergency plans for various types of examination. The test service experience and test application technology innovation accumulated by Open Education over the years are the guarantee for the smooth implementation of the test.

As of 30 June 2022, Open Education has more than 2,000 test centers across the nation, and examination services has served approximately 3.2 million person counts. Silk Road is an industry-leading professional service organization for the Chinese Proficiency Test (HSK) online test. It is the world’s first HSK online test center. It has built more than 130 test centers/exams at home and abroad and has accumulated more than 180,000 internet-based examination users.

5. *International Education*

The Group continues to implement the development concept of “Internet + Chinese + Vocational Education”, and connects government departments, key universities, and industry associations to initiate and operate the MOOC China Alliance, focusing on areas where there is a shortage of two-way talent needs in countries along the Belt and Road. It exported China’s high-quality educational resources, built an online multi-language MOOC platform for educational services carrying “Internet + Chinese + Vocational Education”, adopted a hybrid teaching model to serve Chinese training, learning and grade testing for international students from many well-known Chinese universities, and adopt Sino-foreign cooperation in running schools, study abroad, online international education and other methods to cultivate and improved the academic qualifications and abilities of students and in-service personnel, served China’s application-oriented undergraduate colleges and vocational colleges to “bring in and go out”, and cultivate big data and cloud technology., carbon neutrality and other cutting-edge industries along the Belt and Road engineering and technology talents, and built an international talent pool for the Belt and Road trade connections.

In addition to the Group’s higher education institutions located in Mainland China, the Group also invests in overseas higher education institutions, including Hong Kong Nang Yan College in Hong Kong Special Administrative Region, Australian Institute of Management and Commerce in Australia and Beacon International College in Singapore, providing associate degree to postgraduate degree programs.

6. *Human Resources and Employment*

The Group actively deploys human resources and employment services to create a talent training closed loop that integrates “Recruitment and Training”. The Group provides SaaS services for the human resources industry through the consolidated affiliated entity of the Company, namely Beijing Xiaoai Intelligent Technology Company Limited* (北京小愛智能科技有限公司) (“**Xiaoai Technology**”). Supported by its technology, it has established an one-stop Human Resources Outsourcing (HRO) and social employment services, talent learning, internship and employment platform, providing a tripartite online human resource service platform for human resource service companies, employers and individuals, which forms whole-process human resource services to generate online SaaS+AI intelligent solutions. It also uses modern information technology to improve service efficiency and reduce service costs. Xiaoai Technology brings internship training and employment services into the system of the Group, which forms an important part of the closed loop of “recruitment and training” integrated service system of the Group and also one of the important businesses of the Group to satisfy demands for industry talents. As of 30 June 2022, the Xiaoai Technology platform had over 700 human resources companies with over 20,000 employers settling in, linking C-end users and job demands targeted to approximately 2.4 million.

7. *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 the 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 Education and Doxue Network. UMOOC provides education and teaching informatization construction, online teaching support, mixed teaching applications and other services for undergraduate colleges (including graduate schools) and vocational colleges across the nation. As of 30 June 2022, UMOOC has partnered with more than 400 undergraduate colleges (including graduate schools) and vocational colleges, and the services provided by UMOOC cover more than 13 million students. The “Campuswit” platform released by Doxue Network is committed to providing business education in major colleges and universities across the country, providing students with a full life cycle and all-round one-stop solution, the product has covered business education enrollment, online teaching, academic affairs, dissertation, career development, alumni management and other different stages of process.

Future Outlook

In the future, the Group will continue to focus on the national vocational education reform and development strategy and the talent-strengthening strategy, anchor the general direction of “technology + education + industry”, and continue to increase investment in infrastructure, make use of 5G, big data, artificial intelligence, blockchain, Internet of Things and virtual reality and other new generation information technologies; service application-oriented undergraduate colleges and vocational colleges “bringing in and going out”, cultivating high-quality big data, cloud computing and other “Belt and Road” engineering and technology talents for the country, to build an international talent pool for “One Belt, One Road” trade connectivity; and introduce, select and train a group of managers with entrepreneurial spirit, international vision, rich practical experience, and strong digital capabilities, and create high-quality talents that can support the strategic development of the high quality cooperate team and other strategies, to build a high-quality vocational education and service system, and to establish a new “Internet +” vocational education ecosystem.

Financial Review of the Reporting Period

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 2.9% to approximately RMB1,274.0 million for the six months ended 30 June 2022 from that of approximately RMB1,238.1 million for the six months ended 30 June 2021, which was mainly due to the increase in number of students and users from the online education and on-campus services of the Group.

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 5.6% from approximately RMB511.2 million for the six months ended 30 June 2021 to approximately RMB539.9 million for the six months ended 30 June 2022.

Gross profit

The gross profit increased by approximately 1.0% from approximately RMB726.9 million for the six months ended 30 June 2021 to approximately RMB734.2 million for the six months ended 30 June 2022, and gross profit margin decreased from approximately 58.7% to approximately 57.6%, which was mainly due to the increase in the operating costs of the online education entities 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 decreased by approximately 6.7% from approximately RMB80.4 million for the six months ended 30 June 2021 to approximately RMB75.1 million for the six months ended 30 June 2022. This decrease was primarily due to the decrease in bank interest income 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 substantially increased by approximately 11.0% from approximately RMB99.4 million for the six months ended 30 June 2021 to approximately RMB110.3 million for the six months ended 30 June 2022, 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 10.8% from approximately RMB210.2 million for the six months ended 30 June 2021 to approximately RMB232.9 million for the six months ended 30 June 2022 due to the increase in the administrative cost of the online education entities 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 increased by approximately 30.9% from approximately RMB20.6 million for the six months ended 30 June 2021 to approximately RMB27.0 million for the six months ended 30 June 2022. This increase 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 22.4% from approximately RMB59.4 million for the six months ended 30 June 2021 to approximately RMB72.7 million for the six months ended 30 June 2022, which was mainly due to 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 10.3% from approximately RMB389.0 million for the six months ended 30 June 2021 to approximately RMB349.1 million for the six months ended 30 June 2022.

Adjusted net profit

The Group defines its adjusted net profit as its profit for the period after adjusting for those items which are not indicative of the Group's operating performances (as presented in the table below). This is not a IFRSs measure. The Group has presented this item because the Group considers it an important supplemental measure of the Group's operational performance used by the Group's management as well as analysts or investors. The following table shows profit and adjusted net profit of the Group for the periods presented below:

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit for the period	349,090	388,994
Add:		
Unrealised exchange loss	5,871	1,130
Share option expenses	1,628	3,086
Interest of the put option liability arose from the acquisition of Leed International	21,605	20,605
Amortisation of intangible assets due to consolidation	27,674	23,900
Change in fair value loss	16,890	–
Long-term payable conversion fee discounted into the account loss of Dianchi College of Yunnan University	–	2,584
Adjusted net profit	<u>422,758</u>	<u>440,299</u>

Adjusted net profit for the six months ended 30 June 2022 decreased by approximately RMB17.5 million or approximately 4.0% as compared with the corresponding period in 2021. Adjusted net profit margin decreased from approximately 35.6% for the six months ended 30 June 2021 to approximately 33.2% for the six months ended 30 June 2022.

Financial and Liquidity Position

Net current assets

As at 30 June 2022, the Group had net current assets of approximately RMB805.2 million, which primarily consisted of cash and bank balances. The current assets as at 30 June 2022 decreased to approximately RMB3,719.1 million from approximately RMB3,948.5 million as at 31 December 2021. The decrease in current assets was primarily attributable to a decrease of short-term investments measured at fair value through profit or loss during the Reporting Period.

The current liabilities decreased from approximately RMB3,318.4 million as at 31 December 2021 to approximately RMB2,913.9 million as at 30 June 2022. 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 RMB2,207.7 million as at 30 June 2022, denominated in Renminbi, United States dollar (“US\$”) and Hong Kong dollar (“HK\$”). As at 30 June 2022, 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 2022, the Group did not have material contingent liabilities (2021: nil).

Pledge of assets

As at 30 June 2022, certain of the Group's buildings and land with a net carrying amount of approximately RMB83.6 million (31 December 2021: RMB84.4 million) and restricted bank deposits of RMB105.2 million (31 December 2021: RMB183.0 million) were pledged to secure bank loans and other borrowings.

Foreign exchange exposure

The majority of the Group's revenue and expenditures are denominated in RMB. As at 30 June 2022, 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, increased to approximately 44.8% as at 30 June 2022 from approximately 41.3% as at 31 December 2021, which was due to the newly acquisition of loan from financial institutions by the Group during the Reporting Period.

Salary increment for employees, training and development

As at 30 June 2022, the Group has 7,456 employees (as at 30 June 2021: 6,704 employees).

In 2022, 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.

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. 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 2022, the Company has complied with the Corporate Governance Code.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has also adopted 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 2022.

Interim Dividend

The Board does not declare any interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: 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 2022.

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) 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 shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 17 August 2022

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. Lin Kaihua 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.