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Minsheng Education Group Company Limited

民生教育集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1569)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

HIGHLIGHTS OF THE ANNUAL RESULTS

1. Financial and capital structure has been continuously stable

- For the year ended 31 December 2023, the total revenue of the Group was approximately RMB2,352.4 million, representing a slight decrease of approximately 0.1% as compared to the corresponding period in 2022.
- For the year ended 31 December 2023, the gross profit of the Group was approximately RMB1,260.3 million, representing a slight decrease of approximately 1.2% as compared to the corresponding period in 2022; the gross profit margin was approximately 53.6%, representing a slight decrease of approximately 0.6% as compared to the corresponding period in 2022.
- As at 31 December 2023, the total assets of the Group was approximately RMB11,366.6 million, cash and cash equivalents was approximately RMB3,189.8 million.
- As at 31 December 2023, the gearing ratio which is calculated by dividing total borrowings by total equity, significantly decreased to approximately 35.9% from approximately 46.8% as at 31 December 2022.

2. Dianchi College of Yunnan University obtained Approval for Conversion

On 24 November 2023, the Company announced that Dianchi College of Yunnan University has obtained the approval from the China's education authorities for conversion from Dianchi College of Yunnan University to Dianchi College, Dianchi College is a private undergraduate-level general higher education institution. Dianchi College has chosen to operate as a for-profit college. As of the date of this results announcement, the Group is completing the relevant procedures.

3. Distribution of Final Dividend

A final dividend in respect of the year ended 31 December 2023 of HKD0.98 cents per ordinary share (equivalent to RMB0.89 cents, according to the central parity rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China on 19 March 2024, i.e. RMB0.90772 equivalent to HKD1.00) (2022: HKD4.29 cents) was proposed pursuant to a resolution passed by the Board on 19 March 2024 and subject to the approval of the shareholders of the Company at the annual general meeting of the Company. The expected date of payment of final dividend will be on or no later than Tuesday, 27 August 2024.

The board (the “**Board**”) of directors (the “**Directors**”) of Minsheng Education Group Company Limited (the “**Company**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively referred to as the “**Group**” or “**we**”) for the year ended 31 December 2023 (the “**Reporting Period**”) together with the comparative figures for the year ended 31 December 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	4	2,352,395	2,353,965
Cost of sales		<u>(1,092,050)</u>	<u>(1,078,819)</u>
Gross profit		1,260,345	1,275,146
Other income and gains	4	181,249	280,570
Selling and distribution expenses		(229,842)	(273,341)
Administrative expenses		(504,441)	(501,042)
Other expenses, net		(208,608)	(71,455)
Finance costs		(174,894)	(163,740)
Share of (loss)/profit of an associate		<u>(2,087)</u>	<u>363</u>
PROFIT BEFORE TAX	5	321,722	546,501
Income tax expense	6	<u>(200,546)</u>	<u>(33,229)</u>
PROFIT FOR THE YEAR		<u>121,176</u>	<u>513,272</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>(29,125)</u>	<u>(157,537)</u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		<u>(29,125)</u>	<u>(157,537)</u>

	<i>Notes</i>	2023 RMB'000	2022 RMB'000
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements of the Company		<u>7,803</u>	<u>71,426</u>
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods		<u>7,803</u>	<u>71,426</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR		<u>(21,322)</u>	<u>(86,111)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>99,854</u>	<u>427,161</u>
Profit attributable to:			
Owners of the parent		138,869	490,066
Non-controlling interests		<u>(17,693)</u>	<u>23,206</u>
		<u>121,176</u>	<u>513,272</u>
Total comprehensive income attributable to:			
Owners of the parent		117,547	403,955
Non-controlling interests		<u>(17,693)</u>	<u>23,206</u>
		<u>99,854</u>	<u>427,161</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic and diluted	7	<u>RMB0.0329</u>	<u>RMB0.1162</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

		2023	2022
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		3,277,081	3,210,791
Right-of-use assets		881,798	837,230
Goodwill		2,271,699	2,338,424
Other intangible assets		329,915	434,285
Investment in an associate		–	2,063
Financial assets at fair value through profit or loss		7,941	14,176
Deferred tax assets		24,018	13,552
Other non-current assets		<u>261,451</u>	<u>190,988</u>
Total non-current assets		<u>7,053,903</u>	<u>7,041,509</u>
CURRENT ASSETS			
Inventories		8,958	10,003
Trade receivables	8	457,549	684,137
Prepayments, other receivables and other assets		544,088	566,089
Financial assets at fair value through profit or loss		108,553	177,755
Restricted bank deposits		3,671	–
Cash and cash equivalents		<u>3,189,846</u>	<u>3,477,088</u>
Total current assets		<u>4,312,665</u>	<u>4,915,072</u>
CURRENT LIABILITIES			
Trade payables	9	652,213	944,220
Contract liabilities	10	832,959	909,607
Other payables and accruals	11	782,172	965,689
Dividend payables		188,411	102,428
Deferred income		19,660	22,832
Interest-bearing bank and other borrowings		1,148,613	598,051
Tax payable		151,214	21,907
Put option liability		<u>–</u>	<u>944,472</u>
Total current liabilities		<u>3,775,242</u>	<u>4,509,206</u>
NET CURRENT ASSETS		<u>537,423</u>	<u>405,866</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,591,326</u>	<u>7,447,375</u>

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
NON-CURRENT LIABILITIES		
Deferred income	234,193	242,395
Interest-bearing bank and other borrowings	989,457	1,759,483
Other long term liability	254,172	264,119
Deferred tax liabilities	<u>162,365</u>	<u>144,262</u>
 Total non-current liabilities	 <u>1,640,187</u>	 <u>2,410,259</u>
 Net assets	 <u>5,951,139</u>	 <u>5,037,116</u>
EQUITY		
Equity attributable to owners of the parent		
Share capital	322	322
Reserves	<u>5,090,360</u>	<u>4,815,763</u>
 Non-controlling interests	 <u>5,090,682</u> <u>860,457</u>	 4,816,085 <u>221,031</u>
 Total equity	 <u>5,951,139</u>	 <u>5,037,116</u>

1. CORPORATE AND GROUP INFORMATION

Minsheng Education Group Company Limited (the “**Company**”) was incorporated in the Cayman Islands on 13 December 2005 as an exempted company with limited liability under the laws of the Cayman Islands. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. During the year, the Company and its subsidiaries (collectively referred to as the “**Group**”) were principally engaged in providing on-campus and online educational services in the People’s Republic of China (the “**PRC**”).

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Minsheng Group Company Limited, which was incorporated in the British Virgin Islands.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) (which include all International Financial Reporting Standards, International Accounting Standards (“**IASs**”) and interpretations) issued by the International Accounting Standards Board (“**IASB**”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for an equity investment and wealth management products at fair value through profit or loss and contingent consideration for business combinations, which have been measured at fair value. These financial statements are presented in Renminbi (“**RMB**”), and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year’s consolidated financial statements.

IFRS 17	<i>Insurance Contracts</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.

Year ended 31 December 2023

	On-campus education RMB'000	Online education RMB'000	Total RMB'000
Segment revenue			
Sales to external customers	1,379,852	972,543	2,352,395
Intersegment sales	–	10,813	10,813
Total segment revenue	1,379,852	983,356	2,363,208
<i>Reconciliation:</i>			
Elimination of intersegment sales			(10,813)
Revenue			<u>2,352,395</u>
Segment results	577,066	(26,685)	550,381
Interest income			35,187
Corporate and other unallocated expenses			(91,158)
Finance costs (other than interest on lease liabilities)			<u>(172,688)</u>
Profit before tax			<u><u>321,722</u></u>

	On-campus education RMB'000	Online education RMB'000	Total RMB'000
Segment assets	10,201,179	2,441,370	12,642,549
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(1,303,178)
Corporate and other unallocated assets			<u>27,197</u>
Total assets			<u><u>11,366,568</u></u>
Segment liabilities	3,537,717	2,180,502	5,718,219
<i>Reconciliation:</i>			
Elimination of intersegment payables			(1,303,178)
Corporate and other unallocated liabilities			<u>1,000,388</u>
Total liabilities			<u><u>5,415,429</u></u>
Other segment information			
Share of loss of an associate	(2,087)	–	(2,087)
Impairment losses recognised in profit or loss	(11,146)	154,725	143,579
Depreciation and amortisation	178,740	124,831	303,571
Capital expenditure	<u>312,137</u>	<u>24,402</u>	<u>336,539</u>
Year ended 31 December 2022			
	On-campus education RMB'000	Online education RMB'000	Total RMB'000
Segment revenue			
Sales to external customers	1,311,676	1,042,289	2,353,965
Intersegment sales	<u>–</u>	<u>1,258</u>	<u>1,258</u>
Total segment revenue	1,311,676	1,043,547	2,355,223
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(1,258)</u>
Revenue			<u><u>2,353,965</u></u>
Segment results	520,846	202,822	723,668
Interest income			48,554
Corporate and other unallocated expenses			(65,102)
Finance costs (other than interest on lease liabilities)			<u>(160,619)</u>
Profit before tax			<u><u>546,501</u></u>

	On-campus education <i>RMB'000</i>	Online education <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	10,000,259	3,135,786	13,136,045
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(1,247,811)
Corporate and other unallocated assets			<u>68,347</u>
Total assets			<u><u>11,956,581</u></u>
Segment liabilities	4,382,442	2,812,425	7,194,867
<i>Reconciliation:</i>			
Elimination of intersegment payables			(1,247,811)
Corporate and other unallocated liabilities			<u>972,409</u>
Total liabilities			<u><u>6,919,465</u></u>
Other segment information			
Share of profit of an associate	(363)	–	(363)
Impairment losses recognised in profit or loss	12,282	4,484	16,766
Depreciation and amortisation	171,505	132,591	304,096
Investment in an associate	2,063	–	2,063
Capital expenditure	<u>312,823</u>	<u>42,834</u>	<u>355,657</u>

Geographical information

During the year, all of the Group's 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 information is presented.

Information about major customers

No revenue derived from services provided to a single customer accounted for 10% or more of the total revenue of the Group during the year.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<i>Revenue from contracts with customers</i>		
Tuition fees	1,265,979	1,204,604
Boarding fees	113,873	107,072
Distance education services – platform services	212,775	365,200
Distance education services – educational support services	451,002	387,818
Teacher training services	87,172	84,817
Online courses services	27,491	39,108
Commission income	32,144	27,914
Sales of books	34,716	27,014
Examinations and assessments	2,802	8,958
Other education business	124,441	101,460
	<u>2,352,395</u>	<u>2,353,965</u>
<i>Other income and gains</i>		
Investment income from short-term investments measured at fair value through profit or loss	47,292	29,985
Fair value gain on contingent consideration	–	57,085
Rental income:		
Fixed lease payments	13,273	18,500
Variable lease payments	3,522	3,997
	<u>16,795</u>	<u>22,497</u>
Bank interest income	23,363	29,067
Interest income from a company controlled by the former shareholders of a subsidiary	11,824	19,487
Government grants		
– Related to assets	21,721	25,952
– Related to income	39,787	77,694
Others	20,467	18,803
	<u>20,467</u>	<u>18,803</u>
Total other income and gains	<u>181,249</u>	<u>280,570</u>

5. PROFIT BEFORE TAX

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Depreciation of property, plant and equipment	173,141	168,971
Amortisation of other intangible assets	85,943	86,933
Lease payments not included in the measurement of lease liabilities	15,194	15,726
Depreciation of right-of-use assets	44,487	48,192
Research and development costs	110,876	117,605
Impairment of goodwill	66,725	–
Auditor's remuneration	5,200	4,900
Employee benefit expense (including directors' remuneration (note 8)):		
Wages and salaries	656,613	613,964
Equity-settled share option expense	787	2,582
Pension scheme contributions (defined contribution schemes)	<u>137,948</u>	<u>167,423</u>
	<u>795,348</u>	<u>783,969</u>
Foreign exchange differences, net	1,952	4,090
Impairment of other intangible assets	21,400	–
Impairment of financial assets:		
Impairment of trade receivables	20,562	8,722
Impairment of financial assets included in prepayments, other receivables and other assets	<u>34,892</u>	<u>8,044</u>
	<u>55,454</u>	<u>16,766</u>
Investment income from short-term investments measured at fair value through profit or loss	(47,292)	(29,985)
Bank interest income	(23,363)	(29,067)
Interest income from a company controlled by the former shareholders of a subsidiary	(11,824)	(19,487)
Fair value loss from an equity investment at fair value through profit or loss	6,209	21,164
Fair value loss from a loan to an associate included in other non-current assets measured at fair value	–	17,986
Fair value loss from short-term investments at fair value through profit or loss	–	4,787
Fair value loss/(gain) from contingent consideration at fair value through profit or loss	39,747	(57,085)
Loss on disposal of items of property, plant and equipment and right-of use assets, net	2,960	1,385
Donation expenses	<u>11,433</u>	<u>8,425</u>

6. INCOME TAX

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current – Mainland China		
Charge for the year	191,438	35,971
Underprovision in prior years	1,471	4,118
Deferred	<u>7,637</u>	<u>(6,860)</u>
	<u>200,546</u>	<u>33,229</u>

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

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

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2023 and 2022 in respect of a dilution as the impact of the share option had an anti-dilutive effect on the basic earnings per share amounts presented.

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	<u>138,869</u>	<u>490,066</u>
	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	<u>4,217,720,000</u>	<u>4,217,720,000</u>

8. TRADE RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables	500,975	707,591
Impairment	(43,426)	(23,454)
Net carrying amount	<u>457,549</u>	<u>684,137</u>

An ageing analysis of the trade receivables as at the end of the reporting year, based on the transaction date and net of loss allowance, is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 1 year	380,468	641,237
1 to 2 years	70,604	42,297
2 to 3 years	6,162	364
Over 3 years	315	239
	<u>457,549</u>	<u>684,137</u>

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
At beginning of year	23,454	15,038
Impairment losses	20,562	8,722
Write-off	(590)	(306)
At end of year	<u>43,426</u>	<u>23,454</u>

9. TRADE PAYABLES

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 1 year	606,335	914,985
1 to 2 years	21,834	16,934
2 to 3 years	13,269	7,696
Over 3 years	10,775	4,605
	<hr/>	<hr/>
Total	652,213	944,220
	<hr/> <hr/>	<hr/> <hr/>

10. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	31 December 2023 <i>RMB'000</i>	31 December 2022 <i>RMB'000</i>
<i>Short-term advances received from customers</i>		
Tuition fees	661,854	631,833
Boarding fees	70,491	70,185
Distance education service fees	49,020	151,825
Teacher training services	10,694	37,117
Other education business	40,900	18,647
	<hr/>	<hr/>
Total	832,959	909,607
	<hr/> <hr/>	<hr/> <hr/>

11. OTHER PAYABLES AND ACCRUALS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Accrued bonuses and other employee benefits	103,534	95,844
Payables for catering services	10,666	4,156
Payables for purchase of property, plant and equipment	241,821	299,304
Payables for management fees	46,274	21,124
Payables for compensation fees	–	60,000
Miscellaneous expenses received from students	114,630	102,465
Tuition fees received from students	111,590	212,753
Other tax payable	10,507	11,730
Payables for audit fee	1,304	2,925
Payables for interest	1,148	1,855
Refund liabilities	313	1,282
Consideration payable for business combination	49,725	57,225
Payables to the non-controlling shareholder of subsidiaries	20,000	20,000
Other payables	70,660	75,026
	<u>782,172</u>	<u>965,689</u>

12. DIVIDENDS AND EVENT AFTER THE REPORTING PERIOD

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Proposed final – RMB0.89 cents (2022: RMB3.76 cents) per ordinary share	<u>37,477</u>	<u>158,744</u>

Subsequent to the end of the reporting period, the board of directors recommended the payment of a final dividend of RMB0.89 cents per share totalling RMB37.5 million for the year ended 31 December 2023. The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

MANAGEMENT DISCUSSION AND ANALYSIS

Policy Review of the Reporting Period

The year of 2023 is the first year for vocational education to fully implement the spirit of the 20th National Congress of the Communist Party of China. The key points of vocational education work across the country generally emphasize the guidance of Xi Jinping's thoughts on socialism with Chinese characteristics for a new era, comprehensively implement the party's education policy, and promote modern vocational education. Quality development is placed in a more prominent position, insisting on serving the comprehensive development of students and economic and social development, based on improving the key capabilities of vocational schools, focusing on deepening the integration of industry and education, focusing on promoting the integration of vocational and general education, and focusing on the integration of science and education. direction to further enhance the strategic support capacity of vocational education for China's high-quality development.

Looking back on 2023, policies that benefit vocational education have been implemented one after another:

1. In April 2023, the General Office of the Ministry of Education issued the Circular on the Construction of Municipal Industry-Education Consortiums (《關於開展市域產教聯合體建設的通知》), insisting on promoting industry with education, assisting education with industry, deepening the integration of industry and education and cooperation between industry and academia, and giving full play to the role of the government, industry aggregation, enterprise traction and the main role of the school, and building a number of municipal industry-education consortiums with the functions of talent cultivation, innovation and entrepreneurship, and promotion of high-quality development of the industry and the economy on the basis of industrial parks. By the end of 2023, about 50 industry-education consortia will be built, and by the end of 2024, about 50 more will be built, and by 2025, about 150 municipal industry-education consortia will be built.
2. In May 2023, the Department of Vocational and Adult Education of the Ministry of Education issued the Circular on Further Promoting the Pilot Construction of Digital Campuses in Vocational Institutions (《關於進一步推進職業院校數字校園建設試點的通知》), to implement the strategic action of digitization of education, to promote the digital transformation of vocational education in a sustained and deep manner, and to improve the level of the construction of digital campuses in vocational institutions.

3. In June 2023, the National Development and Reform Commission, the Ministry of Education and other ministries and commissions jointly issued a notice on the “Implementation Plan for the Integration of Industry and Education in Vocational Education (2023-2025)” (《職業教育產教融合賦能提升行動實施方案(2023-2025年)》). The implementation plan implements the spirit of the 20th National Congress of the Communist Party of China, proposing 19 policies and measures in five aspects, including promoting the formation of the goose effect of industry-education integration, consolidating the development foundation of vocational colleges, building industry-education integration training bases, deepening industry-education integration school-enterprise cooperation, and improving incentive and support combination measures; it is further proposed that by 2025, the number of national pilot cities for the integration of industry and education reached about 50, and the breakthrough and leading role of the pilot cities were fully exerted to build and cultivate more than 10,000 enterprises integrating industry and education 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.
4. In July 2023, the Ministry of Education issued the “Notice on Key Tasks to Accelerate the Construction and Reform of the Modern Vocational Education System” (《關於加快推進現代職業教育體系建設改革重點任務的通知》) stating that it is necessary to lead the “classroom reform” of vocational education and improve the quality of training technical and technical talents in key core areas. By 2025, there should be approximately 1,000 new courses being built in key areas of the industry. The content of these courses must be in line with the actual work of the job and fully incorporate new technologies, new processes, and new standards.

The continued implementation of relevant and favorable vocational education policies further confirms the nation’s determination to promote vocational education reform. The Group will continue to focus on high-quality education as the core of development, adhere to the firm policy of high-quality development of vocational education, and continue to cultivate high-quality skilled talents needed by various industries for China’s future social and economic development.

Major Business Development of the Reporting Period

Dianchi College of Yunnan University obtained Approval for Conversion

On 24 November 2023, the Company announced that Dianchi College of Yunnan University has obtained the approval from the China’s education authorities for conversion from Dianchi College of Yunnan University to Dianchi College, Dianchi College is a private undergraduate-level general higher education institution. Dianchi College has chosen to operate as a for-profit college. As of the date of this results announcement, the Group is completing the relevant procedures.

For further details on the approval for conversion of Dianchi College of Yunnan University, please refer to the Company’s announcement dated 24 November 2023.

Business Review of the Reporting Period

The Group is a leading “Internet+” vocational education group in China. 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.

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 890 human resources companies and approximately 34,000 employers, linking approximately 430 million C-end users and approximately 3.3 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 31 December 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 700,000 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 31 December 2023, Doxue Network cooperated with more than 180 domestic and foreign business schools; and the platform had newly added approximately 230,000 registered users and the cumulative number of registered users reached approximately 3.37 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 31 December 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 31 December 2023, the total number of students was approximately 100,400, of which full-time undergraduate students accounted for approximately 57.76%. The Group's schools offer a total of 121 undergraduate majors, 146 junior college majors, 72 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, 3 key cultivation disciplines, 15 first-class majors and 58 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 31 December 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 31 December 2023, Open Distance Education has more than 500 partnered schools, and completed more than 15,300 training projects, has trained approximately 8.9 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 24 million users as of 31 December 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 31 December 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 11,000 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) “zhiyongong” (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 31 December 2023, the business of Xiaoi Technology covered more than 20 provinces, autonomous regions and municipalities throughout the nation, and the platform had approximately 890 human resources companies with over 34,000 employers settling on the platform, linking approximately 4.3 million C-end users and approximately 3.3 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 31 December 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 31 December 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

The Group is currently a leading “Internet+” vocational education group in China. Focusing on the strategy of strengthening the country through education and talents, and serving high-quality employment, the Group has built a digital and intellectual service platform ecology of “learning, employment and entrepreneurship” through strategic cooperation through mergers and acquisitions.

Looking ahead, the Group will continue to comprehensively promote the digitization and intelligence of learning, employment and entrepreneurship services, with full coverage of formal education, enrollment, assessment, teaching, examination, practical training, employment and entrepreneurship, and full connectivity from entrance to exit; and provide digital services for various types of schools and education and training institutions. Through hosting and other means, expanding secondary and specialized vocational colleges and universities, in-depth cooperation with industry-leading, nationally-needed industrial enterprises and schools, and building a community organization for the integration of digital intelligence, industry and education; providing integration of industry and education and employment docking services for labor-using enterprises and human resource agencies, and providing one-stop digital intelligence management and operation services for upstream and downstream partners. Accelerate the efficient synergy of the whole industrial chain in the three major fields of learning, employment and entrepreneurship, and share the development results; seek cooperation with industry-leading and nationally needed industrial head enterprises, realize multi-industry layout, and build up a strong digital and intellectual service ecosystem for the in-depth integration of industry and education.

FINANCIAL REVIEW

Revenue

Revenue represents the value of services 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 slightly decreased by approximately 0.1% to approximately RMB2,352.4 million for the year ended 31 December 2023 from that of approximately RMB2,354.0 million for the year ended 31 December 2022, which was mainly due to the decrease in the revenue of online education resulted from the Suspension (as defined below) on the new enrolment of online formal 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 400,000 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 slightly increased by approximately 1.2% from approximately RMB1,078.8 million for the year ended 31 December 2022 to approximately RMB1,092.1 million for the year ended 31 December 2023. This increase was primarily due to the increase in the salaries and allowances of teaching staff of the Group’s colleges during the Reporting Period.

Gross profit

The gross profit slightly decreased by approximately 1.2% from approximately RMB1,275.1 million for the year ended 31 December 2022 to approximately RMB1,260.3 million for the year ended 31 December 2023, and gross profit margin decreased from approximately 54.2% to approximately 53.6%, which was mainly due to the increase in the salaries and allowances of teaching staff of the Group’s colleges.

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 35.4% from approximately RMB280.6 million for the year ended 31 December 2022 to approximately RMB181.2 million for the year ended 31 December 2023. This decrease was mainly due to (i) the decrease in government grants recognised during the Reporting Period; and (ii) that there had been a fair value gain recognised on the contingent considerations in the prior period, but a fair value loss recognised in 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 decreased by approximately 15.9% from approximately RMB273.3 million for year ended 31 December 2022 to approximately RMB229.8 million for the year ended 31 December 2023, which was mainly due to (i) the decrease in salaries and other benefits of the staff; and (ii) decrease 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 and amortization of office buildings and equipment, environment and health expenses and travel and transportation expenses.

Administrative expenses slightly increased by approximately 0.7% from approximately RMB501.0 million for the year ended 31 December 2022 to approximately RMB504.4 million for the year ended 31 December 2023 due to the increase in salaries and other benefits of the administrative staff during the Reporting Period.

Other expenses, net

Other expenses consist primarily of expenses relating to goodwill impairment, loss on change in fair value of financial assets and the provision of bad debts.

Other expenses significantly increased by approximately 191.7% from approximately RMB71.5 million for the year ended 31 December 2022 to approximately RMB208.6 million for the year ended 31 December 2023. This increase was mainly due to (i) the goodwill and intangible assets impairment of Xiaoi Technology during the Reporting Period; (ii) the fair value losses of the contingent considerations of Doxue Network and Xiaoi Technology recognised; and (iii) provision of bad debts during the Reporting Period.

Finance costs

Finance costs mainly include interests on bank loans and other borrowings.

Finance costs has increased by approximately 6.8% from approximately RMB163.7 million for the year ended 31 December 2022 to approximately RMB174.9 million for the year ended 31 December 2023, which was mainly due to the new loans with higher interest rate which led to the increase in the finance costs in general during the Reporting Period.

Income tax expense

Income tax expense increased from approximately RMB33.2 million for the year ended 31 December 2022 to approximately RMB200.5 million for the year ended 31 December 2023, which was mainly due to the provision of income tax for the Group's colleges during the Reporting Period.

Profit for the year

As a result of the above factors, profit for the year of the Group substantially decreased by approximately 76.4% from approximately RMB513.3 million for the year ended 31 December 2022 to approximately RMB121.2 million for the year ended 31 December 2023.

Adjusted net profit

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Profit for the year	121,176	513,272
Add:		
Unrealised exchange (gain)/loss	(5,653)	4,829
Share option expenses	787	2,582
Interest of the Put Option liability arose from the acquisition of Leed International	37,028	43,729
Amortisation of intangible assets due to consolidation	55,348	55,348
Change in fair value (gain)/loss	6,209	(13,148)
Deferred income tax accrued on dividends	3,746	15,874
Impairment of intangible assets due to consolidation	16,050	–
Adjustment in relation to fair value change on contingent consideration	39,374	(75,130)
Adjusted net profit	<u>274,065</u>	<u>547,356</u>

Adjusted net profit for the year ended 31 December 2023 substantially decreased by approximately RMB273.3 million or approximately 49.9% as compared with the corresponding period in 2022. Adjusted net profit margin decreased from approximately 23.3% for the year ended 31 December 2022 to approximately 11.7% for the year ended 31 December 2023.

FINANCIAL AND LIQUIDITY POSITION

Net current assets

As at 31 December 2023, the Group had net current assets of approximately RMB537.4 million, which primarily consisted of cash and bank balances. The current assets as at 31 December 2023 decrease to approximately RMB4,312.7 million from approximately RMB4,915.1 million as at 31 December 2022. The decrease in current assets was mainly due to a decrease of cash and cash equivalents from approximately RMB3,477.1 million as at 31 December 2022 to approximately RMB3,189.8 million as at 31 December 2023, mainly due to the repayment of the interest-bearing bank and other borrowings of the Group during the Reporting Period.

The current liabilities decreased from approximately RMB4,509.2 million as at 31 December 2022 to approximately RMB3,775.2 million as at 31 December 2023, mainly due to the discharge of put option liability during the Reporting Period.

Capital commitment

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Contracted, but not provided for:		
Equipment	54,472	43,553
Buildings	324,138	358,441
Acquisition of a private school and companies	91,800	91,800
	<u>470,410</u>	<u>493,794</u>

At the end of the Reporting Period, the Group did not have significant capital commitments that are authorized but not contracted for (2022: Nil).

Capital expenditure

Capital expenditure for the year ended 31 December 2023 were approximately RMB336.5 million, which was primarily used for (i) the construction of the Group's school buildings, facilities, land acquisition; and (ii) upgrade of software, hardware and facilities of the Group's online education entities.

Indebtedness

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

The bank loans and other borrowings amounted to approximately RMB2,138.1 million as at 31 December 2023, denominated in Renminbi, United States dollar (“US\$”) and Hong Kong dollar (“HK\$”). As at 31 December 2023, our bank loans and other borrowings bore effective interest rates ranging from 2.2% to 8.2% 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

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

Minsheng Vocational Education Company Limited (“**Minsheng Vocational**”) and Leed Education Holding Limited, National Education Holding Limited and Hyde Education Holding Limited (collectively, the “**Vendors**”) are in dispute over a put option for the sale of 49% shares in Leed International Education Group Inc. (“**Leed International**”) under the Share Purchase Agreement (“**SPA**”) entered into between the parties in 2018, which is subject to resolution by arbitration administered by the Hong Kong International Arbitration Center (“**HKIAC Arbitration**”). The Vendors claimed for an inflated exit price of RMB2,180,735,560.50, alleging that they had effectively exercised the option under the SPA. Minsheng Vocational’s position is that the Vendors’ purported exercise of the option was ineffective because, *inter alia*, Minsheng Vocational had not granted any option as required under the SPA prior to the Vendors’ purported exercise of the option, the timing of which fell outside the put option period provided under the SPA, and the Vendors’ calculation for the claimed exit price of RMB2,180,735,560.50 was also flawed. On 3 August 2023, in fulfilment of its obligation under the SPA, Minsheng Vocational issued a Deed of Grant of Option (“**Deed**”) granting the Vendors an option to sell the 49% shares in Leed International at an exit price calculated pursuant to the SPA equal to RMB981,500,000. As the Vendors failed to exercise the option granted under the Deed by the designated deadline of 17 August 2023, the Deed automatically lapsed. Subsequently, the Vendors alleged that the Deed was in breach of the SPA. Minsheng Vocational’s position is that the Deed was properly issued in compliance with the SPA, and Minsheng Vocational has fully fulfilled its obligation to grant the option under the SPA by way of the Deed which the Vendors consciously chose not to exercise, and subject to the decision of the Tribunal in the HKIAC Arbitration, Minsheng Vocational’s position is that it is not obliged to purchase the 49% interests in Leed International. The Directors of the Company are of the view that the Vendors would not be able to overcome all of Minsheng Vocational’s defences and succeed for the whole of their claim for the inflated exit price of RMB2,180,735,576.50. At the date of approval of the consolidated financial statements, the arbitration is still in process. Based on the above, the put option liability was derecognized and non-controlling interests in relation to 49% shares in Leed International was recognized on the expiry date of the put option for the purpose of financial reporting in accordance with IFRS. As at 31 December 2023, the Group made no provision related to the aforesaid arbitration.

For further details of the disputes and the grant of put option in relation to the acquisition of 49% of issued share capital of Leed International, please refer to the announcements of the Company dated 21 December 2021, 3 August 2023 and 18 August 2023. If there are any progress in related matters, the Company will issue further announcements in due course to inform Shareholders and potential investors of the Company of the latest situation.

Update on provision of loans to Leed National Education Technology (Beijing) Limited

In February 2019 and June 2019, Chongqing Yuecheng Zhiyuan Education Technology Company Limited (“**Chongqing Yuecheng**”) extended loans in an aggregate principal amount of RMB400,000,000 to Leed National Education Technology (Beijing) Limited (a company designated by the Vendors, “**Leed National**”) and 49% shares in Leed International held by Vendors has been charged as the guarantee under the loan agreements. In May 2023, the Vendors and Leed National filed a request for arbitration with China International Economic and Trade Arbitration Commission (“**CIETAC**”) claiming that the obligation to repay the principal of RMB400,000,000 and corresponding unpaid interest under the loan agreements has been extinguished and Chongqing Yuecheng and Minsheng Vocational were not entitled to enforce the charge following the effective exercise of the put option by the Vendors at an exercise price of RMB2,180,735,576.50 and the set-off clause under the loan agreements. In August 2023, Chongqing Yuecheng and Minsheng Vocational filed a counter-claim for arbitration, requesting for an award for the repayment by Leed National to Chongqing Yuecheng of the principal amount totaling RMB400,000,000 under the Loan Agreement, together with the corresponding interest and additional late payment fees. As at the date of approval of the consolidated financial statements, the arbitration with CIETAC is still in progress. In May 2023, the Vendor filed an originating summons with the Grand Court of the Cayman Islands to apply for an interim injunction to restrain Minsheng Vocational from taking any step to enforce a series of share charges over 49% of the issued share capital of Leed International. In August 2023, a conditional time-limited injunction order was issued by the Grand Court of the Cayman Islands (“**Injunction Order**”). In September 2023, Minsheng Vocational filed a notice of appeal with the Court of Appeal of the Cayman Islands to appeal the decision of the Grand Court of the Cayman Islands and to apply for the Injunction Order to be set aside. At the date of approval of the consolidated financial statements, the arbitration with CIETAC is pending for hearing and the proceeding in Cayman Islands was heard on 23 January 2024 but a judgment has yet to be handed down by the Court of Appeal of the Cayman Islands. With a detailed analysis of the HKIAC Arbitration, the Directors of the Company are of the view that the Vendors cannot succeed for the whole of their claim for the inflated exit price of RMB2,180,735,576.50 by overcoming all of Minsheng Vocational’s defences. Therefore, the outstanding principal and corresponding unpaid interest and the charge are still subsisted.

For further details of the provision of loans and the disputes, please refer to the announcements of the Company dated 26 December 2018, 4 January 2019, 27 June 2019, 28 July 2023 and 3 September 2023. If there are any progress in related matters, the Company will issue further announcements in due course to inform shareholders (the “**Shareholders**”) and potential investors of the Company of the latest situation.

Pledge of assets

As at 31 December 2023, certain of the Group’s buildings with a net carrying amount of approximately RMB80.9 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 31 December 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, decreased to approximately 35.9% as at 31 December 2023 from approximately 46.8% as at 31 December 2022, which was mainly due to the repayment of the interest-bearing bank and other borrowings of the Group during the Reporting Period.

Material Acquisitions and Disposals

During the year ended 31 December 2023, the Group did not have any material acquisitions and/or disposals of subsidiaries, associates and joint ventures.

Salary increment for employees, training and development

As at 31 December 2023, the Group has approximately 6,900 employees (2022: Approximately 7,500 employees).

In 2023, 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 training programs to its existing and newly recruited employees and/or sponsors its employees to attend various job-related training courses.

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 year ended 31 December 2023, the Company has complied with the code provisions set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

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 C3 of the Listing Rules as its code of conduct regarding securities transactions by the Directors for the year ended 31 December 2023.

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 year ended 31 December 2023.

PAYMENT OF FINAL DIVIDEND

A final dividend in respect of the year ended 31 December 2023 of HKD0.98 cents per ordinary share (equivalent to RMB0.89 cents, according to the central parity rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China on 19 March 2024, i.e. RMB0.90772 equivalent to HKD1.00) (2022: HKD4.29 cents) was proposed pursuant to a resolution passed by the Board on 19 March 2024 and subject to the approval of the Shareholders at the annual general meeting of the Company. The expected date of payment of final dividend will be on or no later than Tuesday, 27 August 2024. Information regarding the date of the annual general meeting, date of closure of register of members in relation to the annual general meeting and the final dividend and payment date of the final dividend will be further announced separately by the Company in due course.

PURCHASE, SALE OR REDEMPTION OF 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 year ended 31 December 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 annual results have been reviewed by the Audit Committee.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITORS

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2023, consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023 and the related notes thereto as set out in the preliminary announcement have been agreed by the Company's auditor to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditor, Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards in Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.minshengedu.com>). The annual report for the reporting period containing all the information required by Appendix D2 to the Listing Rules will be dispatched to the Shareholders and available on the above websites in due course.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my sincere gratitude to the Group's management and staff members for their dedication and hard work and our Shareholders for their trust and support.

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

Hong Kong, 19 March 2024

In this announcement, the English translation of company or entity names in Chinese which are marked with "" is for identification purpose only.*

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