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Modern Education Group Limited
現代教育集團有限公司
(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1082

ANNOUNCEMENT FOR INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

FINANCIAL HIGHLIGHTS

Revenue for the Period was HK$167.06 million, representing an increase of 35.03% from HK$123.72 million for the corresponding period in 2010.

Profit for the Period was HK$10.59 million, representing an increase of 66.31% from HK$6.37 million for the corresponding period in 2010.

The Board has resolved to pay an interim dividend of HK$0.025 per ordinary share.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The board of directors (the "Board" or "Directors") of Modern Education Group Limited (the "Company") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 31 December 2011 (the "Period") together with the audited comparative figures for the corresponding period in 2010 and the relevant explanatory notes as set out below.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2011

		Six months ended 31 December	
		2011	2010
	NOTES	***HK$'000***	*HK$'000*
		(Unaudited)	(Audited)
Revenue	*5*	**167,056**	123,721
Other income and expenses	*6*	**1,050**	3,023
Staff costs	*8*	**(32,323)**	(25,680)
Tutor contractor fee	*8*	**(52,491)**	(36,966)
Operating lease payments	*8*	**(26,680)**	(23,763)
Marketing expenses		**(17,599)**	(11,198)
Printing costs		**(343)**	(166)
Depreciation and amortisation		**(4,395)**	(4,776)
Other operating expenses		**(21,195)**	(16,379)
Finance costs	*7*	**(141)**	(101)
Profit before taxation	*8*	**12,939**	7,715
Taxation	*9*	**(2,347)**	(1,346)
Profit for the period		**10,592**	6,369
Other comprehensive income			
Exchange differences arising on translation of the PRC operation		**51**	79
Total comprehensive income for the period		**10,643**	6,448
Profit for the period attributable to:			
Owners of the Company		**10,396**	6,369
Non-controlling interests		**196**	–
		10,592	6,369
Total comprehensive income attributable to:			
Owners of the Company		**10,447**	6,448
Non-controlling interests		**196**	–
		10,643	6,448
Earnings per share – basic *(HK cents)*	*10*	**2.60**	2.24

Details of the dividend are disclosed in Note 11 to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	NOTES	31 December 2011 HK$'000 (Unaudited)	30 June 2011 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**19,622**	21,697
Intangible assets		**4,738**	4,837
Deferred tax assets		**1,241**	973
		25,601	27,507
Current assets			
Trade and other receivables	*12*	**38,309**	51,889
Derivative financial instruments		**3,530**	3,530
Pledged bank deposits		**437**	1,037
Bank balances and cash		**128,077**	14,499
		170,353	70,955
Current liabilities			
Other payables		**21,861**	21,386
Deferred income		**16,310**	9,968
Tax payable		**2,794**	7,615
Amounts due to related parties		**720**	3,600
Bank and other borrowings	*13*	**–**	49,591
		41,685	92,160
Net current assets (liabilities)		**128,668**	(21,205)
Total assets less current liabilities		**154,269**	6,302
Non-current liabilities			
Deferred tax liabilities		**868**	974
Provision for long service payments		**2,090**	1,884
		2,958	2,858
Net assets		**151,311**	3,444
Capital and reserves			
Share capital	*14*	**40,000**	28,400
Reserves		**109,561**	(26,510)
Equity attributable to owners of the Company		**149,561**	1,890
Non-controlling interests		**1,750**	1,554
Total equity		**151,311**	3,444

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated in the Cayman Islands on 26 January 2011 and registered as an exempted company under the Companies Law of the Cayman Islands. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 4 July 2011. Prior to the completion of public offering on 4 July 2011, its immediate parent company is Speedy Harvest Investments Limited ("Speedy Harvest") , a company incorporated in the British Virgin Islands, and its ultimate controlling shareholder is Mr. Ng Kam Lun, Eric.

The Company acts as an investment holding company while its subsidiaries are principally engaged in the provision of private tutoring and education services. The addresses of the registered office and principal place of business of the Company are P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and Suite 2701, 27/F, Tower 2, Nina Tower, 8 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong respectively.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION

In preparation for the listing of the shares of the Company on the Stock Exchange, the Company underwent a group reorganisation (the "Group Reorganisation") which included the following steps:

(a) Before 7 May 2010, Sino Network Group Limited ("Sino Network") was a holding company of the following wholly owned subsidiaries, including Amber Well Limited, Business Idol Limited, Beijing Strength Limited, Intelligent Education Limited, Modern Beiya (Hong Kong) Limited, Modern Education (Hong Kong) Limited, Sky Link Management Limited, Wise Action Limited and 京力北雅（北京）教育諮詢有限公司 (Jingli Beiya (Beijing) Education Consulting Limited Company*). Mr. Ng Kam Lun, Eric, Ms. Yiu Wai Yee, Catherine, Mr. Ng Norman, Mr. Lee Wai Lok, Ignatious ("Mr. Lee"), Mr. Ng Kam Wing, Ms. Lau Yue Lan and Ms. Ng Choi Fong each owned 58.02%, 2.08%, 22.28%, 11.37%, 4.25%, 1.00% and 1.00% equity interest in Sino Network, respectively. On 7 May 2010, Sino Network acquired the 65% equity interest in Express Education Limited ("Express Education") from Mr. Ng Kam Lun, Eric and 35% equity interest in Express Education from Mr. Lee by issuing and allotting 2,588 shares of US$1 each to Mr. Ng Kam Lun, Eric and 1,395 shares of US$1 each to Mr. Lee, respectively ("Share Transfer"). Sino Network and Express Education are under the common control of Mr. Ng Kam Lun, Eric before and after the Share Transfer and that control is not transitory.

(b) Pursuant to a share swap agreement dated 7 June 2011, the Company acquired the entire share capital of Sino Network by swapping 283,999,999 shares of HK$0.1 each to the then existing shareholders of Sino Network. Thereafter, the Company became the holding company of the Group since 7 June 2011.

The Group resulting from the Group Reorganisation continued to be controlled by Mr. Ng Kam Lun, Eric is regarded as a continuing entity. Accordingly, the consolidated statements of comprehensive income, cash flows and changes in equity for each of the six months ended 31 December 2011 and 31 December 2010 have been prepared, as if the group structure upon the completion of the Group Reorganisation had been in existence throughout such periods (other than the acquisition of Able Investment Development Limited, Bachelor Education Centre Limited and Modern English Group Limited), or since the respective dates of incorporation/establishment of the entities now comprising the Group where this is a shorter period.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the functional currency of the Company.

3. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 31 December 2011 has been prepared in accordance with the applicable disclosure provisions of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements of the Group for the year ended 30 June 2011 except for the adoption of all new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include Hong Kong Accounting Standards and interpretations) in the current period for the first time. The adoption of the new and revised HKFRSs has had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented.

The unaudited condensed consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments that are measured at fair values, and in accordance with HKFRSs. This interim financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2011.

4. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not early applied the following new or revised HKFRSs that have been issued by the HKICPA but are not yet effective in the current period.

HKAS 1 (Amendments)	Presentation of items of other comprehensive income[2]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying asset[1]
HKAS 19 (Revised)	Employee benefits[3]
HKAS 27 (Revised)	Separate financial statements[3]
HKAS 28 (Revised)	Investments in associates and joint ventures[3]
HKAS 32 (Amendments)	Offsetting financial assets and financial liabilities[4]
HKFRS 7 (Amendments)	Disclosure – Offsetting financial assets and financial liabilities[3]
HKFRS 9	Financial instruments[5]
HKFRS 10	Consolidated financial statements[3]
HKFRS 11	Joint arrangements[3]
HKFRS 12	Disclosure of interests in other entities[3]
HKFRS 13	Fair value measurement[3]
HK(IFRIC*) – Int 20	Stripping costs in the production phase of a surface mine[3]

* *IFRIC represents the International Financial Reporting Interpretations Committee.*

[1] *Effective for annual periods beginning on or after 1 January 2012*
[2] *Effective for annual periods beginning on or after 1 July 2012*
[3] *Effective for annual periods beginning on or after 1 January 2013*
[4] *Effective for annual periods beginning on or after 1 January 2014*
[5] *Effective for annual periods beginning on or after 1 January 2015*

The management anticipates that the application of these new and revised HKFRSs will have no material impact on the consolidated financial statements of the Group.

5. REVENUE AND SEGMENT INFORMATION

HKFRS 8 "Operating segments" requires operating segments to be identified on the basis of internal reports about the Group's business units that are regularly reviewed by the chief operating decision maker, Mr. Ng Kam Lun, Eric, the chairman of the Group, in order to allocate resources and to assess performance. Before the Share Transfer, the chief operating decision maker regularly reviews the financial statements of entities under his control. After the Share Transfer, the chief operating decision maker regularly reviews revenue analysis by services provided, including secondary tutoring services, secondary day school education, primary tutoring services, English language training and test preparation courses, technical consultation, management and software licensing services, overseas studies consultation services and IFY courses. Other than the revenue analysis, no operating results and other discrete financial information is provided to the chief operating decision maker for the assessment of performance of the respective services provided. Hence, the Group's operation is regarded as a single operating segment.

An analysis of the Group's revenue by services is as follows:

	Six months ended 31 December	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Secondary tutoring services	**135,454**	99,538
Secondary day school education	**9,237**	15,082
Primary tutoring services	**8,012**	–
English language training and test preparation courses	**10,850**	7,898
Technical consultation, management and software licensing services	**1,401**	1,203
Overseas studies consultation services	**1,798**	–
IFY courses	**304**	–
	167,056	123,721

The Group's assets, revenue and profit attributable to activities based outside Hong Kong are less than 10% of the Group's assets, revenue and profit, respectively.

No individual customer accounted for over 10% of the Group's total revenue during both periods.

6. OTHER INCOME AND EXPENSES

	Six months ended 31 December	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Interest income	**672**	1
Gain (loss) on disposal/written off of property, plant and equipment	**(254)**	1,936
Printing fee income	**347**	180
Management fee income	**72**	–
Others	**213**	906
	1,050	3,023

7. FINANCE COSTS

	Six months ended 31 December	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Interests on bank and other borrowings wholly repayable within five years	**141**	1
Interests on finance leases	**–**	100
	141	101

8. PROFIT BEFORE TAXATION

	Six months ended 31 December	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Profit before taxation has been arrived at after charging:		
Directors' remuneration	**6,175**	2,380
Other staff costs	**27,703**	23,222
Other staff's retirement benefit scheme contributions	**1,011**	880
	34,889	26,482
Tutor contractor fee to Directors	**(2,566)**	(802)
Staff costs	**32,323**	25,680

Tutor contractor fee is calculated based on (i) certain percentage of revenue derived from the secondary tutoring services and English language training and test preparation courses and (ii) fixed hourly rate on primary tutoring services.

Operating lease payments represent the minimum lease payments under operating leases paid or payable to lessors which mainly are independent third parties.

9. TAXATION

	Six months ended 31 December	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
The taxation comprises:		
Hong Kong Profits Tax:		
Current period	**2,605**	1,719
PRC Enterprise Income Tax:		
Current period	**115**	157
Deferred tax:		
Current period	**(373)**	(530)
Taxation for the period	**2,347**	1,346

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

The provision for PRC Enterprise Income Tax is based on the estimated taxable income for PRC taxation purposes at the rate of taxation applicable to each year. Subsidiaries established in the PRC were subject to Enterprise Income Tax at 25%.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company for the period is based on the following data:

	Six months ended 31 December	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Profit for the period attributable to owners of the Company	**10,396**	6,369
Weighted average number of ordinary shares for the purpose of basic earnings per share	**400,000,000**	284,000,000
Basic earnings per share *(HK cents)*	**2.60**	2.24

No diluted earnings per share is presented as there were no potential ordinary shares outstanding during both periods.

11. DIVIDENDS

		Six months ended 31 December	
		2011	2010
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Audited)
Interim dividends proposed by:			
– the Company	*(i)*	**10,000**	–
– Sino Network	*(ii)*	**–**	17,900
		10,000	17,900

Notes

(i) An interim dividend of HK$0.025 per ordinary share for the Period will be paid to the shareholders whose names appear in the register of members of the Company at the close of business on 8 March 2012. The interim dividend was declared after the Period, and therefore has not been included as a liability in the condensed consolidated statement of financial position but reflected as an appropriation of the profit of the Period.

(ii) Sino Network made the above distribution to its then shareholders prior to the completion of the Group Reorganisation. The rate of dividends and the number of shares ranking for the above dividends are not presented as such information is not meaningful having regard to the purpose of the consolidated financial statements.

12. TRADE AND OTHER RECEIVABLES

	31 December 2011	30 June 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Accrued revenue and trade receivables	**4,162**	1,091
Rental deposits	**25,112**	24,511
Other deposits	**1,447**	869
Prepayments	**5,604**	22,495
Other receivables	**1,984**	2,923
	38,309	51,889

The following is an aged analysis of accrued revenue and trade receivables presented based on the invoice date at the end of the reporting period:

	31 December 2011	30 June 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Accrued revenue not yet billed	**179**	780
Trade receivables:		
0 – 30 days	**1,532**	278
31 – 60 days	**288**	17
61 – 90 days	**266**	6
Over 90 days	**1,897**	10
	4,162	1,091

The credit periods are ranged from 30 days to 90 days. The outstanding amounts of HK$1,897,000 past due over 90 days were mainly due from Beijing Yasi School and a third party overseas studies consultation company for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in their creditability and such amounts are still considered recoverable. There is no credit period granted for tuition fees as they are normally received in advance.

13. BANK AND OTHER BORROWINGS

During the Period, the Group repaid bank loans of HK$9,591,000 and other loan of HK$40,000,000 (six months ended 31 December 2010: Nil) respectively.

14. SHARE CAPITAL

The movements of share capital of the Company are as follows:

	Notes	**Number of shares**	**Amount** *HK$'000*
Ordinary shares of HK$0.1 each			
Authorised			
– At 31 December 2011 and 30 June 2011	*(i)*	1,500,000,000	150,000
Issued and fully paid			
– Issue of shares on 26 January 2011 (date of incorporation)	*(i)*	1	–
– Issue of shares upon the share swap on 7 June 2011	*(ii)*	283,999,999	28,400
– At 30 June 2011 (audited)		284,000,000	28,400
– At 1 July 2011		284,000,000	28,400
– Issue of shares upon the public offering	*(iii)*	116,000,000	11,600
– At 31 December 2011 (unaudited)		400,000,000	40,000

Notes:

(i) The Company was incorporated and registered as an exempted company in the Cayman Islands on 26 January 2011 with an authorised share capital of HK$150,000,000 divided into 1,500,000,000 ordinary shares of HK$0.1 each. On 26 January 2011, one subscriber share with the par value of HK$0.1 each was subscribed by Mapcal Limited which was subsequently transferred to Speedy Harvest, a company controlled by Mr. Ng Kam Lun, Eric, on 1 February 2011.

(ii) On 7 June 2011, the Company acquired the entire share capital of Sino Network by swapping 283,999,999 shares of HK$0.1 each to the then existing shareholders of Sino Network pursuant to a share swap agreement.

(iii) On 4 July 2011, 116,000,000 ordinary shares of HK$0.1 each of the Company were issued at HK$1.3 per share by way of public offering. On the same date, the Company's shares were listed on the Main Board of the Stock Exchange.

MANAGEMENT DISCUSSION AND ANALYSIS

Following the listing on the Main Board of the Stock Exchange on 4 July 2011, the Company has strengthened the leading position in the private tutoring and education services market in Hong Kong and enlarged its presence to the markets in the People's Republic of China (the "PRC"). During the Period, we received an award as the premium education services provider in "The Best Performance Company Awards 2011"（優質企業巡禮2011之優質教育機構）organised by the Capital Weekly（資本壹週）.

BUSINESS REVIEW

Secondary Tutoring Services

During the Period, we recorded a significantly higher number of course enrolments in our secondary tutoring services as compared with the corresponding period in 2010. The increase was primarily because of (i) the boom in our course enrolments in the Liberal Studies subject, which was one of the fastest growing subjects during the Period, (ii) the co-existence of the first Hong Kong Diploma of Secondary Education Examination ("HKDSE") for Secondary 6 candidates and the last Hong Kong Advanced Level Examination ("HKALE") & Hong Kong Advanced Supplementary Level Examination ("HKASLE") for Form 7 candidates in the academic year of 2011, and (iii) the joining of more tutors who are seasoned in quality tutoring services and well recognised among students.

The following tables set forth the number of course enrolments, the number of tutors and the average course fees of each category of secondary tutoring courses for the Period:

	Six months ended 31 December	
	2011	2010
Number of course enrolments *(in thousands)*		
Regular courses	**212**	173
Intensive courses	**7**	–
Summer courses	**63**	32
Special courses	**40**	35
Number of tutors *(Note 1)*		
Regular courses	**62**	48
Intensive courses	**28**	–
Summer courses	**51**	40
Special courses	**48**	22
Average course fees *(HK$) (Note 2)*		
Regular courses	**470**	463
Intensive courses	**493**	–
Summer courses	**360**	384
Special courses	**141**	202

Note 1: Tutors may provide secondary tutoring services for all or certain categories of courses. Thus, the sum of the number of tutors for the provision of regular courses, intensive courses, summer courses and special courses is not equal to the total number of tutors for the period.

Note 2: Being revenue divided by course enrolments for the period.

As at 31 December 2011, the Group had 15 learning centres operated under the brand of "Modern Education"（現代教育）, which remained unchanged as compared with the corresponding period in 2010.

Secondary Day School Education

The number of course enrolments of our day school students dropped during the Period mainly because there was no class run for Form 5 or Secondary 5 students. The following tables illustrate the number of course enrolments and average course fees for the respective school levels under our secondary day school education during the Period:

	Six months ended 31 December	
	2011	2010
Number of course enrolments *(in thousands)*		
Secondary/Form 5	**–**	1.6
Secondary/Form 6	**1.4**	1.6
Form 7	**1.2**	1.6
Average course fees *(HK$) (Note 1)*		
Secondary/Form 5	**–**	2,875
Secondary/Form 6	**2,854**	2,938
Form 7	**3,519**	3,563

Note 1: Being revenue divided by course enrolments for the period.

As at 31 December 2011, we had 11 schools operated under our "Modern College"（現代書院）brand, which remained unchanged as compared with the corresponding period in 2010.

English Language Training and Test Preparation Courses

During the Period, we committed more resources to enhance our development in providing English language training and test preparation courses under the brand of "Modern Education"（現代教育）. The International English Language Testing System (IELTS) Preparation Course and Diploma in Workplace English TOEIC Preparatory Course were the most popular courses among our students, which keep reimbursable by the Hong Kong Government under the Continuing Education Fund.

We recorded a total number of approximately 7,500 course enrolments for the Period under our English language training and test preparation courses as compared with approximately 5,700 course enrolments for the corresponding period in 2010.

Primary Tutoring Services, Skill Courses and Test Preparation Courses

In respect of expansion of our primary tutoring services, we enriched our services by offering some test preparation courses, such as Cambridge Young Learners' English Tests, Olympic Mathematics and Pearson Test of English. We also opened 3 more directly owned learning centres, restructured one franchised centre into our directly owned learning centre under the "Modern Bachelor Education" (現代小學士) brand and had one more franchisee join us during the Period. As at 31 December 2011, we had 9 directly owned learning centres and 10 franchised centres.

For the Period, we recorded a total number of approximately 5,100 course enrolments for our primary tutoring services, skill courses and test preparation courses offered by our directly owned learning centres and the total revenue contributed by our franchised centres to the Group reached approximately HK$1.02 million.

PRC Operations

During the Period, we continued to provide technical consultation, management and software licensing services to Beijing Yasi School (北京雅思), which is a non-public school sponsored by 北京京力思雅教育諮詢有限公司 (Beijing Jingli Siya Education Consulting Limited Company*) (a company not owned by the Group) providing training on the English language and test preparation courses, such as Test of English as a Foreign Language ("TOEFL"), IELTS and TOEIC, in the Chaoyang District in Beijing.

To expand our operations in Southern China, one of our subsidiaries started providing educational consultation and management services at Shaoguan No. 1 High School. With the help of our expertise in running test preparation courses on international standardized tests and examinations, a bridging course is currently being run at Shaoguan No. 1 High School with a view to preparing local Chinese students for overseas higher education.

Overseas Studies Consultation Services

Pursuant to the cooperation agreement with an overseas studies consultation company based in Hong Kong, we have been providing consultation services since May 2011 for students who intend to study abroad. Our professional advice and analysis are tailor-made for each student by offering a wide range of choices of overseas educational institutes, namely, high schools, colleges and universities in the United States, the United Kingdom, Australia, New Zealand and Canada. Currently, we have approximately 1,000 overseas educational partners all over the world.

With our strategic promotion, the brand of "Modern Overseas"（現代海外升學）has been built up rapidly to differentiate our services in the market. During the Period, our overseas studies consultation services assisted many students through various channels. Among others, weekly seminars were held for our students and their parents, providing a platform for information sharing and answering enquiries. Thousands of students and parents attended our seminars and showed an interest in overseas studies.

Bridging Courses

During the Period, we expanded our overseas studies services by providing the international foundation year courses (the "IFY courses") which are in form of a one-semester full-time pathway programme for secondary school students in pursuit of overseas higher education. The IFY courses are offered under the brand of "Modern College"（現代書院）in Hong Kong. Students with a qualification of Secondary 5/Form 5 or above would be admitted. They would be further assisted by our overseas studies consultation services upon the completion of the IFY courses. We aim to achieve synergy in providing all-round services in this market.

FINANCIAL REVIEW

Revenue

The table below is an analysis of the Group's revenue attributable to its major service categories for the periods ended 31 December 2011 and 2010:

	Six months ended 31 December	
	2011	2010
	HK$'000	*HK$'000*
Secondary tutoring services	**135,454**	99,538
Secondary day school education	**9,237**	15,082
Primary tutoring services	**8,012**	–
English language training and test preparation courses	**10,850**	7,898
Technical consultation, management and software licensing services	**1,401**	1,203
Overseas studies consultation services	**1,798**	–
IFY courses	**304**	–
	167,056	123,721

The Group's revenue increased by approximately HK$43.34 million or 35.03% as compared with the corresponding period in 2010. Such increase was primarily attributable to the recovery in revenue from secondary tutoring services from approximately HK$99.54 million for the corresponding period in 2010 to approximately HK$135.45 million for the current period, representing increase of HK$35.92 million or 36.08%, and the total contribution of HK$10.11 million recorded in new revenue streams, namely, primary tutoring services, overseas studies consultation services and IFY courses during the Period. Owing to no new class opened for Form 5/Secondary 5 students in the academic year of 2011, revenue of secondary day school education was dropped by approximately HK$5.85 million or 38.75% as compared with the corresponding period in 2010. Moreover, the Group kept a steady and encouraging growth of HK$2.95 million or 37.38% and HK$0.20 million or 16.46% in English language training and test preparation courses and technical consultation, management and software licensing services respectively. All in all, the Group's performance for the Period was benefited from the increase in the Group's total course enrolments from 0.25 million for the corresponding period in 2010 to 0.34 million for the Period.

Other income and expenses

The Group's other income and expenses decreased by approximately HK$1.97 million or 65.27% as compared with the corresponding period in 2010. Such decrease was primarily because there had been a gain of approximately HK$1.94 million resulting from the Group's disposal of property, plant and equipment during the corresponding period in 2010 while a disposal loss of approximately HK$0.25 million was recognised in the Period.

Staff costs

The Group's staff costs increased by approximately HK$6.64 million or 25.87% as compared with the corresponding period in 2010. Such increase was primarily due to the effect of (i) the increase of approximately HK$2.03 million in directors' basic salaries for the Period, (ii) the recognition of staff cost of our primary tutoring services amounting to HK$3.12 million in the Period and (iii) the additional staff cost incurred for more employees recruited to cope with the rising demand of our courses during the Period.

Tutor contractor fee

The Group's tutor contractor fee increased by approximately HK$15.53 million or 42.00% as compared with the corresponding period in 2010. Such increase was in line with the growth of approximately 36.08% and 37.38% in respective revenue derived from secondary tutoring services and English language training and test preparation courses, and was further pushed up by the recognition of tutor contractor fee in relation to primary tutoring services.

Operating lease payments

The Group's operating lease payments increased by approximately HK$2.92 million or 12.28% as compared with the corresponding period in 2010. Such increase was primarily due to the upward adjustment in monthly rental payment of certain secondary learning centres upon renewal of their tenancy contracts during the Period and the recognition of operating lease payment of our centres for primary tutoring services amounting to HK$1.42 million in the Period.

Marketing expenses

The Group's marketing expenses increased by approximately HK$6.40 million or 57.16% as compared with the corresponding period in 2010. To promote the Group's expertise in delivering quality tutoring services under the 334 academic system and enhance the Group's brand name after its listing on the Stock Exchange, the Group committed additional resources in conducting marketing campaigns through multimedia channels during the Period.

Other operating expenses

The Group's other operating expenses increased by approximately HK$4.82 million or 29.40% as compared with the corresponding period in 2010. Such increase was primarily due to (i) the increase in sales commission by approximately HK$1.55 million paid to agents for introducing more potential students, (ii) the additional printing related expenses of approximately HK$1.23 million incurred for more courses materials, (iii) the recognition of other operating expenses of our primary tutoring services amounting to HK$1.02 million in the Period, and (iv) the incurring of approximately HK$0.51 million in professional and listing related expenses after the Company's listing on the Stock Exchange in July 2011.

Finance costs

There was no significant change in the Group's finance costs incurred during the Period, as compared with the corresponding period in 2010.

Taxation

The Group's taxation expenses increased by approximately HK$1.00 million or 74.37% as compared with the corresponding period in 2010 as a result of the increase in profit before taxation for the period under review. The Group's effective tax rate was approximately 18.14% and 17.45% for the periods ended 31 December 2011 and 2010 respectively.

Profit attributable to owners of the Company, net profit margin and earnings per share

The Group's profit for the period attributable to owners of the Company increased by approximately HK$4.03 million or 63.23% as compared with the corresponding period in 2010. The Group's net profit margin increased from 5.15% for the corresponding period in 2010 to 6.34% for the Period. The increase in net profit margin was primarily due to the increase in revenue while some operating expenses such as rental expenses and staff costs were semi-fixed in nature and did not rise up in proportion to the revenue. For the Period, the earnings per share (basic) of the Company were 2.60 HK cents (2010: 2.24 HK cents).

Liquidity and Financial Resources

We have built an appropriate liquidity risk management framework to manage our short, medium and long-term funding and to satisfy liquidity management requirements.

Financial resources

The Group generally finances its operations with internally generated cash flow. As at 31 December 2011, cash and cash equivalents and pledged bank deposits amounted to approximately HK$128.51 million (30 June 2011: approximately HK$15.54 million). During the Period, net cash inflow from operating activities of the Group amounted to approximately HK$25.81 million (six months ended 31 December 2010: approximately HK$7.93 million) and the Group received net proceeds of approximately HK$130 million (six months ended 31 December 2010: Nil) from its initial public offering.

Borrowings

During the Period, the Group settled all outstanding bank and other borrowings. As at 31 December 2011, there was no bank and other borrowings (30 June 2011: approximately HK$49.6 million).

Gearing ratio

As at 31 December 2011, the gearing ratio of the Group was approximately 21.31% (30 June 2011: approximately 96.17%). Gearing ratio is total debts divided by the sum of total equity plus total debts. Total debts refer to total liabilities minus the sum of tax payable, deferred tax liabilities and dividend payable (if any). The significant decrease in the gearing ratio was primarily due to the settlement of all the Group's outstanding bank and other borrowings during the Period.

EXPOSURE TO FOREIGN EXCHANGE RISK

The income and expenditure of the Group are mainly denominated in Hong Kong dollars and as such the impact of foreign exchange exposure of the Group was considered minimal. Hence, no hedging or other arrangements to reduce the currency risk have been implemented.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2011, the Group had a total number of 343 (30 June 2011: 314) employees. They receive competitive remuneration packages that are constantly monitored with reference to the market circumstances, with incentives such as discretionary bonuses based on the Group's and individual performance. The Group provides a comprehensive benefits package and career development opportunities.

Pursuant to a share option scheme adopted on 11 June 2011 (the "Share Option Scheme"), the Board may grant options to eligible employees, including the directors of the Company and any of its subsidiaries, to subscribe for shares of the Company. During the Period, no options were granted under the Share Option Scheme.

CONTINGENT LIABILITIES

As at 31 December 2011 and 30 June 2011, the Group did not have any contingent liabilities.

CAPITAL COMMITMENTS

As at 31 December 2011, there were respective capital commitments in respect of contracted for but not provided in the consolidated financial statements amounting to HK$55,000 (30 June 2011: Nil) and in respect of authorised but not contracted amounting to HK$500,000 (30 June 2011: Nil).

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2011, the Group had bank deposits amounting to HK$0.44 million (30 June 2011: HK$1.04 million) pledged to banks to secure short term banking facilities granted to the Group. Save as the aforesaid, the Group did not have any other charges on the Group's assets.

SIGNIFICANT INVESTMENTS

As at 31 December 2011 and 30 June 2011, there were no significant investments held by the Company.

MATERIAL ACQUISITION AND DISPOSAL

During the six months ended 31 December 2011, there were no material acquisition and disposal of subsidiaries by the Company.

During the six months ended 31 December 2010, the Group acquired 60% equity interest of a company engaged in provision of primary tutoring services.

USE OF PROCEEDS FROM THE LISTING

The Company was listed on the Main Board of the Stock Exchange on 4 July 2011. The net proceeds from the Company's issue of new shares (after deducting expenses relating specifically to the issue of new shares in the initial public offering and expenses relating generally to the listing of all the shares of the Company, whether existing or new) amounted to approximately HK$130 million.

As at 31 December 2011, the net proceeds from the initial public offering had been utilised in the following manner:

	Planned amount per Prospectus	**Amount utilised up to 31 December 2011**	**Balance as at 31 December 2011**
	HK$ million	*HK$ million*	*HK$ million*
Repayment of loans	50	49.05	0.95
Setting up secondary learning centres	15	–	15
Setting up primary learning centres	6	1.73	4.27
Setting up kids learning centres	15	–	15
Provision of overseas studies consultation services	6	–	6
Provision of test preparation and bridging courses	4	0.50	3.50
Strategic merger and acquisition	34	–	34

The unutilised balance was placed in bank deposits in accounts at commercial banks in Hong Kong. The Group intends to utilise the net proceeds balance in the same manner and proportion as set out in the Company's prospectus dated 20 June 2011 (the "Prospectus").

OUTLOOK

Owing to the industry characteristics of the education sector, our revenue and operating results are influenced by seasonal enrolment patterns of each academic year in Hong Kong. This is primarily because of the changes in course enrolments in our secondary tutoring services. In general, students start enrolling in our secondary regular courses from September, and our intensive courses and TIPS courses conducted in January, February and March usually record greater course enrolments as well as revenue, as compared to the rest of the year. Since students had their summer holidays in July and August 2011, revenue derived from our secondary tutoring services was comparatively low in the first half of this financial year. However, students will not have a long vocation in the second half of this financial year, resulting in a rising demand in our courses. Hence, the revenue from our secondary tutoring services in the second half of this financial year is expected to achieve a comparatively higher level. Furthermore, most of our marketing activities were carried out in the first half of this financial year and we do not expect the Group will incur more significant marketing expenses in the coming months. Given that a larger number of course enrolments and a tighter control on the marketing expenses are expected, and that some of our major operating expenses, such as staff costs and operating lease payments, are semi-fixed in nature, we expect our operating results will keep continuous growth in the next six months ending 30 June 2012.

In Hong Kong

In the first half of 2012, the first HKDSE will be attended by approximately 80,000 secondary students. It is a top concern among Hong Kong's teenagers according to a recent survey. We are well-prepared to equip our students to conquer the forthcoming challenges. A variety of preparation courses are being conducted by our high caliber and experienced tutors to cater for student needs.

Taking into account the limited places offered by universities and tertiary institutes in Hong Kong, we believe there could be a rising demand for overseas studies in the coming years. Studying abroad has always been one of the most popular paths to continue higher education among Hong Kong students. It is expected to be a desired alternative for the candidates who face difficulties in the stiff competition under the 334 system, especially, when the admission rate of universities and tertiary institutes in Hong Kong might be comparatively lower as a result of the large number of candidates sitting for the first HKDSE and the last HKALE & HKASLE in the academic year of 2011.

Apart from continuing our proven profitable business model in secondary tutoring services, we have devoted ourselves to developing more adjacent education services markets, such as primary tutoring services, overseas studies, and English language training and test preparation courses. Leveraging our strong brands, economies of scale, high teaching quality, diverse products and experienced management team, we keep in a steady expansion of the geographical network of our education and tutoring services business and boost our revenues in the existing markets by offering more classes and subjects at various levels, attracting more new and recurring students.

In the PRC

We intend to further expand our business into cities in the PRC with high-growth potentials to reach a wider and more diverse customer and student base of the Group. After our initial step with Beijing Yasi School, we are targeting the market in Southern China. Besides the existing one-year bridging programme, a two-year and/or three-year bridging programme will also be launched at Shaoguan No. 1 High School in the near future. With our experience in running day schools and test preparation courses on international standardized tests and examinations, we are convinced that this business model can be readily copied through co-operating with well-established schools located in other cities.

In addition, we are keen to explore collaboration opportunities with strong markets players with relevant experience and local expertise in the kindergarten and preschool education services segments in the PRC.

CORPORATE GOVERNANCE

Code for securities transactions by Directors

The Company has adopted a code for securities transactions on terms equivalent to the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Having made specific enquiries with the Directors, the Company confirmed that each of the Directors has complied with the required standard set out in the Model Code regarding securities transactions by the Directors commencing from the listing date of the Company up to the date of this announcement.

Compliance with provisions of Corporate Governance Code

The Company has applied the principles of the Code of Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules. The Company has been in compliance with the code provisions of the CG Code commencing from the listing date of the Company up to the date of this announcement.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the period under review.

AUDIT COMMITTEE

The Company has established the Audit Committee and adopted the written terms of reference in compliance with the Listing Rules. The primary duties of the Audit Committee are to review and provide supervision over the Group's financial reporting process and internal controls. The Audit Committee is composed of three independent non-executive Directors, namely, Ms. Chan Mei Bo, Mabel, Mr. Yu Cheeric James and Mr. Choi Kin Cheong.

The Group's interim results for the six months ended 31 December 2011 are unaudited but have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made. The Audit Committee recommended the Board to adopt the same.

OTHER INFORMATION

Interim dividends

The Board has resolved to pay an interim dividend of HK$0.025 per ordinary share. The interim dividend will be distributed on or around 30 April 2012 to shareholders whose names appear on the register of members of the Company as at the close of business on 8 March 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 6 March 2012 to 8 March 2012, both days inclusive, during which period no transfer of the shares will be registered. In order to qualify for the interim dividend payable on or around 30 April 2012, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 5 March 2012.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the website of the Stock Exchange at *www.hkexnews.hk* and the Company's website at *www.moderneducationgroup.com*. The interim report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and available on the websites mentioned above in due course.

ACKNOWLEDGEMENT

We would like to express our heartfelt appreciation to our employees for their contributions to the Group. We would also like to express our deepest gratitude to our shareholders and investors for their support. We will continue to create value and contribute to the Group to benefit all our stakeholders.

By Order of the Board
Modern Education Group Limited
Yiu Wai Yee, Catherine
Executive Director

Hong Kong, 17 February 2012

As of the date of this announcement, the executive directors of the Company are Mr. Ng Kam Lun, Eric, Ms. Yiu Wai Yee, Catherine, Mr. Ng Norman and Mr. Lee Wai Lok, Ignatious; and the independent non-executive directors of the Company are Ms. Chan Mei Bo, Mabel, Mr. Yu Cheeric James and Mr. Choi Kin Cheong.

* *For identification purpose only*