China Gingko Education Group Company Limited
中 國 銀 杏 教 育 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1851)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board (the "**Board**") of directors (the "**Directors**") of China Gingko Education Group Company Limited (the "**Company**", together with its subsidiaries and consolidated affiliated entities, the "**Group**") announces the unaudited consolidated results of the Group for the six months ended 30 June 2019, together with the comparative figures for the six months ended 30 June 2018 as below.

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2019:

- Revenue increased by 2.3% to RMB84.2 million as compared with the six months ended 30 June 2018
- Profit and total comprehensive income attributable to owners of the Company increased by 16.8% to RMB23.0 million as compared with the six months ended 30 June 2018

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Audited)
Revenue	*4*	**84,224**	82,338
Cost of sales		**(42,795)**	(40,201)
Gross profit		**41,429**	42,137
Selling expenses		**(972)**	(1,195)
Administrative expenses		**(18,559)**	(20,133)
Other income		**680**	44
Other gains/(losses) — net		**1,002**	726
Operating profit		**23,580**	21,579
Finance income		**133**	492
Finance expenses		**(573)**	(1,997)
Finance (expenses)/income — net		**(440)**	(1,505)
Share of net profit of an associate accounted for using the equity method		**—**	1,031
Profit before income tax		**23,140**	21,105
Income tax expenses	*5*	**(163)**	(1,427)
Profit for the period		**22,977**	19,678
Other comprehensive income for the period		**—**	—
Total comprehensive income for the period		**22,977**	19,678
Profit and total comprehensive income attributable to owners of the Company		**22,977**	19,678
Earnings per share for profit attributable to owners of the Company			
Basic and diluted (RMB Yuan)	*6*	**0.05**	0.05

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2019

	Note	**30 June 2019 RMB'000 (Unaudited)**	31 December 2018 RMB'000 (Audited)
ASSETS			
Non-current assets			
Prepaid land lease payments		**71,707**	38,734
Property, plant and equipment		**393,981**	379,595
Intangible assets		**1,201**	870
Prepayments		**61,797**	133
		528,686	419,332
Current assets			
Trade and other receivables	*8*	**923**	827
Prepayments		**916**	12,566
Cash and cash equivalents		**109,251**	114,814
		111,090	128,207
Total assets		**639,776**	547,539
EQUITY			
Share capital		**4,321**	—
Share premium		**134,042**	—
Reserves		**67,936**	67,936
Retained earnings		**280,651**	257,674
Total equity		**486,950**	325,610
LIABILITIES			
Non-current liabilities			
Borrowings		**26,508**	78,500

	Note	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Current liabilities			
Accruals and other payables	*9*	**31,238**	38,987
Amounts due to related parties		**5**	—
Borrowings		**89,013**	26,148
Contract liabilities	*4*	**5,951**	77,534
Current income tax liabilities		**111**	760
		126,318	143,429
Total liabilities		**152,826**	221,929
Total equity and liabilities		**639,776**	547,539

NOTES TO THE INTERIM RESULTS

1 General information

The Company was incorporated in the Cayman Islands on 23 March 2018 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1–1111, Cayman Islands.

The Company is an investment holding company and the Group is principally engaged in providing private higher education services in the People's Republic of China (the "**PRC**").

The ultimate controlling shareholder of the Company is Mr. Fang Gongyu (the "**Controlling Shareholder**" or "**Mr. Fang**"), who has been controlling the group companies since their incorporation or establishment.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 18 January 2019 (the "**Listing**") by way of its initial public offering (the "**IPO**").

This condensed consolidated interim financial results is presented in Renminbi ("**RMB**") and rounded to the nearest thousand yuan, unless otherwise stated.

The Group's condensed consolidated interim financial information has not been audited.

2 Basis of preparation

This condensed consolidated interim financial results set out in this announcement does not constitute the Group's consolidated interim financial information for the six months ended 30 June 2019 but are extracted from those financial information. The condensed consolidated interim financial information has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim financial reporting". This condensed consolidated interim financial information does not include all the notes of the type normally included in an annual consolidated financial statements. Accordingly, it should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") except for the adoption of new and amended standards as disclosed in Note 3.

3 Significant accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2018, as described in those annual financial statements.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies accordingly. None of the new or amended standards has significant financial impact to the Group.

		Effective for accounting periods beginning on or after
HK (IFRIC) Interpretation 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 16	Leases	1 January 2019
Amendments to HKFRS 9	Prepayment features with negative compensation	1 January 2019
Amendments to HKAS 19	Plan amendment, curtailment or Settlement	1 January 2019
Amendments to HKAS 28	Long-term interests in associates and joint ventures	1 January 2019

HKFRS 16 Leases

Under HKFRS 16, lessees are required to recognise a lease liability reflecting future lease payments and a right-of-use asset for all lease contracts in the balance sheet. Lessees will also have to present interest expense on the lease liability and depreciation on the right-of-use asset in the income statement. In comparison with operating leases under HKAS 17, this will change not only the allocation of expenses but also the total amount of expenses recognised for each period of the lease term. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. The new standard has included an optional exemption for certain short-term leases and leases of low-value assets. This exemption can only be applied by lessees. The Group has adopted the optional exemption because all the Group's leases are relate to short-term leases and low value leases, which were recognised on a straight-line basis as expense in profit or loss.

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	152
Less:	
Short-term leases recognised on a straight-line basis as expense	(132)
Low-value leases recognised on a straight-line basis as expense	(20)
	—
Add:	
Reclassification of land use rights	38,734
Right-of-use assets recognised as at 1 January 2019	38,734

The right-of-use assets are presented under the prepaid land lease payments.

As at 30 June 2019, the Group has non-cancellable operating lease commitments of approximately RMB25,000 (note 10(b)). Of these commitments, approximately RMB10,000 relate to short-term leases and RMB15,000 relate to low value leases which will both be recognised on a straight-line basis as expense in profit or loss.

(b) New standards and interpretations not yet adopted

As at the date of this announcement, the Hong Kong Institute of Certified Public Accountants has issued the following new standards and amendments relevant to the Group which are not yet effective for accounting periods beginning after 1 January 2019 and have not been early adopted.

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the likely impact of adopting the above new standards but is not yet in a position to state whether they will have a significant impact on the reporting results of operations and financial position. The management of the Group plans to adopt these new standards and amendments to existing standards when they become effective.

4 Segment information

The Group is principally engaged in provision of private higher education services in the PRC. The Group's chief operating decision maker (the "**CODM**") has been identified as the chief executive officer who considers the business from the service perspective.

For the purpose of resource allocation and performance assessment, the CODM reviews the overall results and financial position of the Group as a whole prepared based on the same accounting policies set out in the Group's consolidated financial statements for the year ended 31 December 2018. Accordingly, the segment information is aggregated as a single reportable segment. Management of the Group assesses the performance of the reportable segment based on the revenue and gross profit for the period of the Group as presented in the interim condensed consolidated statement of comprehensive income. No analysis of the Group's assets and liabilities is regularly provided to the management of the Group for review.

Revenues during the six months ended 30 June 2019 and 2018 are as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Tuition fees	**71,120**	67,463
Boarding fees	**5,404**	4,700
Meal catering service fees	**5,763**	5,900
Others *(note (a))*	**1,937**	4,275
	84,224	82,338

(a) Others mainly represent revenue from research projects and training programmes.

Represented by:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Recognised over time		
Tuition fees	**71,120**	67,463
Boarding fees	**5,404**	4,700
Others — research projects and training programmes	**1,863**	4,236
Recognised at a point in time		
Meal catering service fees	**5,763**	5,900
Revenue from other source		
Lease income	**74**	39
	84,224	82,338

The Group's revenue is subject to seasonal fluctuations. Where students are required to pay tuition fees at the beginning of each academic year, recognition of tuition fees may be affected by regular school term breaks and vacation periods.

No customers individually accounted for more than 10% of the Group's revenue for the six months ended 30 June 2019 and 2018.

Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contract liabilities related to tuition fees	**4,441**	70,673
Contract liabilities related to boarding fees	**1,465**	6,861
Others	**45**	—
	5,951	77,534

(1) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current period relates to carried-forward contract liabilities.

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year		
Tuition fees	**70,438**	66,627
Boarding fees	**5,399**	4,700
	75,837	71,327

(2) Unsatisfied contracts

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Expected to be recognised within one year		
Tuition fees	**4,441**	70,673
Boarding fees	**1,465**	6,861
Others — research projects and training programmes	**45**	—
	5,951	77,534

5 Income tax expenses

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current tax		
Current tax on profits for the period	**163**	1,427

(i) Cayman Islands corporate income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from Cayman Islands corporate income tax.

(ii) British Virgin Islands profit tax

The Company's direct subsidiary in the British Virgin Islands was incorporated under the BVI Companies Act, 2004 and accordingly, is exempted from British Virgin Islands income tax.

(iii) Hong Kong profit tax

No provision for Hong Kong profit tax was provided as the Company and the Group did not have assessable profits in Hong Kong during the six months ended 30 June 2019.

(iv) PRC corporate income tax ("CIT")

CIT is provided on assessable profits of entities incorporated in the PRC. Pursuant to the *Corporate Income Tax Law of the PRC* (the "**CIT Law**"), which was effective from 1 January 2008, the CIT was 25% during the six months ended 30 June 2019.

According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. The preferential tax treatment polices applicable to private schools requiring reasonable returns are to be separately formulated by the relevant government authorities under the State Council of PRC. During the six months ended 30 June 2019 and up to the date of approval of this condensed consolidated interim financial information, no regulations have been promulgated by such authorities in this regard. In accordance with the historical tax returns filed to the relevant tax authorities and the tax compliance confirmations obtained before, Yinxing Hospitality Management College of CUIT ("**Yinxing College**") has been granted corporate income tax exemption for income generated from the provision of formal academic education services. As a result, no income tax expense was recognised for the income from the provision of formal academic education services during the six months ended 30 June 2019 (for the six months ended 30 June 2018: nil).

6 Earnings per share

(a) Basic and diluted earnings per share

Basic and diluted earnings per share is calculated by dividing the profit attributable to owners of the Company, by the weighted average number of ordinary shares outstanding during the period.

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Audited)
Basic and diluted earnings per share attributable to the ordinary equity holders of the Company (RMB Yuan)	**0.05**	0.05

(b) Reconciliations of earnings used in calculating earnings per share

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Basic and diluted earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:	**22,977**	19,678

(c) Weighted average number of shares used as the denominator

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Audited)
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share (thousands)	**488,260**	375,000

7 Dividend

No dividend has been paid or declared by the Group for the six months ended 30 June 2019 and 2018, nor has any dividend been proposed subsequent to 30 June 2019.

8 Trade and other receivables

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables		
— Due from students	**2**	34
— Due from others	**20**	—
	22	34
Other receivables		
— Staff advances	**514**	469
— Others	**387**	324
	923	827

As at 30 June 2019 and 31 December 2018, the aging analysis of the trade receivables based on the recognition date is as follows:

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Less than 1 year	**22**	34

As at 30 June 2019 and 31 December 2018, trade receivables of RMB22,000 and RMB34,000 were past due but not impaired. Based on past experience and management's assessment, the overdue amounts can be recovered. The aging analysis of these trade receivables is as follows:

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Less than 1 year	**22**	34

9 Accruals and other payables

	30 June 2019 *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Government subsidies payable to students (a)	**6,449**	1,391
Miscellaneous fees received from students (b)	**5,795**	8,278
Payables for purchases of property, plant and equipment	**228**	303
Salary and welfare payables	**3,471**	6,794
Payables in relation to the Listing	**95**	11,091
Auditors' remuneration	**—**	1,000
Other taxes payable	**4,715**	42
Interest payable	**400**	270
Others	**10,085**	9,818
	31,238	38,987

(a) The amounts represent the subsidies received from the government which would be paid out to students by the Group on behalf of the government authorities.

(b) The amounts represent the miscellaneous fees received from students which would be paid out by the Group on behalf of the students.

(c) All accruals and other payables of the Group were denominated in RMB and HKD.

(d) As at 30 June 2019 and 31 December 2018, the fair values of accruals and other payables approximate their carrying amounts due to their short-term maturities.

10 Commitments

(a) Capital commitments

The following sets out the details of the capital expenditure contracted but not provided for in the consolidated financial information.

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Commitments for acquisition of property, plant and equipment	**566,704**	640,309

As at 30 June 2019, the capital commitments include investment in the new campus to be established in Yibin City, Sichuan Province, the PRC (the "**Nanxi New Campus**"). On 18 May 2018, the Group entered into an agreement with the People's Government of Nanxi District, Yibin City, pursuant to which the Group would invest approximately of RMB600 million to establish the Nanxi New Campus. The actual investment amount would vary according to the formal contracts with constructors in the future.

(b) Non-cancellable operating leases

The Group leases certain offices under non-cancellable operating lease agreements. The Group has future aggregate minimum lease payments in respect of offices under non-cancellable operating leases as follows:

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
No later than 1 year	**20**	142
Later than 1 year and no later than 5 years	**5**	10
Total	**25**	152

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

Overview

The Group is a higher education service provider in Sichuan Province. As at 30 June 2019, approximately 10,200 students were enrolled in Yinxing College. The Group is dedicated to offering comprehensive and diversified programmes and curriculum and training talents with practical skills applicable to the modern service industry. The effectiveness of the practical curricula and training programmes is reflected in its high graduate employment rates. For the 2018/2019 school year, 2,497 students were graduated from Yinxing College in June 2019. The initial graduate employment rate of Yinxing College was approximately 92.2%, which we believe will continue to elevate the brand reputation of Yinxing College and help attract the talented.

Market demand for talent with practical experience and readily applicable skills will continue to grow. The Group believes there is significant market potential for the growth of hospitality market in China. In light of this industry background, as a higher education service provider focusing on the hospitality industry, the Group is well positioned to capture the growth opportunities in the hospitality industry in China.

The Schools

The one college and one vocational training school the Group operates are Yinxing College and Chengdu Yinxing Hotel Vocational Skills Training School ("**Yinxing Training School**"). Yinxing College has eight departments and offers in aggregate 25 bachelor's degree programmes and 22 junior college diploma programmes. As at 30 June 2019, Yinxing Training School had not commenced any business operation.

The number of students enrolled in Yinxing College increased from approximately 9,600 students in 2017/2018 school year to approximately 10,200 students in 2018/2019 school year, representing an increase of 6.3% or approximately 600 students. The number of students enrolled in Yinxing College increased because the Group has increased its marketing efforts, enhanced its reputation, attracted more talents and increased its plan of enrollment.

The Group derives the revenue primarily from tuition fees and boarding fees. The tuition fees and boarding fees are recognised proportionately over the terms of the applicable programme or the beneficial period for the students, where applicable. The following table sets forth the breakdown of the revenue by income source for the years indicated:

	Total income for the six months ended 30 June			
	2019	2018	Change	Change
	RMB'000	*RMB'000*	*RMB'000*	*(%)*
			Increase/	Increase/
	(Unaudited)	(Audited)	(decrease)	(decrease)
Tuition fees	**71,120**	67,463	3,657	5.4
Boarding fees	**5,404**	4,700	704	15.0
Meal catering services fees	**5,763**	5,900	(137)	(2.3)
Others [1]	**1,937**	4,275	(2,338)	(54.7)
Total	**84,224**	82,338	1,886	2.3

Note:

(1) Others mainly represent revenue from research projects and training programmes, which are recognised proportionately over the terms of the applicable projects or programmes.

Outlook

Given the Group's track record of delivering quality private higher education and industry reputation, the Group remains full of confidence about its future. The Group is committed to becoming the leader and a standard developer of talent cultivation in the hospitality management industry in the PRC, thus continues to pursue the following strategies:

- Further increase market penetration and enhance teaching quality to solidify its market position and gradually establish itself as a standard developer of talent cultivation in the PRC hospitality management industry;

- Actively establish overseas schools and strengthen international cooperation with overseas educational institutions and enterprises;

- Continue to attract, incentivise and retain quality teachers; and

- Capitalise on the existing brand name of Yinxing College to further develop training programmes to diversity its source of income.

In February 2019, the Group entered into a consultancy agreement with the School of Hotel and Tourism Management of The Hong Kong Polytechnic University (the "**SHTM**"). During the six months ended 30 June 2019, SHTM delivered its first interim consultancy report to the Group in respect of the concepts of design, facilities and operations of the education hotel. SHTM had also shared certain case studies with the Group in respect of the interaction between the education hotel and Yinxing College, such as the use of the hotel's facilities for education purpose. In the second half of 2019, the Group aims to establish a comprehensive curriculum which will focus on practical skills applicable to the hospitality management industry and in connection with the design concepts of the education hotel with reference to the advice from SHTM.

In March 2019, the Group entered into a land use rights grant contract in respect of the grant of a piece of land located in Yibin City, Sichuan Province for construction of a new campus (the "**Nanxi New Campus**"). In May 2019, the Group entered into a construction contract for the construction works of phase I of the Nanxi New Campus (the "**Construction Project**") which included two stages. As at 30 June 2019, the Group had obtained the land use permit, construction project planning permit and construction permit for the Construction Project. As at the date of this announcement, the Group has obtained the land use right certificate while stage one of the Construction Project, which included the construction of an education hotel (excluding its re-decoration and landscaping), a classroom building, an office building, a canteen and two dormitories, had been completed. Stage two of the Construction Project is undergoing and is expected to be completed before May 2021. With the rapid growth of the private higher education market in recent years, the Group is of the view that the construction of the Nanxi New Campus will bring a positive impact to the Group in the long run.

Financial Review

Revenue

Revenue represents the value of services rendered during the reporting period. The Group derives revenue primarily from tuition fees, boarding fees and meal catering services fees collects from students by Yinxing College.

The revenue of the Group increased by approximately 2.3% from approximately RMB82.3 million for the six months ended 30 June 2018 to approximately RMB84.2 million for the six months ended 30 June 2019. This increase was primarily due to the increase in tuition fees and boarding fees, which was primarily attributable to the increase in student enrollment during the school year 2018/2019. The decrease in revenue from research projects and training programmes was primarily attributable to the completion of a one-off training programme by the Group in 2018.

Cost of Sales

Cost of sales increased by approximately 6.5% from RMB40.2 million for the six months ended 30 June 2018 to RMB42.8 million for the six months ended 30 June 2019. The increase was primarily due to the increase in its employee benefit expenses as a result of the increased number of teachers and staff since the second half of 2018.

Gross Profit and Gross Profit Margin

Gross profit of the Group decreased from approximately RMB42.1 million for the six months ended 30 June 2018 to approximately RMB41.4 million for the six months ended 30 June 2019, and the gross profit margin decreased by approximately 2.0% from approximately 51.2% for the six months ended 30 June 2018 to approximately 49.2% for the six months ended 30 June 2019. The primary underlying reasons were (i) the decrease in the revenue contributed by research projects and training programmes, which normally generate higher profit margin, and (ii) the increase of the Group's employee benefit expenses.

Selling Expenses

The Group's selling expenses primarily consist of expenses related to its student recruitment activities. The selling expenses decreased from approximately RMB1.2 million for the six months ended 30 June 2018 to approximately RMB1.0 million for the six months ended 30 June 2019.

Administrative Expenses

The Group's administrative expenses primarily consist of employee benefit expenses, property management fee, office expenses, depreciation and amortisation and certain other administrative expenses. The administrative expenses decreased from approximately RMB20.1 million for the six months ended 30 June 2018 to approximately RMB18.6 million for the six months ended 30 June 2019. The decrease was mainly attributable to the decrease of the expenses in relation to the Listing.

Other Income

Other income of the Group increased to approximately RMB0.7 million for the six months ended 30 June 2019 from approximately RMB44,000 for the six months ended 30 June 2018 primarily due to the government subsidies of RMB0.7 million received by the Group during the six months ended 30 June 2019.

Other Gains/Losses — net

The net gains of the Group increased to approximately RMB1.0 million for the six months ended 30 June 2019 from approximately RMB0.7 million for the six months ended 30 June 2018 which was primary attributable to the increase in exchange gain as a result of the favourable exchange rates between Hong Kong dollars and RMB.

Finance Income

For the six months ended 30 June 2019, the Group's finance income decreased by approximately RMB0.4 million, from approximately RMB0.5 million for the six months ended 30 June 2018 to approximately RMB0.1 million. The decrease for the six months ended 30 June 2019 was mainly attributable to the decrease in the Group's interest income from a related party.

Finance Expenses

For the six months ended 30 June 2019, the Group's finance expenses decreased from RMB2.0 million for the six months ended 30 June 2018 to approximately RMB0.6 million. The decrease for the six months ended 30 June 2019 was mainly attributable to an increase in interest expenses capitalised in qualifying-assets.

Profit Before Income Tax

As a result of the foregoing, the profit before income tax of the Group increased by 9.6% from approximately RMB21.1 million for the six months ended 30 June 2018 to approximately RMB23.1 million for the six months ended 30 June 2019.

Income Tax Expenses

The Group's income tax expenses were approximately RMB0.2 million for the six months ended 30 June 2019 whereas income tax expenses were approximately RMB1.4 million for the six months ended 30 June 2018. The decrease for the six months ended 30 June 2019 was mainly attributable to the decrease in revenue from research projects and training programmes which are subject to corporate income tax in the PRC.

Profit for the Period

As a result of the foregoing, profit of the Group for the six months ended 30 June 2019 increased by 16.8% from approximately RMB19.7 million for the six months ended 30 June 2018 to approximately RMB23.0 million.

Financial Resources Review

Liquidity, Financial Resources and Capital Structure

As at 30 June 2019, the Group's cash and cash equivalents amounted to RMB109.3 million, representing a decrease of approximately 4.8% from RMB114.8 million as at 31 December 2018.

Net cash used in operating activities were RMB43.3 million for the six months ended 30 June 2019, as compared with net cash used in operating activities of RMB80.6 million for the six months ended 30 June 2018. Net cash used in investing activities were RMB111.3 million for the six months ended 30 June 2019, as compared with net cash generated from investing activities of RMB6.8 million for the six months ended 30 June 2018. Net cash generated from financing activities were RMB149.0 million for the six months ended 30 June 2019, as compared with net cash generated from financing activities of RMB90.2 million for the six months ended 30 June 2018.

As at 30 June 2019, the Group's borrowings amounted to RMB115.5 million (31 December 2018: RMB104.6 million), representing secured bank borrowings of RMB70.0 million (31 December 2018: RMB98.5 million) and secured loans from a third party of RMB45.5 million (31 December 2018: unsecured loans from third parties of RMB6.1 million). As at 30 June 2019, the Group's borrowings of RMB89.0 million would mature within 1 year, RMB17.4 million would mature between 1 and 2 years and RMB9.1 million would mature between 2 and 3 years. The Group had banking facilities in an aggregate amount of RMB700.0 million, of which nil was utilised.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total debt less cash and cash equivalents. As at 31 December 2018, the Group maintained at net cash position. As at 30 June 2019, the Group's gearing ratio was 1.3%.

As at 30 June 2019, the Group had net current liabilities of RMB15.2 million, as compared with net current liabilities of RMB15.2 million as at 31 December 2018.

Capital Commitments

As at 30 June 2019, the Group had contracted but not provided for capital commitments of approximately RMB566.7 million, which were primarily relating to the investment in the Nanxi New Campus, as compared with the total amount of capital expenditures contracted for but not yet incurred of RMB640.3 million as at 31 December 2018.

Currency Exposure and Management

The majority of the Group's revenue and expenditures are denominated in RMB. As at 30 June 2019, certain bank balances were denominated in RMB and Hong Kong dollars. The Group is exposed to foreign exchange risk with respect mainly to Hong Kong dollars which may affect the Group's performance. The Group currently does not have any foreign currency hedging policies. The management is aware of the possible exchange risk exposure due to the continuing exchange rate fluctuation of Hong Kong dollars against RMB and will continue to monitor its impact on the performance of the Group and consider adopting prudent measures as appropriate.

Contingent Liabilities

As at 30 June 2019, the Group had no material contingent liabilities.

Pledge of Assets

As at 30 June 2019, RMB7,000,000 had been pledged as a refundable security deposit to secure the loans from an independent third party.

Employees and Remuneration Policy

As at 30 June 2019, the Group had 752 employees, as compared with 693 employees as at 31 December 2018. The increase of the Group's number of employees was mainly attributable to the continuous recruitment of qualified teachers for Yinxing College to enhance its teaching quality. As required by the PRC laws and regulations, the Group participates in various employee social security plans for the employees that are administered by local governments, including, among other things, housing provident fund, pension, medical insurance, social insurance and unemployment insurance. The Board believes that the Group is maintaining a favourable working relationship with its employees, and it has experienced no major labour disputes during the six months ended 30 June 2019.

Material Acquisition or Disposal or Significant Investment

As disclosed in the Company's announcements and circulars dated 14 March 2019, 10 May 2019 and 30 June 2019, the Group acquired the land use rights for a piece of land with a total site area of approximately 333,360 square meters at a total consideration of approximately RMB155 million, and entered into a construction contract for the contract sum of RMB210 million with a contractor to undertake construction works, for establishing the phase I of the Nanxi New Campus.

Save as disclosed above, during the six months ended 30 June 2019, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies and did not have any significant investments.

OTHER INFORMATION

Interim Dividend

At the meeting of the Board held on 30 August 2019, the Board has resolved not to pay any interim dividend for the six months ended 30 June 2019.

Corporate Governance

The Company is committed to maintaining high standard of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and responsibility. The Board comprises four executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code ("**CG Code**") set out in Appendix 14 to the Listing Rules. The shares of the Company were listed on the Main Board of the Stock Exchange on 18 January 2019 (the "**Listing Date**"). Since the Listing Date and up to 30 June 2019, the Company has complied with the code provisions under the CG Code, save and except for the deviation to paragraph A.2.1 below.

Paragraph A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The chairman and chief executive officer of the Company are held by Mr. Fang Gongyu who has extensive experience in the industry. The Board believes that Mr. Fang can provide the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. The Board also considers that the current structure of vesting the roles of chairman and chief executive officer in the same person will not impair the balance of power and authority between the Board and the management of the Company. The Board shall review this structure from time to time to ensure appropriate and timely action to meet changing circumstances.

Purchase, Sale and Redemption of Shares

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the period from the Listing Date up to 30 June 2019.

Events after the Period

On 19 July 2019, Chengdu Gingko Asset Management Co., Limited (成都銀杏資產管理有限公司) ("**Gingko Asset Management**") entered into a land resumption compensation agreement with Chengdu Pidu District Land Reserve Centre (成都市郫都區土地儲備中心) (the "**Chengdu PDLRC**"), pursuant to which Gingko Asset Management has undertaken to surrender a portion of a parcel of land located at No. 60, Guangchang Road North Second Section, Hongguang Town, Pidu District, Chengdu City, Sichuang Province (四川省成都市郫都區紅光鎮廣場路北二段60號) involving a site area of approximately 5,027.6 square metres to Chengdu PDLRC in consideration of a cash compensation of approximately RMB6,691,000. For details of the land resumption compensation agreement, please refer to the announcement of the Company dated 19 July 2019.

Save as disclosed in this announcement, there was no other significant subsequent event relevant to the business or financial performance of the Group that has come to the attention of the Directors since 30 June 2019.

Use of Net Proceeds from the Company's Initial Public Offering

The Company issued 125,000,000 new Shares (the "**Global Offering**") at the issue price of HK$1.44 per Share in the connection with the Listing. The net proceeds after deducting the (i) underwriting commissions and incentive fees, and (ii) other expenses payable by the Group in connection with the Global Offering amounted to approximately HK$157.8 million (equivalent to approximately RMB136.4 million). The following table sets forth the use of proceeds by the Group as at 30 June 2019:

	Budget	**Amount that had been utilised as at 30 June 2019**	**Remaining balance as at 30 June 2019**
		(RMB million)	
For construction of the Nanxi New Campus	116.0	60.3	55.7
For recruitment of high-caliber teachers and staff	13.6	1.6	12.0
For general business operations and working capital	6.8	2.7	4.1
Total	136.4	64.6	71.8

The unutilised net proceeds are generally placed in licensed financial institutions as short-term deposits. There has been no change to the intended use of net proceeds as previously disclosed in the prospectus of the Company dated 21 December 2018. The proceeds were used and are proposed to be used as and when appropriate based on the Group's business needs according to the intentions previously disclosed in the prospectus of the Company.

Model Code for Securities Transactions by Directors

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code for the Directors' dealings in the Company's securities. The provisions under the Listing Rules in relation to compliance with the Model Code by the Directors regarding securities transactions have been applicable to the Company since the Listing Date.

Having made specific enquiry of all the Directors of the Company, all the Directors confirmed that they had strictly complied with the required standards set out in the Model Code throughout the period from the Listing Date up to 30 June 2019.

Public Float

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Company had maintained sufficient public float as required under the Listing Rules from the Listing Date and up to 30 June 2019.

Audit Committee

As at the date of this announcement, the audit committee of the Company (the "**Audit Committee**") consists of Mr. Chong Man Hung Jeffrey, Mr. Jiang Qian and Mr. Yuan Jun, who are independent non-executive Directors of the Company. The chairman of the Audit Committee is Mr. Chong Man Hung Jeffrey. The unaudited interim condensed consolidated financial information for the six months ended 30 June 2019 of the Company have been reviewed by the Audit Committee.

Appreciation

The chairman of the Group would like to take this opportunity to thank his fellow Directors for their invaluable advice and guidance, and to each and every one of the staff of the Group for their hard work and loyalty to the Group.

Publication of Interim Financial Results and Interim Report

This interim results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.chinagingkoedu.com). The interim report of the Company for the six months ended 30 June 2019 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and made available for review on the same websites in due course.

By order of the Board
China Gingko Education Group Company Limited
Fang Gongyu
Chairman

Hong Kong, 30 August 2019

As at the date of this announcement, the executive Directors are Mr. Fang Gongyu, Mr. Tian Tao, Ms. Yu Yuan and Ms. Liu Dan; and the independent non-executive Directors are Mr. Jiang Qian, Mr. Yuan Jun and Mr. Chong Man Hung Jeffrey.