



中國銀杏教育集團有限公司

China Ginkgo Education Group Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code:1851



2020

INTERIM REPORT

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Fang Gongyu (*Chairman of the Board*)
Mr. Tian Tao
Ms. Yu Yuan
Mr. Ma Xiaoman

Independent Non-executive Directors

Mr. Jiang Qian
Mr. Yuan Jun
Mr. Wong Chi Keung (appointed on 31 July 2020)

Audit Committee

Mr. Wong Chi Keung (*Chairman*)
Mr. Jiang Qian
Mr. Yuan Jun

Nomination Committee

Mr. Fang Gongyu (*Chairman*)
Mr. Jiang Qian
Mr. Yuan Jun

Remuneration Committee

Mr. Jiang Qian (*Chairman*)
Mr. Yuan Jun
Ms. Yu Yuan

Joint Company Secretaries

Mr. Tian Tao
Mr. Wan Chi Hei

Authorised Representatives

Mr. Tian Tao
Mr. Wan Chi Hei

AUDITOR

PricewaterhouseCoopers
*Certified Public Accountants and
Registered PIE Auditor*

COMPLIANCE ADVISOR

Somerley Capital Limited

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Postal Saving Bank of China,
Pi County Xipu Branch
China Construction Bank,
Pi County Gaoxin Branch
China CITIC Bank, Chengdu West Branch

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

2 Jinli Zhonglu
Qingyang District
Chengdu City, Sichuan Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F., 148 Electric Road
North Point
Hong Kong

PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
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Cayman Islands

HONG KONG SHARE REGISTRAR

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Services Limited
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STOCK CODE

1851

Management Discussion and Analysis

Business Overview

Overview

China Gingko Education Group Company Limited (the “**Company**”, together with its subsidiaries and consolidated affiliated entities, the “**Group**”) is a higher education service provider in Sichuan Province. The enrollment of Gingko College of Hospitality Management (formerly known as Yinxing Hospitality Management College of CUIT) (“**Yinxing College**”) for 2019/2020 school year is approximately 11,100 students, as compared with the enrollment of approximately 10,200 students for 2018/2019 school year. 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 2019/2020 school year, 2,683 students were graduated from Yinxing College in June 2020, represented an increase of 7.4% when compared with 2018/2019 school year.

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 2020, Yinxing Training School had not commenced any business operation.

The number of students enrolled in Yinxing College increased from approximately 10,200 students in 2018/2019 school year to approximately 11,100 students in 2019/2020 school year, representing an increase of 8.3% or approximately 900 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.

Management Discussion and Analysis

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 | | | |
|-----------------------------|--|-------------|-------------------------|-------------------------|
| | 2020 | 2019 | Change | Change |
| | RMB'000 | RMB'000 | RMB'000 | (%) |
| | (Unaudited) | (Unaudited) | Increase/ (decrease) | Increase/ (decrease) |
| Tuition fees | 76,517 | 71,120 | 5,397 | 7.6 |
| Boarding fees | 3,519 | 5,404 | (1,885) | (34.9) |
| Meal catering services fees | 412 | 5,763 | (5,351) | (92.9) |
| Others ⁽¹⁾ | 991 | 1,937 | (946) | (48.8) |
| Total | 81,439 | 84,224 | (2,785) | (3.3) |

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 People's Republic of China (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.

Termination of the cooperation with Chengdu University of Information Technology (“CUIT”) and conversion of Yinxing College into a regular private higher education institution

During the six months ended 30 June 2020, the Group successfully completed the application for termination of the cooperation with CUIT and conversion of Yinxing College into a regular private higher education institution (the “**Conversion**”). Despite the Conversion incurred additional costs such as staff costs for newly recruited teachers and capital expenditure for newly acquired property, plant and equipment, it is expected that the joint tuition support fee payable to CUIT will gradually decrease. The Group believes that the Conversion will create opportunities for quality enhancement and enrollment expansion which will have a positive impact on the Group’s long term development.

Construction of new campus

Starting from 2019, the Group is in the process of construction of a new campus located in Yibin City, Sichuan Province, the PRC (the “**Nanxi New Campus**”). Phase I of the Nanxi New Campus is expected to be put into operation gradually in the second half of 2020. With the completion of the Nanxi New Campus, the Group is able to provide additional capacity and resources to both academic education programmes and vocational training programmes.

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 decreased by approximately 3.3% from approximately RMB84.2 million for the six months ended 30 June 2019 to approximately RMB81.4 million for the six months ended 30 June 2020. This decrease was primarily due to the decrease in meal catering service fees and boarding fees. Due to the outbreak of Coronavirus Disease 2019 (“**COVID-19**”), the Group ceased the operation of canteen and student dormitories since February 2020, as a result, revenue from meal catering service fees and boarding fees for the six months ended 30 June 2020 decreased by 92.9% and 34.9% respectively when compared with the corresponding period in 2019. The decrease was partially offset by the increase in revenue from tuition fees which was primarily attributable to the increase in student enrollment during the 2019/2020 school year.

Cost of Sales

Cost of sales decreased by approximately 5.9% from RMB42.8 million for the six months ended 30 June 2019 to RMB40.3 million for the six months ended 30 June 2020. The decrease was primarily due to the decrease in student activities expenses and canteen purchases as a result of the outbreak of COVID-19.

Management Discussion and Analysis

Gross Profit and Gross Profit Margin

Gross profit of the Group decreased from approximately RMB41.4 million for the six months ended 30 June 2019 to approximately RMB41.2 million for the six months ended 30 June 2020, and the gross profit margin increased by approximately 1.3% from approximately 49.2% for the six months ended 30 June 2019 to approximately 50.5% for the six months ended 30 June 2020. The slight decrease in gross profit and increase in gross profit margin was primarily due to the decrease in revenue from meal catering services, which normally generate a lower profit margin.

Selling Expenses

The Group's selling expenses primarily consist of expenses related to its student recruitment activities. The selling expenses decreased from approximately RMB1.0 million for the six months ended 30 June 2019 to approximately RMB0.8 million for the six months ended 30 June 2020.

Administrative Expenses

The Group's administrative expenses primarily consist of employee benefit expenses, property management fee, office expenses, depreciation and amortisation, professional and business consultancy fees and certain other administrative expenses. The administrative expenses increased from approximately RMB18.6 million for the six months ended 30 June 2019 to approximately RMB21.3 million for the six months ended 30 June 2020. The increase was primarily attributable to (i) the increase in employee benefit expenses due to the increase in headcount during second half of 2019 and the six months ended 30 June 2020 and the increase in business consultancy fees to support the Group's business expansion and (ii) the increase in operating costs incurred for preparation of the initial operation of the Nanxi New Campus.

Other Income

Other income of the Group increased to approximately RMB1.3 million for the six months ended 30 June 2020 from approximately RMB0.7 million for the six months ended 30 June 2019 primarily due to the increase in other miscellaneous income generated from Yinxing College during the six months ended 30 June 2020.

Other Gains — net

The net gains of the Group increased to approximately RMB1.3 million for the six months ended 30 June 2020 from approximately RMB1.0 million for the six months ended 30 June 2019 which was primarily attributable to the increase in exchange gain as a result of the favourable exchange rates between Hong Kong dollars and United States dollars against RMB.

Finance Income

For the six months ended 30 June 2020, the Group's finance income remained stable at RMB0.1 million when compared with the corresponding period in 2019.

Finance Expenses

For the six months ended 30 June 2020, the Group's finance expenses increased from RMB0.6 million for the six months ended 30 June 2019 to approximately RMB0.8 million. The increase for the six months ended 30 June 2020 was mainly attributable to the increase in the Group's borrowings, which was partially offset by the 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 decreased by 9.4% from approximately RMB23.1 million for the six months ended 30 June 2019 to approximately RMB21.0 million for the six months ended 30 June 2020.

Income Tax Expenses

The Group's income tax expenses were remained stable at RMB0.2 million for the six months ended 30 June 2020 when compared with the corresponding period in 2019.

Profit for the Period

As a result of the foregoing, profit of the Group for the six months ended 30 June 2020 decreased by 9.5% from approximately RMB23.0 million for the six months ended 30 June 2019 to approximately RMB20.8 million.

Adjusted net profit

The adjusted net profit represents profit for the year excluding the effect of the expenses related to the Listing, which amounted to nil (for the six months ended 30 June 2019: RMB4.2 million) for the six months ended 30 June 2020. To supplement the Group's condensed consolidated interim financial information, which are presented in accordance with HKFRSs, the Group also use adjusted net profit as additional financial measurements. The Group present these financial measures because they are used by management to evaluate our financial performance by eliminating the impact of items that management do not consider indicative of the performance of the Group's business. Management also believes these non-GAAP measurements provide additional information to investors and others in understanding and evaluating the Group's results of operations.

The terms of adjusted net profit are not defined under HKFRSs. The use of these non-GAAP measurements has material limitations as an analytical tool, as they do not include all items that impact our net profit for the period.

The following tables reconciles the Group's adjusted net profit for the periods presented to the most directly comparable financial measure calculated and presented in accordance with HKFRSs, which is profit for the period.

| | For the six months ended 30 June | |
|--------------------------------------|---|---------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Profit for the period | 20,783 | 22,977 |
| Add: Expenses related to the Listing | — | 4,207 |
| Adjusted net profit | 20,783 | 27,184 |

Adjusted net profit of the Group for the six months ended 30 June 2020 decreased by 23.5% from approximately RMB27.2 million for the six months ended 30 June 2019 to approximately RMB20.8 million.

Management Discussion and Analysis

In light of the foregoing limitations for other financial measurements, when assessing the Group's operating and financial performance, shareholders and investors should not consider adjusted net profit in isolation or as a substitute for the Group's profit for the years, operating profit or any other operating performance measure that is calculated in accordance with HKFRSs. In addition, because such measures may not be calculated in the same manner by all companies, it may not be comparable to other similar titled measurements by other companies.

Financial Resources Review

Liquidity, Financial Resources and Capital Structure

As at 30 June 2020, the Group's cash and cash equivalents amounted to RMB136.9 million, representing a decrease of approximately 39.8% from RMB227.5 million as at 31 December 2019.

Net cash used in operating activities were RMB47.2 million for the six months ended 30 June 2020, as compared with net cash used in operating activities of RMB43.3 million for the six months ended 30 June 2019. Net cash used in investing activities were RMB31.2 million for the six months ended 30 June 2020, as compared with net cash used in investing activities of RMB111.3 million for the six months ended 30 June 2019. Net cash used in financing activities were RMB12.2 million for the six months ended 30 June 2020, as compared with net cash generated from financing activities of RMB149.0 million for the six months ended 30 June 2019.

As at 30 June 2020, the Group's borrowings amounted to RMB425.5 million (31 December 2019: RMB423.7 million), representing secured bank borrowings of RMB320.0 million (31 December 2019: RMB390.0 million) and secured loans from third parties of RMB105.5 million (31 December 2019: RMB33.7 million). As at 30 June 2020, the Group's borrowings of RMB39.9 million (31 December 2019: RMB88.2 million) would mature within 1 year, RMB50.5 million (31 December 2019: RMB15.5 million) would mature between 1 and 2 years, RMB198.7 million (31 December 2019: RMB153.6 million) would mature between 2 and 5 years and RMB136.4 million (31 December 2019: RMB166.4 million) would mature over 5 years. The Group's borrowings were denominated in RMB and carried at floating interest rates as at 30 June 2020.

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 30 June 2020, the Group's gearing ratio was 56.2% (31 December 2019: 39.5%).

As at 30 June 2020, the Group had net current liabilities of RMB25.1 million, as compared with net current liabilities of RMB68.5 million as at 31 December 2019 which was primarily attributable to the recognition of revenue during the six months ended 30 June 2020 in respect of the contract liabilities received from students in last year.

Significant investment, material acquisition and disposal of subsidiaries and associated companies

There was no significant investment, material acquisition and disposal of subsidiaries and associated companies during the six months ended 30 June 2020.

Future Plan for Material Investments and Capital Assets

Save as disclosed in the prospectus dated 21 December 2018, the announcements published on 14 March 2019 and 10 May 2019, the circulars dated on 30 June 2019 and this announcement, the Group did not have other plans for material investments and capital assets. The expected source of funding of the construction of Nanxi New Campus in the coming years will be funded by the Group's internal resources and/or borrowings.

Capital Commitments

As at 30 June 2020, the Group had contracted but not provided for capital commitments of approximately RMB16.9 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 RMB40.4 million as at 31 December 2019.

Currency Exposure and Management

The majority of the Group's revenue and expenditures are denominated in RMB. As at 30 June 2020, certain bank balances were denominated in RMB, United States dollars and Hong Kong dollars. The Group is exposed to foreign exchange risk with respect mainly to United States dollars and 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 United States dollars and 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 2020, the Group had no material contingent liabilities.

Pledge of Assets

As at 30 June 2020, RMB16.0 million had been pledged as a refundable security deposit to secure the loans from independent third parties.

As at 30 June 2020, RMB125.0 million of construction in progress, RMB3.9 million of land use rights and right over the tuition fees and boarding fees had been pledged as security to secure the bank borrowings of RMB320.0 million.

Employees and Remuneration Policy

As at 30 June 2020, the Group had 823 employees, as compared with 752 employees as at 31 December 2019. 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. The Group also recruited additional staff for preparation of the initial operation of the Nanxi New Campus since second half of 2019. Remuneration of the Group's employees includes basic salaries, allowances, bonus and other employee benefits, and is determined with reference to their experience, qualifications and general market conditions. The emolument policy for the employees of the Group is set up by the Board on the basis of their merit, qualification and competence. 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 2020.

Corporate Governance and Other Information

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES OR DEBENTURES

As at 30 June 2020, the interests or short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (“SFO”)) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”), to be notified to the Company and the Stock Exchange, are as follows:

(1) Long position in the Shares of the Company

| Name of Director | Nature of Interest | Number of Shares | Approximate percentage of Shareholding |
|-----------------------------------|--------------------------------------|------------------|--|
| Mr. Fang Gongyu (<i>Note 1</i>) | Interest in a controlled corporation | 366,562,500 | 73.3% |
| Mr. Tian Tao (<i>Note 2</i>) | Interest in a controlled corporation | 8,437,500 | 1.7% |

Notes:

- (1) Vast Universe Company Limited (“Vast Universe”) is beneficially and wholly owned by Mr. Fang Gongyu (“Mr. Fang”). By virtue of the SFO, Mr. Fang is deemed to be interested in the Shares held by Vast Universe.
- (2) HFYX Company Limited (“HFYX”) is beneficially and wholly owned by Mr. Tian Tao (“Mr. Tian”). By virtue of the SFO, Mr. Tian is deemed to be interested in the Shares held by HFYX.

(2) Long position in the shares of associated corporation

| Name of Director | Name of associated corporation | Nature of Interest | Number of Shares | Approximate percentage of Shareholding |
|------------------|--------------------------------|--------------------|------------------|--|
| Mr. Fang | Vast Universe | Beneficial owner | 1 ordinary share | 100% |

Save as disclosed above, as at 30 June 2020, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 30 June 2020, the following persons (other than the Directors and chief executives of the Company) had or deemed or taken to have an interest and/or short position in the shares or the underlying shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of SFO, or who was, directly or indirectly, interested in 5% or more of the issued share capital of the Company:

| Name | Capacity | Number of Shares (Note 1) | Approximate Percentage of Shareholding |
|--|--------------------------------------|---------------------------|--|
| Vast Universe | Beneficial owner | 366,562,500 (L) | 73.3% |
| Ms. Xiong Lan (Note 2) | Interest of spouse | 366,562,500 (L) | 73.3% |
| GreenTree Hospitality Group Ltd. (Note 3) | Beneficial owner | 41,336,000 (L) | 8.3% |
| GreenTree Inns Hotel Management Group, Inc. (Note 3) | Interest in a controlled corporation | 41,336,000 (L) | 8.3% |
| Mr. Xu Alex Shuguang (徐曙光) (Note 3) | Interest in a controlled corporation | 41,336,000 (L) | 8.3% |

Notes:

- (1) The letter "L" denotes the person's long position in such shares.
- (2) Ms. Xiong Lan is the spouse of Mr. Fang and therefore deemed under the SFO to be interested in the Shares held, directly or indirectly, by Mr. Fang.
- (3) GreenTree Hospitality Group Ltd. is a limited company incorporated in the Cayman Islands and the ultimate holding company is GreenTree Inns Hotel Management Group, Inc., a company incorporated in the Cayman Islands. GreenTree Inns Hotel Management Group, Inc. is ultimately controlled by Mr. Xu Alex Shuguang. GreenTree Hotel Management Group, Inc. and Mr. Xu Alex Shuguang are deemed under the SFO to be interested in the Shares held by GreenTree Hospitality Group Ltd.

Save as disclosed above, as at 30 June 2020, so far as the Directors or chief executive of the Company are aware, no other persons (other than a Director or the chief executive of the Company) or entities had any interests or short positions in the Shares or underlying Shares, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein.

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 six months ended 30 June 2020.

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. For the six months ended 30 June 2020, 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted 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 transactions. 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 18 January 2019.

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 for the six months ended 30 June 2020.

SHARE OPTION SCHEME

On 12 December 2018, the then Shareholders approved and conditionally adopted the Share Option Scheme to enable the Company to grant options to eligible participants as incentives and rewards for their contribution to the Group. The Share Option Scheme became effective on 18 January 2019. No option has been granted since then and up to the date of this interim report and therefore, there was no outstanding options as at 30 June 2020 and no options were exercised or cancelled or lapsed during the six months ended 30 June 2020.

INTERIM DIVIDEND

At the meeting of the Board held on 28 August 2020, the Board has resolved not to pay any interim dividend for the six months ended 30 June 2020.

EVENTS AFTER THE PERIOD

Save as disclosed in this interim report, there was no other significant subsequent events relevant to the business or financial performance of the Group that come to the attention of the Directors since 30 June 2020.

USE OF PROCEEDS FROM THE LISTING

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 2020:

| | Budget | Amount that had been utilised as at 30 June 2020 (RMB million) | Remaining balance as at 30 June 2020 | Expected timeline for unutilised balance |
|---|--------------|--|--|---|
| For construction of the Nanxi New Campus | 116.0 | 116.0 | — | Not applicable |
| For recruitment of high-caliber teachers and staff | 13.6 | 9.5 | 4.1 | 31 December 2020 |
| For general business operations and working capital | 6.8 | 6.8 | — | Not applicable |
| Total | 136.4 | 132.3 | 4.1 | |

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. The expected timeline for using the unutilised net proceeds is based on the best estimation of the business market situations made by the Board. It might be subject to change based on the market conditions.

CHANGES TO DIRECTORS’ INFORMATION

Mr. Chong Man Hung Jeffrey has resigned as an independent non-executive Director and the Chairman of the audit committee of the Company (the “**Audit Committee**”) with effect on 31 July 2020 and Mr. Wong Chi Keung was appointed as an independent non-executive Director and the Chairman of the Audit Committee with effect on 31 July 2020.

Saved as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

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 for the six months ended 30 June 2020.

AUDIT COMMITTEE

As at the date of this interim report, the Audit Committee consists of Mr. Wong Chi Keung, Mr. Jiang Qian and Mr. Yuan Jun, who are independent non-executive Directors of the Company. The chairman of the Audit Committee is Mr. Wong Chi Keung. The unaudited interim condensed consolidated financial information for the six months ended 30 June 2020 of the Company have been reviewed by the Audit Committee.

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020
(All amounts expressed in RMB thousands unless otherwise stated)

| | Note | Six months ended 30 June 2020 RMB'000 (Unaudited) | Six months ended 30 June 2019 RMB'000 (Unaudited) |
|--|------|---|---|
| Revenue | 7 | 81,439 | 84,224 |
| Cost of sales | | <u>(40,273)</u> | <u>(42,795)</u> |
| Gross profit | | 41,166 | 41,429 |
| Selling expenses | | (829) | (972) |
| Administrative expenses | | (21,285) | (18,559) |
| Other income | | 1,326 | 680 |
| Other gains — net | | 1,328 | 1,002 |
| Operating profit | 8 | 21,706 | 23,580 |
| Finance income | 9 | 93 | 133 |
| Finance expenses | 9 | (838) | (573) |
| Finance expenses — net | | <u>(745)</u> | <u>(440)</u> |
| Profit before income tax | | 20,961 | 23,140 |
| Income tax expenses | 10 | (178) | (163) |
| Profit for the period | | <u>20,783</u> | <u>22,977</u> |
| Other comprehensive income for the period | | — | — |
| Total comprehensive income for the period | | <u>20,783</u> | <u>22,977</u> |
| Profit and total comprehensive income attributable to owners of the Company | | <u>20,783</u> | <u>22,977</u> |
| Earnings per share for profit attributable to owners of the Company | | | |
| Basic and diluted (RMB Yuan) | 11 | <u>0.04</u> | <u>0.05</u> |

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Balance Sheet

As at 30 June 2020

(All amounts expressed in RMB thousands unless otherwise stated)

| | Note | 30 June 2020 RMB'000 (Unaudited) | 31 December 2019 RMB'000 (Audited) |
|-------------------------------------|------|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Right-of-use assets | 13 | 71,173 | 70,177 |
| Property, plant and equipment | 14 | 863,285 | 818,582 |
| Intangible assets | 15 | 1,357 | 1,413 |
| Prepayments | 17 | 17,490 | 9,843 |
| | | <u>953,305</u> | <u>900,015</u> |
| Current assets | | | |
| Inventories | | 175 | — |
| Trade and other receivables | 16 | 4,247 | 4,840 |
| Prepayments | 17 | 2,849 | 6,541 |
| Cash and cash equivalents | | 136,869 | 227,518 |
| | | <u>144,140</u> | <u>238,899</u> |
| Total assets | | <u>1,097,445</u> | <u>1,138,914</u> |
| EQUITY | | | |
| Share capital | | 4,321 | 4,321 |
| Share premium | | 134,042 | 134,042 |
| Reserves | | 62,959 | 62,959 |
| Retained earnings | | 315,512 | 294,729 |
| Total equity | | <u>516,834</u> | <u>496,051</u> |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | 19 | 385,618 | 335,434 |
| Lease liabilities | 13 | 787 | — |
| Deferred government grants | | 25,000 | — |
| | | <u>411,405</u> | <u>335,434</u> |
| Current liabilities | | | |
| Accruals and other payables | 18 | 125,835 | 133,659 |
| Amounts due to a related party | | 14 | 10 |
| Borrowings | 19 | 39,890 | 88,232 |
| Lease liabilities | 13 | 1,088 | — |
| Contract liabilities | 7 | 1,890 | 85,068 |
| Current income tax liabilities | | 489 | 460 |
| | | <u>169,206</u> | <u>307,429</u> |
| Total liabilities | | <u>580,611</u> | <u>642,863</u> |
| Total equity and liabilities | | <u>1,097,445</u> | <u>1,138,914</u> |

The above interim condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

(All amounts expressed in RMB thousands unless otherwise stated)

| | (Unaudited) Attributable to owners of the Company | | | | | |
|---|--|------------------------------------|---------------------------------------|--|--|-------------------------|
| | Share capital <i>RMB'000</i> | Share premium <i>RMB'000</i> | Capital reserves <i>RMB'000</i> | Statutory surplus reserves <i>RMB'000</i> | Retained earnings <i>RMB'000</i> | Total <i>RMB'000</i> |
| As at 1 January 2019 | — | — | 50,000 | 17,936 | 257,674 | 325,610 |
| Profit and total comprehensive income for the period | — | — | — | — | 22,977 | 22,977 |
| Issuance of shares by share offer, net of expenses related to issuance of shares | 1,080 | 137,283 | — | — | — | 138,363 |
| Capitalisation of shares | 3,241 | (3,241) | — | — | — | — |
| As at 30 June 2019 | 4,321 | 134,042 | 50,000 | 17,936 | 280,651 | 486,950 |

| | (Unaudited) Attributable to owners of the Company | | | | | |
|--|--|------------------------------------|---------------------------------------|--|--|-------------------------|
| | Share capital <i>RMB'000</i> | Share premium <i>RMB'000</i> | Capital reserves <i>RMB'000</i> | Statutory surplus reserves <i>RMB'000</i> | Retained earnings <i>RMB'000</i> | Total <i>RMB'000</i> |
| As at 1 January 2020 | 4,321 | 134,042 | 50,000 | 12,959 | 294,729 | 496,051 |
| Profit and total comprehensive income for the period | — | — | — | — | 20,783 | 20,783 |
| As at 30 June 2020 | 4,321 | 134,042 | 50,000 | 12,959 | 315,512 | 516,834 |

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2020
(All amounts expressed in RMB thousands unless otherwise stated)

| | Six months ended 30 June 2020 RMB'000 (Unaudited) | Six months ended 30 June 2019 RMB'000 (Unaudited) |
|---|--|---|
| Cash flows from operating activities | | |
| Cash used in operations | (47,176) | (42,623) |
| Interest received | 93 | 133 |
| Income tax paid | (149) | (812) |
| Net cash used in operating activities | (47,232) | (43,302) |
| Cash flows from investing activities | | |
| Proceeds from government subsidies related to land use rights | — | 149,513 |
| Proceeds from government subsidies related to property, plant and equipment | 25,000 | — |
| Purchases of land use rights | — | (178,425) |
| Purchases of property, plant and equipment | (56,050) | (81,795) |
| Purchases of intangible assets | (151) | (551) |
| Proceeds from disposal of property, plant and equipment | 11 | — |
| Net cash used in investing activities | (31,190) | (111,258) |
| Cash flows from financing activities | | |
| Proceeds from bank borrowings | — | 70,000 |
| Repayment of bank borrowings | (70,000) | (98,500) |
| Proceeds from third parties' borrowings | 79,000 | 79,100 |
| Repayment of third parties' borrowings | (7,158) | (39,727) |
| Interest paid | (13,852) | (3,815) |
| Lease payments for right-of-use assets excluding land use rights | (217) | — |
| Proceeds from share issuance upon listing | — | 155,575 |
| Professional expenses paid in connection with the share listing | — | (13,636) |
| Net cash (used in)/generated from financing activities | (12,227) | 148,997 |
| Net decrease in cash and cash equivalents | (90,649) | (5,563) |
| Cash and cash equivalents at beginning of the period | 227,518 | 114,814 |
| Cash and cash equivalents at end of the period | 136,869 | 109,251 |

The above interim condensed consolidated cash flow statement should be read in conjunction with the accompanying notes.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in RMB thousands unless otherwise stated)

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, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries and consolidated affiliated entities (collectively referred to as the "**Group**") are 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 information is presented in Renminbi ("**RMB**") and rounded to the nearest thousand yuan, unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by Board of Directors on 28 August 2020.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2020 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 the annual consolidated financial statements. Accordingly, it should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2019, 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.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in RMB thousands unless otherwise stated)

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 2019, 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 |
|--|-----------------------------------|---|
| Revised Conceptual Framework for Financial Reporting | | 1 January 2020 |
| Amendments to HKAS 1 and HKAS 8 | Definition of material | 1 January 2020 |
| Amendments to HKFRS 3 | Definition of a business | 1 January 2020 |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest rate benchmark reform | 1 January 2020 |
| Amendments to HKFRS 16 | COVID-19-related rent concessions | 1 June 2020 |

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in RMB thousands unless otherwise stated)

3 Significant accounting policies (Continued)

(b) New standards and interpretations not yet adopted

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2020 and have not been early adopted by the Group:

| | | Effective for accounting periods beginning on or after |
|--|---|---|
| Amendments to HKAS 1 | Classification of liabilities as current or non-current | 1 January 2022 |
| Amendments to HKAS 16 | Property, plant and equipment: proceeds before intended use | 1 January 2022 |
| Amendments to HKAS 37 | Onerous contracts — cost of fulfilling a contract | 1 January 2022 |
| Amendments to HKAS 3 | Reference to the conceptual framework | 1 January 2022 |
| Annual Improvements to HKFRS Standards 2018–2020 | | 1 January 2022 |
| HKFRS 17 | Insurance contracts | 1 January 2023 |
| 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 Financial risk management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

There have been no changes in the risk management policies since year end.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in RMB thousands unless otherwise stated)

4 Financial risk management (Continued)

4.2 Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group expects to fund its future cash flow needs through internally generated cash flows from operations and borrowings from the financial institutions. Although the current liabilities exceeded the current assets of the Group by approximately RMB25,066,000 as at 30 June 2020, management still believes that there is no significant liquidity risk in view of the expected cash flow from operations and continuing support from banks in the coming twelve months from the balance sheet date of 30 June 2020.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | (Unaudited) | | | | Total RMB'000 |
|---|--------------------------------|-------------------------------------|-------------------------------------|----------------------------|------------------|
| | Less than 1 year RMB'000 | Between 1 And 2 years RMB'000 | Between 2 and 5 years RMB'000 | Over 5 years RMB'000 | |
| As at 30 June 2020 | | | | | |
| Borrowings (principal plus interests) | 69,237 | 77,071 | 248,939 | 147,279 | 542,526 |
| Accruals and other payables (excluding non-financial liabilities) | 124,994 | — | — | — | 124,994 |
| Amounts due to a related party | 14 | — | — | — | 14 |
| Lease liabilities | 1,127 | 870 | — | — | 1,997 |
| Total | 195,372 | 77,941 | 248,939 | 147,279 | 669,531 |
| (Audited) | | | | | |
| | Less than 1 year RMB'000 | Between 1 And 2 years RMB'000 | Between 2 and 5 years RMB'000 | Over 5 years RMB'000 | Total RMB'000 |
| As at 31 December 2019 | | | | | |
| Borrowings (principal plus interests) | 114,779 | 39,084 | 204,256 | 182,448 | 540,567 |
| Accruals and other payables (excluding non-financial liabilities) | 125,711 | — | — | — | 125,711 |
| Amounts due to a related party | 10 | — | — | — | 10 |
| Total | 240,500 | 39,084 | 204,256 | 182,448 | 666,288 |

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020
(All amounts expressed in RMB thousands unless otherwise stated)

4 Financial risk management (Continued)

4.3 Fair value estimation

Financial instruments carried at fair value or where fair value was disclosed can be categorised by levels of the inputs to valuation techniques used to measure fair value. The inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The carrying amounts of the Group's financial assets include cash and cash equivalents and trade and other receivables and financial liabilities including accruals and other payables, amounts due to related parties and current borrowings, approximate their fair values due to their short-term maturities.

5 Critical accounting estimates and judgments

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 31 December 2019.

6 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 2019. 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.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020
(All amounts expressed in RMB thousands unless otherwise stated)

7 Revenue

Revenues during the six months ended 30 June 2020 and 2019 are as follows:

| | Six months ended 30 June 2020 RMB'000 (Unaudited) | Six months ended 30 June 2019 RMB'000 (Audited) |
|----------------------------|--|---|
| Tuition fees | 76,517 | 71,120 |
| Boarding fees | 3,519 | 5,404 |
| Meal catering service fees | 412 | 5,763 |
| Others (<i>note (a)</i>) | 991 | 1,937 |
| | 81,439 | 84,224 |

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

Represented by:

| | Six months ended 30 June 2020 RMB'000 (Unaudited) | Six months ended 30 June 2019 RMB'000 (Audited) |
|--|--|---|
| Recognised over time | | |
| Tuition fees | 76,517 | 71,120 |
| Boarding fees | 3,519 | 5,404 |
| Others-research projects and training programs | 866 | 1,863 |
| Recognised at a point in time | | |
| Meal catering service fees | 412 | 5,763 |
| Revenue from other source | | |
| Lease income | 125 | 74 |
| | 81,439 | 84,224 |

No customers individually accounted for more than 10% of the Group's revenue for the six months ended 30 June 2020 and 2019.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020
(All amounts expressed in RMB thousands unless otherwise stated)

7 Revenue (Continued)

Contract liabilities

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

| | 30 June 2020 RMB'000 (Unaudited) | 31 December 2019 RMB'000 (Audited) |
|---|---|---|
| Contract liabilities related to tuition fees | 436 | 77,024 |
| Contract liabilities related to boarding fees | 678 | 7,663 |
| Others | 776 | 381 |
| | 1,890 | 85,068 |

(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 2020 RMB'000 (Unaudited) | Six months ended 30 June 2019 RMB'000 (Unaudited) |
|---|--|---|
| Revenue recognised that was included in the balance of contract liabilities at the beginning of the year | | |
| Tuition fees | 76,468 | 70,438 |
| Boarding fees | 3,519 | 5,399 |
| Others | 147 | — |
| | 80,134 | 75,837 |

(2) Unsatisfied contracts

| | 30 June 2020 RMB'000 (Unaudited) | 31 December 2019 RMB'000 (Audited) |
|--|---|---|
| Expected to be recognised within one year | | |
| Tuition fees | 436 | 77,024 |
| Boarding fees | 678 | 7,663 |
| Others-research projects and training programs | 776 | 381 |
| | 1,890 | 85,068 |

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020
(All amounts expressed in RMB thousands unless otherwise stated)

8 Operating profit

The following items have been charged/(credited) to the operating profit during the six months ended 30 June 2020 and 2019:

| | Six months ended 30 June 2020 RMB'000 (Unaudited) | Six months ended 30 June 2019 RMB'000 (Unaudited) |
|---|--|---|
| Employee benefit expenses | 32,383 | 29,823 |
| Depreciation and amortisation | 13,383 | 9,833 |
| Joint tuition support fee (<i>note (a)</i>) | 5,330 | 4,945 |
| Office expenses | 3,747 | 3,618 |
| Student activities expenses | 611 | 1,366 |
| Canteen purchases | 519 | 3,358 |
| Expenses in relation to the Listing | — | 4,207 |
| Professional fees | 2,941 | 1,529 |
| Government subsidies | (500) | (680) |

- (a) The Group entered into an agreement with Chengdu University of Information Technology (“**CUIT**”), an independent third party, under which the Group would pay a joint tuition support fee to CUIT in each academic year based on 7% of the tuition fees of Gingko College of Hospitality Management (formerly known as Yingxing Hospitality Management College of CUIT) (“**Yinxing College**”). Such fees have been charged to “cost of sales” in this interim condensed consolidated statement of comprehensive income.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020

(All amounts expressed in RMB thousands unless otherwise stated)

9 Finance expenses — net

| | Six months ended 30 June 2020 RMB'000 (Unaudited) | Six months ended 30 June 2019 RMB'000 (Unaudited) |
|--|--|---|
| Finance expenses: | | |
| — Interest expenses on borrowings | (13,577) | (3,945) |
| — Interest expenses on lease liabilities (<i>Note 13</i>) | (37) | — |
| | (13,614) | (3,945) |
| — Amounts capitalised in qualifying assets (<i>Note 14(b)</i>) | 12,776 | 3,372 |
| | (838) | (573) |
| Finance income: | | |
| — Bank interest income | 93 | 133 |
| Net finance expenses | (745) | (440) |

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is 7.26% for the six months ended 30 June 2020 (for the six months ended 30 June 2019: 7.63%), which is the interest rate applicable to the Group's borrowings for construction in progress during the period.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020
(All amounts expressed in RMB thousands unless otherwise stated)

10 Income tax expenses

| | Six months ended 30 June 2020 RMB'000 (Unaudited) | Six months ended 30 June 2019 RMB'000 (Unaudited) |
|---------------------------------------|--|---|
| Current tax | | |
| Current tax on profits for the period | <u>178</u> | <u>163</u> |

(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 2020.

(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 period.

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 policies 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 period 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 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 period (for the six months ended 30 June 2019: nil).

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020
(All amounts expressed in RMB thousands unless otherwise stated)

11 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 2020 (Unaudited) | Six months ended 30 June 2019 (Unaudited) |
|--|--|--|
| Basic and diluted earnings per share attributable to the ordinary equity holders of the Company (RMB Yuan) | <u>0.04</u> | <u>0.05</u> |

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

| | Six months ended 30 June 2020 RMB'000 (Unaudited) | Six months ended 30 June 2019 RMB'000 (Unaudited) |
|--|--|---|
| Basic and diluted earnings per share Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share | <u>20,783</u> | <u>22,977</u> |

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

| | Six months ended 30 June 2020 (Unaudited) | Six months ended 30 June 2019 (Unaudited) |
|--|--|--|
| Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share (thousands) | <u>500,000</u> | <u>488,260</u> |

12 Dividend

No dividend has been paid or declared by the Group for the six months ended 30 June 2020 and 2019, nor has any dividend been proposed subsequent to 30 June 2020.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020
(All amounts expressed in RMB thousands unless otherwise stated)

13 Leases

| | 30 June 2020 RMB'000 (Unaudited) | 31 December 2019 RMB'000 (Audited) |
|---------------------------------------|---|---|
| Right-of-use assets | | |
| — Land use rights (<i>note (a)</i>) | 69,320 | 70,177 |
| — Buildings | 1,853 | — |
| | 71,173 | 70,177 |
| Lease liabilities | | |
| — Current | 1,088 | — |
| — Non-current | 787 | — |
| | 1,875 | — |

- (a) As at 30 June 2019, land use rights with an aggregate carrying amount of approximately RMB3,886,000 (as at 31 December 2019: approximately RMB3,936,000) was pledged to secure bank borrowings of RMB320,000,000 (Note 19(a)).

The interim condensed consolidated statement of comprehensive income shows the following amounts relating to leases:

| | Six months ended 30 June 2020 RMB'000 (Unaudited) | Six months ended 30 June 2019 RMB'000 (Unaudited) |
|---|--|---|
| Depreciation of right-of-use assets | | |
| — Land use rights | 857 | 628 |
| — Buildings | 265 | — |
| | 1,122 | 628 |
| Interest expenses (<i>Note 9</i>) | 37 | — |
| Expenses relating to short-term leases | — | 121 |
| Expenses relating to leases of low-value assets | 5 | 5 |
| | 42 | 126 |

The total cash payment for leases during the period was approximately RMB254,000.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020
(All amounts expressed in RMB thousands unless otherwise stated)

14 Property, plant and equipment

| | (Unaudited) | | | | | | | Total RMB'000 |
|---|----------------------|-----------------------|------------------------------------|-------------------------------------|---------------------|------------------|--|------------------|
| | Buildings RMB'000 | Decoration RMB'000 | Electronic equipment RMB'000 | Furniture and fixture RMB'000 | Vehicles RMB'000 | Books RMB'000 | Construction in progress RMB'000 | |
| As at 1 January 2019 | | | | | | | | |
| Cost | 331,076 | 21,945 | 19,072 | 49,641 | 2,501 | 6,231 | 60,011 | 490,477 |
| Accumulated depreciation | (49,173) | (5,225) | (16,385) | (34,704) | (1,772) | (3,623) | — | (110,882) |
| Net book amount | 281,903 | 16,720 | 2,687 | 14,937 | 729 | 2,608 | 60,011 | 379,595 |
| Six months ended 30 June 2019 | | | | | | | | |
| Opening net book amount as at 1 January 2019 | 281,903 | 16,720 | 2,687 | 14,937 | 729 | 2,608 | 60,011 | 379,595 |
| Additions | — | — | 3,391 | 293 | — | — | 19,686 | 23,370 |
| Disposals | — | — | — | — | — | — | — | — |
| Depreciation charge | (3,462) | (1,829) | (450) | (2,286) | (86) | (871) | — | (8,984) |
| Closing net book amount as at 30 June 2019 | 278,441 | 14,891 | 5,628 | 12,944 | 643 | 1,737 | 79,697 | 393,981 |
| As at 30 June 2019 | | | | | | | | |
| Cost | 331,076 | 21,945 | 22,463 | 49,934 | 2,501 | 6,231 | 79,697 | 513,847 |
| Accumulated depreciation | (52,635) | (7,054) | (16,835) | (36,990) | (1,858) | (4,494) | — | (119,866) |
| As at 30 June 2019 | 278,441 | 14,891 | 5,628 | 12,944 | 643 | 1,737 | 79,697 | 393,981 |

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020
(All amounts expressed in RMB thousands unless otherwise stated)

14 Property, plant and equipment (Continued)

| | (Unaudited) | | | | | | | Total RMB'000 |
|--|----------------------|-----------------------|------------------------------------|-------------------------------------|---------------------|------------------|--|------------------|
| | Buildings RMB'000 | Decoration RMB'000 | Electronic equipment RMB'000 | Furniture and fixture RMB'000 | Vehicles RMB'000 | Books RMB'000 | Construction in progress RMB'000 | |
| As at 1 January 2020 | | | | | | | | |
| Cost | 437,099 | 23,586 | 27,091 | 60,230 | 2,913 | 9,336 | 388,659 | 948,914 |
| Accumulated depreciation | (56,573) | (8,957) | (17,794) | (39,810) | (1,961) | (5,237) | — | (130,332) |
| Net book amount | <u>380,526</u> | <u>14,629</u> | <u>9,297</u> | <u>20,420</u> | <u>952</u> | <u>4,099</u> | <u>388,659</u> | <u>818,582</u> |
| Six months ended 30 June 2020 | | | | | | | | |
| Opening net book amount as at 1 January 2020 | 380,526 | 14,629 | 9,297 | 20,420 | 952 | 4,099 | 388,659 | 818,582 |
| Additions | — | 588 | 1,988 | 5,123 | 249 | — | 54,044 | 61,992 |
| Disposals | — | — | (2,413) | (2,819) | (3) | — | — | (5,235) |
| Depreciation charge | (4,895) | (1,987) | (913) | (3,067) | (134) | (1,058) | — | (12,054) |
| Closing net book amount as at 30 June 2020 | <u>375,631</u> | <u>13,230</u> | <u>7,959</u> | <u>19,657</u> | <u>1,064</u> | <u>3,041</u> | <u>442,703</u> | <u>863,285</u> |
| As at 30 June 2020 | | | | | | | | |
| Cost | 437,099 | 24,174 | 26,499 | 62,336 | 3,069 | 9,336 | 442,703 | 1,005,216 |
| Accumulated depreciation | (61,468) | (10,944) | (18,540) | (42,679) | (2,005) | (6,295) | — | (141,931) |
| As at 30 June 2020 | <u>375,631</u> | <u>13,230</u> | <u>7,959</u> | <u>19,657</u> | <u>1,064</u> | <u>3,041</u> | <u>442,703</u> | <u>863,285</u> |

- (a) Construction-in-progress mainly comprises buildings under construction in the PRC.
- (b) During the six months ended 30 June 2020, the Group capitalised interest on borrowings amounting to approximately RMB12,776,000 (for the six months ended 30 June 2019: approximately RMB3,372,000) on qualifying assets (Note 9).
- (c) As at 30 June 2020, construction in progress with an aggregate carrying amount of approximately RMB125,000,000 (as at 31 December 2019: approximately RMB118,801,000) was pledged to secure bank borrowings of RMB320,000,000 (Note 19(a)).

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020
(All amounts expressed in RMB thousands unless otherwise stated)

15 Intangible assets

| | Computer software RMB'000 (Unaudited) |
|--|--|
| As at 1 January 2019 | |
| Cost | 4,557 |
| Accumulated amortisation | (3,687) |
| Net book amount | 870 |
| Six months ended 30 June 2019 | |
| Opening net book amount as at 1 January 2019 | 870 |
| Additions | 552 |
| Amortisation charge | (221) |
| Closing net book amount as at 30 June 2019 | 1,201 |
| As at 30 June 2019 | |
| Cost | 5,109 |
| Accumulated amortisation | (3,908) |
| Net book amount | 1,201 |
| | Computer software RMB'000 (Unaudited) |
| As at 1 January 2020 | |
| Cost | 5,579 |
| Accumulated amortisation | (4,166) |
| Net book amount | 1,413 |
| Six months ended 30 June 2020 | |
| Opening net book amount as at 1 January 2020 | 1,413 |
| Additions | 151 |
| Amortisation charge | (207) |
| Closing net book amount as at 30 June 2020 | 1,357 |
| As at 30 June 2020 | |
| Cost | 5,730 |
| Accumulated amortisation | (4,373) |
| Net book amount | 1,357 |

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020
(All amounts expressed in RMB thousands unless otherwise stated)

16 Trade and other receivables

| | 30 June 2020 RMB'000 (Unaudited) | 31 December 2019 RMB'000 (Audited) |
|--------------------------|---|---|
| Trade receivables | | |
| — Due from students | 26 | 1,414 |
| — Due from others | 18 | 31 |
| | <u>44</u> | <u>1,445</u> |
| Other receivables | | |
| — Staff advances | 571 | 548 |
| — Others | 3,632 | 2,847 |
| | <u>4,203</u> | <u>3,395</u> |
| | <u>4,247</u> | <u>4,840</u> |

As at 30 June 2020 and 31 December 2019, the aging analysis of the trade receivables based on the recognition date is as follows:

| | 30 June 2020 RMB'000 (Unaudited) | 31 December 2019 RMB'000 (Audited) |
|------------------|---|---|
| Less than 1 year | 31 | 1,445 |
| Over 1 year | 13 | — |
| | <u>44</u> | <u>1,445</u> |

As at 30 June 2020 and 31 December 2019, trade receivables of RMB44,000 and RMB1,445,000 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 2020 RMB'000 (Unaudited) | 31 December 2019 RMB'000 (Audited) |
|------------------|---|---|
| Less than 1 year | 31 | 1,445 |
| Over 1 year | 13 | — |
| | <u>44</u> | <u>1,445</u> |

Notes to the Condensed Consolidated Interim Financial Information

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(All amounts expressed in RMB thousands unless otherwise stated)

17 Prepayments

| | 30 June 2020 RMB'000 (Unaudited) | 31 December 2019 RMB'000 (Audited) |
|--|---|---|
| Prepayments for purchases of property, plant and equipment | 17,490 | 9,843 |
| Prepayments for student related and other expenses | 2,849 | 1,211 |
| Prepayments for joint tuition support fee | — | 5,330 |
| Less: non-current portion of prepayments | (17,490) | (9,843) |
| | 2,849 | 6,541 |

18 Accruals and other payables

| | 30 June 2020 RMB'000 (Unaudited) | 31 December 2019 RMB'000 (Audited) |
|---|---|---|
| Payables for purchases of property, plant and equipment | 102,160 | 101,347 |
| Miscellaneous fees received from students (<i>note (a)</i>) | 9,363 | 11,139 |
| Refundable boarding fees | 3,465 | — |
| Government subsidies payable to students (<i>note (b)</i>) | 1,997 | 2,614 |
| Salary and welfare payables | 730 | 7,776 |
| Interest payable | 164 | 402 |
| Other taxes payable | 111 | 172 |
| Auditors' remuneration | — | 1,300 |
| Others | 7,845 | 8,909 |
| | 125,835 | 133,659 |

- (a) The amounts represent the miscellaneous fees received from students which would be paid out by the Group on behalf of the students.
- (b) 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.
- (c) All accruals and other payables of the Group were denominated in RMB and HKD.
- (d) As at 30 June 2020 and 31 December 2019, the fair values of accruals and other payables approximate their carrying amounts due to their short-term maturities.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020
(All amounts expressed in RMB thousands unless otherwise stated)

19 Borrowings

| | 30 June 2020 RMB'000 (Unaudited) | 31 December 2019 RMB'000 (Audited) |
|--|---|---|
| Current: | | |
| — Secured bank borrowings (a) | — | 70,000 |
| — Secured loans from third parties (b) | 39,890 | 18,232 |
| | <u>39,890</u> | <u>88,232</u> |
| Non-current: | | |
| — Secured bank borrowings (a) | 320,000 | 320,000 |
| — Secured loans from third parties (b) | 65,618 | 15,434 |
| | <u>385,618</u> | <u>335,434</u> |
| Total borrowings | <u>425,508</u> | <u>423,666</u> |

- (a) As at 30 June 2020 and 31 December 2019, bank borrowings of RMB320,000,000 were secured by the Group's construction in progress with a net book value of approximately RMB125,000,000 and RMB118,801,000 (Note 14(c)) and land use rights with a net book value of approximately RMB3,886,000 and RMB3,936,000 (Note 13(a)), corporate guarantees from the Company and a wholly-owned subsidiary of the Company, Chengdu Yinxing Education Management Co., Ltd. ("**Yinxing Education**"), and pledged with right over the tuition fees and boarding fees.

As at 31 December 2019, bank borrowings of RMB70,000,000 were secured by corporate guarantees from the Company, a consolidated affiliated entity of the Company, Gingko Asset Management Co., Ltd. ("**Gingko Asset Management**") and Yinxing Education.

- (b) As at 30 June 2020, loans from a third party of RMB79,000,000 were secured by a refundable security deposit of RMB9,000,000 and were secured by corporate guarantees from the Company and Gingko Asset Management; and loans from another third party of approximately RMB26,508,000 were secured by a refundable security deposit of RMB7,000,000 and were secured by corporate guarantees from Gingko Asset Management and Yinxing Education. Upon maturity of the borrowings, the Group and the lender intend to net settle the borrowing with the security deposit. As a result, the Group's borrowings have been presented net of the cash on deposit.

As at 31 December 2019, loans from a third party of approximately RMB33,666,000 were secured by a refundable security deposit of RMB7,000,000 and were secured by corporate guarantees from Gingko Asset Management and Yinxing Education.

- (c) The weighted average effective interest rates (per annum) were as follows:

| | 30 June 2020 RMB'000 (Unaudited) | 31 December 2019 RMB'000 (Audited) |
|--------------------------|--|--|
| Bank borrowings | 6.90% | 6.33% |
| Loans from third parties | <u>12.66%</u> | <u>12.68%</u> |

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For the six months ended 30 June 2020
(All amounts expressed in RMB thousands unless otherwise stated)

19 Borrowings (Continued)

(d) The maturity date of the borrowing was analysed as follows:

| | 30 June 2020 RMB'000 (Unaudited) | 31 December 2019 <i>RMB'000</i> (Audited) |
|-----------------------|---|---|
| Less than 1 year | 39,890 | 88,232 |
| Between 1 and 2 years | 50,519 | 15,434 |
| Between 2 and 5 years | 198,699 | 153,600 |
| Over 5 years | 136,400 | 166,400 |
| | 425,508 | 423,666 |

(e) The carrying amounts of the borrowings were denominated in RMB.

(f) The carrying amount of current borrowings approximated their fair values due to their short-term maturities, and non-current borrowings approximated their fair values as they were carried at floating interest rates.

20 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 2020 RMB'000 (Unaudited) | 31 December 2019 <i>RMB'000</i> (Audited) |
|---|---|--|
| Commitments for acquisition of property, plant and equipment | 16,889 | 40,403 |

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020
(All amounts expressed in RMB thousands unless otherwise stated)

20 Commitments (Continued)

(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 low value operating leases as follows:

| | 30 June 2020 RMB'000 (Unaudited) | 31 December 2019 RMB'000 (Audited) |
|----------------------|---|---|
| No later than 1 year | <u>5</u> | <u>10</u> |

21 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, common significant influence or joint control.

The owners, members of key management and their close family members of the Group are also considered as related parties. In the opinion of the directors, the related party transactions were carried out in normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Names and relationships with related parties

The following companies are related parties of the Group that had balances and/or transactions with the Group during the period.

| Name of related parties | Relationship with the Group |
|---|--|
| Chengdu Gingko Hotel Management Co., Ltd. (成都银杏酒店管理有限公司) | A company controlled by the Controlling Shareholder |

- (i) The entities shown above do not have official English names and their Chinese names have been translated into English, for reference only, by the directors on a best effort basis.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020
(All amounts expressed in RMB thousands unless otherwise stated)

21 Related party transactions (Continued)

(b) Transactions with related parties

Other than those related party transactions as disclosed in elsewhere in these consolidated financial statements, during the period, the Group had the following significant transactions with related parties.

| | Six months ended 30 June 2020 RMB'000 (Unaudited) | Six months ended 30 June 2019 RMB'000 (Unaudited) |
|--|--|---|
| Purchases of goods and services — Chengdu Gingko Hotel Management Co., Ltd. (成都银杏酒店管理有限公司) | <u>14</u> | <u>5</u> |

(c) Key management compensation

Key management compensation for the period, other than those relating to the emoluments of directors, are set out below:

| | Six months ended 30 June 2020 RMB'000 (Unaudited) | Six months ended 30 June 2019 RMB'000 (Unaudited) |
|-------------------------------------|--|---|
| Wages, salaries and bonuses | 1,411 | 1,073 |
| Contributions to pension plans | 78 | 51 |
| Welfare, medical and other expenses | 116 | 104 |
| | <u>1,605</u> | <u>1,228</u> |

22 Contingent liabilities

At 30 June 2020, the Group had no material contingent liabilities (31 December 2019: nil).

23 Events occurring after reporting period

Subsequent to 30 June 2020 and up to the date of this financial information, the Group had no material subsequent events which have not been reflected in the interim financial information.