

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



China Ginkgo 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 2022

The board (the “**Board**”) of directors (the “**Directors**”) of China Ginkgo 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 2022 (the “**Reporting Period**”), together with the comparative figures for the six months ended 30 June 2021 (the “**Previous Period**”) as below.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2022

		Six months ended 30 June 2022 <i>RMB'000</i> (Unaudited)	Six months ended 30 June 2021 <i>RMB'000</i> (Unaudited)
	<i>Note</i>		
Revenue	5	134,109	108,628
Cost of sales		(54,467)	(55,290)
Gross profit		79,642	53,338
Selling expenses		(1,396)	(1,700)
Administrative expenses		(22,644)	(23,086)
Other income		1,714	496
Other gains/(losses) – net		2,252	(740)
Operating profit		59,568	28,308
Finance income		147	98
Finance expenses		(7,546)	(5,369)
Finance expenses – net		(7,399)	(5,271)
Profit before income tax		52,169	23,037
Income tax expenses	6	(389)	(263)
Profit for the period		51,780	22,774
Total comprehensive income for the period		51,780	22,774
Profit and total comprehensive income attributable to owners of the Company		51,780	22,774
Earnings per share for profit attributable to owners of the Company			
Basic and diluted earnings per share (<i>RMB Yuan</i>)	7	0.10	0.05

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2022

		As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
	<i>Note</i>		
ASSETS			
Non-current assets			
Right-of-use assets		67,535	68,776
Property, plant and equipment		1,021,804	961,342
Intangible assets		1,418	1,459
Prepayments		2,354	4,142
		<u>1,093,111</u>	<u>1,035,719</u>
Current assets			
Inventories		337	355
Trade and other receivables	9	5,075	5,206
Prepayments		2,368	4,005
Cash and cash equivalents		90,071	156,305
		<u>97,851</u>	<u>165,871</u>
Total assets		<u>1,190,962</u>	<u>1,201,590</u>
EQUITY			
Share capital		4,321	4,321
Share premium		134,042	134,042
Reserves		67,558	67,558
Retained earnings		397,521	345,741
Total equity		<u>603,442</u>	<u>551,662</u>
LIABILITIES			
Non-current liabilities			
Borrowings		315,841	313,271
Lease liabilities		362	655
Deferred government grants		15,022	17,322
		<u>331,225</u>	<u>331,248</u>

		As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Current liabilities			
Accruals and other payables	<i>10</i>	103,476	111,768
Amounts due to a related party		5	–
Borrowings		146,263	75,075
Lease liabilities		567	661
Contract liabilities	<i>5</i>	5,054	130,281
Current income tax liabilities		930	895
		<u>256,295</u>	<u>318,680</u>
Total liabilities		<u>587,520</u>	<u>649,928</u>
Total equity and liabilities		<u>1,190,962</u>	<u>1,201,590</u>

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 Act, 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 the Board on 26 August 2022.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation

This condensed consolidated interim financial information for the Reporting Period 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 2021, 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 2021, as described in those annual financial statements.

(a) *New and amended standards adopted by the Group*

A number of amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

		Effective for accounting periods beginning on or after
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKAS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
AG 5 (Revised)	Merger Accounting for Common Control Combinations	1 January 2022
Annual Improvements to HKFRS Standards 2018 – 2020		1 January 2022

(b) *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 2022 and have not been early adopted by the Group:*

		Effective for accounting periods beginning on or after
HKAS 17	Insurance contracts	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HK Int 5 (2020)	Presentation of Financial Statements-Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023

		Effective for accounting periods beginning on or after
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is assessing the full impact of the new standards, new interpretations and amendments to standards and interpretations.

4 Segment information

The Group is principally engaged in provision of private higher education services and operation of an educational hotel 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 2021. Accordingly, the Group's operating and reportable segments for segment reporting purpose are as follows during the Reporting Period:

- i. the "higher education" engages in provision of higher education and related services in the PRC; and
- ii. the "hotel operation" engages in provision of hotel operations and management services in the PRC.

For the purposes of monitoring segment performances and allocating resources between segments, segment operating profit represents the operating profit earned by each segment. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Assets dedicated to a particular segment's operations are included in that segment's assets. No analysis of segment liabilities is presented as they are not regularly provided to the CODM.

The segment information provided to the CODM for the reportable segments for the period ended 30 June 2022 and 2021 are as follows:

	Higher education <i>RMB'000</i> (Unaudited)	Hotel operation <i>RMB'000</i> (Unaudited)	Unallocated <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
For six months ended 30 June 2022				
Revenue	133,323	786	–	134,109
Segment operating profit/(loss)	<u>66,042</u>	<u>(4,191)</u>	<u>(2,283)</u>	<u>59,568</u>
Finance expenses – net	(7,113)	(221)	(65)	(7,399)
Profit/(loss) before income tax	<u>58,929</u>	<u>(4,412)</u>	<u>(2,348)</u>	<u>52,169</u>
Income tax expenses				<u>(389)</u>
Profit for the period				<u><u>51,780</u></u>
	Higher education <i>RMB'000</i> (Unaudited)	Hotel operation <i>RMB'000</i> (Unaudited)	Unallocated <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
As at 30 June 2022				
Segment assets	950,749	200,876	39,337	1,190,962
Other segment information				
For six months ended 30 June 2022				
Capital expenditures	72,552	508	–	73,060
Depreciation and amortisation	15,982	777	1,289	18,048

	Higher education <i>RMB'000</i> (Unaudited)	Hotel operation <i>RMB'000</i> (Unaudited)	Unallocated <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
For six months ended 30 June 2021				
Revenue	108,215	413	–	108,628
Segment operating profit/(loss)	<u>38,412</u>	<u>(5,142)</u>	<u>(4,962)</u>	<u>28,308</u>
Finance expenses – net	(4,767)	(280)	(224)	(5,271)
Profit/(loss) before income tax	<u>33,645</u>	<u>(5,422)</u>	<u>(5,186)</u>	<u>23,037</u>
Income tax expenses				<u>(263)</u>
Profit for the period				<u><u>22,774</u></u>

	Higher education <i>RMB'000</i> (Unaudited)	Hotel operation <i>RMB'000</i> (Unaudited)	Unallocated <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
As at 30 June 2021				
Segment assets	859,347	202,643	47,095	1,109,085

Other segment information

For six months ended 30 June 2021				
Capital expenditures	72,365	695	–	73,060
Depreciation and amortisation	14,121	815	1,513	16,449

5 Revenue

Revenues during the six months ended 30 June 2022 and 2021 are as follows:

	Six months ended 30 June 2022 RMB'000 (Unaudited)	Six months ended 30 June 2021 RMB'000 (Unaudited)
Tuition fees	116,774	92,586
Boarding fees	9,778	6,983
Meal catering service fees	3,448	4,646
Others (<i>note (a)</i>)	4,109	4,413
	<u>134,109</u>	<u>108,628</u>

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

Revenue represented by:

	Six months ended 30 June 2022 RMB'000 (Unaudited)	Six months ended 30 June 2021 RMB'000 (Unaudited)
Recognised over time		
Tuition fees	116,774	92,586
Boarding fees	9,778	6,983
Others	4,109	4,413
Recognised at a point in time		
Meal catering service fees	3,448	4,646
	<u>134,109</u>	<u>108,628</u>

No customers individually accounted for more than 10% of the Group's revenue for the six months ended 30 June 2022 and 2021.

Contract liabilities

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

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Contract liabilities related to tuition fees	1,121	116,927
Contract liabilities related to boarding fees	1,430	11,215
Others	2,503	2,139
	<u>5,054</u>	<u>130,281</u>

(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 2022 RMB'000 (Unaudited)	Six months ended 30 June 2021 RMB'000 (Unaudited)
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year		
Tuition fees	116,021	91,600
Boarding fees	8,690	6,983
Others	1,881	623
	<u>126,592</u>	<u>99,206</u>

(2) *Unsatisfied contracts*

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Expected to be recognised within one year		
Tuition fees	1,121	116,927
Boarding fees	1,430	11,215
Others	2,503	2,139
	5,054	130,281

6 Income tax expenses

	Six months ended 30 June 2022 RMB'000 (Unaudited)	Six months ended 30 June 2021 RMB'000 (Unaudited)
Current tax		
Current tax on profits for the period	389	263

(i) Cayman Islands corporate income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act 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 profit 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 Reporting Period.

(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, Ginkgo College of Hospitality Management (formerly known as Yinxing Hospitality Management College of Chengdu University of Information Technology (“**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 Reporting Period (Previous Period: nil).

(v) **PRC withholding income tax**

The profits of subsidiaries of the Group in the PRC are subject to PRC withholding income tax at a rate of 10% for both the Reporting Period and Previous Period upon the distribution of such profits to the foreign investors in Hong Kong. Deferred income tax liabilities have not been provided for in this regard since it is not expected that dividends will be distributed from the Group’s subsidiaries in the PRC to foreign investors in the foreseeable future. In the opinion of the Directors, such remaining earnings will be retained in Mainland China for the expansion of the Group’s operation.

7 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 Reporting Period.

	Six months ended 30 June 2022 (Unaudited)	Six months ended 30 June 2021 (Unaudited)
Basic and diluted earnings per share attributable to the ordinary equity holders of the Company (RMB Yuan)	<u><u>0.10</u></u>	<u><u>0.05</u></u>

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

	Six months ended 30 June 2022 RMB'000 (Unaudited)	Six months ended 30 June 2021 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>51,780</u>	<u>22,774</u>

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

	Six months ended 30 June 2022 (Unaudited)	Six months ended 30 June 2021 (Unaudited)
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share (<i>thousands</i>)	<u>500,000</u>	<u>500,000</u>

8 Dividend

No dividend has been paid or declared by the Group during the six months ended 30 June 2022 and 2021, nor has any dividend been proposed subsequent to 30 June 2022.

9 Trade and other receivables

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Trade receivables		
– Due from students	51	146
– Due from others	<u>354</u>	<u>94</u>
	<u>405</u>	<u>240</u>
Other receivables		
– Deposit	2,220	2,619
– Others	<u>2,450</u>	<u>2,347</u>
	<u>4,670</u>	<u>4,966</u>
	<u><u>5,075</u></u>	<u><u>5,206</u></u>

As at 30 June 2022 and 31 December 2021, the aging analysis of the trade receivables based on the recognition date is as follows:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Less than 1 year	<u><u>405</u></u>	<u><u>240</u></u>

As at 30 June 2022 and 31 December 2021, trade receivables of RMB405,000 and RMB240,000 were past due but not impaired. These primarily relate to a number of independent students, and based on past experience and management's assessment, the overdue amounts can be recovered. The aging analysis of these trade receivables is as follows:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Less than 1 year	<u><u>405</u></u>	<u><u>240</u></u>

10 Accruals and other payables

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Payables for purchases of property, plant and equipment	63,430	66,545
Miscellaneous fees received from students (<i>note (a)</i>)	11,740	18,121
Government subsidies payable to students (<i>note (b)</i>)	9,130	2,430
Accrued expenses	4,417	5,070
Other taxes payable	2,339	1,807
Interest payable	1,145	702
Salary and welfare payables	1,049	6,888
Auditors' remuneration payable	–	980
Others	10,226	9,225
	<u>103,476</u>	<u>111,768</u>

- (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 Hong Kong Dollars (“HKD”).
- (d) As at 30 June 2022 and 31 December 2021, the fair values of accruals and other payables approximate their carrying amounts due to their short-term maturities.

11 Commitments

(a) Capital commitments

As at 30 June 2022 and 31 December 2021, the details of the capital expenditure contracted but not provided for in the consolidated financial information are as follows:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Property, plant and equipment	<u>102,779</u>	<u>142,401</u>

(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:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
No later than 1 year	10	10
Later than 1 year and no later than 5 years	5	10
Total	15	20

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

Overview

The Group is a higher education and vocational training service provider in Sichuan Province of the PRC. The enrollment of Yinxing College for 2021/2022 school year is approximately 14,900 students, as compared with the enrollment of approximately 12,300 students for 2020/2021 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 2021/2022 school year, 2,941 students were graduated from Yinxing College in June 2022, represented an increase of 11.9% when compared with 2020/2021 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* (成都銀杏酒店職業技能培訓學校) (“**Yinxing Training School**”). Yinxing College has eight departments and offers in aggregate 27 bachelor’s degree programmes and 27 junior college diploma programmes.

The number of students enrolled in Yinxing College increased from approximately 12,300 students in 2020/2021 school year to approximately 14,900 students in 2021/2022 school year, representing an increase of 21.1% or approximately 2,600 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.

* For identification purpose only

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 periods indicated:

	Total income for the six months ended 30 June			
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)	Change <i>RMB'000</i> Increase/ (Decrease)	Change (%) Increase/ (Decrease)
Tuition fees	116,774	92,586	24,188	26.1%
Boarding fees	9,778	6,983	2,795	40.0%
Meal catering services fees	3,448	4,646	(1,198)	(25.8%)
Others ⁽¹⁾	4,109	4,413	(304)	(6.9%)
Total	<u>134,109</u>	<u>108,628</u>	<u>25,481</u>	<u>23.5%</u>

Note:

- (1) Others mainly represent revenue from research projects, training programmes and vocational training, 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 and Yinxing Training School to further develop training programmes to diversify its source of income.

Construction of new campus

In March 2019, the Group has entered into a land use rights grant contract in respect of the grant of a piece of land with site area of 333,360 square metres located in Yibin City, Sichuan Province. The land is planned to be used for the construction of the Nanxi New Campus, including an educational hotel.

In May 2019, the Group entered into a construction contract for the construction works of phase one of the Nanxi New Campus (the “**Construction Project**”). The Construction Project mainly encompasses the construction of educational hotels, classroom buildings, a canteen, dormitories and other facilities. As at 30 June 2022, most parts of the Construction Project were completed and put into services, including an educational hotel, a classroom building, a canteen, four dormitories, a basketball court and a badminton court.

Expansion of Yinxing College

During the Reporting Period, the Group is in the process of construction of an expansion of Yinxing College in Chengdu. The construction consists of one training building, two dormitories, one canteen and other facilities with a total gross floor area of approximately 41,000 square meters. The construction is expected to be completed and the facilities to be in used in the new academic year in 2022.

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 Group’s revenue for the Reporting Period amounted to approximately RMB134.1 million (Previous Period: RMB108.6 million), representing an increase of approximately RMB25.5 million or approximately 23.5%. Such increase was primarily due to the fact that: (i) tuition fees during the Reporting Period amounted to approximately RMB116.8 million (Previous Period: RMB92.6 million), representing an increase of approximately RMB24.2 million or approximately 26.1% because of more students admitted for the 2021/2022 school year; and (ii) boarding fees during the Reporting Period amounted to approximately RMB9.8 million (Previous Period: RMB7.0 million), representing an increase of approximately RMB2.8 million or approximately 40.0% because of more students admitted for the 2021/2022 school year and an increase in average boarding fee.

Cost of Sales

The Group’s cost of sales for the Reporting Period amounted to approximately RMB54.5 million (Previous Period: RMB55.3 million), representing a decrease of approximately RMB0.8 million or approximately 1.5%. The decrease in cost of sales was primarily due to i) lower student subsidies, ii) lower joint tuition fee paid to CUIT as the Group is not required to pay such fee for newly enrolled students from 2020/2021 onwards and iii) outsourcing canteen operation to third parties so as to achieve a better cost optimization management.

Gross Profit and Gross Profit Margin

The Group's gross profit for the Reporting Period amounted to RMB79.6 million (Previous Period: RMB53.3 million), representing an increase of approximately RMB26.3 million or approximately 49.3%. The Group's gross profit margin during the Reporting Period was approximately 59.4%, representing an increase of approximately 21.0% as compared with the gross profit margin of 49.1% in the Previous Period. Such increase was mainly due to the combined effect of the increase in the revenue and the decrease in cost of sales during the Reporting Period.

Selling Expenses

The Group's selling expenses primarily consist of expenses related to relevant publicity of our College, including student recruitment activities and promotional and advertising expenses. During the Reporting Period, the Group's selling expenses amounted to approximately RMB1.4 million (Previous Period: RMB1.7 million).

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. During the Reporting Period, the Group's administrative expenses amounted to approximately RMB22.6 million (Previous Period: RMB23.1 million), which remain relatively stable as compared with the Previous Period.

Other Income

The Group's other income during the Reporting Period amounted to approximately RMB1.7 million (Previous Period: RMB0.5 million). Such increase was primarily due to the government subsidy amounted to RMB1.0 million received during the Reporting Period.

Other Gains/(Losses) – net

During the Reporting Period, the Group's net other gains/(loss) amounted to approximately RMB2.3 million (Previous Period: (RMB0.7 million)), such increase was primarily attributed to a RMB2.5 million foreign exchange gains for the Reporting Period.

Finance Expenses – net

During the Reporting Period, the Group's net finance expenses amounted to approximately RMB 7.4 million (Previous Period: RMB5.3 million). Such increase was mainly attributable to the increase in the Group borrowing and the decrease in interest expenses capitalised in qualifying assets.

Income Tax Expenses

The Group's income tax expenses for the Reporting Period amounted to approximately RMB0.4 million (Previous Period: RMB0.3 million).

Profit for the Period

As a result of the foregoing, the Group's profit increased by approximately 127.4% from approximately RMB22.8 million for the Previous Period to approximately RMB51.8 million for the Reporting Period.

Financial Resources Review

Liquidity, Financial Resources and Capital Structure

As at 30 June 2022, the Group's cash and cash equivalents amounted to RMB90.1 million (2021: RMB156.3 million), representing a decrease of approximately RMB66.2 million.

Net cash used in operating activities were RMB53.8 million for the Reporting Period, as compared with net cash used in operating activities of RMB72.3 million for the Previous Period. Net cash used in investing activities were RMB72.5 million for the Reporting Period, as compared with net cash used in investing activities of RMB22.4 million for the Previous Period. Net cash generated from financing activities were RMB57.8 million for the Reporting Period, as compared with net cash generated from financing activities of RMB23.3 million for the Previous Period.

As at 30 June 2022, the Group's borrowings amounted to approximately RMB462.1 million (31 December 2021: RMB388.3 million), representing secured and unsecured bank borrowings of RMB344.4 million (31 December 2021: RMB320.0 million) and secured loans from financial institution of RMB117.7 million (31 December 2021: RMB68.3 million). As at 30 June 2022, the Group's borrowings of RMB146.3 million (31 December 2021: RMB75.1 million) would mature within 1 year, RMB92.1 million (31 December 2021: RMB73.4 million) would mature between 1 and 2 years, RMB200.5 million (31 December 2021: RMB193.4 million) would mature between 2 and 5 years and RMB23.2 million (31 December 2021: RMB46.4 million) would mature over 5 years. The Group's borrowings were denominated in RMB and carried at floating interest rates as at 30 June 2022.

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 2022, the Group's gearing ratio was 61.7% (31 December 2021: 42.1%).

As at 30 June 2022, the Group had net current liabilities of RMB158.4 million, as compared with net current liabilities of RMB152.8 million as at 31 December 2021 which was primarily attributable to combined effect of the increase in short-term borrowings and the decrease of cash and cash equivalents as well as the recognition of revenue during the Reporting Period in respect of the contract liabilities received from students 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 Reporting Period.

Future Plan for Material Investments and Capital Assets

Save as disclosed in the announcement of the Company published on 5 November 2021 and this announcement, the Group did not have other plans for material investments and capital assets during the Reporting Period and up to the date of this announcement. The expected source of funding of the construction of expansion of Yinxing College will be funded by the Group's internal resources and/or borrowings.

Capital Commitments

As at 30 June 2022, the Group had contracted but not provided for capital commitments of approximately RMB102.8 million, which were primarily relating to the expansion construction in the Yinxing College, as compared with the total amount of capital expenditures contracted for but not yet incurred of RMB142.4 million as at 31 December 2021.

Currency Exposure and Management

The majority of the Group's revenue and expenditures are denominated in RMB. As at 30 June 2022, certain bank balances were denominated in RMB, United States dollars ("USD") and HKD. The Group is exposed to foreign exchange risk with respect mainly to USD and HKD 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 USD and HKD 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 2022, the Group had no material contingent liabilities.

Pledge of Assets

As at 30 June 2022, RMB20.0 million had been pledged as a refundable security deposit and RMB184.6 million of property, plant and equipment had been pledged to secure the loans from financial institution.

As at 30 June 2022, RMB196.2 million of construction in progress and buildings, RMB3.7 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 RMB294.4 million.

Employees and Remuneration Policy

As at 30 June 2022, the Group had 858 employees, as compared with 881 employees as at 31 December 2021. 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 Reporting Period.

OTHER INFORMATION

Interim Dividend

At the meeting of the Board held on 26 August 2022, the Board has resolved not to pay any interim dividend for the six months ended 30 June 2022.

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 Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). For the Reporting Period, the Company has complied with the code provisions under the CG Code, save and except for the deviation to paragraph C.2.1 of the CG Code below.

Paragraph C.2.1 of the CG Code stipulates that the roles of chairman (the “**Chairman**”) and chief executive officer (the “**CEO**”) should be separate and should not be performed by the same individual (the “**Requirement**”). During the beginning of the Reporting Period, the Chairman and CEO were 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 considered that the 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. During the Reporting Period, Mr. Fang has resigned as the CEO and remains as an executive Director and the Chairman, effective from 4 February 2022. With effect from the same day, Dr. Ma Yi has been appointed as the CEO. Following the change of CEO, the Company has complied with the Requirement and all the CG Code provisions. The Board will continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

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 Reporting Period.

Events after the Reporting Period

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 2022 up to the date of this announcement.

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 18 January 2019.

Having made specific enquiry of all the Directors, all the Directors confirmed that they had strictly complied with the required standards set out in the Model Code for the Reporting Period.

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 Reporting Period.

Audit Committee

As at the date of this announcement, the audit committee of the Company (the “**Audit Committee**”) consists of Mr. Wong Chi Keung, Mr. Jiang Qian and Mr. Yuan Jun, who are independent non-executive Directors. The chairman of the Audit Committee is Mr. Wong Chi Keung. The unaudited interim condensed consolidated financial information for the Reporting Period 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 Reporting Period 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, 26 August 2022

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Fang Gongyu, Mr. Tian Tao, Ms. Yu Yuan and Mr. Ma Xiaoming, and three independent non-executive Directors, namely Mr. Jiang Qian, Mr. Wong Chi Keung and Mr. Yuan Jun.