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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 2023

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 2023 (the “**Reporting Period**”), together with the comparative figures for the six months ended 30 June 2022 (the “**Previous Period**”) as below.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	<i>Note</i>	Six months ended 30 June 2023 RMB'000 (Unaudited)	Six months ended 30 June 2022 RMB'000 (Unaudited)
Revenue	5	184,275	134,109
Cost of sales		<u>(67,866)</u>	<u>(54,467)</u>
Gross profit		116,409	79,642
Selling expenses		(948)	(1,396)
Administrative expenses		(25,369)	(22,644)
Other income		1,772	1,714
Other gains – net		<u>1,628</u>	<u>2,252</u>
Operating profit		93,492	59,568
Finance income		487	147
Finance expenses		<u>(11,337)</u>	<u>(7,546)</u>
Finance expenses – net		<u>(10,850)</u>	<u>(7,399)</u>
Profit before income tax		82,642	52,169
Income tax expenses	6	<u>(484)</u>	<u>(389)</u>
Profit for the period		<u>82,158</u>	<u>51,780</u>
Total comprehensive income for the period		<u>82,158</u>	<u>51,780</u>
Profit and total comprehensive income attributable to owners of the Company		<u>82,158</u>	<u>51,780</u>
Earnings per share for profit attributable to owners of the Company			
Basic and diluted earnings per share (<i>RMB Yuan</i>)	7	<u>0.16</u>	<u>0.10</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2023

		As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
	<i>Note</i>		
ASSETS			
Non-current assets			
Right-of-use assets		65,331	66,474
Property, plant and equipment		1,102,537	1,115,398
Intangible assets		1,178	1,208
Prepayments		14,514	4,197
		<u>1,183,560</u>	<u>1,187,277</u>
Current assets			
Inventories		865	1,102
Trade and other receivables	9	10,561	16,952
Prepayments		1,707	3,706
Cash and cash equivalents		47,293	199,854
		<u>60,426</u>	<u>221,614</u>
Total assets		<u>1,243,986</u>	<u>1,408,891</u>
EQUITY			
Share capital		4,321	4,321
Share premium		134,042	134,042
Reserves		81,618	81,618
Retained earnings		498,847	416,689
Total equity		<u>718,828</u>	<u>636,670</u>
LIABILITIES			
Non-current liabilities			
Borrowings		304,790	257,622
Lease liabilities		–	148
Deferred government grants		14,302	14,970
		<u>319,092</u>	<u>272,740</u>

		As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Current liabilities			
Accruals and other payables	<i>10</i>	125,286	178,441
Amounts due to a related party		3,533	–
Borrowings		70,520	142,908
Lease liabilities		483	610
Contract liabilities	<i>5</i>	5,641	176,933
Current income tax liabilities		603	589
		<u>206,066</u>	<u>499,481</u>
Total liabilities		<u>525,158</u>	<u>772,221</u>
Total equity and liabilities		<u>1,243,986</u>	<u>1,408,891</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 (“**RMB'000**”), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board on 25 August 2023.

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 2022, 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 2022, 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.

Standards and amendments	Key requirements	Effective for accounting periods beginning on or after
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKFRS 17	Insurance contracts	1 January 2023

(b) *New and amended standards not yet effective and not adopted by the Group*

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 2023 and have not been early adopted by the Group:

Standards and amendments	Key requirements	Effective for accounting periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 16 (Amendments)	Lease liability in a Sale and Leaseback	1 January 2024
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	Applied when an entity applies Amendments to HKAS 1

The Group is in the process of 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 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 2022. 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;
- 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 represent 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 six months ended 30 June 2023 and 2022 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 2023				
Revenue	181,484	2,791	–	184,275
Segment operating profit/(loss)	<u>99,735</u>	<u>(3,449)</u>	<u>(2,794)</u>	<u>93,492</u>
Finance expenses – net	(10,654)	(47)	(149)	(10,850)
Profit/(loss) before income tax	<u>89,081</u>	<u>(3,496)</u>	<u>(2,943)</u>	<u>82,642</u>
Income tax expenses				<u>(484)</u>
Profit for the period				<u><u>82,158</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 2023				
Segment assets	988,219	217,175	38,592	1,243,986
Other segment information				
For six months ended 30 June 2023				
Capital expenditures	7,450	–	22	7,472
Depreciation and amortisation	18,547	2,665	305	21,517

	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)
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As at 30 June 2022

Segment assets	950,749	200,876	39,337	1,190,962
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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

5 Revenue

Revenues during the six months ended 30 June 2023 and 2022 are as follows:

	Six months ended 30 June 2023 RMB'000 (Unaudited)	Six months ended 30 June 2022 RMB'000 (Unaudited)
Tuition fees	159,946	116,774
Boarding fees	12,195	9,778
Meal catering service fees	3,567	3,448
Others (<i>note</i>)	8,567	4,109
	<u>184,275</u>	<u>134,109</u>

Note: Others mainly represent revenue from hotel, other education and vocational training programs.

Revenue represented by:

	Six months ended 30 June 2023 RMB'000 (Unaudited)	Six months ended 30 June 2022 RMB'000 (Unaudited)
Recognised over time		
Tuition fees	159,946	116,774
Boarding fees	12,195	9,778
Others	8,567	4,109
Recognised at a point in time		
Meal catering service fees	3,567	3,448
	<u>184,275</u>	<u>134,109</u>

No customers individually accounted for more than 10% of the Group's revenue for the six months ended 30 June 2023 and 2022.

Contract liabilities

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Contract liabilities related to tuition fees	887	159,564
Contract liabilities related to boarding fees	3,302	15,528
Others	1,452	1,841
	<u>5,641</u>	<u>176,933</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 2023 RMB'000 (Unaudited)	Six months ended 30 June 2022 RMB'000 (Unaudited)
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year		
Tuition fees	158,548	116,021
Boarding fees	15,447	8,690
Others	1,386	1,881
	<u>175,381</u>	<u>126,592</u>

(2) *Unsatisfied contracts*

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Expected to be recognised within one year		
Tuition fees	887	159,564
Boarding fees	3,302	15,528
Others	1,452	1,841
	<u>5,641</u>	<u>176,933</u>

6 Income tax expenses

	Six months ended 30 June 2023 RMB'000 (Unaudited)	Six months ended 30 June 2022 RMB'000 (Unaudited)
Current tax		
Current tax on profits for the period	<u>484</u>	<u>389</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 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 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 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 Reporting 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 Reporting Period and up to the date of approval of this condensed consolidated interim financial information, Gingko College of Hospitality Management (“**Yinxing College**”) has not yet registered as for-profit private schools and remain as private non-enterprise units. 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 Reporting Period (Previous Period: nil). In the event Yinxing College electing to register as for-profit private schools, Yinxing College may be subject to corporate income tax at a rate of 25% in respect of service fees they receive from the provision of academic educational services going forward, if they do not enjoy any preferential tax treatment.

(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 2023 (Unaudited)	Six months ended 30 June 2022 (Unaudited)
Basic and diluted earnings per share attributable to the ordinary equity holders of the Company (RMB Yuan)	<u><u>0.16</u></u>	<u><u>0.10</u></u>

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

	Six months ended 30 June 2023 RMB'000 (Unaudited)	Six months ended 30 June 2022 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><u>82,158</u></u>	<u><u>51,780</u></u>

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

	Six months ended 30 June 2023 (Unaudited)	Six months ended 30 June 2022 (Unaudited)
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share (thousands)	<u><u>500,000</u></u>	<u><u>500,000</u></u>

8 Dividend

No dividend has been paid or declared by the Group for the six months ended 30 June 2023 and 2022, nor has any dividend been proposed subsequent to 30 June 2023.

9 Trade and other receivables

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade receivables		
– Due from students	2,893	12,837
– Due from others	<u>2,794</u>	<u>329</u>
	<u>5,687</u>	<u>13,166</u>
Other receivables		
– Deposit	2,163	2,163
– Others	<u>2,711</u>	<u>1,623</u>
	<u>4,874</u>	<u>3,786</u>
	<u>10,561</u>	<u>16,952</u>

As at 30 June 2023 and 31 December 2022, the aging analysis of the trade receivables based on the recognition date is as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Less than 1 year	<u>5,687</u>	<u>13,166</u>

As at 30 June 2023 and 31 December 2022, trade receivables of RMB5,687,000 and RMB13,166,000 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 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Less than 1 year	<u>5,687</u>	<u>13,166</u>
10 Accruals and other payables		
	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Payables for purchases of property, plant and equipment	70,098	102,406
Miscellaneous fees received from students (<i>note (a)</i>)	13,563	34,197
Government subsidies payable to students (<i>note (b)</i>)	12,233	6,535
Accrued expenses	5,526	6,075
Other taxes payable	4,657	3,875
Salary and welfare payables	800	6,507
Interest payable	–	1,643
Auditors' remuneration payable	–	829
Others	<u>18,409</u>	<u>16,374</u>
	<u>125,286</u>	<u>178,441</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) As at 30 June 2023 and 31 December 2022, 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 2023 and 31 December 2022, the details of the capital expenditure contracted but not provided for in the consolidated financial information is as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Property, plant and equipment	<u>91,971</u>	<u>17,633</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 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
No later than 1 year	<u>5</u>	<u>10</u>

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 2022/2023 school year is approximately 19,100 students, as compared with the enrollment of approximately 14,900 students for 2021/2022 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 2022/2023 school year, 4,591 students were graduated from Yinxing College in June 2023, represented an increase of 56.1% when compared with 2021/2022 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 29 bachelor’s degree programmes and 29 junior college diploma programmes.

The number of students enrolled in Yinxing College increased as a result of its growing reputation, increased marketing efforts, as well as improved planning over 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			
	2023	2022	Increase	Increase
	RMB'000	RMB'000	RMB'000	(%)
	(Unaudited)	(Unaudited)		
Tuition fees	159,946	116,774	43,172	37.0%
Boarding fees	12,195	9,778	2,417	24.7%
Meal catering services fees	3,567	3,448	119	3.5%
Others ⁽¹⁾	8,567	4,109	4,458	108.5%
	<u>184,275</u>	<u>134,109</u>	<u>50,166</u>	<u>37.4%</u>
Total	184,275	134,109	50,166	37.4%

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 the Nanxi District, Yibin City, Sichuan Province. The land was 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 encompassed the construction of educational hotels, classroom buildings, a canteen, dormitories and other facilities, was completed in 2022.

On 29 May 2023, the Group entered into a construction contract for the construction works of the Expansion of Nanxi New Campus (the “**Expansion Project**”). The Expansion Project mainly encompasses the construction of one student dormitory and other ancillary facilities with the total gross floor area of approximately 20,715.36 square meters. Please refer to the Company’s announcement dated 5 June 2023 for further details.

The Expansion Project will be financed by the Group’s internal resources and/or bank borrowings and is expected to be completed and the facilities to be in use in the new academic year in 2024.

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 RMB184.3 million (Previous Period: approximately RMB134.1 million), representing an increase of approximately RMB50.2 million or approximately 37.4%. Such increase was primarily due to the fact that: (i) tuition fees during the Reporting Period amounted to approximately RMB159.9 million (Previous Period: RMB116.8 million), representing an increase of approximately RMB43.1 million or approximately 36.9% because of more students admitted for the 2022/2023 school year; and (ii) boarding fees during the Reporting Period amounted to approximately RMB12.2 million (Previous Period: RMB9.8 million), representing an increase of approximately RMB2.4 million or approximately 24.5% because of more students admitted for the 2022/2023 school year and an increase in average boarding fee.

Cost of Sales

Cost of sales consists primarily of teaching staff costs, depreciation and amortization, cost of cooperative education, utilities and other costs. The Group’s cost of sales for the Reporting Period amounted to approximately RMB67.9 million (Previous Period: approximately RMB54.5 million), representing an increase of approximately RMB13.4 million or approximately 24.6%.

Gross Profit and Gross Profit Margin

The Group's gross profit for the Reporting Period amounted to RMB116.4 million (Previous Period: RMB79.6 million), representing an increase of approximately RMB36.8 million or approximately 46.2%. The Group's gross profit margin during the Reporting Period was approximately 63.2% (Previous Period: approximately 59.4%). Such increase was mainly due to the effect of the increase in the revenue outweigh the increase 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 RMB0.9 million (Previous Period: approximately RMB1.4 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 RMB25.4 million (Previous Period: approximately RMB22.6 million).

Other Income

Other income and gains consist primarily of government grants and interest income. The Group's other income during the Reporting Period amounted to approximately RMB1.8 million (Previous Period: approximately RMB1.7 million).

Other Gains – net

During the Reporting Period, the Group's net other gains amounted to approximately RMB1.6 million (Previous Period: approximately RMB2.3 million), such decrease was primarily attributed to a decrease in foreign exchange gains for the Reporting Period.

Finance Expenses – net

During the Reporting Period, the Group's net finance expenses amounted to approximately RMB10.9 million (Previous Period: approximately RMB7.4 million). Such increase was mainly attributable to 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 RMB0.5 million (Previous Period: approximately RMB0.4 million).

Profit for the Period

As a result of the foregoing, the Group's profit increased by approximately 58.7% from approximately RMB51.8 million for the Previous Period to approximately RMB82.2 million for the Reporting Period.

Financial Resources Review

Liquidity, Financial Resources and Capital Structure

As at 30 June 2023, the Group's cash and cash equivalents amounted to approximately RMB47.3 million (31 December 2022: approximately RMB199.9 million), representing a decrease of approximately RMB152.6 million.

Net cash used in operating activities were approximately RMB64.9 million for the Reporting Period (Previous Period: approximately RMB53.8 million). Net cash used in investing activities were approximately RMB50.8 million for the Reporting Period (Previous Period: approximately RMB72.5 million). Net cash used in financing activities were approximately RMB38.5 million for the Reporting Period, as compared with net cash generated from financing activities of approximately RMB57.8 million for the Previous Period.

As at 30 June 2023, the Group's borrowings amounted to approximately RMB375.3 million (31 December 2022: approximately RMB400.5 million), representing secured bank borrowings of approximately RMB375.3 million (31 December 2022: approximately RMB318.8 million) and nil from secured loans from financial institution (31 December 2022: approximately RMB81.7 million). As at 30 June 2023, the Group's borrowings of approximately RMB70.5 million (31 December 2022: approximately RMB142.9 million) would mature within 1 year, approximately RMB70.0 million (31 December 2022: approximately RMB87.7 million) would mature between 1 and 2 years, approximately RMB234.8 million (31 December 2022: approximately RMB169.9 million) would mature between 2 and 5 years and none (31 December 2022: none) would mature over 5 years. The Group's borrowings were denominated in RMB and carried at floating interest rates as at 30 June 2023.

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 2023, the Group's gearing ratio was 45.6% (31 December 2022: 31.5%).

As at 30 June 2023, the Group had net current liabilities of approximately RMB145.6 million, as compared with net current liabilities of approximately RMB277.9 million as at 31 December 2022 which was primarily attributable to the combined effect of the decrease 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 herein, 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.

Capital Commitments

As at 30 June 2023, the Group had contracted but not provided for capital commitments of approximately RMB92.0 million, which were primarily relating to the expansion construction in the Nanxi New Campus (31 December 2022: approximately RMB17.6 million for property, plant and equipment).

Currency Exposure and Management

The majority of the Group's revenue and expenditures are denominated in RMB. As at 30 June 2023, 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 2023, the Group had no material contingent liabilities (31 December 2022: nil).

Pledge of Assets

As at 30 June 2023, RMB205.4 million of construction in progress and buildings, RMB3.6 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 RMB375.3 million.

Employees and Remuneration Policy

As at 30 June 2023, the Group had 800 employees (31 December 2022: 830 employees). 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 25 August 2023, the Board has resolved not to pay any interim dividend for the six months ended 30 June 2023.

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 all of the mandatory disclosure requirements and code provisions as set out in the section headed “Part 2 – Principles of good corporate governance, code provisions and recommended best practices” of 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**”). The Chairman and CEO 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 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. The Board shall review this structure from time to time to ensure appropriate and timely action to meet changing circumstances.

Purchase, Sale and Redemption of Shares

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the Reporting Period.

Events after the Reporting Period

Subsequent to 30 June 2023, in July 2023, the Group submitted the applications for Yinxing College for the election for conversion into for-profit private schools. Up to the date of this financial information, Yinxing College has not yet registered as for-profit private schools and remain as private non-enterprise units as the local governments have not started the work on assessment and approval of the registration.

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 2023 and 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, 25 August 2023

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.