



中國銀杏教育集團有限公司

China Gingko Education Group Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1851



2023 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 Xiaoming

Independent Non-executive Directors

Mr. Jiang Qian
Mr. Yuan Jun
Mr. Wong Chi Keung

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

Company Secretary

Ms. Leung Ho Yee (*resigned on 31 March 2023*)
Mr. Lau Kai Tung Justin
(*appointed on 31 March 2023*)

Authorised Representatives

Mr. Tian Tao
Ms. Leung Ho Yee (*resigned on 31 March 2023*)
Mr. Lau Kai Tung Justin
(*appointed on 31 March 2023*)

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F., Prince's Building
Central
Hong Kong

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 PEOPLE'S REPUBLIC OF CHINA

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
Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F
148 Electric Road
North Point
Hong Kong

INVESTOR RELATIONS

Phone: +852 3598 8991
Email: investorrelations@gingkoeducn.com

COMPANY WEBSITE

<http://www.chinagingkoedu.com>

LISTING INFORMATION

Place of Listing

The Main Board of The Stock Exchange of Hong Kong Limited

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 and vocational training service provider in Sichuan Province of the People’s Republic of China (the “**PRC**”). The enrollment of Gingko College of Hospitality Management (“**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 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)	Increase <i>RMB'000</i>	Increase (%)
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%
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 six months ended 30 June 2023 (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 Renminbi (“**RMB**”) 184.3 million (for the six months ended 30 June 2022 (the “**Previous Period**”): 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: 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 interim report.

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 Hong Kong Dollars (“**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 (the “**Board**”) of directors of the Company (the “**Directors**”) 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.

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 2023, 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 of Hong Kong Limited (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”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), to be notified to the Company and the Stock Exchange, are as follows:

(1) Long position in the shares of the Company (the “Shares”)

Name of Director	Nature of Interest	Number of Shares	Approximate percentage of Shareholding (Note 3)
Mr. Fang Gongyu (Note 1)	Interest in a controlled corporation	366,562,500	73.3%
Mr. Tian Tao (Note 2)	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.
- (3) The percentages are calculated on the basis of 500,000,000 Shares in issue as of 30 June 2023.

(2) Long position in the shares of associated corporation

Name of Director	Name of Associated Corporation	Nature of Interest	Number of Shares	Percentage of Shareholding
Mr. Fang	Vast Universe	Beneficial owner	1 ordinary share	100%

Save as disclosed above, as at 30 June 2023, 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 2023, 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 (Note 4)
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%

Corporate Governance and Other Information

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 Inns 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.
- (4) The percentages are calculated on the basis of 500,000,000 Shares in issue as of 30 June 2023.

Save as disclosed above, as at 30 June 2023, 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.

Save as disclosed above, as at 30 June 2023, none of the Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

PURCHASE, SALE OR 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.

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 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the Model Code 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, all the Directors confirmed that they had strictly complied with the required standards set out in the Model Code for the Reporting Period.

SHARE OPTION SCHEME

On 12 December 2018, the shareholders approved and conditionally adopted the share option scheme (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 2023 and no options were exercised or cancelled or lapsed during the Reporting Period.

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.

EVENTS AFTER THE REPORTING PERIOD

In July 2023, the Group has submitted the applications for Yinxing College's election for conversion into for-profit private schools. Up to the date of this interim report, Yinxing College has not yet been registered as for-profit private schools and remains as private non-enterprise units as the local government departments have not yet started the work on assessment and approval of the conversion.

Save as disclosed in this interim report, 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 interim report.

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 interim report, 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.

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2023
(All amounts expressed in RMB thousands unless otherwise stated)

	Note	Six months ended 30 June 2023 RMB'000 (Unaudited)	Six months ended 30 June 2022 RMB'000 (Unaudited)
Revenue	7	184,275	134,109
Cost of sales		(67,866)	(54,467)
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		1,628	2,252
Operating profit	8	93,492	59,568
Finance income	9	487	147
Finance expenses	9	(11,337)	(7,546)
Finance expenses – net		(10,850)	(7,399)
Profit before income tax		82,642	52,169
Income tax expenses	10	(484)	(389)
Profit for the period		82,158	51,780
Total comprehensive income for the period		82,158	51,780
Profit and total comprehensive income attributable to owners of the Company		82,158	51,780
Earnings per share for profit attributable to owners of the Company			
Basic and diluted earnings per share (RMB Yuan)	11	0.16	0.10

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 2023

(All amounts expressed in RMB thousands unless otherwise stated)

	Note	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
ASSETS			
Non-current assets			
Right-of-use assets	13	65,331	66,474
Property, plant and equipment	14	1,102,537	1,115,398
Intangible assets	15	1,178	1,208
Prepayments	17	14,514	4,197
		<u>1,183,560</u>	<u>1,187,277</u>
Current assets			
Inventories		865	1,102
Trade and other receivables	16	10,561	16,952
Prepayments	17	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	19	304,790	257,622
Lease liabilities	13	–	148
Deferred government grants		14,302	14,970
		<u>319,092</u>	<u>272,740</u>
Current liabilities			
Accruals and other payables	18	125,286	178,441
Amounts due to a related party	21	3,533	–
Borrowings	19	70,520	142,908
Lease liabilities	13	483	610
Contract liabilities	7	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>

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 2023
(All amounts expressed in RMB thousands unless otherwise stated)

	(Unaudited)					
	Attributable to owners of the Company					
	Share capital	Share premium	Capital reserves	Statutory surplus reserves	Retained earnings	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2022	4,321	134,042	50,000	17,558	345,741	551,662
Profit and total comprehensive income for the period	–	–	–	–	51,780	51,780
As at 30 June 2022	4,321	134,042	50,000	17,558	397,521	603,442
As at 1 January 2023	4,321	134,042	50,000	31,618	416,689	636,670
Profit and total comprehensive income for the period	–	–	–	–	82,158	82,158
As at 30 June 2023	4,321	134,042	50,000	31,618	498,847	718,828

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

Interim Condensed Consolidated Statement of Cash Flow

For the six months ended 30 June 2023
(All amounts expressed in RMB thousands unless otherwise stated)

	Six months ended 30 June 2023 RMB'000 (Unaudited)	Six months ended 30 June 2022 RMB'000 (Unaudited)
Cash flows from operating activities		
Cash used in operations	(64,898)	(53,625)
Interest received	487	147
Income tax paid	(471)	(354)
Net cash used in operating activities	(64,882)	(53,832)
Cash flows from investing activities		
Purchases of property, plant and equipment	(50,569)	(72,307)
Purchases of intangible assets	(196)	(177)
Proceeds from disposal of property, plant and equipment	3	-
Net cash used in investing activities	(50,762)	(72,484)
Cash flows from financing activities		
Proceeds from bank borrowings	375,310	50,000
Repayment of bank borrowings	(318,800)	(25,600)
Proceeds from third parties' borrowings	-	56,750
Repayment of third parties' borrowings	(81,730)	(7,392)
Interest paid	(12,956)	(15,543)
Lease payments for right-of-use assets excluding land use rights	(298)	(385)
Net cash (used in)/generated from financing activities	(38,474)	57,830
Net decrease in cash and cash equivalents	(154,118)	(68,486)
Cash and cash equivalents at beginning of the period	199,854	156,305
Effects of exchange rate changes on cash and cash equivalents	1,557	2,252
Cash and cash equivalents at end of the period	47,293	90,071

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023
(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 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, PO 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 by way of its initial public offering.

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 Board of Directors 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.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

(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 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 yet 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 1 (Amendments)	Non-current liabilities with covenants	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.

For the six months ended 30 June 2023

(All amounts expressed in RMB thousands unless otherwise stated)

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 do 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 2022.

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

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. The Group's current liabilities included contracted liabilities with total amount of RMB5,641,000 as at 30 June 2023 which will no required future cash outflows. Excluding this non-financial liabilities, the Group had net current liabilities of RMB139,999,000 as at 30 June 2023. Subsequent to 30 June 2023, the Group expects to obtain proceeds from school fees for the September 2023 school year amounting to RMB320 million by the end of September 2023. Management 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 2023.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

(All amounts expressed in RMB thousands unless otherwise stated)

4 Financial risk management (Continued)

4.2 Liquidity risk (Continued)

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 2023					
Borrowings (principal plus interests)	87,655	84,990	250,748	–	423,393
Accruals and other payables (excluding non-financial liabilities)	119,829	–	–	–	119,829
Amounts due to a related party	3,533	–	–	–	3,533
Lease liabilities	499	–	–	–	499
Total	211,516	84,990	250,748	–	547,254
(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 2022					
Borrowings (principal plus interests)	165,888	103,573	186,043	–	455,504
Accruals and other payables (excluding non-financial liabilities)	168,058	–	–	–	168,058
Lease liabilities	636	161	–	–	797
Total	334,582	103,734	186,043	–	624,359

For the six months ended 30 June 2023
(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, lease liability and current borrowings, which approximated their fair values as at the balance sheet date 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 2022.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

(All amounts expressed in RMB thousands unless otherwise stated)

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 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.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023
(All amounts expressed in RMB thousands unless otherwise stated)

6 Segment information (Continued)

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 RMB' 000 (Unaudited)	Hotel operation RMB' 000 (Unaudited)	Unallocated RMB' 000 (Unaudited)	Total RMB' 000 (Unaudited)
For six months ended 30 June 2023				
Revenue	181,484	2,791	–	184,275
Segment operating profit/(loss)	99,735	(3,449)	(2,794)	93,492
Finance expenses – net	(10,654)	(47)	(149)	(10,850)
Profit/(loss) before income tax	89,081	(3,496)	(2,943)	82,642
Income tax expenses				(484)
Profit for the period				82,158
	Higher education RMB' 000 (Unaudited)	Hotel operation RMB' 000 (Unaudited)	Unallocated RMB' 000 (Unaudited)	Total RMB' 000 (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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023
(All amounts expressed in RMB thousands unless otherwise stated)

6 Segment information (Continued)

	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>51,780</u>
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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023
(All amounts expressed in RMB thousands unless otherwise stated)

7 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
	184,275	134,109

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
	184,275	134,109

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023
(All amounts expressed in RMB thousands unless otherwise stated)

7 Revenue (Continued)

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
	5,641	176,933

(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
	175,381	126,592

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023
(All amounts expressed in RMB thousands unless otherwise stated)

7 Revenue (Continued)

Contract liabilities (Continued)

(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
	5,641	176,933

8 Operating profit

The following items have been charged/(credited) to the operating profit during the six months ended 30 June 2023 and 2022:

	Six months ended 30 June 2023 RMB'000 (Unaudited)	Six months ended 30 June 2022 RMB'000 (Unaudited)
Employee benefit expenses	45,677	43,547
Depreciation and amortization (note 13, 14 and 15)	21,517	18,048
Office expenses	5,670	4,831
Student activities expenses	4,096	640
Joint tuition support fee (note)	1,948	3,395
Training expenses	1,899	511
Property management fee	1,845	90
Traveling expenses	1,227	586
Canteen Purchase	1,155	1,336
Government subsidies	(1,171)	(1,035)

Note: 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 Yinxing 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.

In 2020, the Group successfully converted Yinxing College into a regular private higher education institution, therefore the Group no longer requires to pay a joint tuition support fee to CUIT for the tuition fees for students newly enrolled since 2020-2021 academic year. The joint tuition support fee incurred for the six months ended 30 June 2023 and 2022 represented fees paid to CUIT for the period in relation to students that were enrolled prior to 2020-2021 academic year.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023
(All amounts expressed in RMB thousands unless otherwise stated)

9 Finance expenses – net

	Six months ended 30 June 2023 RMB'000 (Unaudited)	Six months ended 30 June 2022 RMB'000 (Unaudited)
Finance expenses:		
– Interest expenses on borrowings	(11,313)	(15,986)
– Interest expenses on lease liabilities (<i>note 13</i>)	(24)	(16)
	(11,337)	(16,002)
– Amounts capitalised in qualifying assets (<i>note 14(b)</i>)	–	8,456
	(11,337)	(7,546)
Finance income:		
– Bank interest income	487	147
Net finance expenses	(10,850)	(7,399)

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is 6.02% for the Reporting Period (Previous Period: 7.90%), which is the weighted average interest rate applicable to the Group's borrowings for construction in progress during the period.

10 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	484	389

For the six months ended 30 June 2023

(All amounts expressed in RMB thousands unless otherwise stated)

10 Income tax expenses (Continued)

(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, 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.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

(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 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>0.16</u>	<u>0.10</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>82,158</u>	<u>51,780</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>500,000</u>	<u>500,000</u>

12 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.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023
(All amounts expressed in RMB thousands unless otherwise stated)

13 Right-of-use assets

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Right-of-use assets		
– Land use rights	64,880	65,746
– Buildings	451	728
	65,331	66,474
Lease liabilities		
– Current	483	610
– Non-current	–	148
	483	758

As at 30 June 2023, land use rights with an aggregate carrying amount of approximately RMB3,585,000 (31 December 2022: approximately RMB3,636,000) was pledged to secure bank borrowings of RMB375,310,000 (31 December 2022: RMB268,800,000) (note 19(a)).

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

	Six months ended 30 June 2023 RMB'000 (Unaudited)	Six months ended 30 June 2022 RMB'000 (Unaudited)
Depreciation charge of right-of-use assets		
– Land use rights	866	867
– Buildings	290	295
	1,156	1,162
Interest expenses (note 9)	24	16
Expenses relating to leases of low-value assets	5	5
	29	21

The total cash payment for leases during the Reporting Period was approximately RMB298,000 (Previous Period: approximately RMB385,000).

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023
(All amounts expressed in RMB thousands unless otherwise stated)

14 Property, plant and equipment

	(Unaudited)							
	Buildings <i>RMB'000</i>	Decoration <i>RMB'000</i>	Electronic equipment <i>RMB'000</i>	Furniture and fixture <i>RMB'000</i>	Vehicles <i>RMB'000</i>	Books <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2022								
Cost	713,737	29,880	35,730	78,460	3,380	9,510	275,050	1,145,747
Accumulated depreciation	(82,608)	(17,644)	(21,255)	(51,934)	(2,433)	(8,531)	-	(184,405)
Net book amount	<u>631,129</u>	<u>12,236</u>	<u>14,475</u>	<u>26,526</u>	<u>947</u>	<u>979</u>	<u>275,050</u>	<u>961,342</u>
Six months ended 30 June 2022								
Opening net book amount as at 1 January 2022	631,129	12,236	14,475	26,526	947	979	275,050	961,342
Additions	-	4,604	800	1,580	62	3,726	68,664	79,436
Transfers	39,966	-	-	-	-	-	(39,966)	-
Deductions of government grants relating to assets	(2,301)	-	-	-	-	-	-	(2,301)
Disposals	-	-	-	(1)	(4)	-	-	(5)
Depreciation charge	(7,912)	(2,329)	(1,921)	(3,820)	(170)	(516)	-	(16,668)
Closing net book amount	<u>660,882</u>	<u>14,511</u>	<u>13,354</u>	<u>24,285</u>	<u>835</u>	<u>4,189</u>	<u>303,748</u>	<u>1,021,804</u>
As at 30 June 2022								
Cost	751,402	34,484	36,530	79,992	3,319	13,236	303,748	1,222,711
Accumulated depreciation	(90,520)	(19,973)	(23,176)	(55,707)	(2,484)	(9,047)	-	(200,907)
Net book amount	<u>660,882</u>	<u>14,511</u>	<u>13,354</u>	<u>24,285</u>	<u>835</u>	<u>4,189</u>	<u>303,748</u>	<u>1,021,804</u>

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023
(All amounts expressed in RMB thousands unless otherwise stated)

14 Property, plant and equipment (Continued)

	(Unaudited)							
	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	Total RMB' 000
As at 1 January 2023								
Cost	906,661	35,041	42,615	89,501	3,318	9,947	246,068	1,333,151
Accumulated depreciation	(100,124)	(22,580)	(24,687)	(58,258)	(2,643)	(9,461)	-	(217,753)
Net book amount	<u>806,537</u>	<u>12,461</u>	<u>17,928</u>	<u>31,243</u>	<u>675</u>	<u>486</u>	<u>246,068</u>	<u>1,115,398</u>
Six months ended 30 June 2023								
Opening net book amount as at 1 January 2023	806,537	12,461	17,928	31,243	675	486	246,068	1,115,398
Additions	-	218	1,151	1,858	-	75	4,642	7,944
Transfers	10,898	-	-	-	-	-	(10,898)	-
Deductions of government grants relating to assets	(668)	-	-	-	-	-	-	(668)
Disposals	-	-	-	(2)	-	-	-	(2)
Depreciation charge	(10,426)	(2,494)	(2,629)	(4,368)	(124)	(94)	-	(20,135)
Closing net book amount	<u>806,341</u>	<u>10,185</u>	<u>16,450</u>	<u>28,731</u>	<u>551</u>	<u>467</u>	<u>239,812</u>	<u>1,102,537</u>
As at 30 June 2023								
Cost	916,891	35,259	43,766	91,279	3,318	10,022	239,812	1,340,347
Accumulated depreciation	(110,550)	(25,074)	(27,316)	(62,548)	(2,767)	(9,555)	-	(237,810)
Net book amount	<u>806,341</u>	<u>10,185</u>	<u>16,450</u>	<u>28,731</u>	<u>551</u>	<u>467</u>	<u>239,812</u>	<u>1,102,537</u>

- (a) Construction-in-progress mainly comprises buildings under construction in the PRC.
- (b) During the Reporting Period, the Group capitalised interest on borrowings amounting to RMB0 (Previous Period: approximately RMB8,456,000) on qualifying assets (note 9).
- (c) As at 30 June 2023, construction in progress with an aggregate carrying amount of approximately RMB205,424,000 (31 December 2022: approximately RMB203,181,000) was pledged to secure bank borrowings of RMB375,310,000 (31 December 2022: RMB268,800,000) (note 19(a)).

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023
(All amounts expressed in RMB thousands unless otherwise stated)

15 Intangible assets

	Computer software RMB'000 (Unaudited)
As at 1 January 2022	
Cost	6,114
Accumulated amortisation	(4,655)
Net book amount	<u>1,459</u>
Six months ended 30 June 2022	
Opening net book amount as at 1 January 2022	1,459
Additions	177
Amortisation charge	(218)
Closing net book amount as at 30 June 2022	<u>1,418</u>
As at 30 June 2022	
Cost	6,291
Accumulated amortisation	(4,873)
Net book amount	<u>1,418</u>
	Computer software RMB'000 (Unaudited)
As at 1 January 2023	
Cost	6,287
Accumulated amortisation	(5,079)
Net book amount	<u>1,208</u>
Six months ended 30 June 2023	
Opening net book amount as at 1 January 2023	1,208
Additions	196
Amortisation charge	(226)
Closing net book amount as at 30 June 2023	<u>1,178</u>
As at 30 June 2023	
Cost	6,483
Accumulated amortisation	(5,305)
Net book amount	<u>1,178</u>

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023
(All amounts expressed in RMB thousands unless otherwise stated)

16 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>

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

(All amounts expressed in RMB thousands unless otherwise stated)

16 Trade and other receivables (Continued)

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	5,687	13,166

17 Prepayments

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Prepayments for purchases of property, plant and equipment	14,514	4,197
Prepayments for student related and other expenses	1,707	1,758
Prepayments for joint tuition support fee	–	1,948
Less: non-current portion of prepayments	(14,514)	(4,197)
	1,707	3,706

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(All amounts expressed in RMB thousands unless otherwise stated)

18 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	18,409	16,374
	125,286	178,441

- (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.

Notes to the Condensed Consolidated Interim Financial Information

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(All amounts expressed in RMB thousands unless otherwise stated)

19 Borrowings

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Current:		
– Secured current portion of long-term bank borrowings (note (a))	70,520	51,200
– Secured short-term bank borrowings (note (b))	–	50,000
– Secured loans from financial institutions (note (c))	–	41,708
	70,520	142,908
Non-current:		
– Secured long-term bank borrowings (note (a))	304,790	217,600
– Secured loans from financial institutions (note (c))	–	40,022
	304,790	257,622
Total borrowings	375,310	400,530

- (a) As at 30 June 2023, long-term bank borrowings of RMB375,310,000 (31 December 2022: RMB268,800,000) were obtained in the PRC and secured by the pledge of the Group's land use rights with a net book value of approximately RMB3,585,000 (31 December 2022: approximately RMB3,636,000) (note 13(a)), construction in progress and buildings included in property, plant and equipment with an aggregate amount of approximately RMB205,424,000 (31 December 2022: approximately RMB203,181,000) (note 14(c)) and corporate guarantees from the Company and Chengdu Yinxing Education Management Co., Ltd. ("**Yinxing Education**").
- (b) The Group's Short-term bank borrowings as at 31 December 2022 totalling RMB50,000,000 were obtained in the PRC and secured by corporate guarantees from the Company and Yinxing Education. The borrowings had been fully repaid during the six months ended 30 June 2023.
- (c) The Group's long-term borrowings from financial institutions as at 31 December 2022 totalling RMB81,730,000 were obtained in the PRC and secured by the pledge of the Group's property, plant and equipment and security deposits provided to the financial institutions amounting to RMB 19,990,000, and were supported by corporate guarantees from the Company and Chengdu Gingko Asset Management Co., Ltd.. The borrowings balances were presented net of the security deposits provided. The borrowings had been fully repaid during the six months ended 30 June 2023.

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19 Borrowings (Continued)

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Bank borrowings	5.98%	7.13%
Loans from financial institutions	5.53%	8.84%

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Less than 1 year	70,520	142,908
Between 1 and 2 years	70,000	87,726
Between 2 and 5 years	234,790	169,896
Over 5 years	—	—
	375,310	400,530

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

(g) 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

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	91,971	17,633

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For the six months ended 30 June 2023
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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:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
No later than 1 year	5	10

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 Reporting 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
Chengdu Gingko Jin'ge Catering Corporation (成都银杏金阁餐饮股份有限公司)	A company controlled by the Controlling Shareholder
Chengdu Gingko Catering Management Co., Ltd. (成都银杏餐饮管理有限公司)	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.

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For the six months ended 30 June 2023
(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 2023 RMB'000 (Unaudited)	Six months ended 30 June 2022 RMB'000 (Unaudited)
Purchases of goods and services		
– Chengdu Gingko Jin'ge Catering Corporation (成都銀杏金閣餐飲股份有限公司)	3,295	–
– Chengdu Gingko Catering Management Co., Ltd. (成都銀杏餐飲管理有限公司)	233	–
– Chengdu Gingko Hotel Management Co.,Ltd. (成都銀杏酒店管理有限公司)	5	5
	3,533	5

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For the six months ended 30 June 2023

(All amounts expressed in RMB thousands unless otherwise stated)

21 Related party transactions (Continued)

(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 2023 RMB'000 (Unaudited)	Six months ended 30 June 2022 RMB'000 (Unaudited)
Wages, salaries and bonuses	1,171	1,151
Contributions to pension plans	108	104
Welfare, medical and other expenses	183	176
	1,462	1,431

(d) Balances with related parties

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Amounts due to related parties		
Trade:		
Chengdu Gingko Jin'ge Catering Corporation (成都銀杏金閣餐飲股份有限公司)	3,295	–
Chengdu Gingko Catering Management Co., Ltd. (成都銀杏餐飲管理有限公司)	233	–
Chengdu Gingko Hotel Management Co.,Ltd. (成都銀杏酒店管理有限公司)	5	–
	3,533	–

22 Contingent liabilities

At 30 June 2023, the Group had no material contingent liabilities (31 December 2022: nil).

23 Events occurring after 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 interim report, Yinxing College has not yet registered as for-profit private schools and remains as private non-enterprise units as the local government departments have not started the work on assessment and approval of the registration.