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China Gingko Education Group Company Limited

中國銀杏教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1851)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board (the “**Board**”) of directors (the “**Directors**”) of China Gingko Education Group Company Limited (the “**Company**”, together with its subsidiaries and consolidated affiliated entities, the “**Group**”) announces the unaudited consolidated results of the Group for the six months ended 30 June 2024 (the “**Reporting Period**”), together with the comparative figures for the six months ended 30 June 2023 (the “**Previous Period**”) as below.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts expressed in RMB thousands unless otherwise stated)

	Note	Six months ended 30 June 2024 RMB'000 (Unaudited)	Six months ended 30 June 2023 RMB'000 (Unaudited)
Revenue	7	202,090	184,275
Cost of sales		<u>(71,625)</u>	<u>(67,866)</u>
Gross profit		130,465	116,409
Selling expenses		(956)	(948)
Administrative expenses		(24,381)	(25,369)
Other income		3,276	1,772
Other gains – net		<u>20</u>	<u>1,628</u>
Operating profit	8	108,424	93,492
Finance income	9	1,146	487
Finance expenses	9	<u>(2,495)</u>	<u>(11,337)</u>
Finance expenses – net		<u>(1,349)</u>	<u>(10,850)</u>
Profit before income tax		107,075	82,642
Income tax expenses	10	<u>(449)</u>	<u>(484)</u>
Profit for the period		<u>106,626</u>	<u>82,158</u>
Other comprehensive income for the period		<u>–</u>	<u>–</u>
Total comprehensive income for the period		<u>106,626</u>	<u>82,158</u>
Profit and total comprehensive income attributable to owners of the Company		<u>106,626</u>	<u>82,158</u>
Earnings per share for profit attributable to owners of the Company			
Basic and diluted earnings per share (RMB Yuan)	11	<u>0.21</u>	<u>0.16</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2024

(All amounts expressed in RMB thousands unless otherwise stated)

		As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
ASSETS			
Non-current assets			
Right-of-use assets	13	64,600	64,160
Property, plant and equipment	14	1,210,629	1,156,047
Intangible assets	15	2,390	2,019
Prepayments	17	1,368	12,644
		<u>1,278,987</u>	<u>1,234,870</u>
Current assets			
Inventories		1,357	1,246
Trade and other receivables	16	9,986	6,401
Prepayments	17	2,266	1,168
Cash and cash equivalents		74,352	215,713
		<u>87,961</u>	<u>224,528</u>
Total assets		<u>1,366,948</u>	<u>1,459,398</u>
EQUITY			
Share capital		4,321	4,321
Share premium		134,042	134,042
Reserves		95,981	95,981
Retained earnings		656,984	550,358
Total equity		<u>891,328</u>	<u>784,702</u>
LIABILITIES			
Non-current liabilities			
Borrowings	19	234,790	269,790
Lease liabilities	13	1,047	–
Deferred government grants		10,761	11,931
		<u>246,598</u>	<u>281,721</u>

		As at 30 June 2024	As at 31 December 2023
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
Current liabilities			
Accruals and other payables	<i>18</i>	112,478	123,728
Borrowings	<i>19</i>	110,000	70,000
Lease liabilities	<i>13</i>	414	161
Contract liabilities	<i>7</i>	5,649	198,569
Current income tax liabilities		481	517
		<u>229,022</u>	<u>392,975</u>
Total liabilities		<u>475,620</u>	<u>674,696</u>
Total equity and liabilities		<u>1,366,948</u>	<u>1,459,398</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 Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and 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 interim condensed consolidated financial information is presented in Renminbi (“**RMB**”) and rounded to the nearest thousand yuan (RMB'000), unless otherwise stated.

This interim condensed consolidated financial information has been approved for issue by Board of Directors on 23 August 2024.

This interim condensed consolidated financial information has not been audited.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim financial reporting”. This interim condensed consolidated 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 2023, 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 2023, 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 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
HKAS 7 and HKFRS 7 (Amendments)	Supplier finance arrangements	1 January 2024
HK Int 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

(b) New standards and interpretations not yet adopted

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2023 and have not been early adopted by the Group:

Standards and amendments	Key requirements	Effective for accounting periods beginning on or after
HKAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

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 interim condensed consolidated 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 2023.

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 bank borrowings. The Group's current liabilities included contracted liabilities with total amount of RMB5,649,000 as at 30 June 2024 which will not require future cash outflows. Excluding this non-financial liabilities, the Group had net current liabilities of RMB135,412,000 as at 30 June 2024. Subsequent to 30 June 2024, the Group expects to obtain proceeds from school fees for the September 2024 school year amounting to RMB 320 million by the end of September 2024. 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 2024.

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)				
	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 30 June 2024					
Borrowings (principal plus interests)	119,101	97,770	149,096	–	365,967
Accruals and other payables (excluding salaries and welfare payable and other taxes payable)	104,420	–	–	–	104,420
Lease liabilities	606	626	481	–	1,713
Total	224,127	98,396	149,577	–	472,100

	Less than 1 year <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	(Audited) Between 2 and 5 years <i>RMB'000</i>	Over 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2023					
Borrowings (principal plus interests)	83,645	90,327	199,150	–	373,122
Accruals and other payables (excluding salaries and welfare payable and other taxes payable)	109,697	–	–	–	109,697
Lease liabilities	163	–	–	–	163
	<u>193,505</u>	<u>90,327</u>	<u>199,150</u>	<u>–</u>	<u>482,982</u>
Total	<u>193,505</u>	<u>90,327</u>	<u>199,150</u>	<u>–</u>	<u>482,982</u>

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 interim condensed consolidated 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 2023.

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 2023. Accordingly, the segment information is aggregated as a single reportable segment during the six months ended 30 June 2024, which is different from prior period ended 30 June 2023. In order to align the segment review with the restructured internal management and reporting structure, the segment information of comparative period has also been aggregated as a single reportable segment. Management of the Group assesses the performance of the reportable segment based on the revenue and gross profit for the period of the Group as presented in the interim condensed consolidated statement of comprehensive income. No analysis of the Group's assets and liabilities is regularly provided to the management of the Group for review.

7 REVENUE

Revenues during the six months ended 30 June 2024 and 2023 are as follows:

	Six months ended 30 June 2024 RMB'000 (Unaudited)	Six months ended 30 June 2023 RMB'000 (Unaudited)
Tuition fees	180,219	159,946
Boarding fees	13,739	12,195
Meal catering service fees	1,803	3,567
Others (<i>note</i>)	6,329	8,567
	<u>202,090</u>	<u>184,275</u>

Note: Others mainly represent revenue from hotel accommodation, research projects and training programs.

Revenue represented by:

	Six months ended 30 June 2024 RMB'000 (Unaudited)	Six months ended 30 June 2023 RMB'000 (Unaudited)
Recognised over time		
Tuition fees	180,219	159,946
Boarding fees	13,739	12,195
Others	6,329	8,567
Recognised at a point in time		
Meal catering service fees	1,803	3,567
	<u>202,090</u>	<u>184,275</u>

No customers individually accounted for more than 10% of the Group's revenue for the six months ended 30 June 2024 and 2023.

Contract liabilities

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

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Contract liabilities related to tuition fees	1,072	178,325
Contract liabilities related to boarding fees	3,578	17,462
Others	999	2,782
	<u>5,649</u>	<u>198,569</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 2024 RMB'000 (Unaudited)	Six months ended 30 June 2023 RMB'000 (Unaudited)
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year		
Tuition fees	177,968	158,548
Boarding fees	17,402	15,447
Others	1,680	1,386
	<u>197,050</u>	<u>175,381</u>

(2) Unsatisfied contracts

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Expected to be recognised within one year		
Tuition fees	1,072	178,325
Boarding fees	3,578	17,462
Others	999	2,782
	<u>5,649</u>	<u>198,569</u>

8 OPERATING PROFIT

The following items have been charged/(credited) to the operating profit during the six months ended 30 June 2024 and 2023:

	Six months ended 30 June 2024 RMB'000 (Unaudited)	Six months ended 30 June 2023 RMB'000 (Unaudited)
Employee benefit expenses	52,364	45,677
Depreciation and amortization (<i>note 13, 14 and 15</i>)	21,446	21,517
Office expenses	7,357	5,670
Property management fee	2,691	1,845
Student activities expenses	1,913	4,096
Training expenses	1,676	1,899
Traveling expenses	947	1,227
Canteen purchases	48	1,155
Government subsidies	(1,447)	(1,171)

9 FINANCE EXPENSES – NET

	Six months ended 30 June 2024 RMB'000 (Unaudited)	Six months ended 30 June 2023 RMB'000 (Unaudited)
Finance expenses:		
– Interest expenses on borrowings	(5,640)	(11,313)
– Interest expenses on lease liabilities (<i>note 13</i>)	(16)	(24)
	(5,656)	(11,337)
– Amounts capitalised in qualifying assets (<i>note 14(b)</i>)	3,161	–
	(2,495)	(11,337)
Finance income:		
– Bank interest income	1,146	487
Net finance expenses	(1,349)	(10,850)

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is 3.64% for the six months ended 30 June 2024 (2023: 6.02%), 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 2024 RMB'000 (Unaudited)	Six months ended 30 June 2023 RMB'000 (Unaudited)
Current tax		
Current tax on profits for the period	449	484

(i) Cayman Islands corporate income tax

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

(ii) British Virgin Islands profit tax

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

(iii) Hong Kong profit tax

No provision for Hong Kong profit tax was provided as the Company and the Group did not have assessable profits in Hong Kong during the six months ended 30 June 2024.

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

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

According to the Implementation Rules, private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. The preferential tax treatment policies applicable to private schools requiring reasonable returns are to be separately formulated by the relevant government authorities under the State Council of PRC. During the period and up to the date of approval of this interim condensed consolidated 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 period (2023: 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% (2023: 10%) 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.

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 2024 (Unaudited)	Six months ended 30 June 2023 (Unaudited)
Basic and diluted earnings per share attributable to the ordinary equity holders of the Company (<i>RMB Yuan</i>)	0.21	0.16

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

	Six months ended 30 June 2024 <i>RMB'000</i> (Unaudited)	Six months ended 30 June 2023 <i>RMB'000</i> (Unaudited)
Basic and diluted earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	106,626	82,158

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

	Six months ended 30 June 2024 <i>RMB'000</i> (Unaudited)	Six months ended 30 June 2023 <i>RMB'000</i> (Unaudited)
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share (thousands)	500,000	500,000

12 DIVIDEND

No dividend has been paid or declared by the Group for the six months ended 30 June 2024 and 2023, nor has any dividend been proposed subsequent to 30 June 2024.

13 RIGHT-OF-USE ASSETS

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Right-of-use assets		
– Land use rights	63,146	64,012
– Buildings	1,454	148
	<u>64,600</u>	<u>64,160</u>
Lease liabilities		
– Current	414	161
– Non-current	1,047	–
	<u>1,461</u>	<u>161</u>

As at 30 June 2024, land use rights with an aggregate carrying amount of approximately RMB3,485,087 (31 December 2023: approximately RMB3,535,000) was pledged to secure bank borrowings of RMB304,790,000 (31 December 2023: RMB339,790,000) (note 19(a)).

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

	Six months ended 30 June 2024 RMB'000 (Unaudited)	Six months ended 30 June 2023 RMB'000 (Unaudited)
Depreciation charge of right-of-use assets		
– Land use rights	867	866
– Buildings	280	290
	<u>1,147</u>	<u>1,156</u>
Interest expenses (<i>note 9</i>)	16	24
Expenses relating to leases of low-value assets	5	5
	<u>21</u>	<u>29</u>

The total cash payment for leases during the period was approximately RMB339,000.

14 PROPERTY, PLANT AND EQUIPMENT

	(Unaudited)							
	Buildings	Decoration	Electronic equipment	Furniture and fixture	Vehicles	Books	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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>

	(Unaudited)							
	Buildings	Decoration	Electronic equipment	Furniture and fixture	Vehicles	Books	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2024								
Cost	992,575	36,080	45,398	92,997	3,241	10,022	233,061	1,413,374
Accumulated depreciation	(123,157)	(26,922)	(29,981)	(64,768)	(2,799)	(9,700)	-	(257,327)
Net book amount	<u>869,418</u>	<u>9,158</u>	<u>15,417</u>	<u>28,229</u>	<u>442</u>	<u>322</u>	<u>233,061</u>	<u>1,156,047</u>
Six months ended 30 June 2024								
Opening net book amount as at 1 January 2024	869,418	9,158	15,417	28,229	442	322	233,061	1,156,047
Additions	3,814	34	1,993	7,001	82	10	62,765	75,699
Transfers	12,037	-	-	-	-	-	(12,037)	-
Deductions of government grants relating to assets	(1,170)	-	-	-	-	-	-	(1,170)
Disposals	-	-	-	(1)	(5)	-	-	(6)
Depreciation charge	(10,583)	(1,358)	(2,587)	(5,237)	(105)	(71)	-	(19,941)
Closing net book amount	<u>873,516</u>	<u>7,834</u>	<u>14,823</u>	<u>29,992</u>	<u>414</u>	<u>261</u>	<u>283,789</u>	<u>1,210,629</u>
As at 30 June 2024								
Cost	1,007,256	36,114	47,391	99,997	3,169	10,032	283,789	1,487,748
Accumulated depreciation	(133,740)	(28,280)	(32,568)	(70,005)	(2,755)	(9,771)	-	(277,119)
Net book amount	<u>873,516</u>	<u>7,834</u>	<u>14,823</u>	<u>29,992</u>	<u>414</u>	<u>261</u>	<u>283,789</u>	<u>1,210,629</u>

- (a) Construction-in-progress mainly comprises buildings under construction in the PRC.
- (b) During the six months ended 30 June 2024, the Group capitalised interest on borrowings is 3,161,000 (2023: nil) on qualifying assets (note 9).
- (c) As at 30 June 2024, construction in progress and buildings with an aggregate carrying amount of approximately RMB209,633,000 (31 December 2023: approximately RMB212,366,000) was pledged to secure bank borrowings of RMB304,790,000 (31 December 2023: RMB339,790,000) (note 19(a)).

15 INTANGIBLE ASSETS

	Computer software <i>RMB'000</i> (Unaudited)
As at 1 January 2023	
Cost	6,287
Accumulated amortisation	<u>(5,079)</u>
Net book amount	<u><u>1,208</u></u>
Six months ended 30 June 2023	
Opening net book amount as at 1 January 2023	1,208
Additions	196
Amortisation charge	<u>(226)</u>
Closing net book amount as at 30 June 2023	<u><u>1,178</u></u>
As at 30 June 2023	
Cost	6,483
Accumulated amortisation	<u>(5,305)</u>
Net book amount	<u><u>1,178</u></u>
Computer software <i>RMB'000</i> (Unaudited)	
As at 1 January 2024	
Cost	7,600
Accumulated amortisation	<u>(5,581)</u>
Net book amount	<u><u>2,019</u></u>
Six months ended 30 June 2024	
Opening net book amount as at 1 January 2024	2,019
Additions	729
Amortisation charge	<u>(358)</u>
Closing net book amount as at 30 June 2024	<u><u>2,390</u></u>
As at 30 June 2024	
Cost	8,240
Accumulated amortisation	<u>(5,850)</u>
Net book amount	<u><u>2,390</u></u>

16 TRADE AND OTHER RECEIVABLES

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Trade receivables		
– Due from students	860	1,088
– Due from others	1,180	543
	<u>2,040</u>	<u>1,631</u>
Other receivables		
– Deposit	2,160	2,160
– Others	5,786	2,610
	<u>7,946</u>	<u>4,770</u>
	<u>9,986</u>	<u>6,401</u>

As at 30 June 2024 and 31 December 2023, the aging analysis of the trade receivables based on the recognition date is as follows:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Less than 1 year	<u>2,040</u>	<u>1,631</u>

As at 30 June 2024 and 31 December 2023, trade receivables of RMB2,040,000 and RMB1,631,000 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.

17 PREPAYMENTS

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Prepayments for student related and other expenses	2,266	1,168
Prepayments for purchases of property, plant and equipment	1,368	12,644
Less: non-current portion of prepayments	<u>(1,368)</u>	<u>(12,644)</u>
	<u>2,266</u>	<u>1,168</u>

18 ACCRUALS AND OTHER PAYABLES

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Payables for purchases of property, plant and equipment	52,827	53,826
Government subsidies payable to students (<i>note (a)</i>)	15,332	2,533
Miscellaneous fees received from students (<i>note (b)</i>)	13,107	28,596
Accrued expenses	7,471	9,737
Other taxes payable	7,240	6,415
Salary and welfare payables	818	7,616
Others	15,683	15,005
	<u>112,478</u>	<u>123,728</u>

- (a) The amounts represent the subsidies received from the government which would be paid out to students by the Group on behalf of the government authorities.
- (b) The amounts represent the miscellaneous fees received from students which would be paid out by the Group on behalf of the students.
- (c) As at 30 June 2024 and 31 December 2023, the fair values of accruals and other payables approximate their carrying amounts due to their short-term maturities.

19 BORROWINGS

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Current:		
– Secured current portion of long-term bank borrowings (<i>note (a)</i>)	70,000	70,000
– Secured short-term bank borrowings (<i>note (b)</i>)	40,000	–
	<u>110,000</u>	<u>70,000</u>
Non-current:		
– Secured long-term bank borrowings (<i>note (a)</i>)	234,790	269,790
	<u>344,790</u>	<u>339,790</u>
Total borrowings	<u>344,790</u>	<u>339,790</u>

- (a) As at 30 June 2024, long-term bank borrowings of RMB304,790,000 (31 December 2023: RMB339,790,000) were obtained in the PRC and secured by the pledge of the Group's land use rights with a net book value of approximately RMB3,485,087 (31 December 2023: RMB 3,535,000) (*note 13(a)*), construction in progress and buildings included in property, plant and equipment with an aggregate amount of approximately RMB209,633,000 (31 December 2023: RMB 212,366,000) (*note 14(c)*) and corporate guarantees from the Company and Yinxing Education.

- (b) The Group's Short-term bank borrowings as at 30 June 2024 totalling RMB40,000,000 were obtained in the PRC and secured by corporate guarantees from the Company and Yinxin Education.
- (c) The weighted average effective interest rates (per annum) were as follows:

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Bank borrowings	3.40%	5.06%
Loans from financial institutions	0.00%	5.53%

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

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Less than 1 year	110,000	70,000
Between 1 and 2 years	90,000	80,000
Between 2 and 5 years	144,790	189,790
	344,790	339,790

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

20 COMMITMENTS

(a) Capital commitments

As at 30 June 2024 and 31 December 2023, the details of the capital expenditure contracted but not provided for in the consolidated financial information is as follows:

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Property, plant and equipment	33,762	43,452

(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 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
No later than 1 year	10	10
Later than 1 year and no later than 5 years	15	20
Total	25	30

21 RELATED PARTY TRANSACTIONS

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

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

(a) Names and relationships with related parties

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

Name of related parties	Relationship with the Group
Chengdu Gingko Hotel Management Co., Ltd. (成都銀杏酒店管理有限公司)	A company controlled by the Controlling Shareholder
Chengdu Gingko Jin'ge Catering Corporation (成都銀杏金閣餐飲股份有限公司)	A company controlled by the Controlling Shareholder
Chengdu Gingko Catering Management Co., Ltd. (成都銀杏餐飲管理有限公司)	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.

(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 2024 RMB'000 (Unaudited)	Six months ended 30 June 2023 RMB'000 (Unaudited)
Purchases of goods and services		
– Chengdu Gingko Hotel Management Co.,Ltd. (成都银杏酒店管理有限公司)	5	5
– Chengdu Gingko Catering Management Co., Ltd. (成都银杏餐飲管理有限公司)	4	233
– Chengdu Gingko Jin'ge Catering Corporation (成都银杏金閣餐飲股份有限公司)	3	3,295
	<u>12</u>	<u>3,533</u>

(c) Key management compensation

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

	Six months ended 30 June 2024 RMB'000 (Unaudited)	Six months ended 30 June 2023 RMB'000 (Unaudited)
Wages, salaries and bonuses	1,063	1,171
Contributions to pension plans	92	108
Welfare, medical and other expenses	172	183
	<u>1,327</u>	<u>1,462</u>

22 CONTINGENT LIABILITIES

At 30 June 2024, the Group had no material contingent liabilities (31 December 2023: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

Overview

The Group is a higher education and vocational training service provider in Sichuan Province of the PRC, dedicated to offering comprehensive and diversified programmes and curricula to students, with the aim of nurturing talents with practical skills applicable in the modern service industry.

For the 2023/2024 school year, student enrollment of Yinxing College continued to grow, reaching approximately 20,728 (2022/2023: 19,148) students, representing an increase of 8.3%. The effectiveness of the practical curricula and training programmes is reflected in its high graduate employment rates. For the 2023/2024 school year, 5,397 students were graduated from Yinxing College in June 2024, with a graduate employment rate of 78.4%.

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 Yibin Yinxing Catering Management Co., Ltd (宜賓市銀杏餐飲職業培訓學校有限公司) (“**Yinxing Catering Training School**”). Yinxing College has eight departments and offers in aggregate 30 bachelor’s degree programmes and 24 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		Increase/ (Decrease) RMB'000	Increase/ (Decrease) (%)
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)		
Tuition fees	180,219	159,946	20,273	12.7%
Boarding fees	13,739	12,195	1,544	12.7%
Meal catering services fees	1,803	3,567	(1,764)	(49.5%)
Others ⁽¹⁾	6,329	8,567	2,238	(26.1%)
Total	202,090	184,275	17,815	9.7%

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 Catering 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.

The Expansion Project will be financed by the Group’s internal resources and 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 RMB202.1 million (Previous Period: approximately RMB184.3 million), representing an increase of approximately 9.7%. Such increase was primarily due to the fact that: (i) tuition fees during the Reporting Period amounted to approximately RMB180.2 million (Previous Period: RMB159.9 million), representing an increase of approximately 12.7%; and (ii) boarding fees during the Reporting Period amounted to approximately RMB13.7 million (Previous Period: RMB12.2 million), representing an increase of approximately 12.7%. The increment was attributable to the increase of student admission for the 2023/2024 school year and increase in average tuition fees and boarding fees.

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 RMB71.6 million (Previous Period: approximately RMB67.9 million), representing an increase of approximately 5.5%.

Gross Profit and Gross Profit Margin

The Group's gross profit for the Reporting Period amounted to RMB130.5 million (Previous Period: RMB116.4 million), representing an increase of approximately 12.1%. The Group's gross profit margin during the Reporting Period was approximately 64.6% (Previous Period: approximately 63.2%). 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 RMB1.0 million (Previous Period: approximately RMB0.9 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 RMB24.4 million (Previous Period: approximately RMB25.4 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 RMB3.3 million (Previous Period: approximately RMB1.8 million).

Other Gains – net

During the Reporting Period, the Group's net other gains were approximately nil (Previous Period: approximately RMB1.6 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 RMB1.3 million (Previous Period: approximately RMB10.9 million). Such decrease was mainly attributable to the decrease in interest expenses from borrowings.

Income Tax Expenses

The Group's income tax expenses for the Reporting Period amounted to approximately RMB0.4 million (Previous Period: approximately RMB0.5 million).

Profit for the Period

As a result of the foregoing, the Group's profit increased by approximately 29.8% to approximately RMB106.7 million for the Reporting Period (Previous Period: approximately RMB82.2 million).

Financial Resources Review

Liquidity, Financial Resources and Capital Structure

As at 30 June 2024, the Group's cash and cash equivalents amounted to approximately RMB74.4 million (31 December 2023: approximately RMB215.7 million), representing an decrease of approximately 65.5%.

Net cash used in operating activities were approximately RMB77.4 million for the Reporting Period (Previous Period: approximately RMB64.9 million). Net cash used in investing activities were approximately RMB63.0 million for the Reporting Period (Previous Period: approximately RMB50.8 million). Net cash used in financing activities were approximately RMB1.0 million for the Reporting Period (Previous Period: approximately RMB38.5 million).

As at 30 June 2024, the Group's borrowings amounted to approximately RMB344.8 million (31 December 2023: approximately RMB339.8 million). As at 30 June 2024, the Group's borrowings of approximately RMB110.0 million (31 December 2023: approximately RMB70 million) would mature within 1 year, approximately RMB90.0 million (31 December 2023: approximately RMB80.0 million) would mature between 1 and 2 years, approximately RMB144.8 million (31 December 2023: approximately RMB189.8 million) would mature between 2 and 5 years and none (31 December 2023: none) would mature over 5 years. The Group's borrowings were denominated in RMB and carried at floating interest rates as at 30 June 2024.

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 2024, the Group's gearing ratio was 30.3% (31 December 2023: 15.8%).

As at 30 June 2024, the Group had net current liabilities of approximately RMB141.1 million (31 December 2023: RMB168.4 million), the decrease is attributed 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 2024, the Group had contracted but not provided for capital commitments of approximately RMB33.8 million, which were primarily relating to the Expansion Project (31 December 2023: approximately RMB43.5 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 2024, 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 2024, the Group had no material contingent liabilities (31 December 2023: nil).

Pledge of Assets

As at 30 June 2024, RMB209.6 million of construction in progress and buildings, RMB3.5 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 RMB304.8 million.

Employees and Remuneration Policy

As at 30 June 2024, the Group had 1,088 employees (31 December 2023: 960 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 23 August 2024, the Board has resolved not to pay any interim dividend for the six months ended 30 June 2024.

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

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 2024 and up to the date of this announcement.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 (formerly Appendix 10) to the Listing Rules as its own code of conduct governing the securities transactions by the Directors. Following a specific enquiry made by the Company on each of the Directors, all Directors have confirmed that they had complied with 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 Ginkgo Education Group Company Limited
Fang Gongyu
Chairman

Hong Kong, 23 August 2024

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.