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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 2021

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 2021, together with the comparative figures for the six months ended 30 June 2020 as below.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

For the six months ended 30 June 2021

| | | Six months ended 30 June | |
|--|-------------|---------------------------------|-----------------|
| | <i>Note</i> | 2021 | 2020 |
| | | RMB'000 | RMB'000 |
| | | (Unaudited) | (Unaudited) |
| Revenue | 5 | 108,628 | 81,439 |
| Cost of sales | | <u>(55,290)</u> | <u>(40,273)</u> |
| Gross profit | | 53,338 | 41,166 |
| Selling expenses | | (1,700) | (829) |
| Administrative expenses | | (23,086) | (21,285) |
| Other income | | 496 | 1,326 |
| Other (losses)/gains – net | | <u>(740)</u> | <u>1,328</u> |
| Operating profit | | 28,308 | 21,706 |
| Finance income | | 98 | 93 |
| Finance expenses | | <u>(5,369)</u> | <u>(838)</u> |
| Finance expenses – net | | <u>(5,271)</u> | <u>(745)</u> |
| Profit before income tax | | 23,037 | 20,961 |
| Income tax expenses | 6 | <u>(263)</u> | <u>(178)</u> |
| Profit for the period | | <u>22,774</u> | <u>20,783</u> |
| Other comprehensive income for the period | | – | – |
| Total comprehensive income for the period | | <u>22,774</u> | <u>20,783</u> |
| Profit and total comprehensive income attributable to owners of the Company | | <u>22,774</u> | <u>20,783</u> |
| Earnings per share for profit attributable to owners of the Company | | | |
| Basic and diluted (<i>RMB Yuan</i>) | 7 | <u>0.05</u> | <u>0.04</u> |

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2021

| | <i>Note</i> | 30 June 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) |
|--------------------------------|-------------|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Right-of-use assets | | 69,039 | 69,684 |
| Property, plant and equipment | | 937,606 | 923,407 |
| Intangible assets | | 1,335 | 1,282 |
| Prepayments | | 14,700 | 13,790 |
| | | 1,022,680 | 1,008,163 |
| Current assets | | | |
| Inventories | | 380 | 380 |
| Trade and other receivables | 9 | 4,734 | 4,285 |
| Prepayments | | 899 | 5,513 |
| Cash and cash equivalents | | 80,392 | 152,528 |
| | | 86,405 | 162,706 |
| Total assets | | 1,109,085 | 1,170,869 |
| EQUITY | | | |
| Share capital | | 4,321 | 4,321 |
| Share premium | | 134,042 | 134,042 |
| Reserves | | 69,286 | 69,286 |
| Retained earnings | | 328,104 | 305,330 |
| Total equity | | 535,753 | 512,979 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | | 357,936 | 364,851 |
| Lease liabilities | | – | 249 |
| Deferred government grants | | 15,031 | 15,031 |
| | | 372,967 | 380,131 |

| | | 30 June | 31 December |
|-------------------------------------|-------------|-------------------------|------------------|
| | | 2021 | 2020 |
| | <i>Note</i> | RMB'000 | RMB'000 |
| | | (Unaudited) | (Audited) |
| Current liabilities | | | |
| Accruals and other payables | 10 | 115,991 | 140,286 |
| Amounts due to related parties | | 5 | 19 |
| Borrowings | | 77,142 | 33,523 |
| Lease liabilities | | 737 | 1,022 |
| Contract liabilities | 5 | 5,702 | 102,302 |
| Current income tax liabilities | | 788 | 607 |
| | | <u>200,365</u> | <u>277,759</u> |
| Total liabilities | | <u>573,332</u> | <u>657,890</u> |
| Total equity and liabilities | | <u>1,109,085</u> | <u>1,170,869</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 (the “**Listing**”) by way of its initial public offering (the “**IPO**”).

This condensed consolidated interim financial information is presented in Renminbi (“**RMB**”) and rounded to the nearest thousand yuan, unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board on 27 August 2021.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2021 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 2020, 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 2020, 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 and the Group had to change its accounting policies accordingly. None of the new or amended standards has significant financial impact to the Group.

| | Effective for accounting periods beginning on or after |
|--|---|
| Amendments to HKFRS 9, Interest Rate Benchmark Reform – HKAS 39, HKFRS 7, Phase 2 HKFRS 4 and HKFRS 16 | 1 January 2021 |

(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 2021 and have not been early adopted by the Group:

| | Effective for accounting periods beginning on or after | |
|--|---|----------------|
| Amendments to HKAS 16 | Property, plant and equipment: proceeds before intended use | 1 January 2022 |
| Amendments to HKAS 37 | Onerous contracts – cost of fulfilling a contract | 1 January 2022 |
| Amendments to HKAS 3 | Reference to the conceptual framework | 1 January 2022 |
| Annual Improvements to HKFRS Standards 2018–2020 | | 1 January 2022 |
| HKFRS 17 | Insurance contracts | 1 January 2023 |
| Amendments to HKAS 1 and HKAS 28 | Presentation of financial statements, accounting policies, changes in accounting estimates and errors | 1 January 2023 |

The Group has already commenced an assessment of the likely impact of adopting the above new standards but is not yet in a position to state whether they will have a significant impact on the reporting results of operations and financial position. The management of the Group plans to adopt these new standards and amendments to existing standards when they become effective.

4 Segment information

The Group is principally engaged in provision of private higher education and vocational 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 2020. Accordingly, the segment information is aggregated as a single reportable segment. Management of the Group assesses the performance of the reportable segment based on the revenue and gross profit for the period of the Group as presented in the interim condensed consolidated statement of comprehensive income. No analysis of the Group's assets and liabilities is regularly provided to the management of the Group for review.

5 Revenue

Revenue during the six months ended 30 June 2021 and 2020 are as follows:

| | Six months ended 30 June | |
|----------------------------|--------------------------|----------------|
| | 2021 | 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) |
| Tuition fees | 92,586 | 76,517 |
| Boarding fees | 6,983 | 3,519 |
| Meal catering service fees | 4,646 | 412 |
| Others (<i>note (a)</i>) | 4,413 | 991 |
| | <u>108,628</u> | <u>81,439</u> |

- (a) Others mainly represent revenue from research projects, training programmes and vocational training.

Represented by:

| | Six months ended 30 June | |
|---|---------------------------------|----------------|
| | 2021 | 2020 |
| | RMB'000 | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) |
| Recognised over time | | |
| Tuition fees | 92,586 | 76,517 |
| Boarding fees | 6,983 | 3,519 |
| Others – research projects, training programmes and vocational training | 3,884 | 866 |
| Recognised at a point in time | | |
| Meal catering service fees | 4,646 | 412 |
| Revenue from other source | | |
| Lease income | 529 | 125 |
| | 108,628 | 81,439 |

No customers individually accounted for more than 10% of the Group's revenue for the six months ended 30 June 2021 and 2020.

Contract liabilities

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

| | 30 June | 31 December |
|---|--------------------|----------------|
| | 2021 | 2020 |
| | RMB'000 | <i>RMB'000</i> |
| | (Unaudited) | (Audited) |
| Contract liabilities related to tuition fees | 1,274 | 92,291 |
| Contract liabilities related to boarding fees | 1,930 | 8,920 |
| Others | 2,498 | 1,091 |
| | 5,702 | 102,302 |

(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 | |
|---|---------------------------------|-------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Revenue recognised that was included in the balance of contract liabilities at the beginning of the year | | |
| Tuition fees | 91,600 | 76,468 |
| Boarding fees | 6,983 | 3,519 |
| Others | 623 | 147 |
| | 99,206 | 80,134 |

(2) *Unsatisfied contracts*

| | 30 June | 31 December |
|--|--------------------|-------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) |
| Expected to be recognised within one year | | |
| Tuition fees | 1,274 | 92,291 |
| Boarding fees | 1,930 | 8,920 |
| Others | 2,498 | 1,091 |
| | 5,702 | 102,302 |

6 Income tax expenses

| | Six months ended 30 June | |
|---------------------------------------|--------------------------|----------------|
| | 2021 | 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) |
| Current tax | | |
| Current tax on profits for the period | <u>263</u> | <u>178</u> |

(i) *Cayman Islands corporate income tax*

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

(ii) *British Virgin Islands profit tax*

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

(iii) *Hong Kong profit tax*

No provision for Hong Kong profit tax was provided as the Company and the Group did not have assessable profits in Hong Kong during the six months ended 30 June 2021.

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

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

According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. The preferential tax treatment policies applicable to private schools requiring reasonable returns are to be separately formulated by the relevant government authorities under the State Council of PRC. During the period and up to the date of approval of this condensed consolidated interim financial information, no regulations have been promulgated by such authorities in this regard. In accordance with the historical tax returns filed to the relevant tax authorities and the tax compliance confirmations obtained before, Ginkgo College of Hospitality Management (formerly known as Yinxing Hospitality Management College of CUIT) ("**Yinxing College**") has been granted corporate income tax exemption for income generated from the provision of formal academic education services. As a result, no income tax expense was recognised for the income from the provision of formal academic education services during the period (for the six months ended 30 June 2020: nil).

7 Earnings per share

(a) Basic and diluted earnings per share

Basic and diluted earnings per share is calculated by dividing the profit attributable to owners of the Company, by the weighted average number of ordinary shares outstanding during the period.

| | Six months ended 30 June | |
|---|--------------------------|-------------|
| | 2021 | 2020 |
| | (Unaudited) | (Unaudited) |
| Basic and diluted earnings per share attributable to the ordinary equity holders of the Company (RMB Yuan) | <u>0.05</u> | <u>0.04</u> |

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

| | Six months ended 30 June | |
|--|--------------------------|---------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (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>22,774</u> | <u>20,783</u> |

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

| | Six months ended 30 June | |
|--|--------------------------|----------------|
| | 2021 | 2020 |
| | (Unaudited) | (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> |

8 Dividend

No dividend has been paid or declared by the Group for the six months ended 30 June 2021 and 2020, nor has any dividend been proposed subsequent to 30 June 2021.

9 Trade and other receivables

| | 30 June 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) |
|--------------------------|---|---|
| Trade receivables | | |
| – Due from students | 1 | 91 |
| – Due from others | <u>175</u> | <u>55</u> |
| | <u>176</u> | <u>146</u> |
| Other receivables | | |
| – Staff advances | 683 | – |
| – Others | <u>3,875</u> | <u>4,139</u> |
| | <u>4,558</u> | <u>4,139</u> |
| | <u><u>4,734</u></u> | <u><u>4,285</u></u> |

As at 30 June 2021 and 31 December 2020, the aging analysis of the trade receivables based on the recognition date is as follows:

| | 30 June 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) |
|------------------|---|---|
| Less than 1 year | <u><u>176</u></u> | <u><u>146</u></u> |

As at 30 June 2021 and 31 December 2020, trade receivables of RMB176,000 and RMB146,000 were past due but not impaired. Based on past experience and management's assessment, the overdue amounts can be recovered. The aging analysis of these trade receivables is as follows:

| | 30 June 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) |
|------------------|---|---|
| Less than 1 year | <u>176</u> | <u>146</u> |

10 Accruals and other payables

| | 30 June 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) |
|---|---|---|
| Payables for purchases of property, plant and equipment | 85,474 | 100,902 |
| Miscellaneous fees received from students (a) | 9,392 | 16,871 |
| Government subsidies payable to students (b) | 7,224 | 1,808 |
| Interest payable | 1,202 | 1,036 |
| Other taxes payable | 1,050 | 711 |
| Salary and welfare payables | 872 | 6,040 |
| Auditors' remuneration | 443 | 1,127 |
| Others | <u>10,334</u> | <u>11,791</u> |
| | <u>115,991</u> | <u>140,286</u> |

- (a) The amounts represent the miscellaneous fees received from students which would be paid out by the Group on behalf of the students.
- (b) The amounts represent the subsidies received from the government which would be paid out to students by the Group on behalf of the government authorities.
- (c) All accruals and other payables of the Group were denominated in RMB and HKD.
- (d) As at 30 June 2021 and 31 December 2020, the fair values of accruals and other payables approximate their carrying amounts due to their short-term maturities.

11 Commitments

(a) Capital commitments

The following sets out the details of the capital expenditure contracted but not provided for in the consolidated financial information.

| | 30 June 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) |
|--|---|---|
| Commitments for acquisition of property, plant and equipment | <u>12,528</u> | <u>19,570</u> |

(b) Non-cancellable operating leases

The Group leases certain offices under non-cancellable operating lease agreements. The Group has future aggregate minimum lease payments in respect of offices under non-cancellable low value operating leases as follows:

| | 30 June 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) |
|---|---|---|
| No later than 1 year | 10 | 10 |
| Later than 1 year and no later than 5 years | <u>14</u> | <u>19</u> |
| Total | <u>24</u> | <u>29</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

Overview

The Group is a higher education and vocational training service provider in Sichuan Province. The enrollment of YinXing College for 2020/2021 school year is approximately 12,300 students, as compared with the enrollment of approximately 11,100 students for 2019/2020 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 2020/2021 school year, 2,832 students were graduated from YinXing College in June 2021, represented an increase of 5.6% when compared with 2019/2020 school year.

Market demand for talent with practical experience and readily applicable skills will continue to grow. The Group believes there is significant market potential for the growth of hospitality market in China. In light of this industry background, as a higher education service provider focusing on the hospitality industry, the Group is well positioned to capture the growth opportunities in the hospitality industry in China.

The Schools

The one college and one vocational training school the Group operates are YinXing College and Chengdu YinXing Hotel Vocational Skills Training School (“**YinXing Training School**”). YinXing College has eight departments and offers in aggregate 27 bachelor’s degree programmes and 27 junior college diploma programmes. As at 30 June 2021, YinXing Training School had commenced business operation.

The number of students enrolled in YinXing College increased from approximately 11,100 students in 2019/2020 school year to approximately 12,300 students in 2020/2021 school year, representing an increase of 10.8% or approximately 1,200 students. The number of students enrolled in YinXing College increased because the Group has increased its marketing efforts, enhanced its reputation, attracted more talents and increased its plan of enrollment.

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 | | | |
|-----------------------------|--|---------------|---------------|--------------|
| | 2021 | 2020 | Change | Change |
| | RMB'000 | RMB'000 | RMB'000 | (%) |
| | (Unaudited) | (Unaudited) | Increase | Increase |
| Tuition fees | 92,586 | 76,517 | 16,069 | 21.0% |
| Boarding fees | 6,983 | 3,519 | 3,464 | 98.4% |
| Meal catering services fees | 4,646 | 412 | 4,234 | 1,027.7% |
| Others ⁽¹⁾ | 4,413 | 991 | 3,422 | 345.3% |
| Total | <u>108,628</u> | <u>81,439</u> | <u>27,189</u> | <u>33.4%</u> |

Note:

- (1) Others mainly represent revenue from research projects, training programmes and vocational training, which are recognised proportionately over the terms of the applicable projects or programmes.

Outlook

Given the Group's track record of delivering quality private higher education and industry reputation, the Group remains full of confidence about its future. The Group is committed to becoming the leader and a standard developer of talent cultivation in the hospitality management industry in the PRC, thus continues to pursue the following strategies:

- Further increase market penetration and enhance teaching quality to solidify its market position and gradually establish itself as a standard developer of talent cultivation in the PRC hospitality management industry;
- Actively establish overseas schools and strengthen international cooperation with overseas educational institutions and enterprises;
- Continue to attract, incentivise and retain quality teachers; and
- Capitalise on the existing brand name of Yinxing College to further develop training programmes to diversity its source of income.

Construction of new campus

Starting from 2019, the Group is in the process of construction of a new campus located in Yibin City, Sichuan Province, the PRC (the “**Nanxi New Campus**”). Part of Phase I of the Nanxi New Campus has gradually put into operation in the 2020, remaining phase of the Nanxi New Campus is expected to be completed in second half of 2021. With the completion of the Nanxi New Campus, the Group is able to provide additional capacity and resources to both academic education programmes and vocational training programmes.

Financial Review

Revenue

Revenue represents the value of services rendered during the reporting period. The Group derives revenue primarily from tuition fees, boarding fees and meal catering services fees collects from students by Yinxing College.

The revenue of the Group increased by approximately 33.4% from approximately RMB81.4 million for the six months ended 30 June 2020 to approximately RMB108.6 million for the six months ended 30 June 2021. The increase in revenue from tuition fees which was primarily attributable to the increase in student enrollment during the 2020/2021 school year. Due to the outbreak of Coronavirus Disease 2019 (“**COVID-19**”), the Group ceased the operation of canteen and student dormitories from February to June 2020 whereas the operation resumed normal in the first half of 2021. As a result, revenue from meal catering service fees and boarding fees for the six months ended 30 June 2021 increased by 1,027.7% and 98.4% respectively when compared with the corresponding period in 2020.

Cost of Sales

Cost of sales increased by approximately 37.3% from RMB40.3 million for the six months ended 30 June 2020 to RMB55.3 million for the six months ended 30 June 2021. The increase was primarily due to the increase in student activities expenses and canteen purchases as a result of the recovery from COVID-19.

Gross Profit and Gross Profit Margin

Gross profit of the Group increased from approximately RMB41.2 million for the six months ended 30 June 2020 to approximately RMB53.3 million for the six months ended 30 June 2021, and the gross profit margin decreased by approximately 1.4% from approximately 50.5% for the six months ended 30 June 2020 to approximately 49.1% for the six months ended 30 June 2021. The slight increase in gross profit and decrease in gross profit margin was primarily due to the increase in revenue from meal catering services, which normally generate a lower profit margin.

Selling Expenses

The Group’s selling expenses primarily consist of expenses related to its student recruitment activities. The selling expenses increased from approximately RMB0.8 million for the six months ended 30 June 2020 to approximately RMB1.7 million for the six months ended 30 June 2021 due to the operation commencement of Yinxing Training School.

Administrative Expenses

The Group's administrative expenses primarily consist of employee benefit expenses, property management fee, office expenses, depreciation and amortisation, professional and business consultancy fees and certain other administrative expenses. The administrative expenses increased from approximately RMB21.3 million for the six months ended 30 June 2020 to approximately RMB23.1 million for the six months ended 30 June 2021. The increase was primarily attributable to the operating costs incurred for preparation of the initial operation of the Nanxi New Campus.

Other Income

Other income of the Group decreased to approximately RMB0.5 million for the six months ended 30 June 2021 from approximately RMB1.3 million for the six months ended 30 June 2020 primarily due to the decrease in other miscellaneous income generated from Yinxing College during the six months ended 30 June 2021.

Other (Losses)/Gains – net

For the six months ended 30 June 2021, the Group had net losses of approximately RMB0.7 million, as compared with net gains of approximately RMB1.3 million during six months ended 30 June 2020, which was primary attributable to the unfavorable exchange rates between Hong Kong dollars and United States dollars against RMB during the period ended 30 June 2021.

Finance Income

For the six months ended 30 June 2021, the Group's finance income remained stable at RMB0.1 million when compared with the corresponding period in 2020.

Finance Expenses

For the six months ended 30 June 2021, the Group's finance expenses increased from RMB0.8 million for the six months ended 30 June 2020 to approximately RMB5.4 million. The increase for the six months ended 30 June 2021 was mainly attributable to the increase in the Group borrowing and the decrease in interest expenses capitalised in qualifying-assets.

Profit Before Income Tax

As a result of the foregoing, the profit before income tax of the Group increased by approximately 9.9% from approximately RMB21.0 million for the six months ended 30 June 2020 to approximately RMB23.0 million for the six months ended 30 June 2021.

Income Tax Expenses

The Group's income tax expenses increased by from approximately RMB0.2 million for the six months ended 30 June 2020 to 0.3 million for the six months ended 30 June 2021.

Profit for the Period

As a result of the foregoing, profit of the Group for the six months ended 30 June 2021 increased by approximately 9.6% from approximately RMB20.8 million for the six months ended 30 June 2020 to approximately RMB22.8 million.

Financial Resources Review

Liquidity, Financial Resources and Capital Structure

As at 30 June 2021, the Group's cash and cash equivalents amounted to RMB80.4 million, representing a decrease of approximately 47.3% from RMB152.5 million as at 31 December 2020.

Net cash used in operating activities were RMB72.3 million for the six months ended 30 June 2021, as compared with net cash used in operating activities of RMB47.2 million for the six months ended 30 June 2020. Net cash used in investing activities were RMB22.4 million for the six months ended 30 June 2021, as compared with net cash used in investing activities of RMB31.2 million for the six months ended 30 June 2020. Net cash generated from financing activities were RMB23.3 million for the six months ended 30 June 2021, as compared with net cash used in financing activities of RMB12.2 million for the six months ended 30 June 2020.

As at 30 June 2021, the Group's borrowings amounted to approximately RMB435.1 million (31 December 2020: RMB398.4 million), representing secured bank borrowings of RMB320.0 million (31 December 2020: RMB320.0 million) and secured loans from third parties of RMB115.1 million (31 December 2020: RMB78.4 million). As at 30 June 2021, the Group's borrowings of RMB77.1 million (31 December 2020: RMB33.5 million) would mature within 1 year, RMB75.3 million (31 December 2020: RMB67.7 million) would mature between 1 and 2 years, RMB206.2 million (31 December 2020: RMB190.8 million) would mature between 2 and 5 years and RMB76.4 million (31 December 2020: RMB106.4 million) would mature over 5 years. The Group's borrowings were denominated in RMB and carried at floating interest rates as at 30 June 2021.

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 2021, the Group's gearing ratio was 66.2% (31 December 2020: 47.9%).

As at 30 June 2021, the Group had net current liabilities of RMB114.0 million, as compared with net current liabilities of RMB115.1 million as at 31 December 2020 which was primarily attributable to the decrease of cash and cash equivalents and the recognition of revenue during the six months ended 30 June 2021 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 six months ended 30 June 2021.

Future Plan for Material Investments and Capital Assets

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

Capital Commitments

As at 30 June 2021, the Group had contracted but not provided for capital commitments of approximately RMB12.5 million, which were primarily relating to the investment in the Nanxi New Campus, as compared with the total amount of capital expenditures contracted for but not yet incurred of RMB19.6 million as at 31 December 2020.

Currency Exposure and Management

The majority of the Group's revenue and expenditures are denominated in RMB. As at 30 June 2021, certain bank balances were denominated in RMB, United States dollars and Hong Kong dollars. The Group is exposed to foreign exchange risk with respect mainly to United States dollars and Hong Kong dollars which may affect the Group's performance. The Group currently does not have any foreign currency hedging policies. The management is aware of the possible exchange risk exposure due to the continuing exchange rate fluctuation of United States dollars and Hong Kong dollars against RMB and will continue to monitor its impact on the performance of the Group and consider adopting prudent measures as appropriate.

Contingent Liabilities

As at 30 June 2021, the Group had no material contingent liabilities.

Pledge of Assets

As at 30 June 2021, RMB20.4 million had been pledged as a refundable security deposit to secure the loans from independent third parties.

As at 30 June 2021, RMB185.0 million of construction in progress, RMB3.8 million of land use rights and right over the tuition fees and boarding fees had been pledged as security to secure the bank borrowings of RMB320.0 million.

Employees and Remuneration Policy

As at 30 June 2021, the Group had 796 employees, as compared with 803 employees as at 31 December 2020. Remuneration of the Group's employees includes basic salaries, allowances, bonus and other employee benefits, and is determined with reference to their experience, qualifications and general market conditions. The emolument policy for the employees of the Group is set up by the Board on the basis of their merit, qualification and competence. As required by the PRC laws and regulations, the Group participates in various employee social security plans for the employees that are administered by local governments, including, among other things, housing provident fund, pension, medical insurance, social insurance and unemployment insurance. The Board believes that the Group is maintaining a favourable working relationship with its employees, and it has experienced no major labour disputes during the six months ended 30 June 2021.

OTHER INFORMATION

Interim Dividend

At the meeting of the Board held on 27 August 2021, the Board has resolved not to pay any interim dividend for the six months ended 30 June 2021.

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 six months ended 30 June 2021, the Company has complied with the code provisions under the CG Code, save and except for the deviation to paragraph A.2.1 of the CG Code below.

Paragraph A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The chairman and chief executive officer of the Company are held by Mr. Fang Gongyu who has extensive experience in the industry. The Board believes that Mr. Fang can provide the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. The Board also considers that the current structure of vesting the roles of chairman and chief executive officer in the same person will not impair the balance of power and authority between the Board and the management of the Company. The Board shall review this structure from time to time to ensure appropriate and timely action to meet changing circumstances.

Purchase, Sale and Redemption of Shares

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the six months ended 30 June 2021.

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 2021 up to the date of this announcement.

Model Code for Securities Transactions by Directors

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code for the Directors’ dealings in the Company’s securities. The provisions under the Listing Rules in relation to compliance with the Model Code by the Directors regarding securities transactions have been applicable to the Company since 18 January 2019.

Having made specific enquiry of all the Directors, all the Directors confirmed that they had strictly complied with the required standards set out in the Model Code for the six months ended 30 June 2021.

Public Float

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Company had maintained sufficient public float as required under the Listing Rules for the six months ended 30 June 2021.

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 six months ended 30 June 2021 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 six months ended 30 June 2021 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and made available for review on the same websites in due course.

By order of the Board
China Gingko Education Group Company Limited
Fang Gongyu
Chairman

Hong Kong, 27 August 2021

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