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)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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 consolidated results of the Group for the year ended 31 December 2018 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2017 as below.

FINANCIAL HIGHLIGHTS

For the Reporting Period:

- Revenue increased by 12.6% to RMB156.6 million, as compared with the year ended 31 December 2017.
- Gross profit increased by 16.7% to RMB71.5 million, as compared with the year ended 31 December 2017.
- Gross profit margin increased by 1.6 percentage points to 45.7%, as compared with the year ended 31 December 2017.
- Adjusted net profit (profit for the year excluding the effects of the expenses related to the Listing) increased by 7.4% to RMB44.2 million, as compared with the year ended 31 December 2017.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**156,605**	139,020
Cost of sales		**(85,080)**	(77,708)
Gross profit		**71,525**	61,312
Selling expenses		**(1,948)**	(1,640)
Administrative expenses		**(43,385)**	(22,272)
Other income	*4*	**917**	696
Other gains/(losses) — net	*5*	**528**	14
Operating profit		**27,637**	38,110
Finance income		**926**	786
Finance expenses		**(3,916)**	—
Finance (expenses)/income — net		**(2,990)**	786
Share of net profit of an associate accounted for using the equity method		**1,031**	2,300
Profit before income tax		**25,678**	41,196
Income tax expenses	*6*	**(770)**	—
Profit for the year		**24,908**	41,196
Other comprehensive income for the year		**—**	—
Total comprehensive income for the year		**24,908**	41,196
Profit and total comprehensive income attributable to owners of the Company		**24,908**	41,196
Earnings per share for profit attributable to owners of the Company			
Basic and diluted *(RMB Yuan)*	*7*	**0.07**	0.11

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Prepaid land lease payments		**38,734**	39,742
Property, plant and equipment		**379,595**	327,517
Intangible assets		**870**	1,093
Prepayments		**133**	284
Interest in an associate		**—**	12,558
		419,332	381,194
Current assets			
Trade and other receivables	*9*	**827**	1,431
Amounts due from a related party		**—**	12,312
Prepayments		**12,566**	744
Cash and cash equivalents		**114,814**	75,965
		128,207	90,452
Total assets		**547,539**	471,646
EQUITY			
Share capital		**—**	—
Reserves		**67,936**	68,050
Retained earnings		**257,674**	232,652
Total equity		**325,610**	300,702
LIABILITIES			
Non-current liabilities			
Borrowings		**78,500**	—

		As at 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Current liabilities			
Accruals and other payables	*10*	**38,987**	88,764
Amounts due to related parties		**—**	9,181
Borrowings		**26,148**	—
Contract liabilities	*3*	**77,534**	72,999
Current income tax liabilities		**760**	—
		143,429	170,944
Total liabilities		**221,929**	170,944
Total equity and liabilities		**547,539**	471,646

NOTES TO THE ANNUAL 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 the Group is principally engaged in providing private higher education services in the People's Republic of China (the "**PRC**").

The ultimate controlling shareholder is Mr. Gongyu Fang (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**").

The consolidated financial results are presented in Renminbi ("**RMB**") and rounded to the nearest thousand yuan, unless otherwise stated.

2 Basis of preparation

The consolidated financial results set out in this announcement do not constitute the Group's financial statements for the year ended 31 December 2018 but are extracted from those financial statements.

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention.

New and amended standards adopted by the Group

HKFRS 9, 'Financial instruments' and HKFRS 15, 'Revenue from contracts with customers' are effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group has applied HKFRS 9 and HKFRS 15 consistently throughout all the years presented.

New standards and interpretations not yet adopted

As at the date of this announcement, the Hong Kong Institute of Certified Public Accountants has issued the following new standards and amendments relevant to the Group which are not yet effective for accounting periods beginning after 1 January 2019 and have not been early adopted.

		Effective for accounting periods beginning on or after
HK (IFRIC) Interpretation 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 16	Leases	1 January 2019
Amendments to HKFRS 9	Prepayment features with negative compensation	1 January 2019
Amendments to HKAS 19	Plan amendment, curtailment or Settlement	1 January 2019
Amendments to HKAS 28	Long-term interest in associates and joint ventures	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

Except as disclosed below, 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.

HKFRS 16 Leases

Under HKFRS 16, lessees are required to recognise a lease liability reflecting future lease payments and a right-of-use asset for all lease contracts in the balance sheet. Lessees will also have to present interest expense on the lease liability and depreciation on the right-of-use asset in the income statement. In comparison with operating leases under HKAS 17, this will change not only the allocation of expenses but also the total amount of expenses recognised for each period of the lease term. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. The new standard has included an optional exemption for certain short-term leases and leases of low-value assets. This exemption can only be applied by lessees.

The Group has set up a project team which has reviewed all of the Group's leasing arrangements existed as at 31 December 2018 in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases. There will be no material impact on the Group's accounting for operating leases as the accounting for lessors will not significantly change and the Group does not have material non-cancellable operating lease commitments as lessee as at the reporting date. As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately RMB152,000. Of these commitments, approximately RMB132,000 relate to short-term leases and RMB20,000 relate to low value leases which will both be recognised on a straight-line basis as expense in profit or loss.

3 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 Company's consolidated financial statements. 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 year of the Group as presented in the 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.

Revenues during the years ended 31 December 2018 and 2017 are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Tuition fees	**124,976**	115,127
Boarding fees	**9,924**	9,119
Meal catering service fees	**13,167**	11,555
Others *(note a)*	**8,538**	3,219
	156,605	139,020

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

Represented by:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Recognised over time		
Tuition fees	**124,976**	115,127
Boarding fees	**9,924**	9,119
Others-research projects and training programmes	**8,453**	3,172
Recognised at a point in time		
Meal catering service fees	**13,167**	11,555
Revenue from other source		
Lease income	**85**	47
	156,605	139,020

The Group's revenue is subject to seasonal fluctuations. Where students are required to pay tuition fees at the beginning of each academic year, recognition of tuition fees may be affected by regular school term breaks and vacation periods.

No customers individually accounted for more than 10% of the Group's revenue for the years ended 31 December 2018 and 2017.

Contract liabilities

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

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Contract liabilities related to tuition fees	**70,673**	66,627
Contract liabilities related to boarding fees	**6,861**	6,372
	77,534	72,999

(1) *Revenue recognised in relation to contract liabilities*

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year		
Tuition fees	**66,627**	62,400
Boarding fees	**6,372**	5,982
	72,999	68,382

(2) *Unsatisfied contracts*

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Expected to be recognised within one year		
Tuition fees	**70,673**	66,627
Boarding fees	**6,861**	6,372
Others-research projects and training programmes	**—**	20
	77,534	73,019

4 Other income

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Government subsidies *(note (a))*	**780**	590
Others	**137**	106
	917	696

(a) Government subsidies mainly represent unconditional subsidies from government for school operations.

5 Other gains/(losses) — net

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Gain on disposal of an interest in an associate *(note (a))*	**702**	—
Gain on disposal of a subsidiary *(note (b))*	**15**	—
Loss on disposal of property, plant and equipment	**(13)**	(14)
Others	**(176)**	28
	528	14

(a) The Group completed the disposal of equity interest in Sichuan Airlines Chongqing Airport Catering Services Co., Ltd. on 14 June 2018 and recognised a gain on this disposal of approximately RMB702,000.

(b) The Group completed the disposal of entire equity interests in Chengdu Shujiang Tourism Planning Co., Ltd. on 15 May 2018 and recognised a gain on this disposal of approximately RMB15,000.

6 Income tax expenses

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current tax		
Current tax on profits for the year	**770**	—

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate of PRC, the principal place of the Group's operations, as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Profit before income tax	**25,678**	41,196
Tax calculated at a taxation rate of 25% or relevant domestic tax rate applicable to profits in the respective countries	**7,821**	10,299
Tax effects of tuition income not subject to tax *(iv)*	**(13,113)**	(11,846)
Share of net profit of an associate accounted for using the equity method	**(258)**	(575)
Taxable income on disposal of interest in an associate	**2,620**	—
Deemed taxable income that land and buildings of Chengdu Gingko Asset Management Co., Ltd. ("**Gingko Asset Management**") used by Yinxing Hospitality Management College of CUIT ("**Yinxing College**") for free	**2,171**	2,028
Utilisation of previously unrecognised tax losses	**(232)**	(41)
Tax losses for which no deferred tax asset has been recognised	**1,761**	135
Income tax expenses	**770**	—

(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 Reporting Period.

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

CIT is provided on assessable profits of entities incorporation 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 year.

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 polices applicable to private schools requiring reasonable returns are to be separately formulated by the relevant government authorities under the State Council of the PRC. During the Reporting Period and up to the date of this announcement, 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 in the current year, Yinxing College has been granted corporate income tax exemption for income 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 year (2017: nil).

(v) ***Tax losses***

Deferred income tax assets were recognised for losses carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately RMB1,761,000 as at 31 December 2018 (2017: RMB232,000) in respect of losses amounting to approximately RMB9,144,000 (2017: RMB929,000).

The amount of tax losses from subsidiaries in the PRC will expire in the following years:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
2019	**—**	165
2020	**—**	—
2021	**—**	224
2022	**—**	540
2023	**2,971**	—
	2,971	929

As at 31 December 2018, unused tax losses of approximately RMB6,173,000 (2017: nil) was incurred by Gingko Education Management Holding Company Limited ("**Gingko HK**") and Gingko HK is not likely to generate taxable income in the foreseeable future. The losses can be carried forward and has no expiry date.

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 financial year.

	Year ended 31 December	
	2018	2017
Basic and diluted earnings per share attributable to the ordinary equity holders of the Company *(RMB Yuan)*	**0.07**	0.11

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

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Basic and diluted earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:	**24,908**	41,196

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

	Year ended 31 December	
	2018	2017
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share *(thousands)*	**375,000**	375,000

The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the reorganisation completed on 14 June 2018 as set out in the consolidated financial statements and the capitalisation shares as set out in the consolidated financial statements which took place on 18 January 2019.

8 Dividend

No dividend has been paid or declared by the Group for the years ended 31 December 2018 and 2017, nor has any dividend been proposed subsequent to 31 December 2018.

9 Trade and other receivables

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade receivables		
— Due from students	**34**	103
— Due from others	**—**	829
	34	932
Other receivables		
— Staff advances	**469**	356
— Others	**324**	143
	827	1,431

As at 31 December 2018 and 2017, the aging analysis of the trade receivables based on the recognition date is as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Less than 1 year	**34**	932

As at 31 December 2018 and 2017, trade receivables of RMB34,000 and RMB103,000 were past due but not impaired. These primarily relate to a number of independent students for whom there is no significant financial difficulty, 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 31 December	
	2018	2017
	RMB'000	*RMB'000*
Less than 1 year	**34**	103

10 Accruals and other payables

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Payables for joint tuition support fee *(a)*	**—**	53,153
Government subsidies payable to students *(b)*	**1,391**	1,595
Miscellaneous fees received from students *(c)*	**8,278**	5,997
Payables for purchases of property, plant and equipment	**303**	8,641
Salary and welfare payables	**6,794**	10,350
Payables in relation to the Listing	**11,091**	—
Auditors' remuneration payable	**1,000**	—
Other taxes payable	**42**	80
Interest payable	**270**	—
Others	**9,818**	8,948
	38,987	88,764

a. Payables for joint tuition support fee as at 31 December 2017 were interest-free and secured by a corporate guarantee from Gingko Asset Management and had been settled during the year ended 31 December 2018.

b. The amounts represent the subsidies received from government which would be paid out to students by the Group on behalf of government authorities.

c. The amounts represent the miscellaneous fees received from students which would be paid out by the Group on behalf of students.

d. All accruals and other payables of the Group were denominated in RMB and Hong Kong Dollars ("**HK$**").

e. As at 31 December 2018 and 2017, 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 is the details of the capital expenditure contracted but not provided for in the consolidated financial statements.

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Commitments for acquisition of property, plant and equipment	**640,309**	25

As at 31 December 2018, the capital commitments includes investment in the new campus to be established in Nanxi District of Yibin City in Sichuan Province, the PRC (the "**Nanxi New Campus**"). On 18 May 2018, the Group entered into an agreement with the People's Government of Nanxi District, Yibin City, pursuant to which the Group would invest approximately RMB600 million to establish a new campus in Yibin, Sichuan Province. The actual investment amount would vary according to formal contracts with constructors in the future. On 14 March 2019, Gingko Asset Management and Sichuan Province Yibin City Natural Resources and Planning Bureau entered into a land use rights grant contract in respect of the grant of a piece of land located in the east of Feng Huang Da Dao, Nanxi District, Yibin City, Sichuan Province with a total site area of approximately 333,360 square metres for education and research usage to Gingko Asset Management following successful bidding at a consideration of RMB155,012,400. For details of the land use rights grant contract, please refer to the announcement of the Company dated 14 March 2019.

(b) Non-cancellable operating leases

The Group leases certain buildings under non-cancellable operating lease agreements. The Group has future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases are as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
No later than 1 year	**142**	—
Later than 1 year and no later than 5 years	**10**	—
Total	**152**	—

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

Overview

The Group is a higher education service provider in Sichuan Province. As at 31 December 2018, an aggregate of 10,236 students were enrolled in Yinxing College. 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 our practical curricula and training programmes is reflected in its high graduate employment rates. For the 2017/2018 school year, the initial graduate employment rate of Yinxing College was 98.6%, substantially above the overall average for higher education in China, which was between 77.7% and 78.4% from 2014 through 2017, according to a Frost & Sullivan report.

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 25 bachelor's degree programmes and 22 junior college diploma programmes. As at 31 December 2018, Yinxing Training School had not commenced any business operation.

The following table sets forth the enrollment statistics of Yinxing College for the 2017/2018 and 2018/2019 school years:

	Student enrollment for the school year[1]		
	2018/2019	2017/2018	Change (%) *Increase/ (decrease)*
Bachelor's degree programme	**8,027**	6,680	20.2
Junior college diploma programme	**2,209**	2,873	(23.1)
Total	**10,236**	9,553	7.1

Note:

(1) Despite that our school year typically ends on 31 August, the Group presents student enrollment statistics as at 31 December for the 2017/2018 and 2018/2019 school years.

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. In 2017, higher education institutions in Sichuan Province started to admit students for junior college diploma programmes through independent recruitment programme, which allows such institutions to admit students before the National Higher Education Entrance Exam. Since the Group did not participate in such programme, the number of students enrolled for junior college diploma programme in 2018/2019 school year decreased when compared with 2017/2018 school year.

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 years indicated:

	Total income for the year ended 31 December			
	2018	2017	Change	Change (%)
	RMB'000	*RMB'000*	*RMB'000*	*Increase*
Tuition fees	**124,976**	115,127	9,849	8.6
Boarding fees	**9,924**	9,119	805	8.8
Meal catering services fees	**13,167**	11,555	1,612	14.0
Others	**8,538**	3,219	5,319	165.2
Total	**156,605**	139,020	17,585	12.6

Note:

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

Outlook

Given its 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 it 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 its 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.

In March 2019, the Group entered into a land use rights grant contract in respect of the grant of a piece of land with site area of 333,360 square metres located in Yibin City, Sichuan Province. The land is used for the construction of the Nanxi New Campus, including an education hotel. In February 2019, the Group also entered into a consultancy agreement with the School of Hotel and Tourism Management of The Hong Kong Polytechnic University (the "**SHTM**"). Accordingly, SHTM will provide consultancy services in respect of the construction of the education hotel, including (i) the design concept of the education hotel; (ii) the facilities and operations of the education hotel; and (iii) the interaction between the education hotel, Yinxing College and hospitality market such as providing practical trainings and internship opportunities to the Group's students, inviting industry experts to provide lectures and training in the education hotel and organising in-depth research programme by using the education hotel's platform to understand the needs and demand of tourists and enhance the practical skills of the Group's students. SHTM is rated first in the world in the hospitality and tourism management category according to the ShanghaiRanking's Global Ranking of Academic Subjects 2017/2018, and is ranked among the top 3 hospitality and leisure management institutions globally in the QS World University Rankings by Subject 2017/2018. Given the high reputation and solid experience of SHTM, the Group believes that the construction of the Nanxi New Campus would enhance the teaching quality, especially on practical trainings, of Yinxing College and further increase the Group's market penetration to solidify the Group's market position and enable the Group to gradually establish itself as a standard developer of talent cultivation in the PRC hospitality management industry.

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 collected from students enrolled in Yinxing College.

The revenue of the Group increased by 12.6% from approximately RMB139.0 million for the year ended 31 December 2017 to approximately RMB156.6 million for the year ended 31 December 2018. This increase was primarily due to the increase in revenue derived from tuition fees, boarding fees and meal catering services fees, which is primarily attributable to the increase in student enrollment from 9,553 in the 2017/2018 school year to 10,236 in the 2018/2019 school year. The increase in revenue derived from meal catering services fees was mainly attributable to the following (i) the school canteen started to provide greater variety of products and services, such as snack bar and beverage bar, and attracted more students to dine in the canteen; (ii) the school canteen raised the price for some of the products; and (iii) the school canteen fully utilised the raw materials and provided more products to maximise revenue. Revenue derived from others increased by 165.2% for the year ended 31 December 2018 which was primarily due to the increase in revenue derived from training programmes.

Cost of Sales

Cost of sales increased by 9.5% from RMB77.7 million for the year ended 31 December 2017 to RMB85.1 million for the year ended 31 December 2018. This increase was primarily due to (i) an increase in its employee benefit expenses as a result of the increased salary and benefits for the teachers and staff since late 2017 and the increased number of teachers and staff in 2018; and (ii) an increase in depreciation of property, plant and equipment as a result of the renovation of the dormitories and exterior walls in June 2017 and the construction of the tennis court which was completed in July 2017.

Gross Profit and Gross Profit Margin

Gross profit for the Group increased by 16.7% from approximately RMB61.3 million for the year ended 31 December 2017 to approximately RMB71.5 million for the year ended 31 December 2018, and the gross profit margin increased by approximately 1.6 percentage points from approximately 44.1% for the year ended 31 December 2017 to approximately 45.7% for the year ended 31 December 2018. The primary underlying reason for such improvement was the increased revenue of the Group, especially on revenue from research programmes and training programmes which normally generate higher profit margin, which outpaced the increase of the Group's employment benefit expenses and depreciation expenses.

Selling Expenses

The Group's selling expenses primarily consist of expenses related to its student recruitment activities. The selling expenses increased by 18.8% from approximately RMB1.6 million for the year ended 31 December 2017 to approximately RMB1.9 million for the year ended 31 December 2018, which was mainly attributable to the Group's increasing expenses in student recruitment.

Administrative Expenses

The Group's administrative expenses primarily consist of employee benefit expenses, property management fee, office expenses, depreciation and amortisation and certain other administrative expenses. The administrative expenses increased by 94.8% from approximately RMB22.3 million for the year ended 31 December 2017 to approximately RMB43.4 million for the year ended 31 December 2018. The increase was mainly because of the expenses incurred in relation to the Listing of approximately RMB19.3 million.

Other Income

Other income of the Group increased by 31.8% to approximately RMB0.9 million for the year ended 31 December 2018 from approximately RMB0.7 million for the year ended 31 December 2017.

Other Gains/Losses — net

The net gains of the Group increased to approximately RMB0.5 million for the year ended 31 December 2018 from approximately RMB14,044 for the year ended 31 December 2017 which was primary attributable to the gain on disposal of interest in an associate.

Finance Income

For the year ended 31 December 2018, the Group's finance income increased by 17.8% from approximately RMB0.8 million for the year ended 31 December 2017 to approximately RMB0.9 million. The increase for the year ended 31 December 2018 was mainly attributable to the increase in the Group's interest income on loans to a related party and bank interest income.

Finance Expenses

For the year ended 31 December 2018, the Group's finance expenses increased from nil for the year ended 31 December 2017 to approximately RMB3.9 million. The increase for the year ended 31 December 2018 was mainly attributable to an increase in interest expenses on bank borrowings.

Profit Before Tax

As a result of the foregoing, the profit before tax of the Group decreased by 37.7% from approximately RMB41.2 million for the year ended 31 December 2017 to approximately RMB25.7 million for the year ended 31 December 2018.

Income Tax

The Group's income tax expense was approximately RMB0.8 million for the year ended 31 December 2018 whereas income tax expense was nil for the year ended 31 December 2017.

The income tax incurred for the year ended 31 December 2018 was mainly attributable to the increase in revenue from research projects and training programmes which are subject to the PRC corporate income tax.

Profit for the Year

As a result of the foregoing, profit of the Group for the year ended 31 December 2018 decreased by 39.5% from approximately RMB41.2 million for the year ended 31 December 2017 to approximately RMB24.9 million.

Adjusted net profit

The adjusted net profit represents profit for the year excluding the effects of the expenses related to the Listing, which amounted to approximately RMB19.3 million for the year ended 31 December 2018 (2017: nil). The term adjusted net profit is not defined under HKFRSs. As a non-HKFRS measure, adjusted net profit is presented because management believes such information will be helpful for investors in assessing the effect of the listing expenses on the Group's net profit by eliminating the effects of certain one-off or non-recurring items, namely listing expenses. The following tables reconciles the Group's adjusted net profit for the years presented to the most directly comparable financial measure calculated and presented in accordance with HKFRSs, which is profit for the year.

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Profit for the year	**24,908**	41,196
Add:		
Expenses related to the Listing	**19,336**	—
Adjusted net profit	**44,244**	41,196

Adjusted net profit of the Group for the year ended 31 December 2018 increased by 7.4% from approximately RMB41.2 million for the year ended 31 December 2017 to approximately RMB44.2 million.

Financial Resources Review

Liquidity, Financial Resources and Capital Structure

As at 31 December 2018, the Group's cash and cash equivalents amounted to RMB114.8 million, representing an increase of approximately 51.1% from RMB76.0 million as at 31 December 2017.

Net cash generated from operating activities were RMB1.3 million in 2018, as compared with net cash generated from operating activities of RMB62.6 million in 2017. Net cash used in investing activities were RMB49.4 million in 2018, as compared with net cash used in investing activities of RMB38.9 million in 2017. Net cash generated from financing activities were RMB87.0 million in 2018, as compared with net cash used in financing activities of RMB14.3 million in 2017.

As at 31 December 2018, the Group's borrowings amounted to RMB104.6 million (2017: nil), representing secured bank borrowings of RMB98.5 million (2017: nil) and unsecured loans from third parties of RMB6.1 million (2017: nil). As at 31 December 2018, the Group's borrowings of RMB26.1 million would mature within 1 year and RMB78.5 million would mature between 1 and 2 years. The Group had banking facilities in an aggregate amount of RMB700.0 million, of which nil was utilised. By the date of this announcement, the Group had repaid all of its bank borrowings carried as at 31 December 2018.

As at 31 December 2018, bank borrowings were secured by a pledge of a commercial building of a related party, Chengdu Changshun Investment Co., Ltd. (成都長順投資有限公司) ("**Chengdu Changshun**"), corporate guarantees from Gingko Asset Management and Chengdu Yinxing Education Management Co., Ltd., ("**Yinxing Education**") and a personal guarantee from Mr. Fang. As at 16 January 2019, personal guarantee from Mr. Fang and the pledge provided by Chengdu Changshun had been released. The bank borrowings were denominated in RMB and carried at floating interest rates. The unsecured loans from third parties represent loans from two third parties which are unsecured, amounting to HK$3,000,000 (approximately RMB2,635,000) and HK$4,000,000 (approximately RMB3,513,000) respectively as at 31 December 2018. The loan of HK$3,000,000 bears a fixed interest rate of 5.00% per annum and has been settled on 30 January 2019. The loan of HK$4,000,000 bears a fixed interest rate of 12.00% per annum and has been repaid on 24 January 2019.

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 31 December 2017 and 2018, the Group maintained at net cash position.

As at 31 December 2018, the Group had net current liabilities of RMB15.2 million, as compared with net current liabilities of RMB80.5 million as at 31 December 2017.

Capital Commitments

As at 31 December 2018, the Group had contracted but not provided for capital commitments of approximately RMB640.3 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 RMB25,000 as at 31 December 2017.

Currency Exposure and Management

The majority of the Group's revenue and expenditures are denominated in RMB. As at 31 December 2018, certain bank balances were denominated in RMB and Hong Kong dollars. The Group is exposed to foreign exchange risk with respect mainly to 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 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 31 December 2018, the Group had no material contingent liabilities.

Pledge of Assets

As at 31 December 2018, the Group did not pledge any assets.

Employees and Remuneration Policy

As at 31 December 2018, the Group had 693 employees, as compared with 538 employees as at 31 December 2017. The increase of the Group's number of employees was mainly attributable to the Group's cessation of outsourcing of property management service to a related party during the year ended 31 December 2018 and the Group's recruitment of new staff to provide such service itself. The Group also continued recruiting qualified teachers for Yinxing College to enhance its teaching quality. 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 labor disputes during the Reporting Period.

OTHER INFORMATION

Annual General Meeting

The annual general meeting of the Company (the "**AGM**") will be held on 21 June 2019 (Friday). A notice convening the AGM will be published and dispatched to the shareholders of the Company in the manner required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") in due course.

Dividend

At the meeting of the Board held on 29 March 2019, the Board has resolved not to recommend the payment of any dividend for the year ended 31 December 2018, and intends to reinvest its profits in the construction of the Nanxi New Campus.

Book Close Periods

For the purposes of ascertaining the members' eligibility to attend and vote at the AGM, the Company's register of members will be closed during the following period:

• Latest time to lodge transfers documents for registration	4:30 p.m. on 17 June 2019 (Monday)
• Closure of register of members	18 June 2019 (Tuesday) to 21 June 2019 (Friday)

To be eligible to attend and vote at the AGM, all duly stamped instruments of transfers, accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than the latest time as stated above.

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. Since the Listing Date and up to the date of this announcement, 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 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.

Further information of the corporate governance practice of the Company will be set out in the corporate governance report in the annual report of the Company for the year ended 31 December 2018.

Corporate Social Responsibility & Environmental Matters

While the Company endeavours to promote business development and strive for greater rewards for our stakeholders, it acknowledges its corporate social responsibility to share some burden in building the society where our business has been established and thrived.

Purchase, Sale and Redemption of Shares

Since the Company was not listed on the Stock Exchange during the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the Reporting Period.

Events after the Reporting Period

On 18 January 2019, the shares of the Company were listed on the Main Board of the Stock Exchange. 125,000,000 ordinary shares of the Company (the "**Shares**") were issued at an offer price of HK$1.44 per Share.

On 8 March 2019, Yinxing College entered into certain finance lease agreements with International Far Eastern Leasing Co., Ltd. (遠東國際租賃有限公司) ("**Far Eastern Leasing**"), an independent third party, pursuant to which Far Eastern Leasing purchased certain equipments owned by Yinxing College from Yinxing College at an aggregate consideration of RMB57,000,000 and leased the equipments back to Yinxing College for a term of 36 months at an estimated total lease amount of approximately RMB65,450,000. Yinxing Education and Gingko Asset Management jointly and severally guaranteed Yinxing College's payment obligations accordingly. For details of the finance lease arrangement, please refer to the announcement of the Company dated 8 March 2019.

Save as disclosed in this announcement, there was no other significant event relevant to the business or financial performance of the Group that come to the attention of the Directors since 31 December 2018.

Use of Net Proceeds from the Company's Initial Public Offering

The Company issued 125,000,000 new Shares (the "**Global Offering**") at the issue price of HK$1.44 per Share in the connection with the Listing. The net proceeds after deducting the estimated (i) underwriting commissions and incentive fees, and (ii) other expenses payable by the Group in connection with the Global Offering amounted to approximately HK$157.8 million (equivalent to approximately RMB136.4 million).

The net proceeds has been applied in the manner as set out in the section headed "Future Plans and Use of Proceeds" of the Company's prospectus dated 21 December 2018. As at the date of this announcement, the Company has applied the net proceeds of approximately RMB0.3 million for the construction of the Nanxi New Campus, approximately RMB0.1 million to recruit high-caliber teachers and staff, and approximately RMB0.2 million for general business operations.

The unutilised net proceeds are generally placed in licensed financial institutions as short-term deposits.

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 dealings in securities transactions by the Directors. 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 the Listing Date. As the shares of the Company were not yet listed on the Stock Exchange as at 31 December 2018, the Model Code was not applicable to the Company during the Reporting Period.

Having made specific enquiry of all the Directors of the Company, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code throughout the period from the Listing Date up to the date of this announcement.

Public Float

The Company has maintained sufficient public float as required under the Listing Rules from the Listing Date and up to the date of this announcement.

Audit Committee

As of the date of this announcement, the audit committee of the Company (the "**Audit Committee**") consists of Mr. Chong Man Hung Jeffrey, Mr. Jiang Qian and Mr. Yuan Jun, the independent non-executive Directors of the Company. The chairman of the Audit Committee is Mr. Chong Man Hung Jeffrey. The annual results for the year ended 31 December 2018 of the Company have been reviewed by the Audit Committee. The Audit Committee has also reviewed the accounting policies and practices adopted by the Company and discussed risk management and internal control with senior management members.

Review of Preliminary Announcement

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2018 have been agreed with the Group's auditor, PricewaterhouseCoopers ("**PwC**"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC on the preliminary announcement.

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 Financial Results and Annual Report

This annual results announcement is published on the websites of the Stock Exchange (http://www.hkex.com.hk) and the Company (http://www.chinagingkoedu.com). The annual report of the Company for the year ended 31 December 2018 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, 29 March 2019

As at the date of this announcement, the executive Directors are Mr. Fang Gongyu, Mr. Tian Tao, Ms. Yu Yuan and Ms. Liu Dan; and the independent non-executive Directors are Mr. Jiang Qian, Mr. Yuan Jun and Mr. Chong Man Hung Jeffrey.