# 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 2019

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 audited consolidated results of the Group for the year ended 31 December 2019 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2018 as below.

### HIGHLIGHTS

| | For the school year | |
|---|---|---|
| | **2019/2020** | 2018/2019 |
| Student enrollment | **11,088** | 10,236 |

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| Revenue | **165,661** | 156,605 |
| Gross profit | **67,562** | 71,525 |
| Profit for the year | **32,078** | 24,908 |
| Adjusted net profit *(note 1)* | **30,889** | 44,244 |
| Earnings per share *(RMB Yuan)* | **0.06** | 0.07 |

*Note 1:* The adjusted net profit represents profit for the year excluding the effects of the expenses related to the Listing and the gain on disposal of land use rights.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Note | Year ended 31 December **2019** *RMB'000* | 2018 *RMB'000* |
|---|---|---|---|
| Revenue | *4* | **165,661** | 156,605 |
| Cost of sales | | **(98,099)** | (85,080) |
| **Gross profit** | | **67,562** | 71,525 |
| Selling expenses | | **(1,726)** | (1,948) |
| Administrative expenses | | **(40,821)** | (43,385) |
| Other income | *5* | **680** | 917 |
| Other gains — net | *6* | **7,858** | 528 |
| **Operating profit** | | **33,553** | 27,637 |
| Finance income | | **426** | 926 |
| Finance expenses | | **(1,121)** | (3,916) |
| Finance expenses — net | | **(695)** | (2,990) |
| Share of net profit of an associate accounted for using the equity method | | **—** | 1,031 |
| **Profit before income tax** | | **32,858** | 25,678 |
| Income tax expenses | *7* | **(780)** | (770) |
| **Profit for the year** | | **32,078** | 24,908 |
| Other comprehensive income for the year | | **—** | — |
| **Total comprehensive income for the year** | | **32,078** | 24,908 |
| **Profit and total comprehensive income attributable to owners of the Company** | | **32,078** | 24,908 |
| **Earnings per share for profit attributable to owners of the Company** | | | |
| Basic and diluted *(RMB Yuan)* | *8* | **0.06** | 0.07 |

## CONSOLIDATED BALANCE SHEET

| | | As at 31 December | |
|---|---|---|---|
| | | **2019** | 2018 |
| | *Note* | ***RMB'000*** | *RMB'000* |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Prepaid land lease payments | | **—** | 38,734 |
| Right-of-use assets | | **70,177** | — |
| Property, plant and equipment | | **818,582** | 379,595 |
| Intangible assets | | **1,413** | 870 |
| Prepayments | | **9,843** | 133 |
| | | **900,015** | 419,332 |
| **Current assets** | | | |
| Trade and other receivables | *10* | **4,840** | 827 |
| Prepayments | | **6,541** | 12,566 |
| Cash and cash equivalents | | **227,518** | 114,814 |
| | | **238,899** | 128,207 |
| **Total assets** | | **1,138,914** | 547,539 |
| **EQUITY** | | | |
| Share capital | | **4,321** | — |
| Share premium | | **134,042** | — |
| Reserves | | **62,959** | 67,936 |
| Retained earnings | | **294,729** | 257,674 |
| **Total equity** | | **496,051** | 325,610 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | | **335,434** | 78,500 |

| | | As at 31 December | |
|---|---|---|---|
| | | **2019** | 2018 |
| | *Note* | ***RMB'000*** | *RMB'000* |
| **Current liabilities** | | | |
| Accruals and other payables | *11* | **133,659** | 38,987 |
| Amounts due to a related party | | **10** | — |
| Borrowings | | **88,232** | 26,148 |
| Contract liabilities | *4* | **85,068** | 77,534 |
| Current income tax liabilities | | **460** | 760 |
| | | **307,429** | 143,429 |
| **Total liabilities** | | **642,863** | 221,929 |
| **Total equity and liabilities** | | **1,138,914** | 547,539 |

## 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. 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**").

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 2019 but are extracted from those financial statements.

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention.

***New and amended standards adopted by the Group***

A number of new or 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** |
|---|---|---|
| HKFRS 16 | Leases | 1 January 2019 |
| HK (IFRIC) Interpretation 23 | Uncertainty over income tax treatments | 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 interests in associates and joint ventures | 1 January 2019 |
| Annual improvements to HKFRSs 2015–2017 Cycle | | 1 January 2019 |

***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 expenses on the lease liability and depreciation on the right-of-use asset in the statement of comprehensive income. 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 adopted the optional exemption because all the Group's leases are relate to short-term leases and low value leases, which were recognised on a straight-line basis as expenses in profit or loss.

*Lease liabilities and right-of-use assets recognised under HKFRS 16 as at 1 January 2019*

| | *RMB'000* |
|---|---|
| Operating lease commitments disclosed as at 31 December 2018 | 152 |
| Less: | |
| Short-term leases recognised on a straight-line basis as expenses | (132) |
| Low-value leases recognised on a straight-line basis as expenses | (20) |
| Lease liabilities and right-of-use assets recognised as at 1 January 2019 before reclassification of prepaid land lease payments | — |
| Add: | |
| Reclassification of prepaid land lease payments | 38,734 |
| Right-of-use assets recognised as at 1 January 2019 | 38,734 |

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid rental expenses relating to that lease recognised in the consolidated balance sheet as at 1 January 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The change in accounting policy affected the following items in the consolidated balance sheet on 1 January 2019:

- Right-of-use assets — increased by approximately RMB38,734,000
- Prepaid land lease payments — decreased by approximately RMB38,734,000

There was no impact on retained earnings on 1 January 2019.

As at 31 December 2019, the Group has non-cancellable operating lease commitments of approximately RMB10,000, which related to low value leases and will be recognised on a straight-line basis as expenses in profit or loss.

***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 |
|---|---|---|
| Revised Conceptual Framework for Financial Reporting | | 1 January 2020 |
| Amendments to HKAS 1 and HKAS 8 | Definition of material | 1 January 2020 |
| Amendments to HKFRS 3 | Definition of a business | 1 January 2020 |
| 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 |

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.

## 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 Group'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.

## 4 Revenue

Revenue during the years ended 31 December 2019 and 2018 are as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| Tuition fees | **133,457** | 124,976 |
| Boarding fees | **10,873** | 9,924 |
| Meal catering service fees | **14,299** | 13,167 |
| Others *(note a)* | **7,032** | 8,538 |
| | **165,661** | 156,605 |

a) Others mainly represent revenue from research projects and training programmes.

Represented by:

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| Recognised over time | | |
| Tuition fees | **133,457** | 124,976 |
| Boarding fees | **10,873** | 9,924 |
| Others-research projects and training programmes | **6,757** | 8,453 |
| Recognised at a point in time | | |
| Meal catering service fees | **14,299** | 13,167 |
| Revenue from other source | | |
| Lease income | **275** | 85 |
| | **165,661** | 156,605 |

No customers individually accounted for more than 10% of the Group's revenue for the years ended 31 December 2019 and 2018.

***Contract liabilities***

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

| | **As at 31 December** | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| Contract liabilities related to tuition fees | **77,024** | 70,673 |
| Contract liabilities related to boarding fees | **7,663** | 6,861 |
| Others | **381** | — |
| | **85,068** | 77,534 |

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

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

| | **Year ended 31 December** | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| **Revenue recognised that was included in the balance of contract liabilities at the beginning of the year** | | |
| Tuition fees | **70,673** | 66,627 |
| Boarding fees | **6,861** | 6,372 |
| | **77,534** | 72,999 |

*(2) Unsatisfied contracts*

| | **As at 31 December** | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| Expected to be recognised within one year | | |
| Tuition fees | **77,024** | 70,673 |
| Boarding fees | **7,663** | 6,861 |
| Others-research projects and training programmes | **381** | — |
| | **85,068** | 77,534 |

## 5 Other income

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| Government subsidies *(note a)* | **680** | 780 |
| Others | **—** | 137 |
| | **680** | 917 |

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

## 6 Other gains — net

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| Gain on disposal of land use rights *(note a)* | **6,014** | — |
| Gain on disposal of an interest in an associate | **—** | 702 |
| Gain on disposal of a subsidiary | **—** | 15 |
| Loss on disposal of property, plant and equipment | **—** | (13) |
| Others | **1,844** | (176) |
| | **7,858** | 528 |

(a) On 19 July 2019, Gingko Asset Management disposed a piece of land, located in No. 60, Guangchang Road North Second Section, Hongguang Town, Pidu District, Chengdu City, Sichuan Province, to a government authority, Chengdu Pidu District Land Reserve Centre, according to the government authority's requirement, and recognised a gain on this disposal of approximately RMB6,014,000.

## 7 Income tax expenses

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| Current tax | | |
| Current tax on profits for the year | **780** | 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 | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| Profit before income tax | **32,858** | 25,678 |
| Tax calculated at a taxation rate of 25% or relevant domestic tax rate applicable to profits in the respective countries | **9,070** | 7,821 |
| Tax effects of tuition income not subject to tax *(iv)* | **(10,793)** | (13,113) |
| Tax effects of amounts which are not deductible in calculating taxable income | **571** | 1,018 |
| 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 | **1,723** | 2,171 |
| Share of net profit of an associate accounted for using the equity method | **—** | (258) |
| Taxable income on disposal of interest in an associate | **—** | 2,620 |
| Utilisation of previously unrecognised tax losses | **(54)** | (232) |
| Tax losses for which no deferred tax asset has been recognised | **263** | 743 |
| **Income tax expenses** | **780** | 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, 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 year (2018: 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 RMB952,000 as at 31 December 2019 (2018: RMB743,000) in respect of losses amounting to approximately RMB3,808,000 (2018: RMB2,971,000).

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

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| 2020 | **—** | — |
| 2021 | **—** | — |
| 2022 | **—** | — |
| 2023 | **2,756** | 2,971 |
| 2024 | **1,052** | — |
| | **3,808** | 2,971 |

## 8 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 | |
|---|---|---|
| | **2019** | 2018 |
| Basic and diluted earnings per share attributable to the ordinary equity holders of the Company *(RMB Yuan)* | **0.06** | 0.07 |

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

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***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: | **32,078** | 24,908 |

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

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share *(thousands)* | **494,178** | 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.

## 9 Dividend

No dividend has been paid or declared by the Group for the years ended 31 December 2019 and 2018, nor has any dividend been proposed subsequent to 31 December 2019.

## 10 Trade and other receivables

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| **Trade receivables** | | |
| — Due from students | **1,414** | 34 |
| — Due from others | **31** | — |
| | **1,445** | 34 |
| **Other receivables** | | |
| — Staff advances | **548** | 469 |
| — Others | **2,847** | 324 |
| | **4,840** | 827 |

As at 31 December 2019 and 2018, the aging analysis of the trade receivables based on the recognition date is as follows:

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| Less than 1 year | **1,445** | 34 |

As at 31 December 2019 and 2018, trade receivables of RMB1,445,000 and RMB34,000 were past due but not impaired. These primarily relate to a number of independent students, and based on past experience and management's assessment, the overdue amounts can be recovered. The aging analysis of these trade receivables is as follows:

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| Less than 1 year | **1,445** | 34 |

## 11 Accruals and other payables

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| Payables for purchases of property, plant and equipment | **101,347** | 303 |
| Miscellaneous fees received from students *(note a)* | **11,139** | 8,278 |
| Salary and welfare payables | **7,776** | 6,794 |
| Government subsidies payable to students *(note b)* | **2,614** | 1,391 |
| Auditor's remuneration payable | **1,300** | 1,000 |
| Interest payable | **402** | 270 |
| Other taxes payable | **172** | 42 |
| Payables in relation to the Listing | **—** | 11,091 |
| Others | **8,909** | 9,818 |
| | **133,659** | 38,987 |

(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 Hong Kong Dollars ("**HK$**").

(d) As at 31 December 2019 and 2018, the fair values of accruals and other payables approximate their carrying amounts due to their short-term maturities.

## 12 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 | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| Commitments for acquisition of property, plant and equipment | **40,403** | 640,309 |

As at 31 December 2019, the capital commitments relate to capital expenditure for the Nanxi New Campus.

### *(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 are as follows:

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| No later than 1 year | **10** | 142 |
| Later than 1 year and no later than 5 years | **—** | 10 |
| Total | **10** | 152 |

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Overview

### *Overview*

The Group is a higher education service provider in Sichuan Province. The enrollment of Yinxing College for 2019/2020 school year is approximately 11,100 students, as compared with the enrollment of approximately 10,200 students for 2018/2019 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 our practical curricula and training programmes is reflected in its high graduate employment rates. For the 2018/2019 school year, approximately 2,500 students were graduated from Yinxing College in June 2019. The initial graduate employment rate of Yinxing College was approximately 92.2%, which we believe will continue to elevate the brand reputation of Yinxing College and help attract the talented.

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 2019, Yinxing Training School had not commenced any business operation.

The following table sets forth the enrollment statistics of Yinxing College for the 2018/2019 and 2019/2020 school years:

| | Student enrollment for the school year[1] | | |
|---|---|---|---|
| | **2019/2020** | 2018/2019 | Change (%) *Increase/ (decrease)* |
| Bachelor's degree programme | **9,421** | 8,027 | 17.4 |
| Junior college diploma programme | **1,667** | 2,209 | (24.5) |
| **Total** | **11,088** | 10,236 | 8.3 |

*Note:*

(1) Despite that our school year typically ends on 31 August, the Group presents student enrollment statistics as at 31 December for the 2018/2019 and 2019/2020 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. The decrease in the number of students enrolled for junior college diploma programme as at 31 Deccember 2019 was because the number of graduating students in 2019 were more than the number of the freshmen students enrolled in 2019/2020 school year. 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 decreased continuously in 2019/2020 school year when compared with previous school years. The Group believes that the situation of such decrease will be improved gradually in coming years after the participation of independent recruitment programme. Details please refer to "Outlook - Participation of independent recruitment programme" of this announcement.

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** | | | |
|---|---|---|---|---|
| | **2019** | 2018 | Change | Change (%) |
| | ***RMB'000*** | *RMB'000* | *RMB'000 Increase/ (decrease)* | *Increase/ (decrease)* |
| Tuition fees | **133,457** | 124,976 | 8,481 | 6.8 |
| Boarding fees | **10,873** | 9,924 | 949 | 9.6 |
| Meal catering services fees | **14,299** | 13,167 | 1,132 | 8.6 |
| Others | **7,032** | 8,538 | (1,506) | (17.6) |
| **Total** | **165,661** | 156,605 | 9,056 | 5.8 |

*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 diversify its source of income.

*Participation of independent recruitment programme*

In January 2020, Yinxing College obtained the approval from Department of Education of Sichuan Province (四川省教育廳) for its participation of independent recruitment programme. In 2020/2021 school year, Yinxing College is entitled to admit students for its junior college diploma programmes through independent recruitment programme, which allows such institutions to admit students before the National Higher Education Entrance Exam. The Group believes that the situation of the decrease in the number of freshmen students of its junior college diploma programmes in previous years will be improved gradually.

***Termination of the cooperation with Chengdu University of Information Technology ("CUIT") and conversion of Yinxing College into a regular private higher education institution***

During the year ended 31 December 2019, the Group is in the process of applying for termination of the cooperation with CUIT and conversion of Yinxing College into a regular private higher education institution (the "**Application for Conversion**"). Consequently, during the year ended 31 December 2019, the Group incurred additional costs to fulfill the requirements for the Application for Conversion, such as operating costs to establish the Nanxi New Campus and recruitment of more qualified teachers to reach a higher teacher-student ratio. As at the date of this announcement, the Application for Conversion is still in progress.

***Construction of new campus***

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 May 2019, the Group entered into a construction contract for construction works of phase one of the Nanxi New Campus (the "**Construction Project**"). The Construction Project mainly encompasses the construction of education hotel, classroom buildings, a canteen, dormitories and other facilities. As at the date of this announcement, the Construction Project is undergoing. The Group expect to obtain the certificates and other approvals from the relevant authorities in 2020, including but not limited to approvals for passing fire control design assessments, approvals for passing fire control acceptance check, registration for passing acceptance inspections upon construction completion and building ownership certificates, in order to commence the operations of the Nanxi New Campus. 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.

**Impact of the novel coronavirus (COVID-19)**

Due to the outbreak of the novel coronavirus (COVID-19) epidemic in early 2020, Yinxing College organised online teaching and learning to replace its face-to-face teaching model for the spring semester. The canteen and student dormitories have ceased to operate since February 2020 and up to the date of this announcement. Despite the Group utilised online education platform to provide its tuition services in order to minimise the impact of the epidemic, the Group's operational and financial performance, including revenue from meal catering service fees and boarding fees, are expected to be affected by the epidemic in the first half of 2020. Given the dynamic circumstances and high uncertainties, the financial impact on the Group could not be reasonably estimated at this stage. The Group will keep continuous attention to the situation of the epidemic, assess and react actively to its impact on the financial position and operating results of the Group.

**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 5.8% from approximately RMB156.6 million for the year ended 31 December 2018 to approximately RMB165.7 million for the year ended 31 December 2019. This increase was primarily due to the increase in revenue derived from tuition fees, boarding fees and meal catering services fees, which was primarily attributable to the increase in student enrollment from approximately 10,200 students in the 2018/2019 school year to approximately 11,100 students in the 2019/2020 school year. The decrease in revenue from research projects and training programmes for the year ended 31 December 2019 was primarily attributable to the completion of a one-off training programme by the Group in 2018.

***Cost of Sales***

Cost of sales increased by 15.3% from RMB85.1 million for the year ended 31 December 2018 to RMB98.1 million for the year ended 31 December 2019. This increase was primarily due to (i) the increased number of teachers and staff in 2019 in order to enhance the Group's teaching quality and to reach a higher teacher-student ratio; and (ii) an increase in depreciation of property, plant and equipment as a result of the completion of the construction of the student dormitories in 2019 and the increased additions of the Group's property, plant and equipment in 2019 when compared with 2018.

### *Gross Profit and Gross Profit Margin*

Gross profit for the Group decreased by 5.5% from approximately RMB71.5 million for the year ended 31 December 2018 to approximately RMB67.6 million for the year ended 31 December 2019, and the gross profit margin decreased by approximately 4.9 percentage points from approximately 45.7% for the year ended 31 December 2018 to approximately 40.8% for the year ended 31 December 2019. The primary underlying reasons were (i) the decrease in the revenue caused by research projects and training programmes, which normally generate higher profit margin; (ii) the increase of the Group's employee benefit expenses; and (iii) the increase of the depreciation of property, plant and equipment.

### *Selling Expenses*

The Group's selling expenses primarily consist of expenses related to its student recruitment activities. The selling expenses decreased by 11.4% from approximately RMB1.9 million for the year ended 31 December 2018 to approximately RMB1.7 million for the year ended 31 December 2019.

### *Administrative Expenses*

The Group's administrative expenses primarily consist of employee benefit expenses, property management fee, office expenses, depreciation and amortisation, professional fees and certain other administrative expenses. The administrative expenses decreased by 5.9% from approximately RMB43.4 million for the year ended 31 December 2018 to approximately RMB40.8 million for the year ended 31 December 2019. The decrease was mainly attributable to the decrease of the expenses incurred in relation to the Listing, partially offset by (i) an increase in professional fees incurred subsequent to the Listing and (ii) an increase in employee benefit expenses and other expenses incurred for the preparation of the initial operation of the Nanxi New Campus.

### *Other Income*

Other income of the Group decreased by 25.8% to approximately RMB0.7 million for the year ended 31 December 2019 from approximately RMB0.9 million for the year ended 31 December 2018.

### *Other Gains — net*

The net gains of the Group increased to approximately RMB7.9 million for the year ended 31 December 2019 from approximately RMB0.5 million for the year ended 31 December 2018 which was primary attributable to the gain on disposal of land use rights during the year ended 31 December 2019.

*Finance Income*

For the year ended 31 December 2019, the Group's finance income decreased by 54.0% from approximately RMB0.9 million for the year ended 31 December 2018 to approximately RMB0.4 million. The decrease for the year ended 31 December 2019 was mainly attributable to the decrease in the Group's interest income on loans to a related party and bank interest income.

*Finance Expenses*

For the year ended 31 December 2019, the Group's finance expenses decreased from approximately RMB3.9 million for the year ended 31 December 2018 to approximately RMB1.1 million. The decrease for the year ended 31 December 2019 was mainly attributable to an increase 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 28.0% from approximately RMB25.7 million for the year ended 31 December 2018 to approximately RMB32.9 million for the year ended 31 December 2019.

*Income Tax Expenses*

The Group's income tax expenses were approximately RMB0.8 million for the year ended 31 December 2019 whereas income tax expenses were approximately RMB0.8 million for the year ended 31 December 2018.

The Group's income tax expenses were mainly recognised for 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 2019 increased by 28.8% from approximately RMB24.9 million for the year ended 31 December 2018 to approximately RMB32.1 million.

*Adjusted net profit*

The adjusted net profit represents profit for the year excluding the effects of the expenses related to the Listing and the gain on disposal of land use rights, which amounted to approximately RMB4.8 million (2018: RMB19.3 million) and RMB6.0 million (2018: nil) for the year ended 31 December 2019 respectively. To supplement the Group's consolidated financial statements, which are presented in accordance with HKFRSs, the Group also use adjusted net profit as additional financial measurements. The Group present these financial measures because they are used by management to evaluate our financial performance by eliminating the impact of items that management do not consider indicative of the performance of the Group's business. Management also believes these non-GAAP measurements provide additional information to investors and others in understanding and evaluating the Group's results of operations.

The terms of adjusted net profit is not defined under HKFRSs. The use of these non-GAAP measurements has material limitations as an analytical tool, as they do not include all items that impact our net profit for the years.

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** | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| Profit for the year | **32,078** | 24,908 |
| Add: Expenses related to the Listing | **4,825** | 19,336 |
| Less: Gain on disposal of land use rights | **(6,014)** | — |
| **Adjusted net profit** | **30,889** | 44,244 |

Adjusted net profit of the Group for the year ended 31 December 2019 decreased by 30.2% from approximately RMB44.2 million for the year ended 31 December 2018 to approximately RMB30.9 million.

In light of the foregoing limitations for other financial measurements, when assessing the Group's operating and financial performance, shareholders and investors should not consider adjusted net profit in isolation or as a substitute for the Group's profit for the years, operating profit or any other operating performance measure that is calculated in accordance with HKFRSs. In addition, because such measures may not be calculated in the same manner by all companies, it may not be comparable to other similar titled measurements by other companies.

## Financial Resources Review

### *Liquidity, Financial Resources and Capital Structure*

As at 31 December 2019, the Group's cash and cash equivalents amounted to RMB227.5 million, representing an increase of approximately 98.2% from RMB114.8 million as at 31 December 2018.

During the Reporting Period, the Group generated cash from operating activities primarily from tuition fees, boarding fees and meal catering service fees. Cash flows from operating activities have reflected (i) profit before income tax; (ii) movements in working capital; and (iii) other cash items consisting of income tax paid and interest received. Investing activities inflows included proceeds from government subsidies of RMB149.5 million and proceeds from disposal of land use right of RMB6.7 million. Investing activities outflows comprised primarily purchases of land use rights, property, plant and equipment and intangible assets of RMB538.4 million. Financing activities inflows primarily included proceeds from bank and other borrowings of RMB469.1 million and proceeds from share issuance upon the Listing of RMB155.6 million. Financing activities outflows primarily included repayment of bank and other borrowings of RMB150.1 million, interest payments of RMB13.6 million and professional expenses paid in connection with the issuance of new shares during the Listing process of RMB13.7 million.

As a result, net cash generated from operating activities were RMB47.6 million in 2019, as compared with net cash generated from operating activities of RMB1.3 million in 2018. Net cash used in investing activities were RMB382.2 million in 2019, as compared with net cash used in investing activities of RMB49.4 million in 2018. Net cash generated from financing activities were RMB447.3 million in 2019, as compared with net cash used in financing activities of RMB87.0 million in 2018.

As at 31 December 2019, the Group's borrowings amounted to RMB423.7 million (2018: RMB104.6 million), representing secured bank borrowings of RMB390.0 million (2018: RMB98.5 million), secured loans from a third party of RMB33.7 million (2018: nil) and unsecured loans from third parties of nil (2018: RMB6.1 million). As at 31 December 2019, the Group's borrowings of RMB88.2 million (2018: RMB26.1 million) would mature within 1 year, RMB15.4 million (2018: RMB78.5 million) would mature between 1 and 2 years, RMB153.6 million (2018: nil) would mature between 2 and 5 years and RMB166.4 million (2018: nil) would mature over 5 years. The Group's borrowings were denominated in RMB (2018: RMB and Hong Kong dollars) as at 31 December 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 2018, the Group maintained at net cash position. As at 31 December 2019, the Group's gearing ratio was 39.5%. The increase was primarily due to the increase in the secured bank and other borrowings.

As at 31 December 2019, the Group had net current liabilities of RMB68.5 million, as compared with net current liabilities of RMB15.2 million as at 31 December 2018 which was primarily attributable to the increase in (i) other payables for purchase of property, plant and equipment; (ii) bank and other borrowings which would mature within 1 year; and (iii) contract liabilities received from students but not recognised as revenue during the Reporting Period. Taking into account of the contract liabilities of RMB85.1 million (2018: 77.5 million), which generally will not result in cash outflows in the future, the surplus of the net working capital would be RMB16.5 million (2018: RMB62.3 million).

***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 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 Nanxi New Campus in the coming years will be funded by the Group's internal resources and/or borrowings.

***Capital Commitments***

As at 31 December 2019, the Group had contracted but not provided for capital commitments of approximately RMB40.4 million, which were primarily relating to the capital expenditure for the Nanxi New Campus, as compared with the total amount of capital expenditures contracted for but not yet incurred of RMB640.3 million as at 31 December 2018.

### *Currency Exposure and Management*

The majority of the Group's revenue and expenditures are denominated in RMB. As at 31 December 2019, 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 31 December 2019, the Group had no material contingent liabilities.

### *Pledge of Assets*

As at 31 December 2019, RMB7.0 million had been pledged as a refundable security deposit to secure the loans from an independent third party.

As at 31 December 2019, RMB118.8 million of construction in progress, RMB3.9 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 31 December 2019, the Group had 783 employees, as compared with 693 employees as at 31 December 2018. The increase of the Group's number of employees was mainly attributable to the Group's continuous recruitment of qualified teachers for Yinxing College to enhance its teaching quality and to fulfil the requirement for the Application of Conversion. The Group also recruited additional staff for preparation of the initial operation of the Nanxi New Campus. 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 labor disputes during the Reporting Period.

## OTHER INFORMATION

### Annual General Meeting

The annual general meeting of the Company (the "**AGM**") will be held on 19 June 2020 (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 27 March 2020, the Board has resolved not to recommend the payment of any dividend for the year ended 31 December 2019, 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 15 June 2020 (Monday) |
| • Closure of register of members | 16 June 2020 (Tuesday) to 19 June 2020 (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 2019.

**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**

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 period from 18 January 2019 (the "**Listing Date**") to 31 December 2019.

**Events after the Reporting Period**

After the outbreak of Novel Coronavirus (COVID-19) epidemic in early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC. Given the dynamic circumstances and high uncertainties, the financial impact on the Group could not be reasonably estimated as at the date on which this set of financial statements were authorised for issue. The Group will keep continuous attention to the situation of the epidemic, assess and react actively to its impact on the financial position and operating results of the Group.

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 2019.

**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 (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 following table sets forth the use of proceeds by the Group as at 31 December 2019.

| | Budget | Amount that had been utilised as at 31 December 2019 | Remaining balance as at 31 December 2019 |
|---|---|---|---|
| | | *(RMB '000,000)* | |
| For construction of the Nanxi New Campus | 116.0 | 116.0 | — |
| For recruitment of high-caliber teachers and staff | 13.6 | 6.1 | 7.5 |
| For general business operations and working capital | 6.8 | 4.8 | 2.0 |
| Total | 136.4 | 126.9 | 9.5 |

The unutilised net proceeds are generally placed in licensed financial institutions as short-term deposits. There has been no change in the intended use of net proceeds as previously disclosed in the prospectus of the Company dated 21 December 2018. The proceeds were used and are proposed to be used as and when appropriate based on the Group's business needs according to the intentions previously disclosed in the prospectus of the Company.

**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.

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 31 December 2019.

## Public Float

The Company has maintained sufficient public float as required under the Listing Rules from the Listing Date and up to 31 December 2019.

### 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 2019 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 2019 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.

**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 2019 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 March 2020

*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. Chong Man Hung Jeffrey.*