



中國銀杏教育集團有限公司

China Ginkgo Education Group Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code:1851



2019

ANNUAL REPORT

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Fang Gongyu (*Chairman of the Board*)
Mr. Tian Tao
Ms. Yu Yuan
Mr. Ma Xiaoming
(appointed on 22 November 2019)

Independent Non-executive Directors

Mr. Jiang Qian
Mr. Chong Man Hung Jeffrey
Mr. Yuan Jun

Audit Committee

Mr. Chong Man Hung Jeffrey (*Chairman*)
Mr. Jiang Qian
Mr. Yuan Jun

Nomination Committee

Mr. Fang Gongyu (*Chairman*)
Mr. Jiang Qian
Mr. Yuan Jun

Remuneration Committee

Mr. Jiang Qian (*Chairman*)
Mr. Yuan Jun
Ms. Yu Yuan

Joint Company Secretaries

Mr. Tian Tao
Mr. Wan Chi Hei

Authorised Representatives

Mr. Tian Tao
Mr. Wan Chi Hei

AUDITOR

PricewaterhouseCoopers
*Certified Public Accountants and
Registered PIE Auditor*
22/F., Prince's Building
Central
Hong Kong

COMPLIANCE ADVISOR

Somerley Capital Limited

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Postal Saving Bank of China,
Pi County Xipu Branch
China Construction Bank,
Pi County Gaoxin Branch
China CITIC Bank, Chengdu West Branch

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Qingyang District
Chengdu City, Sichuan Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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North Point
Hong Kong

PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited
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Services Limited
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STOCK CODE

1851

Financial Highlights

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from published audited financial statements, is set out below:

FIVE-YEAR COMPARISON OF KEY FINANCIAL FIGURES

Results of operation	For the year ended 31 December				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Revenue	165,661	156,605	139,020	133,974	120,855
Gross Profit	67,562	71,525	61,312	62,577	57,775
Profit for the year	32,078	24,908	41,196	39,894	36,841
Adjusted net profit (Note)	30,889	44,244	41,196	39,894	36,841
Profit and total comprehensive income for the year attributable to owners of the Company	32,078	24,908	41,196	39,894	36,841
Basic earnings per share (RMB Yuan)	0.06	0.07	0.11	0.11	0.10

Financial ratio	For the year ended 31 December				
	2019	2018	2017	2016	2015
Gross profit margin (%)	40.8%	45.7%	44.1%	46.7%	47.8%
Net profit margin (%)	19.4%	15.9%	29.6%	29.8%	30.5%
Adjusted net profit margin (%) (Note)	18.6%	28.3%	29.6%	29.8%	30.5%

Note:

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. For the details of the reconciliation to the most directly comparable financial measure calculated and presented in accordance with HKFRSs, which is profit for the year, please refer to "Financial Review" under the section headed "Management Discussion and Analysis" in this annual report.

Financial Highlights

	As at 31 December				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Assets and liabilities					
Non-current assets	900,015	419,332	381,194	361,316	339,306
Current assets	238,899	128,207	90,452	69,410	67,635
Current liabilities	307,429	143,429	170,944	171,220	187,329
Net current liabilities	68,530	15,222	80,492	101,810	119,694
Total assets less current liabilities	831,485	404,110	300,702	259,506	219,612
Capital and reserves	496,051	325,610	300,702	259,506	219,612
Property, plant and equipment	818,582	379,595	327,517	301,811	283,145
Cash and cash equivalents	227,518	114,814	75,965	66,531	64,675
Contract liabilities	85,068	77,534	72,999	68,382	62,569
Borrowings — current	88,232	26,148	—	—	—
Borrowings — non current	335,434	78,500	—	—	—

	As at 31 December				
	2019	2018	2017	2016	2015
Financial ratio					
Current ratio	0.78	0.89	0.53	0.41	0.36
Gearing ratio (<i>Note</i>)	39.5%	N/A	N/A	N/A	N/A

Note: 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 2015, 2016, 2017 and 2018, the Group maintained at net cash position.

Dear Shareholders,

On behalf of the Board, I am pleased to present our annual report for the year ended 31 December 2019.

RESULTS OVERVIEW

Compared with the previous financial year, our total revenue for the year ended 31 December 2019 increased by 5.8% to RMB165.7 million. Profit for the year increased by 28.8% to RMB32.1 million, while adjusted net profit for the year decreased by 30.2% to RMB30.9 million.

SUMMARY OF BUSINESS

We are a higher education service provider in Sichuan Province. As at 31 December 2019, approximately 11,000 students were enrolled in Yinxing College, representing year-on-year growth of 8.3%. We dedicated to offering comprehensive and diversified programmes and curricula 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, the initial graduate employment rate of Yinxing College was 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. We believe there is significant 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, we are well positioned to capture the growth opportunities in the hospitality industry in China.

DEVELOPMENT PLAN

2019 is an important year to us. Following the successful listing of our shares on the Main Board of the Stock Exchange on 18 January 2019, we have worked persistently to enhance our teaching quality and increase market penetration to solidify our market position. Looking forward, we intend to keep a foothold in cultivating professional talents for hotel industry in the PRC. In order to achieve sustainable growth, we entered into a land use rights grant contract in respect of the grant of a piece of land located in Yibin City, Sichuan Province and a construction contract for construction works of phase I of the Nanxi New Campus (the "**Construction Project**") in March and May 2019 respectively.

We expect to commence the operation of the Nanxi New Campus upon completion of the Construction Project. For vocational training, we believe by utilising the facilities newly established in the Nanxi New Campus, including the education hotels, we are able to provide on-the-job training and professional skill training to junior practitioners and in-service employees in the hotel industry. For academic education, we believe that the new campus can further increase our school capacity and diversify the student origins by attracting more students from neighboring provinces. The Group is currently in the process of applying for termination of the cooperation with Chengdu University of Information Technology and conversion of Yinxing College into a regular private higher education institution (the "**Application for Conversion**"). Therefore, our operation costs was increased during the year ended 31 December 2019. However, we believe it will bring a positive impact to the development of Yinxing College in the long run. For details of the Application for Conversion, please refer to section headed "Management Discussion and Analysis — Outlook" of this annual report.

Chairman's Statement

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our gratitude to our staff members for their dedication and contribution they demonstrated in the execution of our development strategy. I would like to extend our sincere thanks and appreciation to our shareholders and business partners for their continued support to as well as their confidence in the Group.

China Gingko Education Group Company Limited

Fang Gongyu

Chairman

Hong Kong, 27 March 2020

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 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.

Management Discussion and Analysis

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 December 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” under the section headed “Management Discussion and Analysis” in this annual report.

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 <i>RMB'000</i>	2018 <i>RMB'000</i>	Change <i>RMB'000</i> <i>Increase/ (decrease)</i>	Change (%) <i>Increase/ (decrease)</i>
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 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 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 annual report, 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 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 annual report, the Construction Project is undergoing. The Group expect to complete the stage two of the construction and 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 annual report. 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 year ended 31 December 2019. 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 primarily 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 <i>RMB'000</i>	2018 <i>RMB'000</i>
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 year ended 31 December 2019, 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.

Management Discussion and Analysis

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) and carried at floating interest rates 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 year ended 31 December 2019. 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 year ended 31 December 2019.

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 annual report, 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 for 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 year ended 31 December 2019.

Biographical Details of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Fang Gongyu (方功宇), aged 56, was appointed as Director on 23 March 2018 and was re-designated as executive Director on 7 June 2018. Mr. Fang is also the chairman and chief executive officer of the Group. He has been serving as a supervisor at Gingko Asset Management since August 2002 and the chairman of the board at Yinxing College since April 2004 and is responsible for the overall management, strategic planning and business development of the Group.

Mr. Fang was responsible for the business development of Chengdu Jinjiang Gingko Restaurant* (成都市錦江區銀杏酒樓) in 1991, Chengdu Gingko Chaozhou Catering Co., Ltd.* (成都銀杏潮州餐飲有限公司) in 1994 and Chengdu Wuhou Gingko Sichuan Cuisine Restaurant* (成都市武侯區銀杏川菜酒樓) in 1999, respectively. Mr. Fang founded Chengdu Gingko Jin'ge Catering Corporation* (成都銀杏金閣餐飲股份有限公司) ("**Gingko Jin'ge Catering**") in November 2007, a company mainly engaged in the provision of catering services where Mr. Fang has been serving as the chairman and a director of the board since its inception and responsible for its major decision-making. Mr. Fang also founded and is currently serving as a supervisor of a number of companies principally engaged in catering management or investment, including Chengdu Gingko Catering Management Co., Ltd.* (成都銀杏餐飲管理有限公司), Chengdu Gingko Jin'ge Investment Co., Ltd.* (成都銀杏金閣投資有限公司) ("**Gingko Jin'ge Investment**"), Chengdu Gingko Hotel Management Co., Ltd.* (成都銀杏酒店管理有限公司) ("**Gingko Hotel Management**") and Chengdu Changshun. Mr. Fang obtained his bachelor's degree in business management from Chengdu University (成都大學) in the PRC in July 1986.

Mr. Tian Tao (田濤), aged 44, was appointed as executive Director on 7 June 2018 and is responsible for the overall management of Gingko Asset Management, and investment and financing of the Group. Mr. Tian has been serving as an executive director and general manager at Gingko Asset Management since January 2016, where he is responsible for its overall management. He has also been serving as a director of the board at Yinxing College since June 2016, where he is responsible for its business development and financing. Prior to joining the Group, Mr. Tian successively served in various positions in companies including Gingko Hotel Management from June 2005 to May 2018, Gingko Jin'ge Catering from November 2007 to September 2015 and Gingko Jin'ge Investment from October 2015 to May 2018, where he has been primarily responsible for their respective financial management and investment. Mr. Tian obtained his diploma in accounting from Southwest Minzu University (西南民族大學) (formerly known as Southwest Minzu College (西南民族學院)) in the PRC in July 1995.

Ms. Yu Yuan (余媛), aged 58, was appointed as executive Director on 7 June 2018 and is responsible for the day-to-day operation of Yinxing College. Ms. Yu joined Yinxing College as an assistant to the dean in May 2012, where she was in charge of its personnel office, finance department and asset management department until May 2016. She was promoted to an executive associate dean and appointed as a director of the board in May 2016, where she has been responsible for the overall management of Yinxing College.

Biographical Details of Directors and Senior Management

In January 1985, Ms. Yu joined Kunming Coal Mine Machinery General Factory (昆明煤礦機械總廠), a factory mainly engaged in machinery manufacturing, where she later served as an environmental engineer from January 1992 to September 1996 and was mainly responsible for overseeing safety and environmental protection matters. From November 1999 to December 2007, she worked at Gingko Hotel Management, where she was responsible for accounting and finance. From January 2008 to May 2016, she served as a financial director at Gingko Jin'ge Catering, where she was responsible for its financial management.

Ms. Yu obtained her bachelor's degree in physics from Yunnan University (雲南大學) in the PRC in July 1983.

Mr. Ma Xiaoming (馬曉明), aged 36, was appointed as executive Director on 22 November 2019 and is responsible for strategic and vocational training development of the Group. He has been serving as the director of strategic development of Yinxing Education since October 2019. Prior to joining Yinxing Education, Mr. Ma was the general manager of Gingko Jin'ge Catering. Mr. Ma has over 19 years of experience in business development and operation management.

Independent Non-executive Directors

Mr. Jiang Qian (蔣謙), aged 41, was appointed as independent non-executive Director on 12 December 2018 and is responsible for supervising and providing independent advice to the Board.

From September 2007 to November 2009, he worked at an attorney at Davis Polk & Wardwell LLP, where he was involved in the public offering and bond issuance. From January 2010 to November 2011, he worked as a counsel at King & Wood Law Firm (金杜律師事務所), where his practice focuses on capital market and public offerings. From January 2012 to January 2015, he served as a managing director at Bank of New York Mellon, where he was responsible for the management of its legal affairs. From February 2015 to December 2016, Mr. Jiang served as a managing director at China Commodity Merchant Trading Group Limited, a subsidiary of Elion Resources Group (億利資源集團), a company mainly engaged in ecological restoration and clean energy, where he was responsible for its investment and financing in Hong Kong. From December 2015 to June 2018, he served as co-head of the legal department at China Great Wall AMC (International) Holdings Company Limited (中國長城資產(國際)控股有限公司) (formerly known as Great Wall Pan Asia International Investment Company Limited (長城環亞國際投資有限公司)), a company mainly engaged in property investment and financial business, where he was responsible for the management of its legal affairs in Hong Kong. Since November 2018, he has been serving as a partner at Addleshaw Goddard (Hong Kong) LLP, where his practice focuses on debt capital markets and special situation transactions such as restructuring. In December 2018, Mr. Jiang was appointed as an independent non-executive director of Cocoon Holdings Limited (中國天弓控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 428).

Mr. Jiang obtained his bachelor's degree in economic law from East China University of Political Science and Law (華東政法大學) in the PRC in July 1999, and his master of laws degree from Northwestern University in the United States in June 2007. Mr. Jiang obtained the legal professional qualification certificate in the PRC in February 2000 and was admitted and licensed to practise as an attorney and counsellor in the state of New York of the United States in July 2008.

Biographical Details of Directors and Senior Management

Mr. Chong Man Hung Jeffrey (莊文鴻), aged 41, was appointed as independent non-executive Director on 12 December 2018 and is responsible for supervising and providing independent advice to the Board.

From June 2000 to January 2006, Mr. Chong successively served as an auditor at Sonia Yau & Co. (丘新如會計師事務所) and BDO McCabe Lo Limited (德豪嘉信會計師事務所有限公司), where he was responsible for leading audit team to provide assurance and advisory services to listed and private companies and multinational corporations in various industries. From January 2006 to December 2009, he successively served as a senior accountant, a senior and a manager at Deloitte Touche Tohmatsu (德勤•關黃陳方會計師行), where he was responsible for providing assurance and advisory services to listed companies and multinational corporations in various industries. From December 2009 to October 2014, he successively served as an audit manager and a senior audit manager at SHINEWING (HK) CPA Limited (信永中和會計師事務所), where he took the leading manager role in serving listed companies in Hong Kong in various industries. From October 2014 to March 2015, he served as a group analytics officer at Promise Network Printing Limited (保諾時網上印刷有限公司), a company mainly engaged in the provision of printing services and a subsidiary of eprint Group Limited (eprint 集團有限公司) and listed on the Main Board of the Stock Exchange (stock code: 1884), where he was responsible for performing information and data analysis. In May 2015, Mr. Chong joined China Partytime Culture Holdings Limited (中國派對文化控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 1532), and has been serving as the company secretary since then, where he is responsible for the company secretarial matters of the group. In November 2019, Mr. Chong joined Yee Hop Holdings Limited (義合控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 1662), and has been serving as the chief financial officer and company secretary. In October 2017, Mr. Chong was appointed as an independent non-executive director of Taung Gold International Limited (壇金礦業有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 621). Mr. Chong was an independent non-executive director of Ascent International Holdings Limited (中璽國際控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 264), from September 2018 to September 2019.

Mr. Chong obtained his bachelor's degree of business administration in accounting from the Hong Kong University of Science and Technology (香港科技大學) in November 2000 and his master's degree of business administration from the City University of Hong Kong (香港城市大學) in October 2018. He has been a member and fellow member of the Hong Kong Institute of Certified Public Accountants since January 2005 and March 2018, respectively.

Biographical Details of Directors and Senior Management

Mr. Yuan Jun (袁軍), aged 55, was appointed as independent non-executive Director on 12 December 2018 and is responsible for supervising and providing independent advice to the Board.

From July 2003 to June 2010, Mr. Yuan served as an assistant director and assistant director of education research center and training center at the National Institution of Education Sciences (中央教育科學研究所), where he was responsible for supervising the trainings provided to principals and teachers nationwide. From July 2010 to June 2012, he served as a director of center of international courses and director of international communications department of Beijing New Oriental International High School (北京新東方國際高中), a subsidiary of New Oriental Education and Technology Group Inc. (北京新東方教育科技集團), a company listed on the New York Stock Exchange (stock code: EDU), where he was responsible for its daily management, course research and development, trainings and international communications. From July 2012 to June 2014, he served as a vice president of investment department at Beijing Aiyinsheng Education Investment Co., Ltd. (北京愛因生教育投資有限責任公司), a company mainly engaged in investment and management of education, where he was responsible for its daily management, pre-investment analysis and post-investment management. From July 2014 to June 2015, he served as a vice president at Xi'an Rongchuang Education Investment Company (西安榮創教育投資公司), a company mainly engaged in investment, where he was responsible for the management of and investment in higher education institutions and vocational education institutions. From July 2015 to June 2017, he served as an executive vice president of the education, medical and cultural department at Guangdong Pearl River Investment Group (廣東珠江投資集團), a company mainly engaged in investment, where he was responsible for the management and international communications of higher education institutions, management and risk control of medical business sector and culture business sector of the group. In July 2017, Mr. Yuan joined China Education Group Holdings Limited (中國教育集團控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 839), and has been serving in strategic investment department, where he is responsible for its strategic planning, merger and acquisition, post-investment management, school-enterprise cooperation and international education.

Mr. Yuan obtained his bachelor's degree in biology from Shaanxi Normal University (陝西師範大學) in the PRC in July 1985 and his master's degree in education from the same university in July 2000.

SENIOR MANAGEMENT

Mr. Tian Tao (田濤), Ms. Yu Yuan (余媛) and Mr. Ma Xiaoming (馬曉明) are the senior management of the Group. For details of Mr. Tian Tao, Ms. Yu Yuan and Mr. Ma Xiaoming, please refer to “Directors — Executive Directors” above.

Mr. Wan Chi Hei (尹智熙), aged 31, is the company secretary and chief financial officer of the Group. Mr. Wan joined the Group in 2018. He has over 8 years of experience in accounting, audit and financial management and is responsible for the management of accounting, internal control and company secretarial matters of the Group.

Mr. Wan obtained his bachelor of commerce in accounting from Hong Kong Shue Yan University (香港樹仁大學) in July 2011. He has been a member of Hong Kong Institute of Certified Public Accountants since July 2015.

JOINT COMPANY SECRETARIES

Mr. Tian Tao (田濤) was appointed as joint company secretary of the Company on 7 June 2018. For details of Mr. Tian Tao, please refer to “Directors — Executive Directors” above.

Mr. Wan Chi Hei (尹智熙) was appointed as joint company secretary of the Company on 7 June 2018. For details of Mr. Wan Chi Hei, please refer to “Senior Management” above. Mr. Wan works closely with Mr. Tian to jointly discharge the duties and responsibilities as joint company secretaries.

Report of the Directors

The Board is pleased to present their annual report and the audited financial statements for the year ended 31 December 2019 of the Group.

INITIAL PUBLIC OFFERING

The Company was incorporated in the Cayman Islands with limited liability on 23 March 2018. The Company listed its Shares on the Main Board of the Stock Exchange on 18 January 2019.

PRINCIPAL PLACE OF BUSINESS

The registered office of the Company is situated in the Cayman Islands and its operation headquarters is located at Sichuan Province, PRC. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and has its principle place of business in Hong Kong at 31/F., 148 Electric Road, North Point, Hong Kong.

PRINCIPAL ACTIVITIES AND SUBSIDIARIES

The Company is an investment holding company. The Group's operations are substantially conducted in the PRC through its direct or indirect subsidiaries and consolidated affiliated entities. The principal activities and other details of the subsidiaries and consolidated affiliated entities of the Company are set out in note 29 to the consolidated financial statements.

BUSINESS REVIEW

Discussion and analysis of the business of the Group for the year ended 31 December 2019 are set out in the section headed "Management Discussion and Analysis" on pages 7 to 15 of this annual report. This discussion forms part of this directors' report.

RESULTS

The results of the Group for the year ended 31 December 2019 and the Group's financial position as at 31 December 2019 are set out in the consolidated financial statements on pages 74 to 135 of this annual report.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2019.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the "AGM") will be held on Friday, 19 June 2020. A notice convening the AGM will be published and dispatched to Shareholders in compliance with the memorandum and articles of association of the Company (the "M&A") and the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

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:

(A) For ascertaining eligibility to attend and vote at the annual general meeting:

- 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 respective latest time as stated above.

FINANCIAL SUMMARY

A summary of the published results and the assets and liabilities of the Group in the form of a comparative table for the last five financial years is set out on pages 3 to 4 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth.

SIGNIFICANT LEGAL PROCEEDINGS

During the year ended 31 December 2019, the Company had not been and were not a party to any material legal, arbitral or administrative proceedings, and the Company was not aware of any pending or threatened legal, arbitral or administrative proceedings against the Company or any of the Directors, which in the opinion of the management of the Company, could have a material adverse effect on its operations or financial condition. The Directors have confirmed that the Company has not currently engaged in any material litigation, arbitration or administrative proceeding.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company was incorporated in the Cayman Islands with its principal business conducted in the PRC, and its Shares are listed on the Stock Exchange. Therefore, the establishment and operation are subject to relevant laws in the Cayman Islands, the PRC and Hong Kong. For the year ended 31 December 2019 and up to the date of this annual report, the Group complied with relevant laws and regulation in the Cayman Islands, the PRC and Hong Kong in all material respects.

PRINCIPAL RISKS AND UNCERTAINTY

Save as disclosed in the section headed “Risks relating to the Contractual Arrangements” in this annual report, the following list is a summary of certain principal risks and uncertainties facing the Group, some of which are beyond its control.

- its operations and business prospects;
- its business and operating strategies and its ability to implement such strategies;
- its ability to develop and manage its operations and business;
- its ability to maintain or increase student enrolment in its schools;
- its ability to maintain or increase tuition fees;
- its ability to maintain or increase utilisation of its facilities;
- its capital expenditure programs and future capital requirements;
- its future general and administrative expenses;
- competition for, among other things, capital, technology and skilled personnel (including teaching staff);
- its ability to control costs;
- its ability to remit dividends; and
- changes to regulatory and operating conditions in the industry and geographical markets in which the Group operates.

However, the above is not an exhaustive list. Investors are advised to make their own judgement or consult their own investment advisors before making any investment in the Shares.

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 RMB136.4 million). The following tables 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 (RMB'000,000)	Remaining balance as at 31 December 2019
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 to the intended use of net proceeds as previously disclosed in the Prospectus. 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.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2019 are set out in note 21 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group during the year ended 31 December 2019 are set out in the consolidated statement of changes in equity.

Details of the movements in the reserves of the Company during the year ended 31 December 2019 are set out in note 28 to the consolidated financial statements. As at 31 December 2019, the reserves of the Company available for distribution to shareholders was approximately RMB447.6 million.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's customers are primarily students, third-party education institutions with whom the Group cooperated and institutions to whom the Group provided trainings. The Group did not have any single customer who accounted for more than 5% of the revenue for each of the years ended 31 December 2018 and 2019. The Group's suppliers primarily comprise utilities and food services providers. Purchases from the Group's five largest suppliers accounted for 6.4% (2018: 6.1%) of the Group's total purchases and the largest supplier accounted for 2.9% (2018: 2.9%) of the Group's total purchases.

As far as the Company is aware, none of the Directors nor his/her connected persons and none of the shareholders possessing over 5% of the interest in the capital of the Company possessed any interest in the above-mentioned suppliers and customers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2019 are set out in note 15 to the consolidated financial statements.

BANK AND OTHER BORROWINGS

Details of bank and other borrowings of the Group during the year ended 31 December 2019 are set out in note 24 to the consolidated financial statements.

DISCLOSURE UNDER RULE 13.20 OF THE LISTING RULES

The Directors are not aware of any circumstances resulting in the responsibility of disclosure under Rule 13.20 of the Listing Rules regarding the provision of advances by the Company to an entity.

DIRECTORS

The Directors in office during the year ended 31 December 2019 and as at the date of this annual report were as follows:

Executive Directors

Mr. FANG Gongyu
Mr. TIAN Tao
Ms. YU Yuan
Mr. MA Xiaoming (appointed on 22 November 2019)
Ms. LIU Dan (resigned on 22 November 2019)

Independent non-executive Directors

Mr. JIANG Qian
Mr. CHONG Man Hung Jeffrey
Mr. YUAN Jun

In accordance with article 83 of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Shareholders after his appointment and be subject to re-election at such meeting. Accordingly, Mr. Ma Xiaoming shall hold office till the AGM and then be eligible for re-election at the AGM.

Report of the Directors

In accordance with article 84 of the Articles of Association, one-third of the Directors shall retire from office by rotation at each annual general meeting and shall then be eligible for re-election. Accordingly, Mr. Fang Gongyu, Ms. Yu Yuan and Mr. Jiang Qian shall retire by rotation, and being eligible, have offered themselves for re-election at the forthcoming AGM to be held in due course.

Further details of the Directors and senior management are set forth in the preceding section “Biographical Details of Directors and Senior Management” of this annual report.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and the senior management of the Group are set out on pages 16 to 20 of this annual report.

CHANGE IN INFORMATION OF DIRECTORS

Ms. Liu Dan has resigned as an executive Director with effect on 22 November 2019 and Mr. Ma Xiaoming was appointed as an executive Director with effect on 22 November 2019.

Save as disclosed above and under the section headed “Biographical Details of Directors and Senior Management” in this annual report, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules for the year ended 31 December 2019. The biographical details of the Directors of the Company are set out in the preceding section headed “Biographical Details of Directors and Senior Management” of this annual report.

SERVICE CONTRACTS OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for a specific term of three years unless terminated by not less than three months’ notice in writing served by either the executive Director or the Company.

Each of the independent non-executive Directors has signed an appointment letter with the Company and is appointed for a specific term of three years with effect from the respective date stated therein.

There was no service contract entered into/appointment letter signed by the Company and any Directors to be re-elected in the forthcoming annual general meeting which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS’ INTERESTS IN CONTRACTS

Save as disclosed under the section headed “Connected Transactions” and note 27 to the consolidated financial statements in this annual report, no other transactions, arrangements and contracts of significance in relation to the Group’s business to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at any time during the year ended 31 December 2019 or as at 31 December 2019.

CONTROLLING SHAREHOLDER'S INTEREST

Save as disclosed in this annual report, no contracts of significance between the Company or any of its subsidiaries and a controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries or any contracts of any significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder of the Company or any of its subsidiaries subsisted at any time during the year ended 31 December 2019 or as at 31 December 2019.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES OR DEBENTURES

As at 31 December 2019, the interests or short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, are as follows:

(1) Long position in the Shares of the Company

Name of Director	Nature of Interest	Number of Shares	Approximate percentage of Shareholding
Mr. Fang (<i>Note 1</i>)	Interest in a controlled corporation	366,562,500	73.3%
Mr. Tian (<i>Note 2</i>)	Interest in a controlled corporation	8,437,500	1.7%

Notes:

- (1) Vast Universe is beneficially and wholly owned by Mr. Fang. By virtue of the SFO, Mr. Fang is deemed to be interested in the Shares held by Vast Universe.
- (2) HFYX is beneficially and wholly owned by Mr. Tian. By virtue of the SFO, Mr. Tian is deemed to be interested in the Shares held by HFYX.

(2) Long position in the shares of associated corporation

Name of Director	Name of associated corporation	Nature of Interest	Number of shares	Approximate percentage of Shareholding
Mr. Fang	Vast Universe	Beneficial owner	1 ordinary share	100%

Report of the Directors

Save as disclosed above, as at 31 December 2019, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 31 December 2019, the following persons (other than the Directors and chief executives of the Company) had or deemed or taken to have an interest and/or short position in the shares or the underlying shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of SFO, or who was, directly or indirectly, interested in 5% or more of the issued share capital of the Company:

Name	Capacity	Number of Shares (Note 1)	Approximate percentage of Shareholding
Vast Universe	Beneficial owner	366,562,500 (L)	73.3%
Ms. Xiong Lan (Note 2)	Interest of spouse	366,562,500 (L)	73.3%
GreenTree Hospitality Group Ltd. (Note 3)	Beneficial owner	41,336,000 (L)	8.3%
GreenTree Inns Hotel Management Group, Inc. (Note 3)	Interest in a controlled corporation	41,336,000 (L)	8.3%
Mr. Xu Alex Shuguang (徐曙光) (Note 3)	Interest in a controlled corporation	41,336,000 (L)	8.3%

Notes:

- (1) The letter "L" denotes the person's long position in such shares.
- (2) Ms. Xiong Lan is the spouse of Mr. Fang and therefore deemed under the SFO to be interested in the Shares held, directly or indirectly, by Mr. Fang.
- (3) GreenTree Hospitality Group Ltd. is a limited company incorporated in the Cayman Islands and the ultimate holding company is GreenTree Inns Hotel Management Group, Inc., a company incorporated in the Cayman Islands. GreenTree Inns Hotel Management Group, Inc. is ultimately controlled by Mr. Xu Alex Shuguang. GreenTree Hotel Management Group, Inc. and Mr. Xu Alex Shuguang are deemed under the SFO to be interested in the Shares held by GreenTree Hospitality Group Ltd.

Save as disclosed above, as at 31 December 2019, so far as the Directors or chief executive of the Company are aware, no other persons (other than a Director or the chief executive of the Company) or entities had any interests or short positions in the Shares or underlying Shares, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme as disclosed below, no equity-linked agreements were entered into by the Company during the year ended 31 December 2019 or subsisted at the end of the year ended 31 December 2019.

SHARE OPTION SCHEME

On 12 December 2018, the Shareholders approved and conditionally adopted Share Option Scheme to enable the Company to grant options to eligible participants as incentives and rewards for their contribution to the Group. The Share Option Scheme became effective on the Listing Date. No option has been granted since then and up to the date of this report and therefore, there was no outstanding options as at 31 December 2019 and no options were exercised or cancelled or lapsed during the year ended 31 December 2019.

The following is a summary of the principal terms of the Share Option Scheme:

(1) Purpose:

The purpose of the Share Option Scheme is to recognise and acknowledge the contributions that the Eligible Participants (as defined in paragraph 2 below) had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and
- (ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(2) Participants:

The Board may, at its discretion, offer to grant an option to the following persons (collectively the “**Eligible Participants**”) to subscribe for such number of new Shares as the Board may determine:

- (i) any full-time or part-time employees, executives or officers of the Group;
- (ii) any directors (including non-executive directors and independent non-executive directors) of the Group; and
- (iii) any advisers, consultants, suppliers, customers, distributors and such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Group.

(3) Total number of Shares available for issue:

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme shall not in aggregate exceed 50,000,000 Shares, representing 10% of the total number of issued Shares as at the Listing Date.

No option has been granted under the Share Option Scheme since the Listing Date and up to the date of this report. Accordingly, the number of Shares available for issue upon exercise of options that may be granted under the Share Option Scheme is 50,000,000 representing 10% of the total number of issued Shares as at the date of this annual report.

(4) Maximum entitlement of each participant:

No options shall be granted to any Eligible Participant under the Share Option Scheme and any other share option schemes of the Company which, if exercised, would result in such Eligible Participant becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued or to be issued to him under all options granted to him (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of offer of such options, exceeds 1% of the Shares in issue at such date.

Any further grant of options to an Eligible Participant in excess of this 1% limit shall be subject to the approval of the Shareholders in general meeting with such Eligible Participant and his close associates (or if such Eligible Participant is a connected person of the Company, his associates) abstaining from voting.

Each grant of options to a Director (including an independent non-executive Director) of any member of the Group or associated company of the Company, chief executive or substantial shareholder of the Company, or any of their respective associates, under the Share Option Scheme must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the options).

Where any grant of options to a substantial shareholder or an independent non-executive Director of the Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted under the Share Option Scheme (including options exercised, cancelled and outstanding) to such person in the 12 month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5 million, such further grant of options by the Board must be approved by the Shareholders in general meeting. Any Shareholder who is a connected person of the Company must abstain from voting on the resolution to approve such further grant of options, except that such a connected person may vote against such resolution subject to the requirements of the Listing Rules. The Company shall send to the Shareholders a circular containing the information required under the Listing Rules for the purpose of seeking the approval of the Shareholders.

(5) Period during which the options must be exercised to subscribe for Shares:

The Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date, after which period no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto which are at that time or become thereafter capable of exercise under the Share Option Scheme, or otherwise to the extent as may be required in accordance with the provisions of the Share Option Scheme.

(6) Minimum period for which an option must be held before it can be exercised:

There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the Board.

(7) Amount payable on application or acceptance of the option and the period within which payments or calls must or may be made, or loans for such purposes must be repaid:

An offer of grant of an option may be accepted by an Eligible Participant within 21 days from the date of the offer of grant of the option. A consideration of HK\$1.00 is payable on acceptance of the offer of grant of an option.

(8) Basis of determining the exercise price:

The exercise price shall be such price as determined by the Board and notified to an option-holder and which shall not be less than the higher of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of offer of the option;
- (ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the option; and
- (iii) the nominal value of the Shares.

(9) Remaining life of the Share Option Scheme:

The Share Option Scheme shall be valid and effective for a period of ten years commencing on 18 January 2019, subject to earlier termination by the Company in general meeting or by the Board.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

At no time during the year ended 31 December 2019 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective associates nor was the Company and any of its subsidiaries a party to any arrangement.

CONNECTED TRANSACTIONS

Non-Exempt Continuing Connected Transactions

The Group has entered into a number of continuing agreements and arrangements with its connected persons in its ordinary and usual course of business, which constitute continuing connected transactions under the Listing Rules. The details of the continuing connected transactions for the Group are set out below.

Contractual Arrangements

Background to the Contractual Arrangements

The Group currently conducts its private education business through its consolidated affiliated entities in the PRC as PRC laws and regulations, or the implementation of those laws and regulations by the relevant government authorities, generally prohibit or restrict foreign ownership in the private education industry in the PRC. Currently, PRC laws and regulations restrict the operation of higher education institutions to Sino-foreign ownership, in addition to imposing a qualification requirement on the foreign owners. Further, government approvals in respect of Sino-foreign ownership in the private education sector have, with very limited exceptions, been withheld in practice. As a result of the restrictions imposed by PRC laws and regulations, the Company is unable to own or hold any direct sponsor interest or equity interest (as the case may be) in its consolidated affiliated entities. Accordingly, the term “ownership” or the relevant concept, as applied to the Company in the Prospectus, as the case may be, refers to an economic interest in the assets or businesses through the Contractual Arrangements without holding any direct sponsor/equity interest in the consolidated affiliated entities. The Contractual Arrangements, through which the Group is able to exercise control over and derive the economic benefits from its consolidated affiliated entities, have been narrowly tailored to achieve our business purpose and minimise the potential conflict with relevant PRC laws and regulations.

PRC Laws and Regulations Relating to Foreign Ownership in the Education Industry

Higher Education

Foreign investment activities in the PRC are subject to the restrictions as set out in the Administrative Measures of Foreign Investment Admission (Negative List) (2019 Version) (《外商投資准入特別管理措施(負面清單)(2019年版)》) (the “**Negative List**”), which is promulgated and amended from time to time jointly by the National Development and Reform Commission of the PRC and Ministry of Commerce of the PRC. The latest version of the Negative List was released on 30 June 2019 and became effective on 30 July 2019. Foreign investments in industries falling within the Negative List are subjected to special administrative measures as set forth therein. Pursuant to the Negative List, the provision of higher education in the PRC falls within the “restricted” category. In particular, such catalogue explicitly restricts higher education institutions to Sino-foreign cooperation, which means that foreign investors may only operate higher education institutions through cooperating with PRC incorporated entities that are in compliance with the Sino-Foreign Regulation. In addition, such catalogue also provides that the domestic party shall play a dominant role in the Sino-foreign cooperation, meaning that (a) the principal or other chief executive officer of the schools or education institutions shall be a PRC national; and (b) the representative of the domestic party shall account for no less than half of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign school (the “**Foreign Control Restriction**”). Given that (i) neither of the PRC Operating Schools involves foreign investors, (ii) all of the directors of the PRC Operating Schools are Chinese nationals, and (iii) the principal of each of the PRC Operating Schools is a Chinese national, the Directors are of the view that the Group is in compliance with the Foreign Control Restriction in relation to our PRC Operating Schools.

In relation to the interpretation of Sino-foreign cooperation, pursuant to the Regulation on Sino-foreign Cooperation in Operating Schools of the PRC (中華人民共和國中外合作辦學條例) and the Administrative Measures for the Sino-Foreign Cooperative Education on Vocational Skills Training (中外合作職業技能培訓辦學管理辦法) (the “**Sino-Foreign Vocational Skills Training Measures**”), the foreign investor in a Sino-foreign school (whether as a higher education institution or a vocational training school, a “**Sino-Foreign Joint Venture Private School**”) must be a foreign educational institution with relevant qualification and high quality of education (the “**Qualification Requirement**”). Furthermore, pursuant to the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education issued by the MOE on 18 June 2012 《(關於鼓勵和引導民間資金進入教育領域促進代辦教育健康發展的實施意見)》, the foreign portion of the total investment in a Sino-Foreign School should be below 50% (the “**Foreign Ownership Restriction**”) and pursuant to the implementation measures for the Regulation on Sino-foreign Cooperation in Operating Schools of the PRC 《(中華人民共和國中外合作辦學條例實施辦法)》, the establishment of these schools is subject to approval of education authorities at the provincial or national level.

The Company is of the view that the laws and regulations are currently uncertain as to what specific criteria must be met by a foreign investor (such as length of experience and form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant authority that it meets the Qualification Requirement.

Further details of the regulatory framework are set out in the section headed “Contractual Arrangements” in the Prospectus.

Risks relating to the Contractual Arrangements

The Company believes the following risks are associated with the Contractual Arrangements. Further details of these risks are set out on pages 57 to 64 of the Prospectus.

- The PRC government may find that the agreements that establish the structure for operating its business in China do not comply with applicable PRC laws and regulations, which may subject the Group to severe penalties and the business may be materially and adversely affected.
- The Foreign Investment Law 《中華人民共和國外國投資法(草案徵求意見稿)》(the “**Draft FIL**”) proposes significant changes to the PRC foreign investment legal regime, which will likely to have a significant impact on businesses in China controlled by foreign invested enterprises through contractual arrangements, such as the business of the Group.
- The Contractual Arrangements may not be as effective in providing the Group with control over its consolidated affiliated entities as direct ownership.
- The beneficial owners of the Group’s consolidated affiliated entities may have conflicts of interest with the Group, which may materially and adversely affect its business and financial condition.
- The exercise of the option to acquire the sponsor interests or equity interests of its consolidated affiliated entities may be subject to certain limitations and the Group may incur substantial costs.

Report of the Directors

- Any failure by Mr. Fang, Mr. Tian or the Group's consolidated affiliated entities to perform their obligations under the Contractual Arrangements would potentially lead to the incurrence of additional costs and the expending of substantial resources on the part of the Group to enforce such arrangements, temporary or permanent loss of control over the Group's primary operations or loss of access to its primary sources of revenue.
- The Contractual Arrangements may be subject to the scrutiny of the PRC tax authorities and additional tax may be imposed, which may materially and adversely affect the results of operations of the Group.
- Certain terms of the Contractual Arrangements may not be enforceable under PRC laws.
- The Group relies on dividends from WFOE to pay dividends and other cash distributions to its Shareholders and any limitation on the ability of WFOE to pay dividends to the Group would materially and adversely limit its ability to pay dividends to its Shareholders.
- The Group's consolidated affiliated entities may be subject to limitations on their ability to operate private education business or make payments to related parties.
- If any of the Group's consolidated affiliated entities becomes subject to winding up or liquidation proceedings, the Group may lose the ability to use and enjoy certain important assets held by its consolidated affiliated entities, which could negatively impact its business and materially and adversely affect its ability to generate revenue.

Actions taken to mitigate the risks

The Group has adopted the following measures to ensure the effective operation of the Group with the implementation of the Contractual Arrangements and its compliance with the Contractual Arrangements:

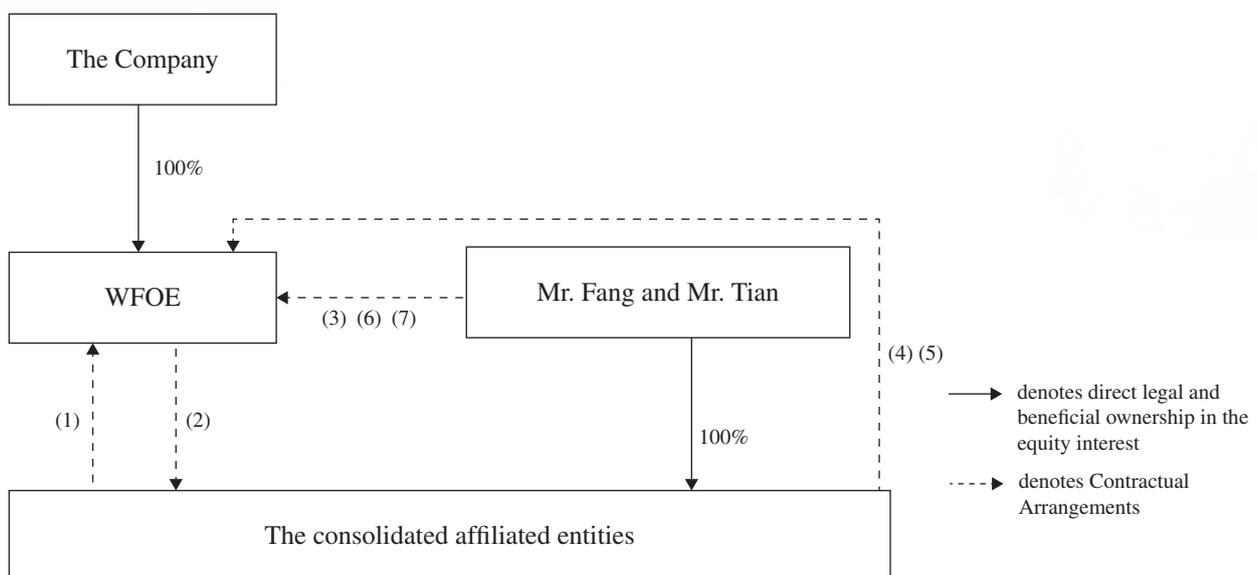
- (1) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory inquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;
- (2) the Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (3) the Group will disclose the overall performance and compliance with the Contractual Arrangements in the annual reports; and
- (4) the Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of WFOE and the consolidated affiliated entities to deal with specific issues or matters arising from the Contractual Arrangements.

In addition, the Group believes that the Directors are able to perform their roles in the Group independently and the Group is capable of managing its business independently after the Listing under the following measures:

- (1) the decision-making mechanism of the Board as set out in the Articles of Association includes provisions to avoid conflict of interest by providing, amongst other things, that in the event of conflict of interest in such contract or arrangement which is material, the Director shall declare the nature of his or her interest at the earliest meeting of the Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted towards the quorum;
- (2) each of the Directors is aware of his or her fiduciary duties as a Director which requires, among other things, that he or she acts for the benefits and in the best interests of the Company;
- (3) the Company has appointed three independent non-executive Directors to provide a balance of the number of interested and independent Directors with a view to promoting the interests of the Company and the Shareholders as a whole; and
- (4) the Company will disclose in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by the Board (including independent non-executive Directors) relating to any business or interest of each Director that competes or may compete with the business and any other conflicts of interest which any such person has or may have with us.

Operation of the Contractual Arrangements

The following simplified diagram illustrates the flow of economic benefits from the PRC Operating Schools and/or the School Sponsor to the Group stipulated under the Contractual Arrangements:



Report of the Directors

Notes:

- (1) Payment of service fees. See “— Summary of the Material Terms of the Contractual Arrangements — (2) Exclusive Technical Services and Management Consultancy Agreement” for details.
- (2) Provision of exclusive technical and management consultancy services. See “— Summary of the Material Terms of the Contractual Arrangements — (2) Exclusive Technical Services and Management Consultancy Agreement” for details.
- (3) Exclusive call options to acquire all or part of the interests in our PRC Operating Schools and Gingko Asset Management. See “— Summary of the Material Terms of the Contractual Arrangements — (3) Exclusive Call Option Agreement” for details.
- (4) Entrustment of school sponsor’s right in our PRC Operating Schools by Gingko Asset Management. See “— Summary of the Material Terms of the Contractual Arrangements — (4) School Sponsor’s and Directors’ Rights Entrustment Agreements and (5) Shareholders’ Rights Entrustment Agreements” and “— Summary of the Material Terms of the Contractual Arrangements — (6) Powers of Attorney” for details.
- (5) Entrustment of directors rights in our PRC Operating Schools by directors of our PRC Operating Schools appointed by Gingko Asset Management including Directors’ Power of Attorney. See “— Summary of the Material Terms of the Contractual Arrangements — (4) School Sponsor’s and Directors’ Rights Entrustment Agreements and (5) Shareholders’ Rights Entrustment Agreements” and “— Summary of the Material Terms of the Contractual Arrangements — (6) Powers of Attorney” for details.
- (6) Entrustment of shareholders’ rights in Gingko Asset Management including Shareholders’ Power of Attorney. See “— Summary of the Material Terms of the Contractual Arrangements — (4) School Sponsor’s and Directors’ Rights Entrustment Agreements and (5) Shareholders’ Rights Entrustment Agreements” and “— Summary of the Material Terms of the Contractual Arrangements — (6) Powers of Attorney” for details.
- (7) Pledge of the equity interests in Gingko Asset Management by Mr. Fang and Mr. Tian. See “— Summary of the Material Terms of the Contractual Arrangements — (8) Equity Pledge Agreement” for details.

Summary of the Material Terms of the Contractual Arrangements

(1) Business Cooperation Agreement

Pursuant to the Business Cooperation Agreement, WFOE has the exclusive right to provide each of the consolidated affiliated entities technical services, management support services, consulting services, intellectual property licences and other additional services as the parties may mutually agree from time to time, and in return, the consolidated affiliated entities shall make payments accordingly.

To ensure the due performance of the Contractual Arrangements, each of the consolidated affiliated entities agreed to comply, and procure any of its subsidiaries (if any) to comply with, the obligations as prescribed under the Business Cooperation Agreement.

(2) Exclusive Technical Services and Management Consultancy Agreement

Pursuant to the Exclusive Technical Services and Management Consultancy Agreement, WFOE has the exclusive right to provide technical services to each of the PRC Operating Schools and Gingko Asset Management, including without limitation (a) design, development, update and maintenance of software for computer and mobile devices; (b) design, development, update and maintenance of webpages and websites necessary for the education activities of the PRC Operating Schools and Gingko Asset Management; (c) design, development, update and maintenance of management information systems necessary for the education activities of the PRC Operating Schools and Gingko Asset Management; (d) provision of other technical support necessary for the education activities of the PRC Operating Schools and Gingko Asset Management; (e) provision of technical consulting services; (f) provision of technical training; (g) engaging technical staff to provide on-site technical support; and (h) other technical services reasonably requested by the PRC Operating Schools and Gingko Asset Management. Without WFOE's prior written consent, none of the consolidated affiliated entities may accept services covered by the Exclusive Technical Services and Management Consultancy Agreement from any third party.

Furthermore, WFOE agreed to provide exclusive management consultancy services to the PRC Operating Schools and Gingko Asset Management, including (a) design of curriculum; (b) preparation, selection and/or recommendation of course materials; (c) provision of teacher and staff recruitment and training support and services; (d) provision of student recruitment support and services; (e) provision of public relation services; (f) preparation of long term strategic development plans and annual working plans; (g) development of financial management systems and recommendation and optimisation on annual budget; (h) advising on design of internal structures and internal management; (i) provision of management and consultancy training to administration staff; (j) conduct of market research; (k) preparation of market development plan; (l) building of marketing network; and (m) providing other services reasonably requested by the PRC Operating Schools and Gingko Asset Management.

(3) Exclusive Call Option Agreement

Under the Exclusive Call Option Agreement, Mr. Fang, Mr. Tian and Gingko Asset Management have irrevocably granted WFOE or its designated purchaser the exclusive right to purchase the sponsor's interests in the PRC Operating Schools or the equity interest in Gingko Asset Management (as the case may be). The purchase price payable by WFOE or its designated purchaser in respect of the transfer of such sponsor's interest or equity interest upon exercise of the call option shall be the lowest price permitted under the PRC laws and regulations. WFOE shall have the right to purchase such proportion of the sponsor interest in the PRC Operating Schools or the equity interest in Gingko Asset Management as it decides at any time during the period that the agreement remains effective.

In the event that PRC laws and regulations allow WFOE or us to directly hold all or part of the sponsor interest in the PRC Operating Schools or the equity interest in Gingko Asset Management and operate private education business in the PRC, WFOE shall issue a notice of exercise of the call option as soon as practicable, and the percentage of sponsor interest or equity interest purchased upon exercise of the call option shall not be lower than the maximum percentage then allowed to be held by WFOE or us under PRC laws and regulations.

Report of the Directors

(4) School Sponsor's and Directors' Rights Entrustment Agreement

Pursuant to the School Sponsor's and Directors' Rights Entrustment Agreement, Gingko Asset Management has unconditional and irrevocably authorised and entrusted WFOE or person(s) designated by it to exercise all its rights as school sponsor of each of the PRC Operating Schools to the extent permitted by PRC laws. These rights include, but are not limited to: (a) the right to participate in the operations and management of the PRC Operating Schools in accordance with the articles of associations of each school; (b) the right to appoint and/or elect directors or council members of the schools; (c) the right to appoint and/or elect supervisors of the schools; (d) the right to vote, nominate and appoint as school sponsor; (e) the right to access the information relating to the operation and financial situation of the schools; (f) the right to review the resolutions and records of the board of directors and financial statements and reports of the schools; (g) the right to obtain reasonable returns or any returns as school sponsor; (h) the right to acquire residue assets upon winding-up, liquidation, dissolution or cessation of operation of the schools in accordance with the laws; (i) the right to transfer sponsor interest in accordance with the laws; (j) the right to decide between the for-profit and non-profitability of the school in accordance with the laws; (k) the right to vote on behalf of Gingko Asset Management as school sponsor upon winding-up, liquidation, dissolution or cessation of operation of the schools in accordance with the laws; (l) the right to handle the legal procedures of registration, approval and licensing of the PRC Operating Schools at the education department, the department of civil affairs or other government departments; and (m) other school sponsor's rights pursuant to applicable PRC laws and regulations and the articles of association of each school as amended from time to time.

Pursuant to the School Sponsor's and Directors' Rights Entrustment Agreement, Gingko Asset Management and each of the directors of the PRC Operating Schools appointed by Gingko Asset Management (the "**Appointees**") has unconditional and irrevocably authorised and entrusted WFOE to exercise all his/her rights as directors of the PRC Operating Schools as appointed by Gingko Asset Management and to the extent permitted by PRC laws. These rights include, but are not limited to: (a) the right to attend meetings of the board of directors as representative of the directors appointed by Gingko Asset Management; (b) the right to exercise voting rights in respect of all matters discussed and resolved at the board meeting of each of the PRC Operating Schools; (c) the right to propose to convene interim board meetings of each of the PRC Operating Schools; (d) the right to sign all board minutes, board resolutions and other legal documents which the directors appointed by Gingko Asset Management have authority to sign in his/her capacity as directors of the PRC Operating Schools; (e) the right to instruct the legal representative, financial, business, and administration responsible persons of the PRC Operating Schools to act in accordance with the instruction of WFOE; (f) the right to exercise all other rights and voting rights of directors as prescribed under the articles of association of the PRC Operating Schools; (g) the right to vote on behalf of the director upon winding-up, liquidation, dissolution or cessation of operation of schools; (h) to decide to be for-profit or non-profit school in accordance with the laws; (i) the right to handle the legal procedures of registration, approval and licensing of the PRC Operating Schools at the education department, the department of civil affairs or other government regulatory departments; and (j) other directors' rights pursuant to applicable PRC laws and regulations and the articles of association of the PRC Operating Schools as amended from time to time.

In addition, each of WFOE and the Appointees has irrevocably agreed that (i) WFOE may delegate its rights under the School Sponsor's and Directors' Rights Entrustment Agreement to the directors of WFOE or its designated person, without prior notice to or approval by Gingko Asset Management and the Appointees; and (ii) any person as successor of civil rights of WFOE or liquidator by reason of subdivision, merger, liquidation of WFOE or other circumstances shall have authority to replace WFOE to exercise all rights under the School Sponsor's and Directors' Rights Entrustment Agreement.

(5) Shareholders' Rights Entrustment Agreement

Pursuant to the Shareholders' Rights Entrustment Agreement, Mr. Fang and Mr. Tian have irrevocably authorised and entrusted WFOE to exercise all his rights as shareholders of Gingko Asset Management to the extent permitted by PRC laws. These rights include, but are not limited to: (a) the right to attend shareholders' meetings of Gingko Asset Management; (b) the right to exercise voting rights in respect of all matters discussed and resolved at the shareholders' meeting of Gingko Asset Management; (c) the right to propose to convene interim shareholders' meetings of Gingko Asset Management; (d) the right to sign all shareholders' resolutions and other legal documents which Mr. Fang and Mr. Tian have authority to sign in his capacity as shareholders of Gingko Asset Management; (e) the right to instruct the directors and legal representative of Gingko Asset Management to act in accordance with the instruction of WFOE; (f) the right to exercise all other rights and voting rights of shareholders as prescribed under the articles of association of Gingko Asset Management; (g) the right to handle the legal procedures of registration, approval and licensing of Gingko Asset Management; (h) the right to decide on the transfer, pledge or otherwise dispose of the equity interest in Gingko Asset Management held by Mr. Fang and Mr. Tian; and (i) other shareholders' rights pursuant to applicable PRC laws and regulations and the articles of association of Gingko Asset Management as amended from time to time.

In addition, each of Mr. Fang and Mr. Tian has irrevocably agreed that (i) WFOE may delegate its rights under the Shareholders' Rights Entrustment Agreement to the directors of WFOE or its designated person(s), without prior notice to or approval by Mr. Fang or Mr. Tian; and (ii) any person as successor of civil rights of WFOE or liquidator by reason of subdivision, merger, liquidation of WFOE or other circumstances shall have authority to replace WFOE to exercise all rights under the Shareholders' Rights Entrustment Agreement.

(6) Powers of Attorney

(a) School Sponsor's Power of Attorney

Pursuant to the School Sponsor's Power of Attorney, Gingko Asset Management authorised and appointed WFOE as its agent to act on its behalf to exercise or delegate the exercise of all its rights as school sponsor of each of the PRC Operating Schools.

WFOE shall have the right to further delegate the rights so delegated to the directors of WFOE or other designated person. Gingko Asset Management irrevocably agreed that the authorisation and appointment in the School Sponsor's Powers of Attorney shall not be invalid, prejudiced or otherwise adversely affected by reason of the Gingko Asset Management's subdivision, merger, winding up, consolidation, liquidation or other similar events. The School Sponsor's Powers of Attorney shall constitute a part and incorporate terms of the relevant School Sponsor's and Directors' Rights Entrustment Agreement.

Report of the Directors

(b) Directors' Powers of Attorney

Pursuant to the Directors' Power of Attorney, each of the Appointees authorised and appointed WFOE as his/her agent to act on his/her behalf to exercise or delegate the exercise of all of his/her rights as directors of the PRC Operating Schools.

WFOE shall have the right to further delegate the rights so delegated to the directors of WFOE or other designated person. Each of the Appointees irrevocably agreed that the authorisation and appointment in the Directors' Powers of Attorney shall not be invalid, prejudiced or otherwise adversely affected by reason of his/her loss of or restriction on capacity, death or other similar events. Each of the Directors' Powers of Attorney shall constitute a part of and embody the terms of the relevant School Sponsor's and Directors' Rights Entrustment Agreement.

(c) Shareholders' Power of Attorney

Pursuant to the Shareholders' Power of Attorney, each of Mr. Fang and Mr. Tian authorised and appointed WFOE, as his agent to act on his behalf to exercise or delegate the exercise of all his rights as shareholders of Gingko Asset Management. Each of the Shareholders' Power of Attorney shall constitute a part of and embody the terms of the relevant Shareholders' Rights Entrustment Agreement.

In addition, each of Mr. Fang and Mr. Tian has irrevocably agreed that (i) WFOE may delegate its rights under the Shareholders' Rights Entrustment Agreement to the directors of WFOE or its designated person, without prior notice to or approval by Mr. Fang or Mr. Tian; and (ii) any person as successor of civil rights of WFOE or liquidator by reason of subdivision, merger, liquidation of WFOE or other circumstances shall have authority to replace WFOE to exercise all rights under the Shareholders' Rights Entrustment Agreement.

(7) Spouse Undertakings

Pursuant to the Spouse Undertakings, the respective spouse of Mr. Fang and Mr. Tian has unconditionally and irrevocably undertaken that:

- (a) the spouse has full knowledge of and has consented to the entering into of the Contractual Arrangements by each of Mr. Fang and Mr. Tian, and in particular, the arrangement as set out in the Contractual Arrangements in relation to the equity interest in Gingko Asset Management, including but not limited to any restrictions imposed, pledge or transfer or the disposal in any other forms;
- (b) the spouse has not participated, is not participating and shall not in the future participate in the operation, management, liquidation, dissolution and other matters in relation to Gingko Asset Management and the PRC Operating Schools;
- (c) the spouse authorises each of Mr. Fang and Mr. Tian or his authorised person to execute all necessary documents and perform all necessary procedures from time to time for and on behalf of the spouse in order to safeguard the interest of WFOE under the Contractual Arrangements and give effect to the fundamental purposes thereunder, and confirms and agrees to all such documents and procedures;

- (d) any undertaking, confirmation, consent and authorisation under the Spouse Undertakings shall not be revoked, prejudiced, invalidated or otherwise adversely affected by any increase, decrease, consolidation or other similar events relating to the equity interest in Gingko Asset Management;
- (e) any undertaking, confirmation, consent and authorisation under the Spouse Undertakings shall not be revoked, prejudiced, invalidated or otherwise adversely affected by death, loss of or restriction on capacity of the spouse, divorce or other similar events; and
- (f) all undertakings, confirmations, consents and authorisations under the Spouse Undertakings shall continue to be valid and binding until otherwise terminated by both WFOE and the respective spouses of Mr. Fang and Mr. Tian in writing.

The Spouse Undertakings shall have the same term as and incorporate the terms of the Business Cooperation Agreement.

(8) Equity Pledge Agreement

Pursuant to the Equity Pledge Agreement, Mr. Fang and Mr. Tian unconditionally and irrevocably pledged and granted first priority security interests over all of his equity interest in Gingko Asset Management together with all related rights thereto to WFOE as security for performance of the Contractual Arrangements and all direct, indirect or consequential damages and foreseeable loss of interest incurred by WFOE as a result of any event of default on the part of Mr. Fang or Mr. Tian and all expenses incurred by WFOE as a result of enforcement of the obligations of Mr. Fang, Mr. Tian, Gingko Asset Management and/or each of the PRC Operating Schools under the Contractual Arrangements. The Company has registered the pledge under the Equity Pledge Agreement with the relevant Bureau of Administration of Industry and Commerce of the PRC on 13 July 2018.

Pursuant to the Equity Pledge Agreement, without the prior written consent of WFOE, Mr. Fang or Mr. Tian shall not transfer the equity interest or create further pledge or encumbrance over the pledged equity interest. Any unauthorised transfer shall be invalid, and the proceeds of any transfer of the equity interest shall be deposited to such third party as agreed to by WFOE. Mr. Fang and Mr. Tian also waived any pre-emptive rights upon enforcement and agreed to any transfer of the pledged equity pursuant to the Equity Pledge Agreement.

Material Changes

During the year ended 31 December 2019 and up to the date of this annual report, there was no material change in the Contractual Arrangements and/or the circumstances under which the Contractual Arrangements were adopted. There was no termination of the Contractual Arrangements, nor was there any failure to terminate when the restrictions that led to the adoption of the Contractual Arrangements are removed.

The Extent to which the Contractual Arrangements Relate to Requirements other than the Foreign Ownership Restriction

All of the Contractual Arrangements are subject to the restrictions as set out on pages 145 to 150 of the Prospectus.

Significance and Financial Contributions of the PRC Operating Schools

Pursuant to the Contractual Arrangements, the Group obtains control over and derives the economic benefits from the consolidated affiliated entities. The following table sets out the financial contribution of the consolidated affiliated entities of the Group:

	Significances and financial contribution to the Group					
	Revenue		Net profit		Total assets	
	For the year ended		For the year ended		As at 31 December	
	31 December	2018	31 December	2018	2019	2018
	2019		2019			
Significances and financial contribution to the Group(%)	99%	100%	125%	137%	90%	100%

Revenue and Assets involved in the Contractual Arrangements

The following table sets out the revenue and assets involved in the consolidated affiliated entities, which would be consolidated into the Group's financial statements pursuant to the Contractual Arrangements:

	Revenue	Total assets
	For the year ended	As at
	31 December	31 December
	2019	2019
	RMB'000	RMB'000
Consolidated affiliated entities	164,394	1,025,709

Listing Rule Implications

The table below sets forth the connected persons of the Company involved in the Contractual Arrangements and the nature of their connection with the Group. The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of the Company under the Listing Rules upon Listing.

Name	Connected relationships
Mr. Fang	Mr. Fang is an executive Director, chief executive officer and Controlling Shareholder of the Company, and therefore a connected person of the Company under Rule 14A.07(1) of the Listing Rules
Mr. Tian	Mr. Tian is an executive Director of the Company, and therefore a connected person of the Company under Rule 14A.07(1) of the Listing Rules

Waiver from the Stock Exchange and Annual Review

The Stock Exchange has granted the Company a waiver from strict compliance with (i) the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules; and (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules. The specific waiver granted by the Stock Exchange is subject to various conditions as disclosed in the "Connected Transactions" section of the Prospectus and which include, among the others, disclosure in the annual reports of the Contractual Arrangements in place during each financial period, the Company's auditor was engaged to report on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to the Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of the Directors, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by the consolidated affiliated entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group, and the independent non-executive Directors to review the Contractual Arrangements annually and confirm in the annual report for the relevant year.

The Company will comply with relevant provisions of the Listing Rules including annually review of the Contractual Arrangements by the auditor and independent non-executive Directors and disclose details in the Company's annual report on an on-going basis.

Save as disclosed above, during the year ended 31 December 2019, no other transaction constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules. The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the continuing connected transactions entered into by the Group during the year under review.

Other than the aforementioned continuing connected transactions, the related party transactions disclosed in note 27 to the consolidated financial statements are in compliance with relevant and applicable requirements under Chapter 14A of the Listing Rules.

Confirmation of independent non-executive Directors

The Company's independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that (i) the transactions carried during year ended 31 December 2019 have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by the consolidated affiliated entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group during the year ended 31 December 2019, (iii) no new contracts were entered into, renewed or reproduced between the Group and the consolidated affiliated entities during the year ended 31 December 2019, and (iv) the Contractual Arrangements were entered into in the ordinary and usual course of business of the Group on normal commercial terms or better and are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmation of auditors of the Company

The auditor of the Company has confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions entered into in the year ended 31 December 2019:

- (a) nothing has come to their attention that causes the auditor to believe that the Contractual Arrangements have not been approved by the Company's board of directors;
- (b) nothing has come to their attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the Contractual Arrangements;
- (c) no dividends or other distributions have been made by the consolidated affiliated entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group.

A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

During the year ended 31 December 2019, no related party transactions disclosed in note 27 to the consolidated financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules. The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the year under review.

For details of the Contractual Arrangements, please refer to "Contractual Arrangements" and "Connected Transactions" in the Prospectus.

QUALIFICATION REQUIREMENT

Foreign Investment Law

In January 2015, the Ministry of Commerce of China ("**MOFCOM**") released the Draft FIL for public comment. The Draft FIL purports to introduce the principle of "actual control" in determining whether a company is considered as a foreign invested enterprise or foreign invested entity ("**FIE**"). The Draft FIL clearly provides that an entity organised in a foreign jurisdiction, but cleared by the authority in charge of foreign investment as "controlled" by PRC entities and/or citizens, would be treated as a PRC domestic entity. Furthermore, under the Draft FIL, variable interest entities that are controlled via contractual arrangements would also be deemed as FIE, if they are ultimately "controlled" by foreign investors.

On 15 March 2019, the Foreign Investment Law (《中華人民共和國外商投資法》) (“**FIL**”) was adopted by the second meeting of the 13th National People’s Congress and became effective starting from 1 January 2020. The Law of the PRC on Sino-Foreign Equity Joint Ventures 《中華人民共和國中外合資經營企業法》, the Law of the PRC on Sino-Foreign Cooperative Joint Ventures 《中華人民共和國中外合作經營企業法》, the Law of the PRC on Wholly Foreign-owned Enterprises 《中華人民共和國外資企業法》 (together referred to as the “**Former FIL**”) were replaced upon the effectiveness of the FIL and the FIL became the PRC foreign investment legal regime. On 26 December 2019, the State Council issued the Implementation Regulations of the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (“**Implementation Regulations of the FIL**”), which also came into effect on 1 January 2020, aiming to implement the legislative principles and purposes of the FIL. According to the FIL, existing companies established under the Former FIL may maintain their existing organisational structure within five years from the date of the FIL come into force. The FIL clearly specifies three forms of foreign investment, but neither the FIL nor the Implementing Regulations of the FIL explicitly stipulate contractual agreements as a form of foreign investment. Since both the FIL and Implementation Regulations of the FIL do not define contractual agreements as a form of foreign investment, if future laws, administrative regulations, and regulations of the State Council do not include contractual agreements as a form of foreign investment, the contractual arrangements as a whole and the agreements constituting the contractual arrangements will not be affected, and will continue to be legally valid, effective and binding on the parties. However, the FIL includes “foreign investors that invest in China through any other forms under laws, administrative regulations or provisions prescribed by the State Council”, therefore, there are possibilities that future laws, administrative regulations and provisions of the State Council may regard contractual arrangements as one of the ways of foreign investment, the Group may need to take relevant measures in accordance with the requirements of the laws, regulations and provisions of the State Council at that time. There will be uncertainty as to whether the Group can complete these measures in a timely manner or at all. Failure to take appropriate measures in a timely manner to address any of the compliance requirements in the above provisions may have a significant effect on the current group structure, corporate governance and business operations. As at the date of this annual report, the Company’s operations have not been affected by the FIL. The Board will continuously monitor the updates on the FIL and seek guidance from the PRC legal advisor, if necessary, to ensure the compliance with all relevant rules and regulations in the PRC at all times.

Updates in Relation to the Qualification Requirement

The foreign investor in a Sino-foreign joint venture school for PRC students at higher education institutions must be a foreign educational institution with relevant qualification and high quality of education (the “**Qualification Requirement**”). The foreign portion of the total investment in a sino-foreign joint venture private school should be below 50% (the “**Foreign Ownership Restriction**”) and the establishment of these schools is subject to approval of education authorities at the provincial or national level.

On the basis that (a) the principals and other chief executive officers of the PRC Operating Schools are PRC nationals; and (b) the representatives or the directors of the PRC Operating Schools are appointed by PRC entities, the PRC legal adviser of the Company is of the view that the PRC Operating Schools are in full compliance with the Foreign Control Restriction as stipulated above. The Company is of the view that it is currently uncertain as to what specific criteria must be met by a foreign investor (such as length of experience and form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant education authority that it meets the Qualification Requirement.

Efforts and Actions Undertaken to Comply with the Qualification Requirement

The Group is implementing a business plan with a view to expanding the education operations overseas. The Group believes that such business plan represents the commitment and a meaningful endeavor to demonstrate compliance with the Qualification Requirement. In particular, the Group has taken the concrete steps to ensure compliance with the Qualification Requirement.

- on 18 May 2018, the Group entered into a consulting agreement with an independent education consultant with extensive experience and background in private post-secondary education in the State of California, the United States, pursuant to which the consultant shall provide consultation and adviser services in relation to (i) the incorporation of a subsidiary company with a view to providing education services in California; and (ii) the licensing application to be submitted to California Bureau for Private Postsecondary Education (the “**BPPE**”) in the State of California; and
- on 1 June 2018, the Group submitted an application for the incorporation of an operating entity in the State of California, the United States, namely Gingko American College. Gingko American College is expected to be responsible for the daily operation and management of the education businesses (including higher education and vocational training) in the State of California, the United States. The Group will seek accreditation to grant degree for the higher education programs upon fulfilment of certain conditions and satisfactory review of the relevant authorities. As at the date of this report, the application is pending for approval from the BPPE to establish the new school in the State of California.

REGULATORY UPDATE

On 7 November 2016, the Decision on Amending the Law for Promoting Private Education of the PRC 《(關於修改民辦教育促進法之決定)》 (the “**Amendment Decision**”) was approved by the Standing Committee of the National People’s Congress, which became effective on 1 September 2017. It has made certain amendments to the Law for Promoting Private Education 《(民辦教育促進法)》.

On 29 December 2018, the Decision of the Standing Committee of the National People’s Congress on Amending the Seven Laws of the Labor Law of the PRC was promulgated by Order No. 55 of the President of the PRC and became effect on 29 December 2018, where two minor amendments on Article 26 and Article 64 of the Amendment Decision were made. According to the Amendment Decision, sponsors of private schools can choose to establish schools as non-profit or for-profit entities, with the exception of schools providing compulsory education, which can only be established as non-profit entities.

In addition to the Amendment Decision, state-level government authorities also issued certain implementing rules. On 29 December 2016, the State Council issued the Several Opinions of the State Council Encouraging the Operation of Education by Social Forces and Promoting the Healthy Development of Private Education (《國務院關於鼓勵社會力量興辦教育促進民辦教育健康發展的若干意見》) (the “**State Council Opinions**”), which require, among other things, to relax access the operation of private schools and encourage social forces to enter the education industry. The State Council Opinions also provide that each level of the people’s government shall increase its support to the private schools in terms of financial investment, financial support, autonomous policies, preferential tax treatments, land policies, fee policies, autonomous operation, and protection of teachers’ and students’ rights. The State Council Opinions further require each level of the people’s government to improve its local policies on governmental support to for-profit and non-profit private schools by way of, among others, preferential tax treatments. On 30 December 2016, five state-level government departments, including the MOE, jointly issued the Classification Registration Rules. The Classification Registration Rules stipulates that if an existing private school chooses to register as a for-profit private school, it shall make financial settlement, identify the ownership of the schools’ land, buildings and accumulations with the consent of the relevant departments of the people’s governments at or below the provincial level, pay relevant taxes and fees, obtain a new school operation licence, apply for re-registration and continue the school operations. The Classification Registration Rules also stipulates that the provincial people’s government shall be responsible for formulating the detailed measures on the alteration of the registration of private schools in accordance with national laws and various applicable local circumstances. There are also other state-level regulations, such as the Implementing Measures for the Supervision and Administration of For-profit Private Schools (《營利性民辦學校監督管理實施細則》), which was published on 30 December 2016 and sets forth detailed measures regarding the establishment, modification and termination of a for-profit private school, education and teaching related activities carried out by and financial management of a for-profit private school, and the Notice of the State Administration for Industry and Commerce and the Ministry of Education on the Registration and Administration of the Name of For-Profit Private School (《工商總局·教育部關於營利性民辦學校名稱登記管理有關工作的通知》). Furthermore, the Education Department of Sichuan Province and four other government authorities jointly issued the Sichuan Classification Registration Rules in May 2018, which introduced general procedures for the existing private schools to choose as a for-profit or non-profit private school. However, the Sichuan Classification Registration Rules did not further specify the process of classification and registration, for example, (1) the specific procedures for a school to be registered as a for-profit or non-profit school, and (2) the various preferential taxes and land use policies that can be enjoyed by for-profit and non-profit private schools.

Under the existing regulatory environment and based on the current interpretation of the Amendment Decision and the relevant implementing measures, the Group intends to register the school the Group currently owns and the schools the Group plans to open and operate as for-profit schools after the implementing measures for the Amendment Decision become available and practicable, and the detailed local rules and regulations regarding the conversion of existing schools are promulgated by relevant local authorities and take effect. The Group is unable to fully evaluate at this stage the potential impact of such regulatory charges on the operations, such as whether the relevant taxes and fees that the Group will need to be paid in accordance with local supporting rules in the process of classified registration in the future. As at 31 December 2019, the Company has not commenced the process of classification and registration as a for-profit or non-profit private school under the Group.

Report of the Directors

On 10 August 2018, the Ministry of Justice issued the Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (the Draft for Examination and Approval) (《中華人民共和國民辦教育促進法實施條例(修訂草案)(送審稿)》) (the “**MOJ Draft for Comments**”) to seek public comments. According to Clause 7 of the MOJ Draft for Comments, public schools shall not invest or participate in investing for-profit private schools while public schools are permitted to participate in investing non-profit private schools. The Group intends to register the school the Group currently owns as for-profit schools after the implementing measures for the Amendment Decision become available and practicable. In addition, Yinxing College was co-sponsored by Gingko Asset Management and CUIT, a public university, as at the date of this annual report. If the MOJ Draft for Comments is promulgated in its current form and content and avoid conflict of for-profit school status with the pending MOJ Draft for Comments, Yinxing College commenced its plan to terminate the cooperation with CUIT and convert Yinxing College from an independent college to a regular private higher education institution during the year ended 31 December 2019. Given to the above, the Group incurred additional operating costs, such as costs to establish the Nanxi New Campus and recruitment of more qualified teachers to reach a higher teacher-student ratio, during the year ended 31 December 2019 in order to fulfil the requirements for the Application for Conversion. As at the date of this annual report, the Application for Conversion is still in progress.

However, there are still uncertainties as to whether the MOJ Draft for Comments will be adopted in its current form and how it will be interpreted and implemented. The Group cannot fully evaluate the impact of the laws or regulations related to the implementation of the Private Education Promotion Law of the PRC on its business, financial condition and results of operations in the future at this stage. As at the date of this annual report, the MOJ Draft for Comments is still in the negotiation stage and has not been issued or implemented in the PRC. The Company will continue to follow up the development of the MOJ Draft for Comments and relevant laws and regulations.

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 year ended 31 December 2019.

The objective of the Group's remuneration policy is to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration paid to its employees (including directors and senior management), the following factors are considered:

- workload, responsibility and job complexity;
- business requirements;
- individual performance and contribution to results;
- company performance and profitability;
- retention considerations and the potential of individuals;
- corporate goals and objectives;
- market rates and changes in relevant markets, including supply and demand fluctuations and changes in competitive conditions; and
- general economic situation.

The Company has also conditionally adopted a share option scheme on 12 December 2018. Details of the share option scheme are set out in the paragraph headed "Share Option Scheme" in this section.

DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and those of the five highest paid individuals of the Group for the year ended 31 December 2019 are set out in notes 10 and 30 to the consolidated financial statements of the Group in this annual report.

None of the Directors waived his/her emoluments nor has agreed to waive his/her emoluments for the year ended 31 December 2019.

PURCHASE, SALE, RE-PURCHASE OR REDEMPTION OF SHARES

There was no purchase, sale, re-purchase or redemption of any listed securities of the Company by the Company or any of its subsidiaries during the year ended 31 December 2019.

PRE-EMPTIVE RIGHTS

There is no provision regarding pre-emptive rights in the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Company so as to achieve effective accountability. The Company is committed to the view that the Board should include a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

From the Listing Date and up to the date of this annual report, the corporate governance practices adopted by the Company had complied with all of the code provisions of the Corporate Governance Code (“**CG Code**”) as set out in Appendix 14 to the Listing Rules, save and except for the deviation to code provision A.2.1. For details, please refer to the “Corporate Governance Report” which is set out on pages 53 to 68 of this annual report.

The Audit Committee, consisting of all three independent non-executive Directors, namely Mr. Chong Man Hung Jeffrey (chairman of the Audit Committee), Mr. Jiang Qian and Mr. Yuan Jun, is responsible for reviewing the Company’s corporate governance policies and the Company’s compliance with the CG Code and will make relevant recommendations to the Board accordingly.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own securities dealing code to regulate all dealings by Directors in the securities of the Company and other matters covered by the Model Code.

Specific enquiry has been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code since the Listing Date and up to 31 December 2019.

CONFIRMATION OF INDEPENDENT STATUS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors independent.

DIRECTORS’ INTERESTS IN COMPETING BUSINESS

As at 31 December 2019, none of the Directors or their respective close associates had interests in businesses which compete or are likely to compete, either directly or indirectly, with the business of the Group pursuant to the Listing Rules.

DEED OF NON-COMPETITION

Pursuant to a deed of non-competition (the “**Deed of Non-competition**”) dated 13 December 2018 and executed by Mr. Fang and Vast Universe, each of Mr. Fang and Vast Universe has undertaken to the Company that it/he will not engage in, and shall procure his/its close associates (other than members of the Group) not to engage in, any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group. Details of the Deed of Non-competition have been disclosed in the section headed “Relationship with Controlling Shareholders — Non-competition Undertaking” in the Prospectus.

The Company has received from Mr. Fang and Vast Universe an annual confirmation that he/it has fully complied with his/its obligations under the Deed of Non-competition. The independent non-executive Directors have reviewed and were satisfied that each of Mr. Fang and Vast Universe had complied with and enforced the provisions of the Deed of Non-competition from the Listing Date and up to the date of this annual report.

SUFFICIENT PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained a sufficient public float throughout the period from the Listing Date to 31 December 2019.

RELATIONSHIPS WITH STAKEHOLDERS

The Company is committed to maintaining a good relationship with teachers, students and other stakeholders that have a significant impact on the Company and on which the Company's success depends. During the year ended 31 December 2019, there were no material and significant dispute between the Group and its employees, suppliers and/or customers.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices.

Such permitted indemnity provision has been in force for the year ended 31 December 2019. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

RELIEF OF TAXATION

The Company is not aware of any relief from taxation available to the Shareholder by reason of their holding of the Shares.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 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 consolidated 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 annual report, 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.

REVIEW OF THE ANNUAL RESULTS

The Audit Committee had reviewed this annual report (including the consolidated financial statements at the Company) and the annual results announcement of the Company for the year ended 31 December 2019 and had submitted the same to the Board for approval. Members of the Audit Committee were of the opinion that the Financial Statements, the results announcement and this annual report had been prepared in compliance with the applicable accounting standards and the Listing Rules and that adequate disclosure had been made.

AUDITORS

The consolidated financial statements of the Group for the year ended 31 December 2019 have been audited by PricewaterhouseCoopers which will retire, and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

A resolution for the re-appointment of PricewaterhouseCoopers as auditors of the Company is to be proposed at the forthcoming AGM.

For and on behalf of the Board of Directors

FANG Gongyu

Chairman

27 March 2020

Corporate Governance Report

The Company is committed to fulfilling its responsibilities to Shareholders and protecting and enhancing Shareholders' value through good corporate governance.

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures, internal control and risk management procedures of the Group so as to achieve effective accountability.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted all applicable code provisions as set out in the CG Code as the basis of the Company's corporate governance practices, and the CG Code has been applicable to the Company with effect from the Listing Date. Save for the deviation from code provision A.2.1 of the CG Code as explained under "Chairman and Chief Executive Officer" below, the Company has complied with all the applicable code provisions set out in the CG Code from the Listing Date and up to the date of this annual report. The Group will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as contained in Appendix 10 to the Listing Rules as its own code of conduct governing the securities transactions by the Directors. Following a specific enquiry made by the Company on each of the Directors, all Directors have confirmed that they had complied with the Model Code from the Listing Date and up to 31 December 2019.

The Board has also adopted the Model Code as guidelines for its relevant employees who are likely to be in possession of inside information of the Company in respect of their dealings in the securities of the Company. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

BOARD OF DIRECTORS

Responsibilities

The Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group's values and standards and ensures that the requisite financial and human resources support is in place for the Group to achieve its objectives. The functions performed by the Board include but are not limited to convening general meetings and reporting the Board's work at the Shareholders' meetings, determining the business and investment plans of the Group, preparing the annual financial budgets and final reports of the Group, formulating proposals for profit distributions and for exercising other powers, functions and duties as conferred by the Articles of Association.

The Board is committed to providing effective and responsible leadership for the Company. The Directors, individually and collectively, must act in good faith in the best interests of the Company and its Shareholders. The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference. The responsibilities of these Board committees include monitoring the Group's operational and financial performance, and ensuring that appropriate internal control and risk management are in place. The Board may from time to time delegate certain functions to management of the Group if and when considered appropriate. The management is mainly responsible for the execution of the business plans, strategies and policies adopted by the Board and assigned to it from time to time.

The Directors have full access to information of the Group and the management has an obligation to supply the Directors with adequate information in a timely manner to enable the Directors to perform their responsibilities. The Directors are entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

Composition

As at the date of this annual report, the Board comprises seven members, consisting of four executive Directors and three independent non-executive Directors, as follows:

Executive Directors

Mr. FANG Gongyu (*chairman and chief executive officer*)

Mr. TIAN Tao

Ms. YU Yuan

Mr. MA Xiaoming (appointed on 22 November 2019)

Ms. LIU Dan (resigned on 22 November 2019)

Independent non-executive Directors

Mr. JIANG Qian

Mr. CHONG Man Hung Jeffrey

Mr. YUAN Jun

The biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 16 to 19 of this annual report. A list of the Directors identifying their roles and functions is available on the Stock Exchange's and the Company's website.

None of the members of the Board is related to one another.

All Directors are required to declare to the Board upon their first appointment, the directorships or other positions they are concurrently holding at other companies or organisations. These interests are updated on an annual basis and when necessary.

DIRECTORS' LIABILITIES INSURANCE

Appropriate insurance coverage in respect of legal actions against the Directors' liability has been arranged by the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors have brought in a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation in the Board meetings and serving on various Board committees, all independent non-executive Directors will continue to make various contributions to the Company.

The Board has at all times after the Listing Date met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board members, and that at least one of the independent non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise.

The Company has received an annual confirmation of independence in writing from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. Based on such confirmation, the Company considers that all the independent non-executive Directors are independent and have met the independence guidelines as set out in Rule 3.13 of the Listing Rules.

Paragraph A.2.7 of the CG Code requires that the chairman should at least annually hold meetings with the independent non-executive Directors without the presence of the other Directors. For the period from the Listing Date and up to the date of this annual report, the Chairman held two meetings with the independent non-executive Directors on 29 March 2019 and 27 March 2020 respectively without the presence of any other Director. Going forward, the Chairman will continue to ensure compliance with this code provision.

DIRECTORS' INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

Upon his/her appointment as director, each new director receives an induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors, on an ongoing basis, will receive updates on the relevant laws, rules and regulations. The Company encourages the Directors to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, Hong Kong Companies Ordinance and corporate governance practices so that they can continuously acquire their relevant knowledge and skills.

The Company organised training on duties and responsibilities of directors and seminar on updated laws and regulations for the Directors. Pursuant to code provision A.6.5 of the CG Code, the Company has also provided reading materials to the Directors to develop and refresh their professional knowledge.

Corporate Governance Report

The trainings received by each Director during the year ended 31 December 2019 are summarised as follows:

<u>Name of Director</u>	<u>Training(s) or seminar(s) on updated laws and regulations</u>	<u>Reading materials relating to Directors' professional knowledge</u>
Executive Directors		
Mr. FANG Gongyu (<i>chairman</i>)	✓	✓
Mr. TIAN Tao	✓	✓
Ms. YU Yuan	✓	✓
Mr. Ma Xiaoming (appointed on 22 November 2019)	✓	✓
Ms. LIU Dan (resigned on 22 November 2019)	✓	✓
Independent non-executive Directors		
Mr. JIANG Qian	✓	✓
Mr. CHONG Man Hung Jeffrey	✓	✓
Mr. YUAN Jun	✓	✓

MEETINGS OF THE BOARD AND DIRECTORS' ATTENDANCE RECORDS

The Board meets regular and at least four times a year at approximately quarterly intervals with notice given to the Directors at least 14 days in advance. For all other Board meetings, notice will be given in a reasonable time in advance. The Directors are allowed to include any matter in the agenda that is required for discussion and resolution at the meeting. To enable the Directors to be properly briefed on issues arising at each of the Board meetings and to make informed decisions, an agenda and the accompanying Board papers will be sent to all Directors at least three days before the intended date of the Board meeting, or such other period as agreed. The joint company secretaries of the Company (the "**Joint Company Secretaries**") are responsible for keeping all Board meetings' minutes. Draft and final versions of the minutes will be circulated to the Directors for comments and record respectively within a reasonable time after each meeting and the final version is open for the Directors' inspection.

The Directors do not have any material financial, business or other relationships among members of the Board. If a Director has any potential conflict of interest in any matter being considered in a Board meeting, he or she shall abstain from voting. The independent non-executive Directors with no conflict of interest will be present at meetings dealing with such conflict of interest issues.

Since the Listing Date and up to the date of this annual report, seven Board meetings and one general meeting were held and the attendance of the Directors to the Board meetings subsequent to the Listing Date and up to the date of this report are as follows:

Name of Directors	Attendance/ Eligible to attend the Board meetings	Attendance/ Eligible to attend the general meeting
Executive Directors		
Mr. FANG Gongyu (<i>chairman</i>)	7/7	1/1
Mr. TIAN Tao	7/7	1/1
Ms. YU Yuan	7/7	1/1
Mr. Ma Xiaoming (appointed on 22 November 2019)	2/2	—
Ms. LIU Dan (resigned on 22 November 2019)	5/5	1/1
Independent non-executive Directors		
Mr. JIANG Qian	7/7	1/1
Mr. CHONG Man Hung Jeffrey	7/7	1/1
Mr. YUAN Jun	7/7	1/1

BOARD DIVERSITY POLICY

The Board has adopted a policy of the Board's diversity and discussed all measurable objectives set for implementing the same.

The Company recognises and embraces the benefits of a diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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.

BOARD COMMITTEES

The Board has established three committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request. A list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2 of this annual report. The Board committees are provided with sufficient resources to discharge their duties.

Audit Committee

The Company established the Audit Committee on 12 December 2018 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee currently consists of three independent non-executive Directors, being Mr. Chong Man Hung Jeffrey, Mr. Jiang Qian and Mr. Yuan Jun. Mr. Chong Man Hung Jeffrey is the chairman of the Audit Committee.

The principal roles and functions of the Audit Committee include but are not limited to:

- making recommendations to the Board on the appointment, reappointment and removal of the external auditors, to approve the remuneration and terms of engagement of the external auditors, and to deal with any issues relating to their resignation or dismissal;
- reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and discussing with the external auditors the nature and scope of the audit and reporting obligations before the audit commences;
- developing and implementing policy on engaging external auditors to supply non-audit services and reporting to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- monitoring integrity of the Company's financial statements, annual report and accounts and half-year report and, reviewing significant financial reporting judgements contained in them;
- reviewing the Company's financial controls, risk management and internal control systems;
- discussing the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems;
- considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- ensuring coordination between the internal and external auditors, and that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- reviewing the Group's financial and accounting policies and practices;

- reviewing the external auditors' management letter, any material queries raised by the auditors to management about accounting records, financial accounts or systems of risk management and control and management's response;
- ensuring that the Board will provide a timely response to the issues raised in the external auditors' management letter;
- acting as the key representative body for overseeing the Company's relationship with the external auditor;
- reviewing arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management, internal control or other matters;
- reporting to the Board on the matters in the code provisions of the CG Code;
- performing the Company's corporate governance functions; and
- considering other topics, as defined by the Board.

The Audit Committee has established and oversees a whistleblowing policy. In line with that commitment, the Company expects and encourages its employees, customers, suppliers and other stakeholders who have concerns about any suspected misconduct or malpractice within the Company to come forward and voice those concerns. All whistleblowing reports are investigated to the fullest extent possible and reported to the Audit Committee.

Since the Listing Date and up to the date of this annual report, three Audit Committee meetings were held to review the Group's audited financial results for the year ended 31 December 2018, unaudited financial results for the six months ended 30 June 2019 and the audited financial results for the year ended 31 December 2019 before their submission to the Board, significant issues on the financial reporting and compliance procedures, the effectiveness of the internal control and risk management systems and the appointment of external auditors.

The attendance record of each Director at the Audit Committee meetings of the Company is set out in the table below:

Name of Directors	Attendance/ Number of meetings
Mr. CHONG Man Hung Jeffrey (<i>chairman</i>)	3/3
Mr. JIANG Qian	3/3
Mr. YUAN Jun	3/3

Remuneration Committee

The Company established the Remuneration Committee on 12 December 2018 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The remuneration committee consists of two independent non-executive Directors, being Mr. Jiang Qian, Mr. Yuan Jun, and one executive Director, being Ms. Yu Yuan. Mr. Jiang Qian has been appointed as the chairman of the Remuneration Committee.

The principal roles and functions of the Remuneration Committee include but are not limited to:

- making recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- reviewing and approving the terms of individual executive Director's service contracts and senior management's remuneration proposals with reference to the Board's corporate goals and objectives;
- determining, with delegated responsibility, the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- making recommendations to the Board on the remuneration of the non-executive Directors;
- considering salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
- assessing performance of individual executive Directors;
- reviewing and approving compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
- ensuring that no Director or any of his associates is involved in deciding his own remuneration.

Since the Listing Date and up to the date of this annual report, two Remuneration Committee meetings were held to review and make recommendations to the Board on the remuneration packages of the Directors and senior management of the Company.

The attendance record of each Director at the Remuneration Committee meetings of the Company is set out in the table below:

Name of Directors	Attendance/ Number of Meetings
Mr. JIANG Qian (<i>chairman</i>)	2/2
Mr. YUAN Jun	2/2
Ms. YU Yuan	2/2

Nomination Committee

The Company established the Nomination Committee on 12 December 2018 with written terms of reference in compliance with the CG Code. The Nomination Committee consists of two independent non-executive Directors, being Mr. Jiang Qian and Mr. Yuan Jun and one executive Director, being Mr. Fang Gongyu. Mr. Fang Gongyu has been appointed as the chairman of the Nomination Committee.

The principal roles and functions of the Nomination Committee include but are not limited to:

- reviewing the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- assessing the independence of Independent Non-executive Directors;
- making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive; and
- reviewing the policy on Board diversity and any measurable objectives for implementing such policy as may be adopted by the Board from time to time and to review the progress on achieving the objectives.

Corporate Governance Report

Since the Listing Date and up to the date of this annual report, two Nomination Committee meetings were held to review the structure, size and composition of the Board and concluded that members of the Board have possessed the expertise and independence to carry out the Board's functions and responsibilities and assess the independence of Independent Non-executive Director.

The attendance record of each Director at the Nomination Committee meetings of the Company is set out in the table below:

Name of Directors	Attendance/ Number of Meetings
Mr. FANG Gongyu (<i>chairman</i>)	2/2
Mr. Jiang Qian	2/2
Mr. YUAN Jun	2/2

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Save as disclosed in this annual report, there is no change in information of directors since the Listing Date and up to the date of this annual report.

Each of the executive Directors has entered into a service agreement with the Company for a term of three years commencing on the Listing Date, which may be terminated by not less than three months' notice served by either party on the other.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a period of three years commencing on the Listing Date, which may be terminated by not less than three months' notice served by either party on the other.

None of the Directors has a service agreement or letter of appointment with the Company or any of its subsidiaries other than the agreements/letters of appointment expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after his appointment and shall be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election.

All the Directors, including the independent non-executive Directors, are subject to retirement by rotation and will be eligible for re-election in accordance with the Articles of Association. At each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at the AGM at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and does not offer himself for re-election. Any further Directors so to retire shall be those who have been the longest in office since their last re-election or appointment and so that as between the persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration of senior management of the Group. Details of the remuneration of each of the Directors of the Company for the year ended 31 December 2019 are set out in note 30 to the consolidated financial statements.

Pursuant to paragraph B.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed “Biographical Details of Directors and Senior Management” in this annual report for the year ended 31 December 2019 by band is set out below:

Remuneration band (in HK\$)	Number of individual
Nil to 1,000,000	1

INDEPENDENT AUDITORS' REMUNERATION

For the year ended 31 December 2019, PricewaterhouseCoopers was engaged as the Company's independent auditors.

The remuneration paid/payable in respect of the audit and non-audit services provided by PricewaterhouseCoopers for the year ended 31 December 2019 is set out below:

Service Category	Fees Paid/Payable (HK\$'000)
Audit Services	
• Annual audit	1,765
Non-audit Services	
• Tax advisory services	37
Total	<u>1,802</u>

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended 31 December 2019. The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Group's consolidated financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on the Group's performance, positions and prospects. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

In addition, PricewaterhouseCoopers has stated in the independent auditor's report its reporting responsibilities on the Company's consolidated financial statements for the year ended 31 December 2019.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of the risks the Company is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems. The Board acknowledges that such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The key features of the Group's risk management and internal control systems include the following:

- an organised structure with clearly defined and distinct scope of authority and responsibilities;
- a comprehensive financial accounting system to provide for various performance measurement indicators and to ensure compliance with relevant rules;
- guidelines on the dissemination of confidential and sensitive information;
- specific approval from executive Director/responsible senior executive of the Company prior to commitment in all material matters;
- management's review and evaluation on the internal control procedures and monitoring of risk factors on a regular basis; and
- report to the Audit Committee about the findings on identified risks and measures to address such risks.

To properly manage the risks the Group is exposed to during the operations of the business, the Group has established the following risk management structures and measures:

- The Board is responsible and has the general power to manage the operations of the Group, and is in charge of managing the overall risks of the Group. It is responsible for considering, reviewing and approving any significant business decision involving material risk exposures, such as the decision to expand the school network into new geographic areas, to raise the tuition fees, and to enter into cooperative business relationships with third parties to launch new education programs;
- The Group has established the procedures in response to emergency conditions. Pursuant to such procedures, the Group has established a working group under the security department of Yinxing College to prepare solutions in response to emergency conditions;
- The Group established an Audit Committee to review and supervise the financial reporting process and internal control system;
- The Group has adopted various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to risk management, connected transactions and information disclosure; and

- The Directors and senior management of the Group attend training sessions in respect of the relevant requirements of the Listing Rules and duties of directors of companies listed on the Stock Exchange.

Procedures have been put in place to safeguard the Group's assets against unauthorised use or disposal, to ensure proper accounting records are kept so that reliable financial information can be provided when required, and to ensure compliance with all applicable laws and regulations. These procedures have been based on industry norms and are designed to provide reasonable assurance and protection against errors, losses and fraud.

Due to the size of the Group and for cost effectiveness consideration, the Group does not have an internal audit function. Instead, the Group engaged an independent internal control consultant to conduct an assessment of the internal control system of the Group for the year ended 31 December 2019. The review covered all material risks and controls, including financial, operational, business and strategic, compliance as well as risk management. The independent internal control consultant carried out an analysis and independent appraisal of the adequacy and effectiveness of the risk management and internal control systems of the Company through, among others, the examination of risk-related documentation prepared by operation units and the management and conducting interviews with employees at all levels. The independent internal control consultant attended meetings of the Audit Committee to explain the internal audit findings and responded to queries from members of the Audit Committee. The Board, through the Audit Committee, has conducted a review of the effectiveness of the internal control system of the Group and considers that the Group's risk management and internal control are adequate and effective. The Board expects that a review of the risk management and internal control systems will be performed annually. The Group also continues to review the need for an internal audit function annually.

DISCLOSURE OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the Listing Rules and the overriding principle that inside information should be announced promptly. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;
- the Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and the Company's website;
- the Group has strictly prohibited unauthorised use of confidential or inside information; and
- the Group has established and implemented procedures for responding to external enquiries about the Group's affairs, so that only the executive Directors and the Joint Company Secretaries are authorised to communicate with parties outside the Group.

JOINT COMPANY SECRETARIES

The Joint Company Secretaries support the Board by ensuring that reliable and relevant flow of information is maintained amongst members of the Board and that all procedures have been adhered to in accordance with applicable laws, rules and regulations. All Directors have access to the advice and services of the Joint Company Secretaries on corporate governance and board practices and matters.

Mr. Tian and Mr. Wan Chi Hei were appointed as the joint company secretaries of the Company on 7 June 2018. The biographies of the joint company secretaries are set out in the section headed “Biographical Details of Directors and Senior Management” on pages 16 to 20 of this annual report. During the year ended 31 December 2019, Mr. Wan undertook not less than 15 hours of professional training to update his skills and knowledge.

SHAREHOLDERS’ RIGHTS

To safeguard shareholder interests and rights, separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Director. Except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands, all resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules. Poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Procedures for Putting Forward Proposals at Shareholders’ Meetings

There are no provisions allowing Shareholders to make proposals or move resolutions at the AGMs under the M&A or the laws of the Cayman Islands. Shareholders who wish to make proposals or move a resolution may, however, convene an extraordinary general meeting (the “**EGM**”) in accordance with the “Procedures for Shareholders to Convene an EGM” set out below.

Procedures for Shareholders to Convene an EGM

According to Article 58 of the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company (the “**Eligible Shareholder(s)**”) shall at all times have the right, by written requisition to require an EGM to be called by the Board or the Joint Company Secretaries for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.

Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the “**Requisition**”) signed by the Eligible Shareholder(s) concerned (the “**Requisitionist(s)**”) at the principal place of business of the Company in Hong Kong (presently at 31/F., 148 Electric Road, North Point, Hong Kong) for the attention of the Joint Company Secretaries. The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM and the proposed agenda.

Following receipt of the Requisition, the identity and shareholding of the Eligible Shareholder(s) will be verified with the Company's branch share registrar in Hong Kong. If the Requisition is found to be proper and in order, the Joint Company Secretaries will ask the Board to convene an EGM and/or include the proposal(s) made or the resolution(s) proposed by the Requisitionist(s) at the EGM within 2 months after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of the outcome and accordingly, the Board will not call for an EGM nor include the proposal(s) made or the resolution(s) proposed by the Requisitionist(s) at the EGM.

If within 21 days of the deposit of the Requisition the Board fails to proceed to convene such meeting, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board shall be reimbursed to the Requisitionist(s) by the Company.

Procedures for Shareholders to Send Enquires to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them by post to the principal place of business of the Company in Hong Kong (presently at 31/F., 148 Electric Road, North Point, Hong Kong) or by email to maple.chen@gingkoeducn.com, for the attention of the Joint Company Secretaries.

Upon receipt of the enquiries, the Joint Company Secretaries will forward the communications relating to:

1. the matters within the Board's purview to the executive Directors;
2. the matters within a Board committee's area of responsibility to the chairman of the appropriate committee; and
3. ordinary business matters, such as suggestions, enquiries and client complaints to the appropriate management of the Company.

DIVIDEND POLICY

As the Company is a holding company, the ability to declare and pay dividends will depend on receipt of sufficient funds from the subsidiaries and, particularly, the consolidated affiliated entities of the Company, which are incorporated in the PRC. The consolidated affiliated entities must comply with their respective constitutional documents and the laws and regulations of the PRC in declaring and paying dividends to the Company. Pursuant to the laws applicable to the PRC's foreign investment enterprises, the Company's subsidiaries must make appropriations from after-tax profit to non-distributable reserve funds as determined by the board of directors of each relevant entity prior to payment of dividends. These reserves include a general reserve and a development fund. Subject to certain cumulative limits, the general reserve requires annual appropriations of 10% of after-tax profits as determined under PRC laws and regulations at each year-end until the balance reaches 50% of the relevant PRC entity's registered capital. PRC laws and regulations require private schools where the school sponsors require reasonable returns to make annual appropriations of 25% of net income to its development fund prior to payments of reasonable returns. Such appropriations are required to be used for the construction or maintenance of the school or for the procurement or upgrading of educational equipment. A private school that does not require reasonable returns cannot distribute dividends to its school sponsors.

Any amount of dividends the Company pays will be at the discretion of the Directors and will depend on the future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which the Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to the constitutional documents of the Company and the relevant laws.

At the meeting of the Board held on 27 March 2020, the Directors had resolved not to recommend the payment of a final dividend for the year ended 31 December 2019.

COMPLIANCE ADVISER

The Company appointed Somerley Capital Limited as the compliance adviser with effect from the Listing Date to provide guidance and opinion to the Company in respect of the compliance with the Listing Rules and other regulations and practice governing listed issuers in Hong Kong.

INVESTOR RELATIONS AND COMMUNICATION WITH THE SHAREHOLDERS

The Company has adopted a Shareholders' communication policy with the objective of ensuring that the Shareholders will have equal and timely access to information about the Company in order to enable the Shareholders to exercise their rights in an informed manner and allow them to engage actively with the Company.

Information will be communicated to the Shareholders through the Company's financial reports, AGMs and other EGMs that may be convened as well as all the published disclosures submitted to the Stock Exchange. To promote effective communication, the Company maintains a website at www.chinagingkoedu.com, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

The AGM will be held on 19 June 2020. Notice of the AGM will be published and issued to Shareholders in compliance with the M&A and the Listing Rules.

CONSTITUTIONAL DOCUMENTS

Except for the adoption of amended and restated M&A by the Company to comply with the applicable legal and regulatory requirements (including the Listing Rules) on 12 December 2018 for the purposes of the Listing, which took effect from the Listing Date, there were no changes in the constitutional documents of the Company during the year ended 31 December 2019.

The M&A is available on the respective websites of the Stock Exchange and the Company.



羅兵咸永道

To the Shareholders of China Gingko Education Group Company Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of China Gingko Education Group Company Limited (the “**Company**”) and its subsidiaries (the “**Group**”) set out on pages 74 to 135, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSA**s”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“**the Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is related to revenue recognition of tuition and boarding fees.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Revenue Recognition of Tuition and Boarding Fees</p> <p>Refer to Note 2.21 Revenue Recognition and Note 6 Revenue to the consolidated financial statements.</p> <p>Revenue mainly comprised the tuition and boarding fees from students, amounting to RMB144 million for the year ended 31 December 2019, and these fees are generally received in advance prior to the beginning of each academic year. Tuition and boarding fees are recognised proportionately over the terms of the applicable program or the beneficial period for the students, where applicable.</p> <p>Due to the large volume of transactions processed and significant amount of tuition and boarding fees, we considered it as a key audit matter.</p>	<p>Our audit procedures in relation to revenue recognition of tuition and boarding fees included the following:</p> <ul style="list-style-type: none">• Understanding, evaluating and testing the Group's key controls over the admission of students and collection of tuition and boarding fees;• Checking the relevant official student records and the reconciliation of total number of enrolled students in respective academic years to the official student records registered with the relevant education authorities of the People's Republic of China;• On a sample basis, checking the existence of the students in the financial year by interviewing respective students and agreeing the relevant official student records including the student names, their personal identity card numbers and student identification numbers and academic subjects;• On a sample basis, checking the evidence of tuition and boarding fees received from students;• Performing recalculation of the amount of contract liabilities and the tuition and boarding fees recognised during the year in accordance with the terms of the applicable program or the beneficial period for the students, where applicable. <p>Based on the procedures performed, we found the Group's tuition and boarding fees tested were supported by available evidence.</p>

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lam Siu Wing, Benny.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 27 March 2020

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

(All amounts expressed in RMB thousands unless otherwise stated)

	Note	Year ended 31 December	
		2019 RMB'000	2018 RMB'000
Revenue	6	165,661	156,605
Cost of sales	9	(98,099)	(85,080)
Gross profit		67,562	71,525
Selling expenses	9	(1,726)	(1,948)
Administrative expenses	9	(40,821)	(43,385)
Other income	7	680	917
Other gains — net	8	7,858	528
Operating profit		33,553	27,637
Finance income	11	426	926
Finance expenses	11	(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	12	(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)	13	0.06	0.07

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

As at 31 December 2019

(All amounts expressed in RMB thousands unless otherwise stated)

	Note	As at 31 December	
		2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Prepaid land lease payments	14	—	38,734
Right-of-use assets	14	70,177	—
Property, plant and equipment	15	818,582	379,595
Intangible assets	16	1,413	870
Prepayments	19	9,843	133
		900,015	419,332
Current assets			
Trade and other receivables	18	4,840	827
Prepayments	19	6,541	12,566
Cash and cash equivalents	20	227,518	114,814
		238,899	128,207
Total assets		1,138,914	547,539
EQUITY			
Share capital	21	4,321	—
Share premium	21	134,042	—
Reserves	22	62,959	67,936
Retained earnings	22	294,729	257,674
Total equity		496,051	325,610
LIABILITIES			
Non-current liabilities			
Borrowings	24	335,434	78,500
Current liabilities			
Accruals and other payables	23	133,659	38,987
Amounts due to a related party	27	10	—
Borrowings	24	88,232	26,148
Contract liabilities	6	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

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 74 to 135 were approved and authorised for issue by the board of directors on 27 March 2020 and were signed on its behalf:

Fang Gongyu
Director

Tian Tao
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

(All amounts expressed in RMB thousands unless otherwise stated)

	Attributable to owners of the Company					Total RMB'000
	Share capital RMB'000 (Note 21)	Share premium RMB'000 (Note 21)	Capital reserves RMB'000 (Note 22(a))	Statutory surplus reserves RMB'000 (Note 22(b))	Retained earnings RMB'000	
As at 1 January 2018	—	—	50,000	18,050	232,652	300,702
Profit and total comprehensive income for the year	—	—	—	—	24,908	24,908
Transferred to retained earnings	—	—	—	(114)	114	—
As at 31 December 2018	—	—	50,000	17,936	257,674	325,610
As at 1 January 2019	—	—	50,000	17,936	257,674	325,610
Profit and total comprehensive income for the year	—	—	—	—	32,078	32,078
Issuance of shares by share offer, net of expenses related to issuance of shares	1,080	137,283	—	—	—	138,363
Capitalisation of shares	3,241	(3,241)	—	—	—	—
Transferred to retained earnings	—	—	—	(4,977)	4,977	—
As at 31 December 2019	4,321	134,042	50,000	12,959	294,729	496,051

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

Consolidated Cash Flow Statement

For the year ended 31 December 2019
(All amounts expressed in RMB thousands unless otherwise stated)

	Note	Year ended 31 December	
		2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash generated from operations	25	48,251	718
Interest received		426	556
Income tax paid		(1,080)	(10)
Net cash generated from operating activities		47,597	1,264
Cash flows from investing activities			
Proceeds from government subsidies related to land use rights	14	149,513	—
Purchases of land use rights		(183,114)	—
Purchases of property, plant and equipment		(354,232)	(76,205)
Purchases of intangible assets		(1,022)	(187)
Proceeds from disposal of property, plant and equipment	25	—	4
Proceeds from disposals of land use rights	25	6,691	—
Dividends from an associate		—	689
Proceeds from disposal of interest in an associate		—	13,602
Proceeds from disposal of a subsidiary, net of cash paid		—	15
Interest received from related parties		—	704
Loans to related parties	27	—	(153,000)
Receipts of repayment of loans to related parties	27	—	165,000
Net cash used in investing activities		(382,164)	(49,378)
Cash flows from financing activities			
Proceeds from bank borrowings		390,000	100,000
Proceeds from third parties' borrowings		79,100	6,148
Repayment of bank borrowings		(98,500)	(1,500)
Repayment of third parties' borrowings		(51,582)	—
Proceeds from related parties' borrowings	27	—	5,000
Repayment of borrowings from related parties	27	—	(14,100)
Interest paid		(13,590)	(5,105)
Proceeds from share issuance upon listing		155,575	—
Professional expenses paid in connection with the share listing		(13,732)	(3,480)
Net cash generated from financing activities		447,271	86,963
Net increase in cash and cash equivalents		112,704	38,849
Cash and cash equivalents at beginning of the year		114,814	75,965
Cash and cash equivalents at end of the year		227,518	114,814

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousands unless otherwise stated)

1 General information

The Company was incorporated in the Cayman Islands on 23 March 2018 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries and consolidated affiliated entities (collectively referred to as the "**Group**") are principally engaged in providing private higher education services in the People's Republic of China (the "**PRC**").

The ultimate controlling shareholder of the Company is Mr. Fang Gongyu (the "**Controlling Shareholder**" or "**Mr. Fang**"), who has been controlling the group companies since their incorporation or establishment.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 18 January 2019 (the "**Listing**") by way of its initial public offering (the "**IPO**"). Please refer to Note 21(a) for details.

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

These consolidated financial statements have been approved for issue by the Board of Directors on 27 March 2020.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

2.1 Basis of preparation

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.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

For the year ended 31 December 2019

(All amounts expressed in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(a) 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.

HKFRS 16	Leases
HK (IFRIC) Interpretation 23	Uncertainty over income tax treatments
Amendments to HKFRS 9	Prepayment features with negative compensation
Amendments to HKAS 19	Plan amendment, curtailment or settlement
Amendments to HKAS 28	Long-term interests in associates and joint ventures
Annual improvements to HKFRSs 2015–2017 Cycle	

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This disclosed in Note 2.1(a). Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(a) New and amended standards adopted by the Group (Continued)

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 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 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 (Note 26(b)), which related to low value leases and will be recognised on a straight-line basis as expenses in profit or loss.

For the year ended 31 December 2019
(All amounts expressed in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(b) New standards and interpretations not yet adopted

As at the date of these consolidated financial statements, the HKICPA 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 Definition of material HKAS 8	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 Sale or contribution of assets and HKAS 28 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.

For the year ended 31 December 2019

(All amounts expressed in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Subsidiaries controlled through Contractual Arrangements

In preparation for the initial public offering of the shares of the Company on the Main Board of the Stock Exchange, the Group underwent a reorganisation (the “**Reorganisation**”), as part of which, a wholly-owned subsidiary of the Company, Chengdu Yinxing Education Management Co., Ltd. (“**Yinxing Education**”), has entered into a series of contractual agreements (the “**Contractual Agreements**”) with Gingko Asset Management Co., Ltd. (“**Gingko Asset Management**”), Yinxing Hospitality Management College of CUIT (“**Yinxing College**”) and Chengdu Yinxing Hotel Vocational Skills Training School (“**Yinxing Training School**”) (collectively the “**Consolidated Affiliated Entities**”) and their respective shareholders, including Mr. Fang and Mr. Tian, on 14 June 2018, which enable Yinxing Education and the Group to:

- exercise effective financial and operational control over the Consolidated Affiliated Entities;
- exercise equity voting rights of the Consolidated Affiliated Entities;
- receive substantially all of the economic interest returns generated by the Consolidated Affiliated Entities in consideration for the corporate management and educational management consultancy services, as well as technical and business support services provided by Yinxing Education. Such services include development, design, upgrade and ordinary maintenance on educational software and website; design on college course and major; compilation and selection and/or recommendation on college course materials; recruitment and training supporting on teachers and other employees; admission and enrollment supporting services; public relation services; market research and development services; management and marketing consulting and related services; and other additional services as the parties may mutually agree from time to time;

For the year ended 31 December 2019

(All amounts expressed in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

2.2.1 Consolidation (Continued)

(a) Subsidiaries controlled through Contractual Arrangements (Continued)

- obtain an irrevocable and exclusive right to purchase all of equity interests in the Consolidated Affiliated Entities from the respective equity holders at nil consideration or a minimum purchase price permitted under PRC laws and regulations. Yinxing Education may exercise such options at any time until it has acquired all equity interests in and/or all assets of the Consolidated Affiliated Entities permitted under the PRC laws and regulations. In addition, the Consolidated Affiliated Entities are not allowed to sell, transfer, or dispose any assets, or make any distributions to their equity holders without prior consent of Yinxing Education; and
- obtain a pledge over the entire equity interest of the Consolidated Affiliated Entities from their equity holders to secure performance of the obligations of the Consolidated Affiliated Entities under the Contractual Arrangements.

The Group does not have any equity interest in the Consolidated Affiliated Entities. However, as a result of the Contractual Arrangements, the Group has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities and is considered to control the Consolidated Affiliated Entities. Accordingly, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries under HKFRSs. The Group has included the financial position and financial results of the Consolidated Affiliated Entities in the consolidated financial statements during all the years presented.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group direct control over the Consolidated Affiliated Entities, due to the uncertainties presented by the PRC legal system to impede the Group's beneficiary rights of the results, assets and liabilities of the Consolidated Affiliated Entities. The directors, based on the advice of its legal counsel, consider that the Contractual Arrangements among the Consolidated Affiliated Entities and their equity shareholders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

2.2.1 Consolidation (Continued)

(b) Business combination

Except for the Reorganisation, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

For the year ended 31 December 2019

(All amounts expressed in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

2.2.1 Consolidation (Continued)

(c) Changes in ownership interests

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(d) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRS.

(e) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting (see (f) below), after initially being recognised at cost.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

2.2.1 Consolidation (Continued)

(f) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.8.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes directly attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer who considers the business from the service perspective.

For the year ended 31 December 2019

(All amounts expressed in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the entities within the Group are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). Since the majority of the assets and operations of the Group are located in the PRC, the consolidated financial statements is presented in RMB, which is the Company’s functional currency and the Group’s presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end/period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within ‘finance income or cost’. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within ‘other gains/ (losses) — net’.

2.5 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial year in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	37–48 years
Decoration	6 years
Electronic equipment	5 years
Furniture and fixtures	5 years
Vehicles	5 years
Books	2–3 years

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.5 Property, plant and equipment (Continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains — net' in the consolidated statement of comprehensive income.

Construction in progress represents buildings and plant under construction and is stated at cost less impairment losses. Historical expenditure that is directly attributable to the construction comprises construction costs, the cost of plant and machineries and applicable borrowing costs incurred during the construction year. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for the intended use. When the assets concerned are brought into use, the costs are transferred to relevant categories of property, plant and equipment and depreciated in accordance with the policy as stated above.

2.6 Prepaid land lease payments

Prepaid land lease payments are stated at cost less accumulated amortisation and impairment losses. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated for 40–50 years. Amortisation of land use right is calculated on a straight-line basis over the year of the land use right.

As disclosed in Note 2.1(a), the Group has adopted HKFRS 16 Leases from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the simplified transition approach in the standard. The reclassifications from prepaid land lease payments to right-of-use asset arising from the new leasing standards are therefore recognised in the opening balance sheet on 1 January 2019.

2.7 Intangible assets

Intangible assets represent the computer software. Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Cost represents consideration paid for the rights to use the computer software. Amortisation of computer software is calculated on the straight-line method over its estimated useful life of five years.

2.8 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

For the year ended 31 December 2019

(All amounts expressed in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.9.2 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are recorded in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Groups business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into the following measurement category:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest method.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.9 Financial assets (Continued)

2.9.3 Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost including loan receivables. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.11 Trade and other receivables

Trade receivables are amounts due from students and other third parties for services performed in the ordinary course of business. If collection of trade and other receivables are expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.12 Contract assets and liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining conditional rights to consideration exceeds the satisfied performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

For the year ended 31 December 2019

(All amounts expressed in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.13 Cash and cash equivalents

In the consolidated cash flow statements, cash and cash equivalents includes cash at bank and on hand and short-term bank deposits with original maturities of three months or less.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Accruals and other payables and amounts due to a related party

Other payables and accruals and amounts due to a related party are classified as current liabilities if payment is due within one year or less (or within the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Other payables and amounts due to a related party are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the year of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, canceled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.17 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.18 Current and deferred income tax

The income tax expenses or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

For the year ended 31 December 2019

(All amounts expressed in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.18 Current and deferred income tax (Continued)

(b) *Deferred income tax* (Continued)

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

According to the CIT law, distribution of profits earned by PRC companies is subject to withholding tax of 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas-incorporated immediate holding companies. During the years ended 31 December 2019 and 2018, the Group did not distribute dividends. The management considered that such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to a foreign investor in the foreseeable future based on management's estimation of overseas funding requirements.

2.19 Employee benefits

(a) *Pension obligations*

The entities within the Group registered in the PRC make employee benefit contributions based on certain percentage of the salaries of the employees to various defined contribution retirement benefit plans organised by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligation payable to the existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separate from those of the Group.

(b) *Housing funds, medical insurances and other social insurances*

The PRC employees of the Group are also entitled to participate in various government-sponsored housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on a certain percentage of the employee's salaries. The Group's liabilities in respect of these funds is limited to the contributions payable in each year.

(c) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expenses.

2.21 Revenue recognition

Tuition and boarding fees are generally received in advance prior to the beginning of each academic year, and are initially recorded as contract liabilities. Tuition and boarding fees are recognised proportionately over the terms of the applicable program or the beneficial period for the students, where applicable. The portion of tuition and boarding payments received from students but not earned is recorded as contract liabilities. Amounts which will be earned within one year is reflected as a current liability, and those which will be earned beyond one year is reflected as a non-current liability.

Revenue from meal catering service provided at the on-campus canteens is recognised at a point in time when control of the goods has transferred, being when the goods are accepted by the customers.

Revenue from research projects and training programs are recognised proportionately over the terms of the applicable projects or programs, where applicable.

2.22 Interest income

Interest income is recognised using the effective interest method.

2.23 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the year necessary to match them with the costs that they are intended to compensate.

Government grants relating to assets are deducted from the carrying amount of the assets.

For the year ended 31 December 2019

(All amounts expressed in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.24 Leases

As explained in Note 2.1(a) above, the Group has changed its accounting policy for leases where the Group is the lessee with effect from 1 January 2019. The new policy is described below and the impact of the change is set out in Note 2.1(a).

For the year ended 31 December 2018 and before, leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.26 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousands unless otherwise stated)

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The overall risk management program of the Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance of the Group.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Hong Kong dollars ("HKD") and United States dollars ("USD"). The Group does not hedge against any fluctuation in foreign currency.

The sensitivity of profit or loss to changes in the exchange rates arises mainly from HKD and USD denominated bank balances and cash.

	Impact on profit before tax	
	2019	2018
	RMB'000	RMB'000
USD/RMB exchange rate — increase 5%	3,106	—
USD/RMB exchange rate — decrease 5%	(3,106)	—
HKD/RMB exchange rate — increase 5%	316	103
HKD/RMB exchange rate — decrease 5%	(316)	(103)

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from bank deposits and borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk.

Bank deposits carried at prevailing market interest rate expose the Group to cash flow interest rate risk. The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure to ensure it is within an acceptable level. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

As at 31 December 2019, if the interest rates on the borrowings had been 50 basis points higher/lower than the prevailing rate announced by People's Bank of China, with all other variables held constant, the Group's profit for the year would have been RMB1,950,000 lower/higher (2018: RMB492,500).

For the year ended 31 December 2019

(All amounts expressed in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

The Group has no concentration of credit risk from third party debtors. Deposits are mainly placed with licensing banks which are all high-credit-quality financial institutions. The Group's maximum exposure to credit risk is the carrying amounts of cash and cash equivalents and trade and other receivables.

As at 31 December 2019 and 2018, substantially all of the Group's bank deposits were deposited with major financial institutions incorporated in Hong Kong and the PRC, which management believes are of high-credit-quality without significant credit risk.

All of the Group's trade receivables and other receivables have no collateral. The Group assessed the credit quality of the counterparties by taking into account their financial positions, credit history and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any. The directors are of the opinion that the risk of default by counterparties is low.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

(i) Trade receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. Based on historical experience, majority of the trade receivables were settled within credit term, hence the expected loss rate of current trade receivables are assessed to be 0.1%. The loss allowance provision for these balances was not material during the years ended 31 December 2019 and 2018.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Other receivables

The directors of the Group consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis. To assess whether there is a significant increase in credit risk the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the Group's ability to meet its obligations;
- actual or expected significant changes in the operating results of the Group;
- significant changes in the expected performance and behavior of the Group, including changes in the payment status of the third party.

The Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. Over the term of the financial assets, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of debtors, and adjusts for forward looking macroeconomic data.

The Group has assessed that the expected credit losses for these receivables are not material under the 12 months expected losses method. Thus no loss allowance provision was recognised during the year.

For the year ended 31 December 2019
(All amounts expressed in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group expects to fund its future cash flow needs through internally generated cash flows from operations and borrowings from the financial institutions. Although the current liabilities exceeded the current assets of the Group by approximately RMB68,530,000 as at 31 December 2019, management still believes that there is no significant liquidity risk in view of the expected cash flow from operations and continuing support from banks in the coming twelve months from the balance sheet date of 31 December 2019.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	Between 2 and 5 years <i>RMB'000</i>	Over 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2019					
Borrowings (principal plus interests)	114,779	39,084	204,256	182,448	540,567
Accruals and other payables (excluding non-financial liabilities)	125,711	—	—	—	125,711
Amounts due to a related party	10	—	—	—	10
Total	240,500	39,084	204,256	182,448	666,288
As at 31 December 2018					
Borrowings (principal plus interests)	31,295	79,266	—	—	110,561
Accruals and other payables (excluding non-financial liabilities)	32,142	—	—	—	32,142
Total	63,437	79,266	—	—	142,703

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.2 Capital management

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 2019 and 2018, the gearing ratios were as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Total borrowings (Note 24)	423,666	104,648
Less: Cash and cash equivalents (Note 20)	(227,518)	(114,814)
Net debt/(cash)	196,148	(10,166)
Total equity	496,051	325,610
Gearing ratio	39.54%	Not applicable

3.3 Fair value estimation

Financial instruments carried at fair value or where fair value was disclosed can be categorised by levels of the inputs to valuation techniques used to measure fair value. The inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The carrying amounts of the Group's financial assets include cash and cash equivalents and trade and other receivables and financial liabilities including accruals and other payables, amounts due to a related party and current borrowings, approximate their fair values due to their short-term maturities. The carrying amount of the Group's non-current borrowings approximate their fair values as they are carried at floating interest rates.

For the year ended 31 December 2019

(All amounts expressed in RMB thousands unless otherwise stated)

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Contractual Arrangements

The Group conducts a substantial portion of the business through the Consolidated Affiliated Entities in the PRC due to regulatory restrictions on the foreign ownership in the Group's schools in the PRC. The Group does not have any equity interest in the Consolidated Affiliated Entities. The directors assessed whether or not the Group has control over the Consolidated Affiliated Entities by assessing whether it has power over the Consolidated Affiliated Entities, has the rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities. After assessment, the directors concluded that the Group has control over the Consolidated Affiliated Entities as a result of the Contractual Arrangements and accordingly the financial position and the operating results of the Consolidated Affiliated Entities are included in the Group's consolidated financial statements throughout the years presented. Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over the Consolidated Affiliated Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Consolidated Affiliated Entities. The directors, based on the advice of its legal counsel, consider that the Contractual Arrangements with the Consolidated Affiliated Entities and their equity shareholders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

(b) Income taxes and deferred taxation

According to the Implementation Rules for the Law for Promoting Private Education ("**Implementing Rules**"), private schools, whether requiring reasonable returns or not, may enjoy preferential tax treatment. The Implementing Rules provide that the private schools for which the sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools, and relevant authorities under the State Council may introduce preferential tax treatments and related policies applicable to private schools requiring reasonable returns. However, as of the date of approval of these consolidated financial statements, no separate policies, regulations or rules have been introduced by the authorities in this regard. Based on the historical tax returns filed to the relevant tax authorities, the Yinxing College has historically enjoyed preferential tax treatment since its establishment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousands unless otherwise stated)

4 Critical accounting estimates and judgements (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(b) *Income taxes and deferred taxation* (Continued)

Significant judgement is required in interpreting the relevant tax rules and regulations so as to determine whether the Group is subject to corporate income tax. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of the tax liabilities. Such changes to tax liabilities will impact tax expenses in the year that such determination is made.

(c) *Useful lives and residual values of property, plant and equipment*

The Group's management determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment, and reviews the useful lives and residual values periodically to ensure that the method and rates of depreciation are consistent with the expected pattern of realisation of economic benefits from property, plant and equipment. This estimate is based on the historical experience of the actual residual values and useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. If there are significant changes from previously estimated useful lives and residual values, the amount of depreciation expenses may change.

5 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 Note 2. 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019
(All amounts expressed in RMB thousands unless otherwise stated)

6 Revenue

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

	Year ended 31 December	
	2019 RMB'000	2018 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 programs.

Represented by:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Recognised over time		
Tuition fees	133,457	124,976
Boarding fees	10,873	9,924
Others — research projects and training programs	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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019
(All amounts expressed in RMB thousands unless otherwise stated)

6 Revenue (Continued)

Contract liabilities

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

	As at 31 December	
	2019 RMB'000	2018 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 RMB'000	2018 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 RMB'000	2018 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 programs	381	—
	85,068	77,534

Notes to the Consolidated Financial Statements

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7 Other income

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Government subsidies (<i>note a</i>)	680	780
Others	—	137
	680	917

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

8 Other gains — net

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Gain on disposal of land use rights (<i>note a</i>)	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. Please refer to Note 25(c) for details.

Notes to the Consolidated Financial Statements

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(All amounts expressed in RMB thousands unless otherwise stated)

9 Expenses by nature

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Employee benefit expenses (<i>Note 10</i>)	69,707	51,085
Depreciation and amortisation	21,410	18,845
Joint tuition support fee (<i>note a</i>)	9,209	8,614
Office expenses	8,839	9,243
Canteen purchases	6,778	7,716
Expenses in relation to the Listing	4,825	19,336
Professional fees	4,544	1,059
Student activities expenses	4,168	4,160
Traveling expenses	2,056	1,322
Auditor's remuneration (excluding Listing related services)	1,580	1,000
Training expenses	589	1,492
Property management fees	227	1,269
Other expenses	6,714	5,272
Total cost of sales, selling expenses and administrative expenses	140,646	130,413

- (a) The Group entered into an agreement with Chengdu University of Information Technology ("CUIT"), an independent third party, under which the Group would pay a joint tuition support fee to CUIT in each academic year based on 7% of the tuition fees of Yinxing College. Such fees have been charged to "cost of sales" in the consolidated statement of comprehensive income.

10 Employee benefit expenses

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Wages, salaries and bonuses	56,592	41,382
Contribution to pension plan	5,581	4,374
Welfare and other expenses	7,534	5,329
	69,707	51,085

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For the year ended 31 December 2019
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10 Employee benefit expenses (Continued)

Employee benefit expenses were charged to the consolidated statement of comprehensive income for the years ended 31 December 2019 and 2018 as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Cost of sales	48,625	36,584
Administrative expenses	21,082	14,501
	69,707	51,085

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year include none (2018: one) director whose emoluments are reflected in the analysis presented in Note 30(a). Details of the remunerations of the remaining highest paid non-director individuals are set out as below:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Wages, salaries and bonuses	1,733	1,006
Contribution to pension plan	82	70
Welfare and other expenses	118	82
	1,933	1,158

The emoluments of the highest paid non-director individuals fell within the following band:

	Year ended 31 December	
	2019	2018
Emolument bands Nil–HKD1,000,000	5	4

During the years ended 31 December 2019 and 2018, none of the five highest paid individuals waived or has agreed to waive any emoluments, and none of the five highest paid individuals received emoluments from the Group as inducement to join or upon joining the Group, or as compensation for loss of office.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019
(All amounts expressed in RMB thousands unless otherwise stated)

11 Finance expenses — net

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Finance expenses:		
— Interest expenses on borrowings	(13,992)	(5,355)
— Interest expenses on amounts due to a related party (Note 27(b))	—	(20)
	(13,992)	(5,375)
— Amounts capitalised in qualifying assets (Note 15(d))	12,871	1,459
	(1,121)	(3,916)
Finance income:		
— Bank interest income	426	556
— Interest income on loans to a related party (Note 27(b))	—	370
	426	926
Net finance expenses	(695)	(2,990)

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is 7.86% for the year ended 31 December 2019 (2018: 6.18%), which is the interest rate applicable to the Group's borrowings for construction in progress during the year.

For the year ended 31 December 2019
(All amounts expressed in RMB thousands unless otherwise stated)

12 Income tax expenses

	Year ended 31 December	
	2019 RMB'000	2018 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 RMB'000	2018 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 Gingko Asset Management used by 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
	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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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12 Income tax expenses (Continued)

(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 year ended 31 December 2019.

(iv) PRC corporate income tax (“CIT”)

CIT is provided on assessable profits of entities incorporated in the PRC. Pursuant to the *Corporate Income Tax Law of the PRC* (the “CIT Law”), which was effective from 1 January 2008, the CIT was 25% during the 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 policies applicable to private schools requiring reasonable returns are to be separately formulated by the relevant government authorities under the State Council of PRC. During the year and up to the date of approval of these consolidated financial statements, 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	—
	<u>3,808</u>	<u>2,971</u>

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(All amounts expressed in RMB thousands unless otherwise stated)

13 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 RMB'000	2018 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 and the Capitalisation Shares (as defined in Note 21(a)) which took place on 18 January 2019.

Notes to the Consolidated Financial Statements

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14 Right-of-use assets/Prepaid land lease payments

The Group's interests in right-of-use assets/land use rights represent land use rights payments for land, located in the PRC and held on leases from 40 years to 50 years.

During the year ended 31 December 2019, Gingko Asset Management, a consolidated affiliated entity of the Company, entered into certain land use rights grant contracts in respect of the grant of the lands located at Nanxi District, Yibin City, Sichuan Province, the PRC for the construction of a new campus (the "Nanxi New Campus"). The consideration of the land use rights is approximately RMB183,114,000.

In order to support the Group's establishment of the Nanxi New Campus, the Education and Sports Bureau of Nanxi District of Yibin City granted a subsidy to the Group in the aggregate amount of approximately RMB149,513,000. The Group deducted the government grants in calculating the net carrying amount of the land use rights of approximately RMB 33,601,000.

	As at 31 December	
	2019 RMB'000	2018 RMB'000
As at the beginning of the year		
Cost	50,398	50,398
Accumulated depreciation/Accumulated amortisation	(11,664)	(10,656)
Net book amount	38,734	39,742
Opening net book amount	38,734	39,742
Additions	33,601	—
Disposals (Note 8(a))	(677)	—
Depreciation expenses/Amortization charges	(1,481)	(1,008)
Closing net book amount	70,177	38,734
As at the end of the year		
Cost	83,086	50,398
Accumulated depreciation/Accumulated amortisation	(12,909)	(11,664)
Net book amount	70,177	38,734

- (a) Depreciation expenses of the Group's right-of-use assets/Amortisation charges of the Group's prepaid land lease payments was included in the following categories in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Cost of sales	982	979
Administrative expenses	499	29
	1,481	1,008

- (b) As at 31 December 2019, land use rights with an aggregate carrying amount of approximately RMB3,936,000 was pledged to secure bank borrowings of RMB320,000,000 (Note 24(a)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019
(All amounts expressed in RMB thousands unless otherwise stated)

15 Property, plant and equipment

	Buildings RMB'000	Decoration RMB'000	Electronic equipment RMB'000	Furniture and fixture RMB'000	Vehicles RMB'000	Books RMB'000	Construction in progress RMB'000	Total RMB'000
As at 1 January 2018								
Cost	331,076	16,012	18,288	47,775	2,321	4,922	994	421,388
Accumulated depreciation	(42,249)	(2,294)	(15,502)	(29,892)	(1,797)	(2,137)	—	(93,871)
Net book amount	288,827	13,718	2,786	17,883	524	2,785	994	327,517
Year ended 31 December 2018								
Opening net book amount	288,827	13,718	2,786	17,883	524	2,785	994	327,517
Additions	—	5,933	909	1,866	488	1,309	59,017	69,522
Disposals	—	—	(4)	—	(13)	—	—	(17)
Depreciation charge	(6,924)	(2,931)	(1,004)	(4,812)	(270)	(1,486)	—	(17,427)
Closing net book amount	281,903	16,720	2,687	14,937	729	2,608	60,011	379,595
As at 31 December 2018								
Cost	331,076	21,945	19,072	49,641	2,501	6,231	60,011	490,477
Accumulated depreciation	(49,173)	(5,225)	(16,385)	(34,704)	(1,772)	(3,623)	—	(110,882)
Net book amount	281,903	16,720	2,687	14,937	729	2,608	60,011	379,595
Year ended 31 December 2019								
Opening net book amount	281,903	16,720	2,687	14,937	729	2,608	60,011	379,595
Additions	—	1,641	8,019	10,589	412	3,105	434,671	458,437
Transfers	106,023	—	—	—	—	—	(106,023)	—
Depreciation charge	(7,400)	(3,732)	(1,409)	(5,106)	(189)	(1,614)	—	(19,450)
Closing net book amount	380,526	14,629	9,297	20,420	952	4,099	388,659	818,582
As at 31 December 2019								
Cost	437,099	23,586	27,091	60,230	2,913	9,336	388,659	948,914
Accumulated depreciation	(56,573)	(8,957)	(17,794)	(39,810)	(1,961)	(5,237)	—	(130,332)
Net book amount	380,526	14,629	9,297	20,420	952	4,099	388,659	818,582

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousands unless otherwise stated)

15 Property, plant and equipment (Continued)

- (a) Depreciation charges were included in the following categories in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Cost of sales	18,210	16,233
Administrative expenses	1,240	1,194
	19,450	17,427

- (b) Construction-in-progress mainly comprises buildings under construction in the PRC.
- (c) As at 31 December 2019, construction in progress with an aggregate carrying amount of approximately RMB118,801,000 in the Nanxi New Campus was pledged to secure bank borrowings of RMB320,000,000 (Note 24(a)).
- (d) During the year ended 31 December 2019, the Group capitalised interest on borrowings amounting to approximately RMB12,871,000 (2018: approximately RMB1,459,000) on qualifying assets (Note 11).

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16 Intangible assets

	Computer software <i>RMB'000</i>
As at 1 January 2018	
Cost	4,370
Accumulated amortisation	(3,277)
Net book amount	1,093
Year ended 31 December 2018	
Opening net book amount	1,093
Additions	187
Amortisation charge	(410)
Closing net book amount	870
As at 31 December 2018	
Cost	4,557
Accumulated amortisation	(3,687)
Net book amount	870
Year ended 31 December 2019	
Opening net book amount	870
Additions	1,022
Amortisation charge	(479)
Closing net book amount	1,413
As at 31 December 2019	
Cost	5,579
Accumulated amortisation	(4,166)
Net book amount	1,413

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For the year ended 31 December 2019
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16 Intangible assets (Continued)

Amortisation of the intangible assets was included in the following categories in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Cost of sales	434	397
Administrative expenses	45	13
	479	410

17 Financial instruments by category

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Financial assets at amortised cost		
Cash and cash equivalents	227,518	114,814
Trade and other receivables	4,840	827
	232,358	115,641
Financial liabilities at amortised cost		
Borrowings	423,666	104,648
Accruals and other payables (excluding non-financial liabilities)	125,711	32,142
Amounts due to a related party	10	—
	549,387	136,790

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18 Trade and other receivables

	As at 31 December	
	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
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 ageing analysis of the trade receivables based on the recognition date is as follows:

	As at 31 December	
	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
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 ageing analysis of these trade receivables is as follows:

	As at 31 December	
	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Less than 1 year	1,445	34

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19 Prepayments

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Prepayments for purchases of property, plant and equipment	9,843	133
Prepayments for joint tuition support fee	5,330	4,945
Prepayments for student related and other expenses	1,211	1,465
Prepayments for listing expenses	—	6,156
Less: non-current portion of prepayments	(9,843)	(133)
	6,541	12,566

20 Cash and cash equivalents

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Cash at banks and on hand	227,518	114,814

The carrying amounts of the cash and cash equivalents were denominated in the following currencies:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
RMB	160,636	114,670
USD	62,122	—
HKD	4,760	144
	227,518	114,814

For the year ended 31 December 2019

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21 Share capital and share premium

	Number of Ordinary shares	Nominal value of ordinary shares <i>HKD</i>	
Authorised:			
As at 31 December 2019 and 2018, at HKD0.01 each	1,000,000,000	10,000,000	
	Number of ordinary shares	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>
Issued and paid up:			
As at 1 January 2019	10,000	—	—
Shares issued pursuant to Capitalisation Shares (<i>note a</i>)	374,990,000	3,241	(3,241)
New shares issued pursuant to the Share Offer (<i>note b</i>)	125,000,000	1,080	137,283
As at 31 December 2019	500,000,000	4,321	134,042

- (a) By a shareholder's written resolution dated 12 December 2018 and conditional on the share premium account of the Company being credited as a result of issue of new shares pursuant to the proposed offering of the Company's shares, the Company would issue additional 374,990,000 shares ("**Capitalisation Shares**"), credited as fully paid, to the existing shareholders of the Company, by way of capitalisation of HKD3,749,900 standing to the credit of the Company's share premium account. On 18 January 2019, the Company issued the Capitalisation Shares, credited as fully paid, to the existing shareholders of the Company, by way of capitalisation of HKD3,749,900 (approximately RMB3,241,000) standing to the credit of the Company's share premium account.
- (b) On 18 January 2019, the shares of the Company were listed on the Stock Exchange. In connection with the listing, 125,000,000 shares ("**Share Offer**") of HKD0.01 each were issued at the offer price of HKD1.44 with gross proceeds of HKD180,000,000 (approximately RMB155,575,000). In the current financial year, approximately RMB1,080,000 was credited to the share capital account and approximately RMB137,283,000 net of expenses related to issuance of shares of approximately RMB17,212,000 was credited to the share premium account.

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22 Reserves and retained earnings

(a) Capital reserve

Capital reserve of the Group represented the consolidated issued capital of the Consolidated Affiliated Entities.

(b) Statutory surplus reserves

Pursuant to the relevant laws and regulations in the PRC, the Company's subsidiaries in the PRC should make appropriations from after-tax profit to certain non-distributable reserve funds as determined by the boards of directors of the relevant PRC subsidiaries. These reserve funds include (i) statutory reserve fund of the limited liability companies, (ii) general reserve funds of foreign invested enterprise and (iii) development funds for the schools.

- (i) In accordance with the relevant laws and regulations in the PRC and Articles of Association of the companies incorporated in the PRC now comprising the Group (the "**PRC Subsidiaries**"), the PRC Subsidiaries are required to appropriate 10% of the annual statutory net profits, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory reserves fund before distributing the net profit. Any further appropriation is optional when the balance of the statutory reserves fund reaches 50% of the registered capital of the PRC Subsidiaries. The statutory reserves fund can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding, provided that the remaining balance of the statutory reserves fund after such issue is not less than 25% of registered capital.
- (ii) Pursuant to the laws applicable to China's Foreign Investment Enterprises, the Company's subsidiary that is a foreign investment enterprise in China has to make appropriations from its after-tax profit (as determined under PRC accounting standards) to reserve funds including (i) general reserve fund, and (ii) enterprise expansion fund. The appropriation to the general reserve fund must be at least 10% of the after tax profits calculated in accordance with PRC accounting standards. Appropriation is not required if the reserve fund has reached 50% of the registered capital of the company. Appropriations to the enterprise expansion fund is at the discretion of the relevant entity's board of directors.
- (iii) According to the relevant PRC laws and regulations, private schools are required to appropriate to development funds of not less than 25% of the net profit or the annual increase of net assets of the relevant schools as determined in accordance with PRC accounting standards. The development fund is for the construction or maintenance of the school or procurement or upgrading of educational equipment and not available for distribution to shareholders. Upon incurring the corresponding expenditure, an equivalent amount is transferred from development fund to retained earnings.

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23 Accruals and other payables

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Payables for purchases of property, plant and equipment	101,347	303
Miscellaneous fees received from students (<i>note a</i>)	11,139	8,278
Salary and welfare payables	7,776	6,794
Government subsidies payable to students (<i>note b</i>)	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 HKD.
- (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.

24 Borrowings

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Current:		
— Secured bank borrowings (<i>note a</i>)	70,000	20,000
— Secured loans from a third party (<i>note b</i>)	18,232	—
— Unsecured loans from third parties (<i>note c</i>)	—	6,148
	88,232	26,148
Non-current:		
— Secured bank borrowings (<i>note a</i>)	320,000	78,500
— Secured loans from a third party (<i>note b</i>)	15,434	—
	335,434	78,500
Total borrowings	423,666	104,648

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24 Borrowings (Continued)

- (a) As at 31 December 2019, bank borrowings of RMB70,000,000 were secured by corporate guarantees from the Company, Gingko Asset Management and Yinxing Education; and bank borrowings of RMB320,000,000 were secured by the Group's construction in progress with a net book value of approximately RMB118,801,000 (Note 15(c)) and land use rights with a net book value of approximately RMB3,936,000 in Nanxi New Campus (Note 14(b)), corporate guarantees from the Company and Yinxing Education, and pledged with right over the tuition fees and boarding fees.

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. ("**Chengdu Changshun**"), corporate guarantees from Gingko Asset Management and 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.

- (b) As at 31 December 2019, the amounts represent loans from a third party which were secured by a refundable security deposit of RMB7,000,000 and were secured by corporate guarantees from Gingko Asset Management and Yinxing Education.
- (c) As at 31 December 2018, the amounts represent loans from two third parties which are unsecured, amounting to HKD3,000,000 (approximately RMB2,635,000) and HKD4,000,000 (approximately RMB3,513,000) respectively as at 31 December 2018. The loan of HKD3,000,000 bears a fixed interest rate of 5.00% per annum and had been repaid on 30 January 2019. The loan of HKD4,000,000 bears a fixed interest rate of 12.00% per annum and had been repaid on 24 January 2019.
- (d) The weighted average effective interest rates (per annum) were as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Bank borrowings	6.33%	6.18%
Loans from third parties	12.68%	7.15%

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

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Less than 1 year	88,232	26,148
Between 1 and 2 years	15,434	78,500
Between 2 and 5 years	153,600	—
Over 5 years	166,400	—
	423,666	104,648

- (f) The carrying amounts of the borrowings were denominated in the following currencies:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
RMB	423,666	98,500
HKD	—	6,148
	423,666	104,648

- (g) The carrying amount of current borrowings approximated their fair values due to their short-term maturities, and non-current borrowings approximated their fair values as they were carried at floating interest rates.

- (h) Details of the Group's exposure to risks arising from current and non-current borrowings are set out in Note 3.1.

For the year ended 31 December 2019
(All amounts expressed in RMB thousands unless otherwise stated)

25 Cash flow information

(a) Cash generated from operations

	Note	Year ended 31 December	
		2019 RMB'000	2018 RMB'000
Profit before income tax		32,858	25,678
Adjustments for:			
— Depreciation of property, plant and equipment	15	19,450	17,427
— Depreciation expenses of right-of-use assets/Amortisation of prepaid land lease payments	14	1,481	1,008
— Amortisation of intangible assets	16	479	410
— Loss on disposal of property, plant and equipment	8	—	13
— Gains on disposal of land use rights	8	(6,014)	—
— Share of net profits of an associate		—	(1,031)
— Gains on disposal of interest in an associate	8	—	(702)
— Gains on disposal of a subsidiary	8	—	(15)
— Bank interest income	11	(426)	(556)
— Finance expenses	11	1,121	3,916
— Interest income on loans to a related party	27(b)	—	(370)
Operating profit before changes in working capital:		48,949	45,778
Changes in working capital			
— (Increase)/decrease in trade receivables		(1,411)	898
— Increase in prepayments		(131)	(5,666)
— Increase in other receivables		(2,602)	(294)
— Decrease in accruals and other payables		(4,098)	(44,452)
— Increase/(decrease) in amounts due to related parties		10	(81)
— Increase in contract liabilities		7,534	4,535
Cash generated from operations		48,251	718

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019
(All amounts expressed in RMB thousands unless otherwise stated)

25 Cash flow information (Continued)

(b) Proceeds from disposal of property, plant and equipment

In the consolidated cash flow statement, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Net book amount (Note 15)	—	17
Losses on disposal of property, plant and equipment (Note 8)	—	(13)
Proceeds from disposal of property, plant and equipment	—	4

(c) Proceeds from disposal of land use rights

In the consolidated cash flow statement, proceeds from disposal of land use rights:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Net book amount (Note 14)	677	—
Gains on disposal of land use rights (Note 8)	6,014	—
Proceeds from disposal of land use rights	6,691	—

(d) Reconciliation of liabilities arising from financing activities

	Borrowings RMB'000	Amounts due to related parties RMB'000	Total RMB'000
Total debt as at 1 January 2018	—	9,100	9,100
Cash flows	104,648	(9,100)	95,548
Total debt as at 31 December 2018	104,648	—	104,648
Cash flows	319,018	—	319,018
Total debt as at 31 December 2019	423,666	—	423,666

For the year ended 31 December 2019
(All amounts expressed in RMB thousands unless otherwise stated)

26 Commitments

(a) Capital commitments

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

	As at 31 December	
	2019	2018
	RMB'000	<i>RMB'000</i>
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 as follows:

	As at 31 December	
	2019	2018
	RMB'000	<i>RMB'000</i>
No later than 1 year	10	142
Later than 1 year and no later than 5 years	—	10
Total	10	152

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousands unless otherwise stated)

27 Related party transactions

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

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

(a) Names and relationships with related parties

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

Name of related parties	Relationship with the Group
Chengdu Gingko Jin'ge Investment Co., Ltd. (成都銀杏金閣投資有限公司)	A company controlled by the Controlling Shareholder
Chengdu Gingko Jin'ge Catering Corporation (成都銀杏金閣餐飲股份有限公司)	A company controlled by the Controlling Shareholder
Chengdu Gingko Catering Management Co., Ltd. (成都銀杏餐飲管理有限公司)	A company controlled by the Controlling Shareholder
Chengdu Gingko Hotel Management Co., Ltd. (成都銀杏酒店管理有限公司)	A company controlled by the Controlling Shareholder
Chengdu Yinxing Logistics Co., Ltd. (成都銀杏配送有限公司)	A company controlled by the Controlling Shareholder
Chengdu Jinhe Shunxing Enterprise Management Co., Ltd. (成都錦和順興企業管理有限公司)	A company controlled by the Controlling Shareholder

- (i) The entities shown above do not have official English names and their Chinese names have been translated into English, for reference only, by the directors on a best effort basis.

For the year ended 31 December 2019

(All amounts expressed in RMB thousands unless otherwise stated)

27 Related party transactions (Continued)**(b) Transactions with related parties**

Other than those related party transactions as disclosed in elsewhere in these consolidated financial statements, during the year, the Group had the following significant transactions with related parties.

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Loans from related parties		
— Chengdu Gingko Jin'ge Catering Corporation (成都銀杏金閣餐飲股份有限公司)	—	4,000
— Chengdu Gingko Catering Management Co., Ltd. (成都銀杏餐飲管理有限公司)	—	1,000
	—	5,000
Repayment of loans from related parties		
— Chengdu Gingko Jin'ge Catering Corporation (成都銀杏金閣餐飲股份有限公司)	—	11,000
— Chengdu Gingko Catering Management Co., Ltd. (成都銀杏餐飲管理有限公司)	—	1,000
— Chengdu Gingko Jin'ge Investment Co., Ltd. (成都銀杏金閣投資有限公司)	—	2,100
	—	14,100
Loans to related parties		
— Chengdu Yinxing Logistics Co., Ltd. (成都銀杏配送有限公司)	—	70,000
— Chengdu Gingko Jin'ge Catering Corporation (成都銀杏金閣餐飲股份有限公司)	—	39,500
— Chengdu Gingko Catering Management Co., Ltd. (成都銀杏餐飲管理有限公司)	—	42,000
— Chengdu Gingko Jin'ge Investment Co., Ltd. (成都銀杏金閣投資有限公司)	—	1,500
	—	153,000

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousands unless otherwise stated)

27 Related party transactions (Continued)

(b) Transactions with related parties (Continued)

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Receipts of repayment of loans to related parties		
— Chengdu Yinxing Logistics Co., Ltd. (成都銀杏配送有限公司)	—	70,000
— Chengdu Gingko Jin'ge Catering Corporation (成都銀杏金閣餐飲股份有限公司)	—	39,500
— Chengdu Gingko Catering Management Co., Ltd. (成都銀杏餐飲管理有限公司)	—	54,000
— Chengdu Gingko Jin'ge Investment Co., Ltd. (成都銀杏金閣投資有限公司)	—	1,500
	—	165,000
Interest expenses on loans from a related party		
— Chengdu Gingko Jin'ge Catering Corporation (成都銀杏金閣餐飲股份有限公司)	—	20
Interest income on loans to a related party		
— Chengdu Gingko Catering Management Co., Ltd. (成都銀杏餐飲管理有限公司)	—	370
Purchases of goods and services		
— Chengdu Yinxing Logistics Co., Ltd. (成都銀杏配送有限公司)	—	33
— Chengdu Gingko Catering Management Co., Ltd. (成都銀杏餐飲管理有限公司)	—	301
— Chengdu Gingko Jin'ge Catering Corporation (成都銀杏金閣餐飲股份有限公司)	—	196
— Chengdu Gingko Hotel Management Co., Ltd. (成都銀杏酒店管理有限公司)	10	10
— Chengdu Jinhe Shunxing Enterprise Management Co., Ltd. (成都錦和順興企業管理有限公司)	—	1,672
	10	2,212

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019
(All amounts expressed in RMB thousands unless otherwise stated)

27 Related party transactions (Continued)

(c) Key management compensation

Key management compensation for the year, other than those relating to the emoluments of directors being disclosed in Note 30, are set out below:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Wages, salaries and bonuses	2,676	1,491
Contributions to pension plans	146	70
Welfare, medical and other expenses	271	103
	3,093	1,664

(d) Balances with a related party

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Amounts due to a related party		
Trade:		
— Chengdu Gingko Hotel Management Co., Ltd. (成都銀杏酒店管理有限公司)	10	—
	10	—

- (a) Other balances due to a related party were unsecured, interest-free, and repayable on demand.
- (b) As at 31 December 2019, the carrying amounts of amounts due to a related party approximate their fair values and denominated in RMB.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousands unless otherwise stated)

28 Balance sheet and reserves movements of the Company

Balance sheet of the Company

	Note	As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000
ASSETS			
Non-current assets			
Investment in subsidiaries	(a)	318,242	318,242
Current assets			
Cash and cash equivalents		49,983	7
Amounts due from a consolidated affiliated entity		49,228	—
Amounts due from a subsidiary		35,772	—
Prepayments		130	—
		135,113	7
Total assets		453,355	318,249
EQUITY			
Share capital	21	4,321	—
Share premium	(b)	452,284	318,242
Accumulated loss	(b)	(4,698)	(1,101)
Total equity		451,907	317,141
LIABILITIES			
Current liabilities			
Accruals and other payables		1,429	1,108
Amounts due to a consolidated affiliated entity		19	—
		1,448	1,108
Total liabilities		1,448	1,108
Total equity and liabilities		453,355	318,249

The balance sheet of the Company was approved by the board of directors on 27 March 2020 and was signed on its behalf:

Fang Gongyu
Director

Tian Tao
Director

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019
(All amounts expressed in RMB thousands unless otherwise stated)

28 Balance sheet and reserves movements of the Company (Continued)

(a) It represented the aggregate net assets value of the subsidiaries acquired pursuant to the Reorganisation.

(b) Reserves movements of the Company

	Share premium <i>RMB'000</i>	Accumulated loss <i>RMB'000</i>	Total <i>RMB'000</i>
As at 23 March 2018 (date of incorporation)	—	—	—
Issuance of shares during Reorganisation	318,242	—	318,242
Loss for the period	—	(1,101)	(1,101)
As at 31 December 2018	<u>318,242</u>	<u>(1,101)</u>	<u>317,141</u>
As at 1 January 2019	318,242	(1,101)	317,141
Capitalisation of shares	(3,241)	—	(3,241)
Issuance of shares by Share Offer, net of expenses related to issuance of shares	137,283	—	137,283
Loss for the year	—	(3,597)	(3,597)
As at 31 December 2019	<u>452,284</u>	<u>(4,698)</u>	<u>447,586</u>

* Share premium included the merger reserve arising from the issuance of shares during Reorganisation of approximately RMB318,242,000 and the new shares issued pursuant to the Share Offer of approximately RMB137,283,000 net of the Capitalisation Shares out of share premium of approximately RMB3,241,000 (Note 21).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousands unless otherwise stated)

29 Subsidiaries

The Group's principal subsidiaries at 31 December 2019 are set out below:

Name of entity	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued and fully paid share capital/ registered capital	Ownership interest held by the Group	
				2019 %	2018 %
Directly held by the Company					
Gingko Education Investment Company Limited	BVI/limited liability company	Investment holding BVI	USD1	100	100
Indirectly held by the Company					
Gingko Education Management Holding Company Limited	Hong Kong/limited liability company	Investment holding Hong Kong	HKD10,000	100	100
Yinxing Education	The PRC/limited liability company (a)	Education consultancy PRC	HKD10,000,000	100	100
Gingko Asset Management * (成都銀杏資產管理有限公司)	The PRC/limited liability company (b)	Assets management PRC	RMB50,000,000	100	100
Yinxing College * (成都信息工程大學 銀杏酒店管理學院)	The PRC/ School (c)	College PRC	RMB33,865,034	100	100
Yinxing Training School* (成都銀杏酒店職業技能培訓學校)	The PRC/ School (c)	Training School PRC	RMB150,000	100	100

* The English names of certain subsidiaries referred to above represent the best effort made by management of the Company to directly translate the Chinese names as they have not registered any official English names.

(a) This subsidiary is a wholly foreign owned enterprise established in the PRC under the PRC law.

(b) This consolidated affiliated entity is a limited liability company established in the PRC under the PRC law.

(c) These consolidated affiliated entities are schools established in the PRC under the PRC law.

For the year ended 31 December 2019

(All amounts expressed in RMB thousands unless otherwise stated)

30 Benefits and interests of directors

(a) Directors' emoluments

The remuneration of each director borne by the Group for the year ended 31 December 2019 is set out below:

Name	Directors' fees	Salaries, welfare, medical and other benefits in kind	Discretionary bonuses	Contribution to pension plan	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr. Fang Gongyu	—	177	—	18	195
Mr. Tian Tao	—	177	—	15	192
Ms. Yu Yuan	—	138	—	—	138
Ms. Liu Dan (i)	—	40	—	5	45
Mr. Ma Xiaoming (ii)	—	47	—	7	54
Independent non-executive directors					
Mr. Jiang Qian	162	—	—	—	162
Mr. Chong Man Hung Jeffrey	162	—	—	—	162
Mr. Yuan Jun	162	—	—	—	162
	486	579	—	45	1,110

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousands unless otherwise stated)

30 Benefits and interests of directors (Continued)

(a) Directors' emoluments (Continued)

The remuneration of each director borne by the Group for the year ended 31 December 2018 is set out below:

Name	Directors' fees RMB'000	Salaries, welfare, medical and other benefits in kind RMB'000	Discretionary bonuses RMB'000	Contribution to pension plan RMB'000	Total RMB'000
Executive directors					
Mr. Fang Gongyu	—	109	—	18	127
Mr. Tian Tao	—	102	—	15	117
Ms. Yu Yuan	—	129	—	—	129
Ms. Liu Dan (i)	—	257	10	25	292
Independent non-executive directors					
Mr. Jiang Qian	—	—	—	—	—
Mr. Chong Man Hung Jeffrey	—	—	—	—	—
Mr. Yuan Jun	—	—	—	—	—
	—	597	10	58	665

- (i) On 22 November 2019, Ms. Liu Dan resigned from her position as the Company's executive director and her emoluments disclosed above include those for services rendered by her as the executive director.
- (ii) On 22 November 2019, Mr. Ma Xiaoming was appointed as the Company's executive director and his emoluments disclosed above include those for services rendered by him as the executive director.

(b) Directors' retirement benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertakings during the years ended 31 December 2019 and 2018.

(c) Directors' termination benefits

No payment was made to directors as compensation for the early termination of the appointment during the years ended 31 December 2019 and 2018.

(d) Consideration provided to third parties for making available directors' services

No payment was made to the former employer of directors for making available the services of them as a director of the Company during the years ended 31 December 2019 and 2018.

For the year ended 31 December 2019

(All amounts expressed in RMB thousands unless otherwise stated)

30 Benefits and interests of directors (Continued)

(e) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

Other than those disclosed in Note 27(b), there are no loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors during the years ended 31 December 2019 and 2018.

(f) Directors' material interests in transactions, arrangements or contracts

Other than those as disclosed in Note 24(a) and Note 27(b), there are no significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest directly or indirectly, subsisted at the end of the year or at any time for the year.

31 Contingent liabilities

At 31 December 2019, the Group had no material contingent liabilities (2018: nil).

32 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.

33 Events occurring after reporting period

Save as disclosed elsewhere in these consolidated financial statements, the following significant events took place subsequent to 31 December 2019:

After the outbreak of Coronavirus Disease 2019 (“**COVID-19 outbreak**”) 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.

Glossary

“Articles of Association” or “Articles”	the articles of association of the Company, conditionally adopted on 12 December 2018 and came into effect upon the Listing Date, as amended, supplemented or otherwise modified from time to time
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of directors of the Company
“China” or “PRC”	the People’s Republic of China, and, for the purpose of this annual report, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Company” or “our Company”	China Gingko Education Group Company Limited (中國銀杏教育集團有限公司), a company incorporated in the Cayman Islands with limited liability
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“consolidated affiliated entities”	the entities we control through the Contractual Arrangements, namely Gingko Asset Management and the PRC Operating Schools
“Contractual Arrangements”	the series of contractual arrangements entered into by, among others, the Company, WFOE, Mr. Fang, Mr. Tian, Gingko Asset Management are the PRC Operating Schools
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and, unless the context requires otherwise, refers to Mr. Fang and Vast Universe
“CUIT”	Chengdu University of Information Technology (成都信息工程大學)
“Director(s)”	the directors of the Company
“Gingko Asset Management”	成都銀杏資產管理有限公司 (Chengdu Gingko Asset Management Co., Limited*), a company established under the laws of the PRC with limited liability and a consolidated affiliated entity of the Company

“Group”, “we”, “us” or “our”	the Company and its subsidiaries (including the consolidated affiliated entities) or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at that time and their respective predecessor
“HFYX”	HFYX Company Limited, a company incorporated in the BVI with limited liability, which is wholly owned by Mr. Tian
“HKFRSs”	Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong dollars” or “HK \$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Date”	18 January 2019, the date on which our shares are listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with Growth Enterprise Market of the Stock Exchange
“Model Code”	Model Code for Securities Transaction by Directors of Listed Issuers
“Mr. Fang”	Mr. Fang Gongyu, the chairman of the Board, executive Director, chief executive officer and Controlling Shareholder
“Mr. Tian”	Mr. Tian Tao, the executive Director
“Nanxi New Campus”	the new campus to be established at East of Feng Huang Da Dao, Luo Long Street, Nanxi District, Yibin City, Sichuan Province (Code of the land: XC-A-08-03)
“Nomination Committee”	the nomination committee of the Board
“PRC Operating Schools”	Yinxing College and Yinxing Training School
“Prospectus”	the prospectus dated 21 December 2018 issued by the Company in connection with the global offering
“Remuneration Committee”	the remuneration committee of the Board

Glossary

“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“School Sponsor”	Gingko Asset Management, which was our school sponsor as at the date of the annual report
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of the Company
“Share Option Scheme”	the share option scheme conditionally adopted by the Company on 12 December 2018
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“Vast Universe”	Vast Universe Company Limited, a company incorporated in the BVI with limited liability, which is wholly owned by Mr. Fang. Vast Universe is one of the Controlling Shareholders
“Yinxing College”	成都信息工程大學銀杏酒店管理學院 (Yinxing Hospitality Management College of CUIT*), a school established under the laws of the PRC and a consolidated affiliated entity of the Company
“Yinxing Education” or “WFOE”	成都銀杏教育管理有限公司 (Chengdu Yinxing Education Management Co., Ltd.), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Yinxing Training School”	成都銀杏酒店職業技能培訓學校 (Chengdu Yinxing Hotel Vocational Skills Training School*), a school established under the laws of the PRC and a consolidated affiliated entity of the Company
“%”	per cent

Certain amounts and percentage figures included in this annual report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company or entity names in Chinese or another language which are marked with “*” is for identification purpose only.