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## China Ginkgo Education Group Company Limited

中國銀杏教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1851)

### ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the “**Board**”) of directors (the “**Directors**”) of China Ginkgo Education Group Company Limited (the “**Company**”, together with its subsidiaries and consolidated affiliated entities, the “**Group**”) announces the audited consolidated results of the Group for the year ended 31 December 2020 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2019 as below.

<b>HIGHLIGHTS</b>	<b>For the school year</b>	
	<b>2020/2021</b>	<b>2019/2020</b>
Student enrollment	<b>12,324</b>	11,088
	<b>Year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Revenue	<b>176,901</b>	165,661
Gross profit	<b>76,105</b>	67,562
Profit for the year	<b>16,928</b>	32,078
Earnings per share ( <i>RMB Yuan</i> )	<b>0.03</b>	0.06

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	Year ended 31 December	
		2020 <b>RMB'000</b>	2019 <b>RMB'000</b>
Revenue	4	176,901	165,661
Cost of sales		<u>(100,796)</u>	<u>(98,099)</u>
<b>Gross profit</b>		<b>76,105</b>	67,562
Selling expenses		(2,808)	(1,726)
Administrative expenses		(49,707)	(40,821)
Other income	5	2,322	680
Other (losses)/gains – net	6	<u>(3,211)</u>	<u>7,858</u>
<b>Operating profit</b>		<b>22,701</b>	33,553
Finance income		237	426
Finance expenses		<u>(5,251)</u>	<u>(1,121)</u>
Finance expenses – net		<u>(5,014)</u>	<u>(695)</u>
<b>Profit before income tax</b>		<b>17,687</b>	32,858
Income tax expenses	7	<u>(759)</u>	<u>(780)</u>
<b>Profit for the year</b>		<b><u>16,928</u></b>	<b><u>32,078</u></b>
Other comprehensive income for the year		–	–
<b>Total comprehensive income for the year</b>		<b><u>16,928</u></b>	<b><u>32,078</u></b>
<b>Profit and total comprehensive income attributable to owners of the Company</b>		<b><u>16,928</u></b>	<b><u>32,078</u></b>
<b>Earnings per share for profit attributable to owners of the Company</b>			
Basic and diluted ( <i>RMB Yuan</i> )	8	<b><u>0.03</u></b>	<b><u>0.06</u></b>

## CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2020	2019
	Note	RMB'000	RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Right-of-use assets		69,684	70,177
Property, plant and equipment		923,407	818,582
Intangible assets		1,282	1,413
Prepayments		13,790	9,843
		<u>1,008,163</u>	<u>900,015</u>
<b>Current assets</b>			
Inventories		380	–
Trade and other receivables	10	4,285	4,840
Prepayments		5,513	6,541
Cash and cash equivalents		152,528	227,518
		<u>162,706</u>	<u>238,899</u>
<b>Total assets</b>		<u><b>1,170,869</b></u>	<u><b>1,138,914</b></u>
<b>EQUITY</b>			
Share capital		4,321	4,321
Share premium		134,042	134,042
Reserves		69,286	62,959
Retained earnings		305,330	294,729
		<u>512,979</u>	<u>496,051</u>
<b>Total equity</b>		<u><b>512,979</b></u>	<u><b>496,051</b></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		364,851	335,434
Lease liabilities		249	–
Deferred government grants		15,031	–
		<u>380,131</u>	<u>335,434</u>

		<b>As at 31 December</b>	
		<b>2020</b>	2019
	<i>Note</i>	<b>RMB'000</b>	<i>RMB'000</i>
<b>Current liabilities</b>			
Accruals and other payables	<i>11</i>	<b>140,286</b>	133,659
Amounts due to a related party		<b>19</b>	10
Borrowings		<b>33,523</b>	88,232
Lease liabilities		<b>1,022</b>	–
Contract liabilities	<i>4</i>	<b>102,302</b>	85,068
Current income tax liabilities		<b>607</b>	460
		<u><b>277,759</b></u>	<u>307,429</u>
<b>Total liabilities</b>		<u><b>657,890</b></u>	<u>642,863</u>
<b>Total equity and liabilities</b>		<u><b>1,170,869</b></u>	<u>1,138,914</u>

## NOTES TO THE ANNUAL RESULTS

### 1 General information

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

The Company is an investment holding company and the Group is principally engaged in providing private higher education services in the People's Republic of China (the "PRC").

The ultimate controlling shareholder 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**").

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

### 2 Basis of preparation

The consolidated financial results set out in this announcement do not constitute the Group's financial statements for the year ended 31 December 2020 but are extracted from those financial statements.

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

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

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies accordingly. None of the new or amended standards has significant financial impact to the Group.

		<b>Effective for accounting periods beginning on or after</b>
Revised Conceptual Framework for Financial Reporting		1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of material	1 January 2020
Amendments to HKFRS 3	Definition of a business	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest rate benchmark reform	1 January 2020
Amendments to HKFRS 16	Covid-19-related rent concessions	1 June 2020

### ***New standards and interpretations not yet adopted***

As at the date of this announcement, the Hong Kong Institute of Certified Public Accountants has issued the following new standards and amendments relevant to the Group which are not yet effective for accounting periods beginning after 1 January 2020 and have not been early adopted.

		<b>Effective for accounting periods beginning on or after</b>
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2022
Amendments to HKAS 16	Property, plant and equipment: proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous contracts – cost of fulfilling a contract	1 January 2022
Amendments to HKAS 3	Reference to the conceptual framework	1 January 2022
Annual Improvements to HKFRS Standards 2018-2020		1 January 2022
HKFRS 17	Insurance contracts	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

### 3 Segment information

The Group is principally engaged in provision of private higher education services in the PRC.

Upon the construction of an education hotel located in the Nanxi District, Yibin City, Sichuan Province (the “**Nanxi New Campus**”) was completed and put into service during the year ended 31 December 2020, the Group commenced the business engaging in provision of hotel operations and management.

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. Management has determined the operating segments based on the information reviewed by the CODM for the purposes of allocating resources and assessing performance.

In the view of CODM, the Group is principally engaged in two different segments which are subject to different business risks and different economic characteristics and the Group’s operating and reportable segments for segment reporting purpose are as follows during the year ended 31 December 2020:

- i. the “higher education” engages in provision of higher education and related services in the PRC;
- ii. the “hotel operation” engages in provision of hotel operations and management services in the PRC.

The accounting policies of the reportable segments are the same as the Group’s accounting policies described in note 2.

For the purposes of monitoring segment performances and allocating resources between segments, segment results represent the profit before tax earned by each segment. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Assets dedicated to a particular segment’s operations are included in that segment’s total assets. No analysis of segment liabilities is presented as they are not regularly provided to the CODM.

The segment information provided to the CODM for the reportable segments for the year ended 31 December 2020 are as follows:

Segment revenues and results:

	<b>Higher education RMB'000</b>	<b>Hotel operation RMB'000</b>	<b>Total RMB'000</b>
<b>For the year ended 31 December 2020</b>			
Revenue	176,588	313	176,901
<b>Segment result</b>	<u>43,085</u>	<u>(5,750)</u>	37,335
Finance expenses			(5,251)
Unallocated corporate income and expenses			<u>(14,397)</u>
<b>Profit before income tax</b>			17,687
Income tax expenses			<u>(759)</u>
<b>Profit for the year</b>			<u><u>16,928</u></u>

***Other segment information***

	<b>Higher education RMB'000</b>	<b>Hotel operation RMB'000</b>	<b>Unallocated RMB'000</b>	<b>Total RMB'000</b>
<b>As at 31 December 2020</b>				
Total assets	916,733	200,306	53,830	1,170,869
<b>For the year ended 31 December 2020</b>				
Capital expenditures	68,892	77,806	222	146,920
Depreciation and amortisation	26,695	1,261	783	28,739



#### 4 Revenue

Revenue during the years ended 31 December 2020 and 2019 are as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Tuition fees	150,976	133,457
Boarding fees	8,812	10,873
Meal catering service fees	7,820	14,299
Others ( <i>note a</i> )	9,293	7,032
	<u>176,901</u>	<u>165,661</u>

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

Represented by:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Recognised over time		
Tuition fees	150,976	133,457
Boarding fees ( <i>note b</i> )	8,812	10,873
Others-research projects and training programmes	8,992	6,757
Recognised at a point in time		
Meal catering service fees	7,820	14,299
Revenue from other source		
Lease income	301	275
	<u>176,901</u>	<u>165,661</u>

No customers individually accounted for more than 10% of the Group's revenue for the years ended 31 December 2020 and 2019.

- b) Due to the impact of novel coronavirus (“COVID-19”), the Group was required to refund a portion of boarding fees of approximately RMB3,471,000 to students related to the year ended 31 December 2020. The corresponding amount has been deducted from the revenue of the Group for the year accordingly.

### ***Contract liabilities***

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Contract liabilities related to tuition fees	92,291	77,024
Contract liabilities related to boarding fees	8,920	7,663
Others	1,091	381
	<u>102,302</u>	<u>85,068</u>

(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	
	2020	2019
	RMB'000	RMB'000
<b>Revenue recognised that was included in the balance of contract liabilities at the beginning of the year</b>		
Tuition fees	76,644	70,673
Boarding fees	4,175	6,861
Others	243	–
	<u>81,062</u>	<u>77,534</u>

(2) *Unsatisfied contracts*

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Expected to be recognised within one year		
Tuition fees	92,291	77,024
Boarding fees	8,920	7,663
Others-research projects and training programmes	1,091	381
	<u>102,302</u>	<u>85,068</u>

## 5 Other income

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Government subsidies ( <i>note a</i> )	1,000	680
Others	1,322	–
	<u>2,322</u>	<u>680</u>

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

## 6 Other (losses)/gains – net

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Gain on disposal of land use rights ( <i>note a</i> )	–	6,014
Loss on disposal of property, plant and equipment	417	–
Foreign exchange (losses)/gains – net	(3,568)	1,547
Others	(60)	297
	<u>(3,211)</u>	<u>7,858</u>

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

## 7 Income tax expenses

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Current tax		
Current tax on profits for the year	<u>759</u>	<u>780</u>

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:

	<b>Year ended 31 December</b>	
	<b>2020</b>	2019
	<b>RMB’000</b>	RMB’000
Profit before income tax	<b>17,687</b>	32,858
Tax calculated at a taxation rate of 25% or relevant domestic tax rate applicable to profits in the respective countries	<b>7,828</b>	9,070
Tax effects of tuition net income not subject to tax (iv)	<b>(8,482)</b>	(10,793)
Tax effects of amounts which are not deductible in calculating taxable income	<b>415</b>	571
Deemed taxable income that land and buildings of Gingko Asset Management Co., Ltd. used by Gingko College of Hospitality Management (formerly known as Yinxing Hospitality Management College of CUIT) (“ <b>Yinxing College</b> ”) for free	–	1,723
Utilisation of previously unrecognised tax losses	<b>(211)</b>	(54)
Tax losses for which no deferred tax asset has been recognised	<b>1,209</b>	263
	<u>1,209</u>	<u>263</u>
<b>Income tax expenses</b>	<b>759</b>	780

**(i) Cayman Islands corporate income tax**

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

**(ii) British Virgin Islands profit tax**

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

**(iii) Hong Kong profit tax**

No provision for Hong Kong profit tax was provided as the Company and the Group did not have assessable profits in Hong Kong during the Reporting Period.

**(iv) PRC corporate income tax (“CIT”)**

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

According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. The preferential tax treatment policies applicable to private schools requiring reasonable returns are to be separately formulated by the relevant government authorities under the State Council of the PRC. During the Reporting Period and up to the date of this announcement, no regulations have been promulgated by such authorities in this regard. In accordance with the historical tax returns filed to the relevant tax authorities and the tax compliance confirmations obtained, Yinxing College has been granted corporate income tax exemption for income generated from the provision of formal academic education services. As a result, no income tax expense was recognised for the income from the provision of formal academic education services during the year (2019: nil).

(v) ***Tax losses***

Deferred income tax assets were recognised for losses carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately RMB1,950,000 as at 31 December 2020 (2019: RMB952,000) in respect of losses amounting to approximately RMB7,801,000 (2019: RMB3,808,000).

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

	<b>As at 31 December</b>	
	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
2023	<b>1,912</b>	2,756
2024	<b>1,052</b>	1,052
2025	<b>4,837</b>	–
	<b><u>7,801</u></b>	<u>3,808</u>

## 8 Earnings per share

### (a) *Basic and diluted earnings per share*

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

	Year ended 31 December	
	2020	2019
Basic and diluted earnings per share attributable to the ordinary equity holders of the Company (RMB Yuan)	<u>0.03</u>	<u>0.06</u>

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Basic and diluted earnings per share Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:	<u>16,928</u>	<u>32,078</u>

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

	Year ended 31 December	
	2020	2019
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share (thousands)	<u>500,000</u>	<u>494,178</u>

## 9 Dividend

No dividend has been paid or declared by the Group for the years ended 31 December 2020 and 2019, nor has any dividend been proposed subsequent to 31 December 2020.

**10 Trade and other receivables**

	<b>As at 31 December</b>	
	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Trade receivables</b>		
– Due from students	91	1,414
– Due from others	55	31
	<u>146</u>	<u>1,445</u>
<b>Other receivables</b>		
– Staff advances	–	548
– Others	4,139	2,847
	<u>4,285</u>	<u>4,840</u>

As at 31 December 2020 and 2019, the aging analysis of the trade receivables based on the recognition date is as follows:

	<b>As at 31 December</b>	
	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Less than 1 year	<u>146</u>	<u>1,445</u>

As at 31 December 2020 and 2019, trade receivables of RMB146,000 and RMB1,445,000 were past due but not impaired. These primarily relate to a number of independent students, and based on past experience and management's assessment, the overdue amounts can be recovered. The aging analysis of these trade receivables is as follows:

	<b>As at 31 December</b>	
	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Less than 1 year	<u>146</u>	<u>1,445</u>

## 11 Accruals and other payables

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Payables for purchases of property, plant and equipment	100,902	101,347
Miscellaneous fees received from students ( <i>note a</i> )	16,871	11,139
Salary and welfare payables	6,040	7,776
Government subsidies payable to students ( <i>note b</i> )	1,808	2,614
Auditor's remuneration payable	1,127	1,300
Interest payable	1,036	402
Other taxes payable	711	172
Others	11,791	8,909
	<u>140,286</u>	<u>133,659</u>

- (a) The amounts represent the miscellaneous fees received from students which would be paid out by the Group on behalf of the students.
- (b) The amounts represent the subsidies received from the government which would be paid out to students by the Group on behalf of the government authorities.
- (c) All accruals and other payables of the Group were denominated in RMB and Hong Kong Dollars (“HKD”).
- (d) As at 31 December 2020 and 2019, the fair values of accruals and other payables approximate their carrying amounts due to their short-term maturities.



## 12 Commitments

### (a) Capital commitments

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Commitments for acquisition of property, plant and equipment	<u>19,570</u>	<u>40,403</u>

### (b) Non-cancellable operating leases

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
No later than 1 year	10	10
Later than 1 year and no later than 5 years	<u>19</u>	<u>–</u>
Total	<u>29</u>	<u>10</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Overview

#### *Overview*

The Group is a higher education service provider in Sichuan Province, dedicated to offering comprehensive and diversified programmes and curricula to students, with the aim of nurturing talents with practical skills applicable in the modern service industry. For the 2020/2021 school year, student enrollment of Yinxing College continued to grow, reaching approximately 12,300 students as compared with the enrollment of approximately 11,100 students for the 2019/2020 school year. In terms of graduates, approximately 2,683 students were graduated in June 2020, representing an increase of 7.4% when compared with the 2018/2019 school year. The continuous growth in student number, together with the high graduate employment rate, demonstrate the appeal of the Group's extensive programmes coverage and growing brand reputation to both students and market. The expanding student base, meanwhile, will continue to elevate the brand reputation of Yinxing College, attract talents and generate organic growth in student enrollment.

With education background and work/placement experiences becoming one of the key differentiators in the job market in China, it is believed that market demand for talents with practical experiences and readily applicable skills will continue to grow, especially for sector such as hospitality which requires significant hands-on experiences. In light of this, being a higher education service provider focusing on the hospitality sector, the Group is well-positioned to capture the relevant growth opportunities in China.

#### *The Schools*

The one college and one vocational training school the Group operates are Yinxing College and Chengdu Yinxing Hotel Vocational Skills Training School ("**Yinxing Training School**"). As at 31 December 2020, Yinxing College had eight departments (31 December 2019: eight), offering an aggregate of 25 bachelor's degree programmes (31 December 2019: 25) and 24 junior college diploma programmes (31 December 2019: 22). During the year ended 31 December 2020, Yinxing College offered 2 new junior college diploma programmes, namely Big Data Technologies and Applications and Research and Study Travel Management of Service. As at 31 December 2020, Yinxing Training School had not commenced its business operation.

The following table sets forth the enrollment statistics of Yinxing College for the 2019/2020 and 2020/2021 school years:

	<b>Student enrollment for the school year<sup>(1)</sup></b>		
	<b>2020/2021</b>	2019/2020	Change (%) <i>Increase</i>
Bachelor's degree programme	<b>10,597</b>	9,421	12.5
Junior college diploma programme	<b>1,727</b>	1,667	3.6
<b>Total</b>	<b><u>12,324</u></b>	<u>11,088</u>	<u>11.1</u>

*Note:*

- (1) Despite that our school year typically ends on 31 August, the Group presents student enrollment statistics as at 31 December for the 2019/2020 and 2020/2021 school years.

The number of students enrolled in Yinxing College increased as a result of its growing reputation, increasing marketing efforts as well as improving planning over enrollment. Specifically, the number of students enrolled for junior college diploma programme increased from 1,667 in 2019/2020 school year to 1,727 in 2020/2021 school year, mainly due to the participation of independent recruitment programme starting from the current school year. During the year ended 31 December 2020, the Group also completed part of the construction of the new campus and put into services. By utilising the new campus, the Group believes that the number of students will continue to increase in the long-run. Details please refer to “Outlook – Construction of new campus” of this announcement.

The Group derives the revenue primarily from tuition fees and boarding fees. The tuition fees and boarding fees are recognised proportionately over the terms of the applicable programme or the beneficial period for the students, where applicable. The following table sets forth the breakdown of the revenue by income source for the years indicated:

	<b>Total income for the year ended 31 December</b>			
	<b>2020</b>	2019	Change	Change (%)
	<b><i>RMB'000</i></b>	<i>RMB'000</i>	<i>RMB'000</i>	<i>Increase/ (decrease)</i>
Tuition fees	<b>150,976</b>	133,457	17,519	13.1
Boarding fees	<b>8,812</b>	10,873	(2,061)	(19.0)
Meal catering services fees	<b>7,820</b>	14,299	(6,479)	(45.3)
Others	<b>9,293</b>	7,032	2,261	32.2
<b>Total</b>	<b><u>176,901</u></b>	<u>165,661</u>	<u>11,240</u>	<u>6.8</u>

*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**

Supported by its expanding enrollment network and proven track record in delivering premium private higher education, the Group remains cautiously optimistic over its future development. Going forward, the Group is committed to becoming the leader and standard-setter in hospitality education in the PRC, by pursuing the following strategies:

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

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

During the year ended 31 December 2019, the Group was in the process of applying for termination of the cooperation with CUIT, as well as the conversion of Yinxing College into a regular private higher education institution (the “**Conversion**”). Consequently, during the year ended 31 December 2019 and 2020, the Group incurred additional costs to fulfill the requirements of the Conversion, such as operating costs to establish the Nanxi New Campus and the recruitment of additional teachers to reach a higher teacher-student ratio. Despite the additional costs incurred, it is expected that the joint tuition support fee payable to CUIT will gradually decrease after successful Conversion, which was accomplished by the first half of 2020. The Group believes that the Conversion will create opportunities for quality enhancement and enrollment expansion which will have a positive impact on the Group’s long-term development.

### ***Construction of new campus***

In March 2019, the Group has entered into a land use rights grant contract in respect of the grant of a piece of land with site area of 333,360 square metres located in Yibin City, Sichuan Province. The land is planned to be 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 works of phase one of the Nanxi New Campus (the “**Construction Project**”). The Construction Project mainly encompasses the construction of education hotels, classroom buildings, a canteen, dormitories and other facilities. As at the date of this announcement, several parts of the Construction Project were completed and put into services, including an education hotel, a classroom building, a canteen, two dormitories, a basketball court and a badminton court. The Group believes that the construction of the Nanxi New Campus would expand its teaching capacity as well as enhance its teaching quality, especially on practical trainings, which would further drive the Group’s market penetration in the PRC hospitality education industry. In addition, the increased capacity of the Nanxi New Campus would also opened up new opportunities, such as the Group’s upcoming development in the vocational training business.

## **Carefully managing the ongoing impact of the novel coronavirus (COVID-19) to the Group**

Due to the outbreak of the COVID-19 pandemic in early 2020, the canteen and student dormitories have suspended operations since February 2020, and have only re-opened in the 2020/2021 school year when the situation became increasingly manageable. On the other hand, in order to provide effective education services during the COVID-19 pandemic, Yinxing College has implemented an online learning platform by transforming its originally offline teaching programmes to online accessible resources, followed by a series of measures including strengthening campus hygiene practices, checking temperature for all students and teachers when entering the campus and canteen as well as reducing group gathering on campus. In view of the above measures, except for a one-off refund of boarding fees of approximately RMB3.5 million and a reduction of the Group's revenue generated from meal catering services during the first half of 2020, the Group's financials have not been materially and adversely impacted by the COVID-19 pandemic. The Group will continue to pay close attention on the development of the pandemic, assessing and proactively mitigating the potential operational and financial risks to the Group.

## **Financial Review**

### ***Revenue***

Revenue represents the value of services rendered during the Reporting Period. The Group derives revenue primarily from tuition fees, boarding fees and meal catering services fees collected from students enrolled in Yinxing College.

The revenue of the Group increased by 6.8% from approximately RMB165.7 million for the year ended 31 December 2019 to approximately RMB176.9 million for the year ended 31 December 2020. This increase was primarily due to the increase in revenue derived from tuition fees, which was primarily attributable to the increase in student enrollment from approximately 11,100 students in the 2019/2020 school year to approximately 12,300 students in the 2020/2021 school year. The decrease in revenue from boarding fees and meal catering service fees for the year ended 31 December 2020 was primarily due to the outbreak of COVID-19 at which Yinxing College suspended the operation of canteen and student dormitories from February 2020 to August 2020. As a result, the boarding fees and meal catering service fees for the year ended 31 December 2020 decreased by 19.0% and 45.3% respectively when compared with the corresponding period in 2019.

### ***Cost of Sales***

Cost of sales increased by 2.7% from RMB98.1 million for the year ended 31 December 2019 to RMB100.8 million for the year ended 31 December 2020. This increase was primarily due to (i) the increased number of teachers and staff for the operation of Nanxi New Campus; (ii) an increase in depreciation of property, plant and equipment as a result of the partially completion of the Nanxi New Campus during the year ended 31 December 2020; and (iii) the increased additions of the Group's property, plant and equipment in 2020 when compared with 2019. The amounts were partly offset by the decrease in canteen purchase and student activities expenses as a result of the outbreak of COVID-19.

### ***Gross Profit and Gross Profit Margin***

Gross profit for the Group increased by 12.6% from approximately RMB67.6 million for the year ended 31 December 2019 to approximately RMB76.1 million for the year ended 31 December 2020, and the gross profit margin increased by approximately 2.2 percentage points from approximately 40.8% for the year ended 31 December 2019 to approximately 43.0% for the year ended 31 December 2020. The primary underlying reasons were (i) the increase in the range of tuition fees of new students in 2020/2021 school year from RMB12,000-15,000 to RMB15,000-18,000 when compared with the previous school year; and (ii) decrease in the revenue from meal catering service fees, which normally generate lower profit margin.

### ***Selling Expenses***

The Group's selling expenses primarily consist of expenses related to its student recruitment activities. The selling expenses increased by 62.7% from approximately RMB1.7 million for the year ended 31 December 2019 to approximately RMB2.8 million for the year ended 31 December 2020. The increase was primarily due to the increase in student recruitment activities such as the production of school leaflets and participation of various activities for promotion of Yinxing College.

### ***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 increased by 21.8% from approximately RMB40.8 million for the year ended 31 December 2019 to approximately RMB49.7 million for the year ended 31 December 2020. The increase was mainly attributable to (i) the increase in office expenses, headcount and professional consultancy fees for the Group's business expansion and the operation of Nanxi New Campus; and (ii) the increase in depreciation as a result of the partially completion of Nanxi New Campus during the year ended 31 December 2020.

### ***Other Income***

Other income of the Group increased to approximately RMB2.3 million for the year ended 31 December 2020 from approximately RMB0.7 million for the year ended 31 December 2019 which was mainly attributable to the increase in miscellaneous income generated by Yinxing College.

### ***Other (Losses)/Gains – net***

The net losses of the Group decreased to approximately RMB3.2 million for the year ended 31 December 2020 from net gains of approximately RMB7.9 million for the year ended 31 December 2019 which was primary attributable to the one-off gain on disposal of land use rights during the year ended 31 December 2019 and the increase in exchange losses arising from the depreciation of United States Dollars against Renminbi during the year ended 31 December 2020.

### ***Finance Income***

For the year ended 31 December 2020, the Group's finance income decreased by 44.4% from approximately RMB0.4 million for the year ended 31 December 2019 to approximately RMB0.2 million. The decrease for the year ended 31 December 2019 was mainly attributable to the decrease in the Group's bank interest income.

### ***Finance Expenses***

For the year ended 31 December 2020, the Group's finance expenses increased from approximately RMB1.1 million for the year ended 31 December 2019 to approximately RMB5.3 million. The increase for the year ended 31 December 2020 was mainly attributable to a decrease in interest expenses capitalised in qualifying assets and an increase in the borrowings of RMB320.0 million and RMB79.0 million during the second half of 2019 and 2020 respectively.

### ***Profit Before Income Tax***

As a result of the foregoing, the profit before income tax of the Group decreased by 46.2% from approximately RMB32.9 million for the year ended 31 December 2019 to approximately RMB17.7 million for the year ended 31 December 2020.

### ***Income Tax Expenses***

The Group's income tax expenses were approximately RMB0.8 million for the years ended 31 December 2020 and 2019 respectively.

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 decreased by 47.2% from approximately RMB32.1 million for the year ended 31 December 2019 to approximately RMB16.9 million.

## **Financial Resources Review**

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

As at 31 December 2020, the Group's cash and cash equivalents amounted to RMB152.5 million, representing a decrease of approximately 33.0% from RMB227.5 million as at 31 December 2019.

During the Reporting Period, the Group generated cash from operating activities primarily from tuition fees, boarding fees and meal catering service fees. Cash flows from operating activities have reflected (i) profit before income tax; (ii) movements in working capital; and (iii) other cash items consisting of income tax paid and interest received. Investing activities inflows mainly included proceeds from government subsidies of RMB25.0 million. Investing activities outflows comprised primarily purchases of property, plant and equipment and intangible assets of RMB120.7 million. Financing activities inflows primarily included proceeds from other borrowings of RMB79.0 million. Financing activities outflows primarily included repayment of bank and other borrowings of RMB104.3 million and interest payments of RMB28.1 million.

As a result, net cash generated from operating activities were RMB78.6 million in 2020, as compared with net cash generated from operating activities of RMB46.1 million in 2019. Net cash used in investing activities were RMB96.0 million in 2020, as compared with net cash used in investing activities of RMB382.2 million in 2019. Net cash used in financing activities were RMB54.0 million in 2020, as compared with net cash generated from financing activities of RMB447.3 million in 2019.

As at 31 December 2020, the Group's borrowings amounted to RMB398.4 million (2019: RMB423.7 million), representing secured bank borrowings of RMB320.0 million (2019: RMB390.0 million) and secured loans from a third party of RMB78.4 million (2019: RMB33.7 million). As at 31 December 2020, the Group's borrowings of RMB33.5 million (2019: RMB88.2 million) would mature within 1 year, RMB67.7 million (2019: RMB15.4 million) would mature between 1 and 2 years, RMB190.8 million (2019: RMB153.6 million) would mature between 2 and 5 years and RMB106.4 million (2019: RMB166.4 million) would mature over 5 years. The Group's borrowings were denominated in RMB as at 31 December 2020 and 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 2020, the Group's gearing ratio was 47.9% (31 December 2019: 39.5%). The increase was primarily due to the increase in the secured bank and other borrowings.

As at 31 December 2020, the Group had net current liabilities of RMB115.1 million, as compared with net current liabilities of RMB68.5 million as at 31 December 2019 which was primarily attributable to the decrease in cash and cash equivalents and the increase in (i) other payables for purchase of property, plant and equipment; and (ii) contract liabilities received from students but not recognised as revenue during the year ended 31 December 2020. Taking into account of the contract liabilities of RMB102.3 million (2019: RMB85.1 million), which generally will not result in cash outflows in the future, the deficit of the net working capital would be RMB12.8 million (2019: surplus of RMB16.5 million).



### ***Significant investment, material acquisition and disposal of subsidiaries and associated companies***

There was no significant investment, material acquisition and disposal of subsidiaries and associated companies during the Reporting Period.

### ***Future Plan for Material Investments and Capital Assets***

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

### ***Capital Commitments***

As at 31 December 2020, the Group had contracted but not provided for capital commitments of approximately RMB19.6 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 RMB40.4 million as at 31 December 2019.

### ***Currency Exposure and Management***

The majority of the Group's revenue and expenditures are denominated in RMB. As at 31 December 2020, certain bank balances were denominated in RMB, United States dollars ("USD") and HKD. The Group is exposed to foreign exchange risk with respect mainly to USD and HKD which may affect the Group's performance. The Group currently does not have any foreign currency hedging policies. The management is aware of the possible exchange risk exposure due to the continuing exchange rate fluctuation of USD and HKD against RMB and will continue to monitor its impact on the performance of the Group and consider adopting prudent measures as appropriate.

### ***Contingent Liabilities***

As at 31 December 2020, the Group had no material contingent liabilities.

### ***Pledge of Assets***

As at 31 December 2020, RMB16.0 million had been pledged as a refundable security deposit to secure the loans from an independent third parties.

As at 31 December 2020, RMB180.5 million of construction in progress, RMB3.8 million of land use rights and right over the tuition fees and boarding fees had been pledged as security to secure the bank borrowings of RMB320.0 million.

## ***Employees and Remuneration Policy***

As at 31 December 2020, the Group had 803 employees, as compared with 783 employees as at 31 December 2019. 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. The Group also recruited additional staff in responsible for the operation of the Nanxi New Campus. Remuneration of the Group's employees includes basic salaries, allowances, bonus and other employee benefits, and is determined with reference to their experience, qualifications and general market conditions. The emolument policy for the employees of the Group is set up by the Board on the basis of their merit, qualification and competence. As required by the PRC laws and regulations, the Group participates in various employee social security plans for the employees that are administered by local governments, including, among other things, housing provident fund, pension, medical insurance, social insurance and unemployment insurance. The Board believes that the Group is maintaining a favourable working relationship with its employees, and it has experienced no major labor disputes during the Reporting Period.

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

### **Annual General Meeting**

The annual general meeting of the Company (the "AGM") will be held on 18 June 2021 (Friday). A notice convening the AGM will be published and dispatched to the shareholders of the Company in the manner required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in due course.

### **Dividend**

At the meeting of the Board held on 26 March 2021, the Board has resolved not to recommend the payment of any dividend for the year ended 31 December 2020, and intends to reinvest its profits in the construction of the Nanxi New Campus and the Group's business expansion.

### **Book Close Periods**

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

- Latest time to lodge transfers documents for registration 4:30 p.m. on 14 June 2021 (Monday)
- Closure of register of members 15 June 2021 (Tuesday) to 18 June 2021 (Friday)

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

## **Corporate Governance**

The Company is committed to maintaining high standard of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and responsibility. The Board comprises four executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code (“**CG Code**”) set out in Appendix 14 to the Listing Rules. For the year ended 31 December 2020, the Company has complied with the code provisions under the CG Code, save and except for the deviation to paragraph A.2.1 of the CG Code below.

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

Further information of the corporate governance practice of the Company will be set out in the corporate governance report in the annual report of the Company for the year ended 31 December 2020.

## **Corporate Social Responsibility & Environmental Matters**

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

## **Purchase, Sale and Redemption of Shares**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s securities listed on the Stock Exchange during the year ended 31 December 2020.

## **Events after the Reporting Period**

Save as disclosed in this announcement, there was no other significant event relevant to the business or financial performance of the Group that come to the attention of the Directors since 31 December 2020.

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

The Company issued 125,000,000 new Shares (the “**Global Offering**”) at the issue price of HK\$1.44 per Share in the connection with the Listing. The net proceeds after deducting the (i) underwriting commissions and incentive fees, and (ii) other expenses payable by the Group in connection with the Global Offering amounted to approximately HK\$157.8 million (equivalent to approximately RMB136.4 million). The following table sets forth the use of proceeds by the Group as at 31 December 2020.

	Budget	Amount that had been utilised as at 31 December 2020 <i>(RMB '000,000)</i>	Remaining balance as at 31 December 2020
For construction of the Nanxi New Campus	116.0	116.0	–
For recruitment of high-caliber teachers and staff	13.6	13.6	–
For general business operations and working capital	6.8	6.8	–
Total	<u>136.4</u>	<u>136.4</u>	<u>–</u>

### Model Code for Securities Transactions by Directors

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

Having made specific enquiry of all the Directors of the Company, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code throughout the year ended 31 December 2020.

### Public Float

The Company has maintained sufficient public float as required under the Listing Rules for the year ended 31 December 2020.

## **Audit Committee**

As of the date of this announcement, the audit committee of the Company (the “**Audit Committee**”) consists of Mr. Wong Chi Keung, Mr. Jiang Qian and Mr. Yuan Jun, the independent non-executive Directors of the Company. The chairman of the Audit Committee is Mr. Wong Chi Keung. The annual results for the year ended 31 December 2020 of the Company have been reviewed by the Audit Committee. The Audit Committee has also reviewed the accounting policies and practices adopted by the Company and discussed risk management and internal control with senior management members.

## **Review of Preliminary Announcement**

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2020 have been agreed with the Group’s auditor, PricewaterhouseCoopers (“**PwC**”), to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC on the preliminary announcement.

## **Publication of Financial Results and Annual Report**

This annual results announcement is published on the websites of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.chinagingkoedu.com>). The annual report of the Company for the year ended 31 December 2020 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and made available for review on the same websites in due course.

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

Hong Kong, 26 March 2021

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