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China Gingko Education Group Company Limited

中國銀杏教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1851)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

The board (the “**Board**”) of directors (the “**Directors**”) of China Gingko Education Group Company Limited (the “**Company**”, together with its subsidiaries and consolidated affiliated entities, the “**Group**”) is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2021 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2020 as below.

| FINANCIAL HIGHLIGHTS | | |
|-------------------------------|-------------------------------|-----------|
| | For the school year | |
| | 2021/2022 | 2020/2021 |
| Student enrollment | 14,900 | 12,324 |
| | Year ended 31 December | |
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Revenue | 226,737 | 176,901 |
| Gross profit | 103,922 | 76,105 |
| Profit for the year | 38,683 | 16,928 |
| Earnings per share (RMB Yuan) | 0.08 | 0.03 |

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | <i>Note</i> | Year ended 31 December | |
|--|-------------|-------------------------------|------------------|
| | | 2021 | 2020 |
| | | RMB'000 | RMB'000 |
| Revenue | 4 | 226,737 | 176,901 |
| Cost of sales | | <u>(122,815)</u> | <u>(100,796)</u> |
| Gross profit | | 103,922 | 76,105 |
| Selling expenses | | (3,429) | (2,808) |
| Administrative expenses | | (51,943) | (49,707) |
| Other income | 5 | 1,323 | 2,322 |
| Other losses – net | 6 | <u>(1,139)</u> | <u>(3,211)</u> |
| Operating profit | | 48,734 | 22,701 |
| Finance income | | 337 | 237 |
| Finance expenses | | <u>(9,601)</u> | <u>(5,251)</u> |
| Finance expenses – net | | <u>(9,264)</u> | <u>(5,014)</u> |
| Profit before income tax | | 39,470 | 17,687 |
| Income tax expenses | 7 | <u>(787)</u> | <u>(759)</u> |
| Profit for the year | | <u>38,683</u> | <u>16,928</u> |
| Other comprehensive income for the year | | – | – |
| Total comprehensive income for the year | | <u>38,683</u> | <u>16,928</u> |
| Profit and total comprehensive income attributable to owners of the Company | | <u>38,683</u> | <u>16,928</u> |
| Earnings per share for profit attributable to owners of the Company | | | |
| Basic and diluted earnings per share (<i>RMB Yuan</i>) | 8 | <u>0.08</u> | <u>0.03</u> |

CONSOLIDATED BALANCE SHEET

| | <i>Note</i> | As at 31 December | |
|-------------------------------|-------------|-------------------------|------------------------|
| | | 2021 RMB'000 | 2020 RMB'000 |
| ASSETS | | | |
| Non-current assets | | | |
| Right-of-use assets | | 68,776 | 69,684 |
| Property, plant and equipment | | 961,342 | 923,407 |
| Intangible assets | | 1,459 | 1,282 |
| Prepayments | | 4,142 | 13,790 |
| | | <u>1,035,719</u> | <u>1,008,163</u> |
| Current assets | | | |
| Inventories | | 355 | 380 |
| Trade and other receivables | <i>10</i> | 5,206 | 4,285 |
| Prepayments | | 4,005 | 5,513 |
| Cash and cash equivalents | | 156,305 | 152,528 |
| | | <u>165,871</u> | <u>162,706</u> |
| Total assets | | <u>1,201,590</u> | <u>1,170,869</u> |
| EQUITY | | | |
| Share capital | | 4,321 | 4,321 |
| Share premium | | 134,042 | 134,042 |
| Reserves | | 67,558 | 69,286 |
| Retained earnings | | 345,741 | 305,330 |
| | | <u>551,662</u> | <u>512,979</u> |
| Total equity | | <u>551,662</u> | <u>512,979</u> |

| | | As at 31 December | |
|-------------------------------------|-------------|--------------------------|------------------|
| | | 2021 | 2020 |
| | <i>Note</i> | RMB'000 | RMB'000 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | | 313,271 | 364,851 |
| Lease liabilities | | 655 | 249 |
| Deferred government grants | | 17,322 | 15,031 |
| | | <u>331,248</u> | <u>380,131</u> |
| Current liabilities | | | |
| Accruals and other payables | 11 | 111,768 | 140,286 |
| Amounts due to a related party | | – | 19 |
| Borrowings | | 75,075 | 33,523 |
| Lease liabilities | | 661 | 1,022 |
| Contract liabilities | 4 | 130,281 | 102,302 |
| Current income tax liabilities | | 895 | 607 |
| | | <u>318,680</u> | <u>277,759</u> |
| Total liabilities | | <u>649,928</u> | <u>657,890</u> |
| Total equity and liabilities | | <u>1,201,590</u> | <u>1,170,869</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 Act, 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 all values are 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 Reporting Period 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.

(a) New and amended standards adopted by the Group

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

| | | Effective for accounting periods beginning on or after |
|---|--|---|
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2 | 1 January 2021 |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction | 1 January 2021 |

(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 on 1 January 2021 and have not been early adopted.

| | | Effective for accounting periods beginning on or after |
|--|---|---|
| Amendments to HKAS 16 | Property, plant and equipment: proceeds before intended use | 1 January 2022 |
| Amendments to HKAS 37 | Onerous contracts – cost of fulfilling a contract | 1 January 2022 |
| Amendments to HKAS 3 | Reference to the conceptual framework | 1 January 2022 |
| Annual Improvements to HKFRS Standards 2018–2020 | | 1 January 2022 |
| HKFRS 17 | Insurance contracts | 1 January 2023 |
| Amendments to HKAS 1 | Classification of liabilities as current or non-current | Originally 1 January 2022, but extended to 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 Reporting Period:

- 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 the note of financial statements.

For the purposes of monitoring segment performances and allocating resources between segments, segment results represent the operating profit 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 Reporting Period are as follows:

Segment revenues and results:

| | Higher education RMB'000 | Hotel operation RMB'000 | Unallocated RMB'000 | Total RMB'000 |
|--|---|--|--------------------------------|--------------------------|
| For the year ended 31 December 2021 | | | | |
| Revenue | <u>225,844</u> | <u>893</u> | <u>–</u> | <u>226,737</u> |
| Segment operating profit | <u>70,540</u> | <u>(9,451)</u> | <u>(12,355)</u> | <u>48,734</u> |
| Finance expenses – net | <u>(5,888)</u> | <u>(511)</u> | <u>(2,865)</u> | <u>(9,264)</u> |
| Profit before income tax | 64,652 | (9,962) | (15,220) | 39,470 |
| Income tax expenses | | | | <u>(787)</u> |
| Profit for the year | | | | <u><u>38,683</u></u> |

Other segment information

| | Higher education RMB'000 | Hotel operation RMB'000 | Unallocated RMB'000 | Total RMB'000 |
|--|---|--|--------------------------------|--------------------------|
| As at 31 December 2021 | | | | |
| Segment assets | 957,842 | 201,665 | 42,083 | 1,201,590 |
| For the year ended 31 December 2021 | | | | |
| Capital expenditures | 72,098 | 962 | – | 73,060 |
| Depreciation and amortisation | 30,325 | 1,554 | 2,985 | 34,864 |

4 Revenue

Revenue during the years ended 31 December 2021 and 2020 are as follows:

| | Year ended 31 December | |
|----------------------------|------------------------|----------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Tuition fees | 186,811 | 150,976 |
| Boarding fees | 14,889 | 8,812 |
| Meal catering service fees | 13,518 | 7,820 |
| Others (<i>note a</i>) | 11,519 | 9,293 |
| | <u>226,737</u> | <u>176,901</u> |

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

Represented by:

| | Year ended 31 December | |
|---------------------------------|------------------------|----------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Recognised over time | | |
| Tuition fees | 186,811 | 150,976 |
| Boarding fees (<i>note b</i>) | 14,889 | 8,812 |
| Others | 11,519 | 9,293 |
| Recognised at a point in time | | |
| Meal catering service fees | 13,518 | 7,820 |
| | <u>226,737</u> | <u>176,901</u> |

No customers individually accounted for more than 10% of the Group's revenue for the years ended 31 December 2021 and 2020.

- b) Due to the impact of Coronavirus Disease 2019 (“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. No such refunding was required for this year 2021.

Contract liabilities

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

| | As at 31 December | |
|---|--------------------------|-----------------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Contract liabilities related to tuition fees | 116,927 | 92,291 |
| Contract liabilities related to boarding fees | 11,215 | 8,920 |
| Others | 2,139 | 1,091 |
| | <u>130,281</u> | <u>102,302</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 | |
|---|-------------------------------|----------------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Revenue recognised that was included in the balance of contract liabilities at the beginning of the year | | |
| Tuition fees | 91,683 | 76,644 |
| Boarding fees | 8,872 | 4,175 |
| Others | 623 | 243 |
| | <u>101,178</u> | <u>81,062</u> |

(2) *Unsatisfied contracts*

| | As at 31 December | |
|---|--------------------------|-----------------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Expected to be recognised within one year | | |
| Tuition fees | 116,927 | 92,291 |
| Boarding fees | 11,215 | 8,920 |
| Others | 2,139 | 1,091 |
| | <u>130,281</u> | <u>102,302</u> |

5 Other income

| | Year ended 31 December | |
|--|------------------------|---------------------|
| | 2021 | 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Government subsidies (<i>note a</i>) | 10 | 1,000 |
| Others | <u>1,313</u> | <u>1,322</u> |
| | <u><u>1,323</u></u> | <u><u>2,322</u></u> |

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

6 Other losses – net

| | Year ended 31 December | |
|--|------------------------|-----------------------|
| | 2021 | 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Net loss on disposal of intangible asset | (11) | – |
| Net (loss)/gain on disposal of property, plant and equipment | (92) | 417 |
| Foreign exchange losses – net | (1,166) | (3,568) |
| Others | <u>130</u> | <u>(60)</u> |
| | <u><u>(1,139)</u></u> | <u><u>(3,211)</u></u> |

7 Income tax expenses

| | Year ended 31 December | |
|-------------------------------------|------------------------|----------------|
| | 2021 | 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Current tax | | |
| Current tax on profits for the year | <u>787</u> | <u>759</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:

| | Year ended 31 December | |
|--|-------------------------------|-------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Profit before income tax | 39,470 | 17,687 |
| Tax calculated at a taxation rate of 25% or relevant domestic tax rate applicable to profits in the respective countries | 12,165 | 7,828 |
| Tax effects of tuition net income not subject to tax (iv) | (13,903) | (8,482) |
| Tax effects of amounts which are not deductible in calculating taxable income | 475 | 415 |
| Utilisation of previously unrecognised tax losses | (5) | (211) |
| Tax losses for which no deferred tax asset has been recognised | 2,055 | 1,209 |
| | <hr/> | <hr/> |
| Income tax expenses | 787 | 759 |
| | <hr/> <hr/> | <hr/> <hr/> |

(i) Cayman Islands corporate income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act 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, Gingko College of Hospitality Management (the “**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 (2020: nil).

(v) **PRC Withholding Income Tax**

The profits of subsidiaries of the Group in the PRC are subject to PRC withholding income tax at a rate of 10% (year ended 31 December 2020: 10%) upon the distribution of such profits to the foreign investors in Hong Kong. Deferred income tax liabilities have not been provided for in this regard since it is not expected that dividends will be distributed from the Group’s subsidiaries in the PRC to foreign investors in the foreseeable future. In the opinion of the Directors, such remaining earnings will be retained in Mainland China for the expansion of the Group’s operation.

(vi) **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 RMB4,005,000 as at 31 December 2021 (2020: RMB1,950,000) in respect of losses amounting to approximately RMB16,003,000 (2020: RMB7,801,000).

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

| | As at 31 December | |
|------|--------------------------|---------|
| | 2021 | 2020 |
| | RMB’000 | RMB’000 |
| 2023 | 1,894 | 1,912 |
| 2024 | 1,052 | 1,052 |
| 2025 | 4,837 | 4,837 |
| 2026 | 8,220 | – |
| | 16,003 | 7,801 |

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 | |
|---|------------------------|-------------|
| | 2021 | 2020 |
| Basic and diluted earnings per share attributable to the ordinary equity holders of the Company (RMB Yuan) | <u>0.08</u> | <u>0.03</u> |

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

| | Year ended 31 December | |
|---|------------------------|---------------|
| | 2021 | 2020 |
| | 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>38,683</u> | <u>16,928</u> |

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

| | Year ended 31 December | |
|--|------------------------|----------------|
| | 2021 | 2020 |
| Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share (thousands) | <u>500,000</u> | <u>500,000</u> |

9 Dividend

No dividend has been paid or declared by the Group for the years ended 31 December 2021 and 2020, nor has any dividend been proposed subsequent to 31 December 2021.

10 Trade and other receivables

| | As at 31 December | |
|--------------------------|-------------------|----------------|
| | 2021 | 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Trade receivables | | |
| – Due from students | 146 | 91 |
| – Due from others | 94 | 55 |
| | <u>240</u> | <u>146</u> |
| Other receivables | | |
| – Deposit | 2,619 | 2,324 |
| – Others | 2,347 | 1,815 |
| | <u>4,966</u> | <u>4,139</u> |
| | <u>5,206</u> | <u>4,285</u> |

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

| | As at 31 December | |
|------------------|-------------------|----------------|
| | 2021 | 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Less than 1 year | <u>240</u> | <u>146</u> |

As at 31 December 2021 and 2020, trade receivables of RMB240,000 and RMB146,000 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. All trade receivables were collected subsequently. The aging analysis of these trade receivables is as follows:

| | As at 31 December | |
|------------------|-------------------|----------------|
| | 2021 | 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Less than 1 year | <u>240</u> | <u>146</u> |

11 Accruals and other payables

| | As at 31 December | |
|---|-------------------|----------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Payables for purchases of property, plant and equipment | 66,545 | 100,902 |
| Miscellaneous fees received from students (<i>note a</i>) | 18,121 | 16,871 |
| Salary and welfare payables | 6,888 | 6,040 |
| Accrued expenses | 5,070 | 521 |
| Government subsidies payable to students (<i>note b</i>) | 2,430 | 1,808 |
| Other taxes payable | 1,807 | 711 |
| Auditor's remuneration payable | 980 | 1,127 |
| Interest payable | 702 | 1,036 |
| Others | 9,225 | 11,270 |
| | <u>111,768</u> | <u>140,286</u> |

- (a) The amounts represent the miscellaneous fees received from students which would be paid out by the Group on behalf of the students.
- (b) The amounts represent the subsidies received from the government which would be paid out to students by the Group on behalf of the government authorities.
- (c) All accruals and other payables of the Group were denominated in RMB and Hong Kong Dollars (“**HKD**”).
- (d) As at 31 December 2021 and 2020, 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 | |
|--|-------------------|----------------|
| | 2021 | 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Commitments for acquisition of property, plant and equipment | 142,401 | 19,570 |

(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 | |
|---|-------------------|----------------|
| | 2021 | 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| No later than 1 year | 10 | 10 |
| Later than 1 year and no later than 5 years | 10 | 19 |
| Total | 20 | 29 |

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

Overview

The Group is a higher education and vocational training 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 2021/2022 school year, student enrollment of Yinxing College continued to grow, reaching approximately 14,900 students, representing an increase of 21.1% as compared with the enrollment of approximately 12,300 students for the 2020/2021 school year. In terms of graduates, approximately 2,629 students were graduated in June 2021, representing a decrease of 2% when compared with the 2019/2020 school year. The continuous growth in student number, together with the high graduate employment rate in the regions where we operate, 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 and vocational training service provider focusing on the hospitality sector, the Group is well-positioned to capture the relevant growth opportunities in China.

The Schools

The college and vocational training school the Group operates are Yinxing College and Chengdu Yinxing Hotel Vocational Skills Training School (the "**Yinxing Training School**"). As at 31 December 2021, Yinxing College had eight departments (31 December 2020: eight), offering an aggregate of 27 bachelor's degree programmes (31 December 2020: 25) and 27 junior college diploma programmes (31 December 2020: 24). During the Reporting Period, Yinxing Training School has commenced its business operation.

The following table sets forth the enrollment statistics of Yinxing College for the 2020/2021 and 2021/2022 school years:

| | Student enrollment for the school year⁽¹⁾ | | |
|----------------------------------|---|-----------|-------------------------------|
| | 2021/2022 | 2020/2021 | Change (%) <i>Increase</i> |
| Bachelor's degree programme | 13,114 | 10,597 | 23.8% |
| Junior college diploma programme | 1,831 | 1,727 | 6.0% |
| Total | 14,945 | 12,324 | 21.3% |

Note:

- (1) Despite that our school year typically ends on 31 August, the Group presents student enrollment statistics as at 31 December for the 2020/2021 and 2021/2022 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 1,727 in 2020/2021 school year to 1,831 in 2021/2022 school year, mainly due to the participation of independent recruitment programme starting from the current school year. During the Reporting Period, 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:

| | Total income for the year ended 31 December | | | |
|-----------------------------|--|---------|-----------------|-----------------|
| | 2021 | 2020 | Change | Change (%) |
| | RMB'000 | RMB'000 | RMB'000 | <i>Increase</i> |
| | | | <i>Increase</i> | <i>Increase</i> |
| Tuition fees | 186,811 | 150,976 | 35,835 | 23.7% |
| Boarding fees | 14,889 | 8,812 | 6,077 | 69.0% |
| Meal catering services fees | 13,518 | 7,820 | 5,698 | 72.9% |
| Others | 11,519 | 9,293 | 2,226 | 24.0% |
| Total | 226,737 | 176,901 | 49,836 | 28.2% |

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 about 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.

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 31 December 2021, most parts of the Construction Project were completed and put into services, including an education hotel, a classroom building, a canteen, four dormitories, a basketball court and a badminton court.

COVID-19 Pandemic and Effects on Our Business

Due to the outbreak of the COVID-19 pandemic in early 2020, the canteen and student dormitories had suspended operations since February 2020, and have 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 in the 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 28.2% from approximately RMB176.9 million for the year ended 31 December 2020 to approximately RMB226.7 million for the Reporting Period. Such increase was primarily due to the increase in tuition fees, which was mainly attributable to the increase in student enrollment from approximately 12,300 students in 2020/2021 school year to approximately 14,900 students in the 2021/2022 school year representing a year-on-year increase of 21.1%. Due to the outbreak of COVID-19 pandemic, the Group ceased the operation of canteen and student dormitories since February 2020 and resumed normal operation in July 2020; whereas there was no negative impact from COVID-19 on the operation during the year 2021. As a result, revenue from meal catering service fees and boarding fees for the Reporting Period increased by 72.9% and 69.0% respectively when compared with the corresponding period in 2020.

Cost of Sales

Cost of sales of the Group increased by 21.8% from RMB100.8 million for the year ended 31 December 2020 to approximately RMB122.8 million for the Reporting Period. The increase in the cost of sales was primarily due to the increase in student activities expenses and canteen purchases as a result of the recovery from COVID-19.

Gross Profit and Gross Profit Margin

Gross profit of the Group increased by 36.6% from approximately RMB76.1 million for the year ended 31 December 2020 to approximately RMB103.9 million for the Reporting Period, and the gross profit margin of the Group increased by approximately 2.8% from approximately 43.0% for the year ended 31 December 2020 to approximately 45.8% for the Reporting Period. The increase in gross profit and gross profit margin was primarily due to the increase in revenue from boarding fees and meal catering services over the cost of sales during the year.

Selling Expenses

The Group's selling expenses primarily consist of expenses related to its student recruitment activities. The selling expenses increased by 22.1% from approximately RMB2.8 million for the year ended 31 December 2020 to approximately RMB3.4 million for the Reporting Period. The increase was primarily attributable to the commencement of Yinxing Training school in Nanxi New Campus.

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 4.5% from approximately RMB49.7 million for the year ended 31 December 2020 to approximately RMB51.9 million for the year ended 31 December 2021. The increase was mainly attributable to the increase in operating cost incurred for the initial operation of the Nanxi New Campus during the Reporting Period.

Other Income

Other income of the Group decreased from approximately RMB2.3 million for the year ended 31 December 2020 to approximately RMB1.3 million for the Reporting Period which was mainly attributable to the decrease in government subsidies to Yinxing College.

Other Losses – net

The net losses of the Group decreased from approximately RMB3.2 million for the year ended 31 December 2020 to approximately RMB1.1 million for the Reporting Period which was primary attributable to the decrease in exchange losses arising from the depreciation of HKD and United States dollars (“USD”) against RMB during the year ended 31 December 2021.

Finance Income

For the Reporting Period, the Group's finance income increased by 42.2% from approximately RMB0.2 million for the year ended 31 December 2020 to approximately RMB0.3 million. The increase was mainly attributable to the increase in the Group's bank interest income.

Finance Expenses

For the Reporting Period, the Group's finance expenses increased from approximately RMB5.3 million for the year ended 31 December 2020 to approximately RMB9.6 million. The increase was mainly attributable to a decrease in interest expenses capitalised in qualifying assets.

Profit Before Income Tax

As a result of the combined effects of the above revenue, costs and expenses, the profit before income tax of the Group increased by 123.2% from approximately RMB17.7 million for the year ended 31 December 2020 to approximately RMB39.5 million for the Reporting Period.

Income Tax Expenses

The Group's income tax expenses were approximately RMB 0.8 million for the Reporting Period and the year ended 31 December 2020.

Profit for the Year

As a result of the combined effects of the above revenue, costs and expenses, profit of the Group for the Reporting Period increased by approximately 128.5% from approximately RMB16.9 million for the year ended 31 December 2020 to approximately RMB38.7 million.

Financial Resources Review

Liquidity, Financial Resources and Capital Structure

As at 31 December 2021, the Group's cash and cash equivalents amounted to RMB156.3 million, representing an increase of approximately 2.5% from RMB152.5 million as at 31 December 2020.

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 RMB5.0 million. Investing activities outflows comprised primarily purchases of property, plant and equipment and intangible assets of RMB80.3 million. Financing activities inflows primarily included proceeds from other borrowings of RMB48.6 million. Financing activities outflows primarily included repayment of bank and other borrowings of RMB58.7 million and interest payments of RMB26.8 million.

As a result, net cash generated from operating activities were RMB119.4 million in 2021, as compared with net cash generated from operating activities of RMB78.6 million in 2020. Net cash used in investing activities were RMB76.7 million in 2021, as compared with net cash used in investing activities of RMB96.0 million in 2020. Net cash used in financing activities were RMB37.8 million in 2021, as compared with net cash used in financing activities of RMB54.0 million in 2020.

As at 31 December 2021, the Group's borrowings amounted to RMB388.3 million (2020: RMB398.4 million), representing secured bank borrowings of RMB320.0 million (2020: RMB320.0 million) and secured loans from a third party of RMB68.3 million (2020: RMB78.4 million). As at 31 December 2021, the Group's borrowings of RMB75.1 million (2020: RMB33.5 million) would mature within 1 year, RMB73.4 million (2020: RMB67.7 million) would mature between 1 and 2 years, RMB193.4 million (2020: RMB190.8 million) would mature between 2 and 5 years and RMB46.4 million (2020: RMB106.4 million) would mature over 5 years. The Group's borrowings were denominated in RMB and carried at floating interest rates as at 31 December 2021 and 2020.

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 2021, the Group's gearing ratio was 42.1% (31 December 2020: 47.9%). The decrease was primarily due to the decrease in the secured bank and other borrowings.

As at 31 December 2021, the Group had net current liabilities of RMB152.8 million, representing an increase of 32.8% as compared with net current liabilities of RMB115.1 million as at 31 December 2020 which was primarily attributable to the increase in borrowings to be matured within 1 year; and contract liabilities received from students but not recognised as revenue during the Reporting Period. Taking into account of the contract liabilities of RMB130.3 million (2020: RMB102.3 million), which generally will not result in cash outflows in the future, the deficit of the net working capital would be RMB22.5 million (2020: deficit of RMB12.8 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 by the Group during the Reporting Period.

Future Plan for Material Investments and Capital Assets

Save as disclosed herein, the Group did not have other plans for material investments and capital assets.

Capital Commitments

As at 31 December 2021, the Group had contracted but not provided for capital commitments of approximately RMB142.4 million, which were primarily relating to the capital expenditure for the expansion of Yinxing College, as compared with the total amount of capital expenditures for the Nanxi New Campus contracted for but not yet incurred of approximately RMB19.6 million as at 31 December 2020.

Currency Exposure and Management

The Group primarily operates its business in the PRC. The majority of the Group's revenue and expenditures are denominated in RMB. As at 31 December 2021, certain bank balances were denominated in RMB, 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 2021, the Group had no material contingent liabilities.

Pledge of Assets

As at 31 December 2021, the Group's had the following bank borrowings which were secured by pledged assets as follows:

- (1) RMB12.5 million had been pledged as a refundable security deposit to secure the loans from an independent third parties.
- (2) RMB191.4 million of construction in progress, RMB3.7 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 2021, the Group had 881 employees (31 December 2020: 803 employees). 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, unemployment insurance and mandatory provident fund schemes. 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 17 June 2022 (Friday). A notice convening the AGM will be published on the websites of the Company and the Stock Exchange 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 31 March 2022, the Board has resolved not to recommend the payment of any dividend for the year ended 31 December 2021, 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 13 June 2021 (Monday)
- Closure of register of members 14 June 2021 (Tuesday) to 17 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 Boardroom Share Registrars (HK) Limited, Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong* not later than the latest time as stated above.

* The Company’s share registrar in Hong Kong will be changed to Boardroom Share Registrars (HK) Limited with effect from 1 May 2022. For details, please refer to the Company’s announcement dated 7 February 2022.

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 Company has adopted the principles and code provisions of the Corporate Governance Code (“CG Code”) set out in Appendix 14 to the Listing Rules as in force from time to time as the basis of the Company’s corporate governance practices. Throughout the Reporting Period, the Company has complied with the code provisions under the CG Code in force during the Reporting Period, save and except for the deviation to paragraph A.2.1 of the CG Code as stated 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 “**Requirement**”). During the Reporting Period, the chairman (the “**Chairman**”) and chief executive officer (the “**CEO**”) of the Company were 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. During the Reporting Period, the Board also considered that the 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 reviewed this structure from time to time to ensure appropriate and timely action to meet changing circumstances.

Subsequent to the Reporting Period, Mr. Fang has resigned as the CEO and remains as an executive Director and the Chairman, effective from 4 February 2022. With effect from the same day, Dr. Ma Yi has been appointed as the CEO. Following the change of CEO, the Company has complied with the Requirement and all the CG Code provisions.

The Board will continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

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 Reporting Period.

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 Reporting Period.

Events after the Reporting Period

- Mr. Fang Gongyu has resigned as the CEO with effect from 4 February 2022. Mr. Fang remains as an executive Director and the Chairman.
- Dr. Ma Yi has been appointed as the CEO with effect from 4 February 2022.

Save as disclosed above, there was no other significant event relevant to the business or financial performance of the Group that come to the attention of the Directors subsequent to 31 December 2021 and up to the date of this announcement.

Model Code for Securities Transactions by Directors

The Company 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 its code of conduct for the dealings in securities transactions by the Directors.

Having made specific enquiry of all the Directors of the Company, all the Directors have confirmed that they have strictly complied with the required standards set out in the Model Code throughout the Reporting Period.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors have confirmed that the Company has maintained sufficient public float as required under the Listing Rules during the Reporting Period and up to the date of this announcement.

Audit Committee

The Company has established the audit committee (the “**Audit Committee**”) with written terms of reference in compliance with Rule 3.22 of the Listing Rules and the CG Code. As of the date of this announcement, the Audit Committee consists of three members, namely Mr. Wong Chi Keung, Mr. Jiang Qian and Mr. Yuan Jun, who are all independent non-executive Directors of the Company. The chairman of the Audit Committee is Mr. Wong Chi Keung who has the appropriate professional qualifications or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. The annual results for the Reporting Period 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.

Scope of Work for Annual Results Announcement by Auditors

The figures in respect of the preliminary announcement of the Group’s results for the Reporting Period 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 Annual 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 Reporting Period 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, 31 March 2022

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.