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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 ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

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**”) is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2022 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2021 as below.

<b>FINANCIAL HIGHLIGHTS</b>		
	<b>For the school year</b>	
	<b>2022/2023</b>	2021/2022
Student enrollment	<b>19,100</b>	14,900
	<b>Year ended 31 December</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Revenue	<b>286,193</b>	226,737
Gross profit	<b>162,235</b>	103,922
Profit for the year	<b>85,008</b>	38,683
Earnings per share (RMB Yuan)	<b>0.17</b>	0.08

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	Year ended 31 December	
		2022	2021
		<b>RMB'000</b>	<b>RMB'000</b>
Revenue	4	286,193	226,737
Cost of sales		<u>(123,958)</u>	<u>(122,815)</u>
<b>Gross profit</b>		<b>162,235</b>	103,922
Selling expenses		(3,073)	(3,429)
Administrative expenses		(54,036)	(51,943)
Other income	5	4,137	1,323
Other gains/(losses) – net	6	<u>4,676</u>	<u>(1,139)</u>
<b>Operating profit</b>		<b>113,939</b>	48,734
Finance income		387	337
Finance expenses		<u>(29,122)</u>	<u>(9,601)</u>
Finance expenses – net		<u>(28,735)</u>	<u>(9,264)</u>
<b>Profit before income tax</b>		<b>85,204</b>	39,470
Income tax expenses	7	<u>(196)</u>	<u>(787)</u>
<b>Profit for the year</b>		<b><u>85,008</u></b>	<b><u>38,683</u></b>
<b>Total comprehensive income for the year</b>		<b><u>85,008</u></b>	<b><u>38,683</u></b>
<b>Profit and total comprehensive income attributable to owners of the Company</b>		<b><u>85,008</u></b>	<b><u>38,683</u></b>
<b>Earnings per share for profit attributable to owners of the Company</b>			
Basic and diluted earnings per share ( <i>RMB Yuan</i> )	8	<u>0.17</u>	<u>0.08</u>

## CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2022	2021
	Note	RMB'000	RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Right-of-use assets		66,474	68,776
Property, plant and equipment		1,115,398	961,342
Intangible assets		1,208	1,459
Prepayments		4,197	4,142
		<u>1,187,277</u>	<u>1,035,719</u>
<b>Current assets</b>			
Inventories		1,102	355
Trade and other receivables	10	16,952	5,206
Prepayments		3,706	4,005
Cash and cash equivalents		199,854	156,305
		<u>221,614</u>	<u>165,871</u>
<b>Total assets</b>		<u><b>1,408,891</b></u>	<u><b>1,201,590</b></u>
<b>EQUITY</b>			
Share capital		4,321	4,321
Share premium		134,042	134,042
Reserves		81,618	67,558
Retained earnings		416,689	345,741
		<u>636,670</u>	<u>551,662</u>
<b>Total equity</b>		<u><b>636,670</b></u>	<u><b>551,662</b></u>

		<b>As at 31 December</b>	
		<b>2022</b>	2021
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		257,622	313,271
Lease liabilities		148	655
Deferred government grants		14,970	17,322
		<u>272,740</u>	<u>331,248</u>
<b>Current liabilities</b>			
Accruals and other payables	11	178,441	111,768
Borrowings		142,908	75,075
Lease liabilities		610	661
Contract liabilities	4	176,933	130,281
Current income tax liabilities		589	895
		<u>499,481</u>	<u>318,680</u>
<b>Total liabilities</b>		<u>772,221</u>	<u>649,928</u>
<b>Total equity and liabilities</b>		<u><u>1,408,891</u></u>	<u><u>1,201,590</u></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 its subsidiaries and consolidated affiliated entities (collectively referred to as the “**Group**”) are principally engaged in providing private higher education services in the People's Republic of China (the “**PRC**”).

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

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 18 January 2019 (the “**Listing**”) by way of its initial public offering (the “**IPO**”).

The consolidated financial results are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand yuan (“**RMB'000**”), 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.

		<b>Effective for accounting periods beginning on or after</b>
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKFRS 16 (Amendments)	Covid-19 Related Rent Concessions	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
AG 5 (Revised)	Merger Accounting for Common Control Combinations	1 January 2022
Annual Improvements to HKFRS Standards 2018- 2020		1 January 2022

**(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 2022 and have not been early adopted.

		<b>Effective for accounting periods beginning on or after</b>
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 16 (Amendments)	Lease liability in a Sale and Leaseback	1 January 2024
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKFRS 17	Insurance contracts	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	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 gradually put into service since 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:**

	<b>Higher education RMB'000</b>	<b>Hotel operation RMB'000</b>	<b>Unallocated RMB'000</b>	<b>Total RMB'000</b>
<b>For the year ended 31 December 2022</b>				
Revenue	<u>284,768</u>	<u>1,425</u>	<u>–</u>	<u>286,193</u>
<b>Segment operating profit/(loss)</b>	<u>133,701</u>	<u>(10,876)</u>	<u>(8,886)</u>	<u>113,939</u>
Finance expenses – net	<u>(27,668)</u>	<u>(451)</u>	<u>(616)</u>	<u>(28,735)</u>
<b>Profit/(loss) before income tax</b>	<b>106,033</b>	<b>(11,327)</b>	<b>(9,502)</b>	<b>85,204</b>
Income tax expenses				<u>(196)</u>
<b>Profit for the year</b>				<u><u>85,008</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 2022</b>				
Segment assets	<b>1,149,600</b>	<b>217,995</b>	<b>41,296</b>	<b>1,408,891</b>
<b>For the year ended 31 December 2022</b>				
Capital expenditures	<b>166,061</b>	<b>21,323</b>	<b>22</b>	<b>187,406</b>
Depreciation and amortisation	<b>32,875</b>	<b>4,893</b>	<b>706</b>	<b>38,474</b>



	Higher education <i>RMB'000</i>	Hotel operation <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
<b>For the year ended</b>				
<b>31 December 2021</b>				
Revenue	<u>225,844</u>	<u>893</u>	<u>–</u>	<u>226,737</u>
<b>Segment operating profit/(loss)</b>	<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>
<b>Profit/(loss) before income tax</b>	<u>64,652</u>	<u>(9,962)</u>	<u>(15,220)</u>	<u>39,470</u>
Income tax expenses				<u>(787)</u>
<b>Profit for the year</b>				<u><u>38,683</u></u>
	Higher education <i>RMB'000</i>	Hotel operation <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 31 December 2021</b>				
Segment assets	957,842	201,665	42,083	1,201,590
<b>Other segment information</b>				
<b>For the year ended</b>				
<b>31 December 2021</b>				
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 2022 and 2021 are as follows:

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Tuition fees	<b>246,922</b>	186,811
Boarding fees	<b>19,507</b>	14,889
Meal catering service fees	<b>6,633</b>	13,518
Others ( <i>note a</i> )	<b>13,131</b>	11,519
	<b>286,193</b>	226,737

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

Represented by:

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Recognised over time		
Tuition fees	<b>246,922</b>	186,811
Boarding fees	<b>19,507</b>	14,889
Others	<b>13,131</b>	11,519
Recognised at a point in time		
Meal catering service fees	<b>6,633</b>	13,518
	<b>286,193</b>	226,737

No customers individually accounted for more than 10% of the Group's revenue for the years ended 31 December 2022 and 2021.

### ***Contract liabilities***

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

	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Contract liabilities related to tuition fees	<b>159,564</b>	116,927
Contract liabilities related to boarding fees	<b>15,528</b>	11,215
Others	<b>1,841</b>	2,139
	<b><u>176,933</u></b>	<u>130,281</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.

	<b>Year ended 31 December</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
<b>Revenue recognised that was included in the balance of contract liabilities at the beginning of the year</b>		
Tuition fees	<b>116,047</b>	91,683
Boarding fees	<b>11,141</b>	8,872
Others	<b>1,877</b>	623
	<b><u>129,065</u></b>	<u>101,178</u>

#### ***(2) Unsatisfied contracts***

	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Expected to be recognised within one year		
Tuition fees	<b>159,564</b>	116,927
Boarding fees	<b>15,528</b>	11,215
Others	<b>1,841</b>	2,139
	<b><u>176,933</u></b>	<u>130,281</u>

**5 Other income**

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Government subsidies ( <i>note a</i> )	<b>3,094</b>	10
Others	<b>1,043</b>	1,313
	<u><b>4,137</b></u>	<u>1,323</u>

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

**6 Other gains/(losses) – net**

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Net loss on disposal of intangible asset	(1)	(11)
Net loss on disposal of property, plant and equipment	(77)	(92)
Foreign exchange gains/(losses) – net	<b>4,590</b>	(1,166)
Others	<b>164</b>	130
	<u><b>4,676</b></u>	<u>(1,139)</u>

**7 Income tax expenses**

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax		
Current tax on profits for the year	<b>196</b>	787
	<u><b>196</b></u>	<u>787</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>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Profit before income tax	<u>85,204</u>	<u>39,470</u>
Tax calculated at a taxation rate of 25% or relevant domestic tax rate applicable to profits in the respective countries	<b>21,008</b>	12,165
Tax effects of tuition net income not subject to tax (iv)	<b>(24,119)</b>	(13,903)
Tax effects of amounts which are not deductible in calculating taxable income	<b>1,330</b>	475
Utilisation of previously unrecognised tax losses	<b>(141)</b>	(5)
Tax losses for which no deferred tax asset has been recognised	<u>2,118</u>	<u>2,055</u>
<b>Income tax expenses</b>	<b><u>196</u></b>	<b><u>787</u></b>

**(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 Reporting Period.

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. As at the date of this announcement, no regulations have been promulgated by such authorities in this regard, Gingko College of Hospitality Management (the “**Yinxing College**”) has not yet registered as a for-profit private school or a non-profit private school and remains as a private non-enterprise unit. In accordance with the historical tax returns filed to the relevant tax authorities, the tax compliance confirmations and the Group’s external legal advisor’s comments on the preferential tax treatments 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 Reporting Period (2021: nil). In the event Yinxing College electing to register as a for-profit private school, Yinxing College may be subject to corporate income tax at a rate of 25% in respect of service fees they receive from the provision of academic educational services going forward, if they do not enjoy any preferential tax treatment.

**(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% (2021: 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 RMB6,118,000 as at 31 December 2022 (2021: RMB4,005,000) in respect of losses amounting to approximately RMB24,473,000 (2021: RMB16,003,000).

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

	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<b>RMB’000</b>	RMB’000
2023	<b>1,894</b>	1,894
2024	<b>1,052</b>	1,052
2025	<b>4,837</b>	4,837
2026	<b>8,220</b>	8,220
2027	<b>8,470</b>	–
	<b>24,473</b>	16,003

## 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	
	2022	2021
Basic and diluted earnings per share attributable to the ordinary equity holders of the Company (RMB Yuan)	<u>0.17</u>	<u>0.08</u>

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

	Year ended 31 December	
	2022 RMB'000	2021 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>85,008</u>	<u>38,683</u>

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

	Year ended 31 December	
	2022	2021
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 2022 and 2021, nor has any dividend been proposed subsequent to 31 December 2022.

## 10 Trade and other receivables

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Trade receivables</b>		
– Due from students	12,837	146
– Due from others	329	94
	<u>13,166</u>	<u>240</u>
<b>Other receivables</b>		
– Deposit	2,163	2,619
– Others	1,623	2,347
	<u>3,786</u>	<u>4,966</u>
	<u><u>16,952</u></u>	<u><u>5,206</u></u>

As at 31 December 2022 and 2021, the aging analysis of the trade receivables based on the recognition date is as follows:

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Less than 1 year	<u>13,166</u>	<u>240</u>

As at 31 December 2022 and 2021, trade receivables of RMB13,166,000 and RMB240,000 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.



## 11 Accruals and other payables

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Payables for purchases of property, plant and equipment	102,406	66,545
Miscellaneous fees received from students ( <i>note a</i> )	34,197	18,121
Government subsidies payable to students ( <i>note b</i> )	6,535	2,430
Salary and welfare payables	6,507	6,888
Accrued expenses	6,075	5,070
Other taxes payable	3,875	1,807
Interest payable	1,643	702
Auditor's remuneration payable	829	980
Others	16,374	9,225
	<u>178,441</u>	<u>111,768</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 2022 and 2021, 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	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Commitments for acquisition of property, plant and equipment	<u>17,633</u>	<u>142,401</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	
	2022	2021
	<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	<u>–</u>	<u>10</u>
Total	<u>10</u>	<u>20</u>

## 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 2022/2023 school year, student enrollment of Yinxing College continued to grow, reaching approximately 19,100 (2021/2022: 14,900) students, representing an increase of 28.2% as compared to that of 2021/2022 school year. In terms of graduates, approximately 2,941 students were graduated in June 2022 (2020/2021: 2,629), representing an increase of 11.9% when compared with the 2020/2021 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 schools the Group operates are Yinxing College and Chengdu Yinxing Hotel Vocational Skills Training School (the “**Yinxing Training School**”). As at 31 December 2022, Yinxing College had 8 departments (31 December 2021: 8), offering an aggregate of 30 bachelor's degree programmes (31 December 2021: 27) and 27 junior college diploma programmes (31 December 2021: 27).

The following table sets forth the enrollment statistics of Yinxing College for the 2021/2022 and 2022/2023 school years:

	Student enrollment for the school year <sup>(1)</sup>		
	2022/2023	2021/2022	Change (%) Increase
Bachelor's degree programme	17,141	13,114	30.7%
Junior college diploma programme	2,007	1,831	9.6%
<b>Total</b>	<b>19,148</b>	<b>14,945</b>	<b>28.1%</b>

Note:

- (1) Despite that our school year typically ends on 31 August, the Group presents student enrollment statistics as at 31 December for the 2021/2022 and 2022/2023 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 1,831 in 2021/2022 to 2,007 in 2022/2023 school year, mainly due to the participation of independent recruitment programme starting from the current school year. During the Reporting Period, phase 1 construction of the new campus in Nanxi was completed and became in use. 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			
	2022 RMB'000	2021 RMB'000	Change RMB'000 Increase/ (Decrease)	Change (%) Increase/ (Decrease)
Tuition fees	246,922	186,811	60,111	32.2%
Boarding fees	19,507	14,889	4,618	31.0%
Meal catering services fees	6,633	13,518	(6,885)	(50.9%)
Others	13,131	11,519	1,612	14.0%
<b>Total</b>	<b>286,193</b>	<b>226,737</b>	<b>59,456</b>	<b>26.2%</b>

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 Nanxi 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, and has been structured in three phases. As at 31 December 2022, phase 1 construction of the new campus was completed and became in use.

### ***Expansion of Yinxing College***

The construction for expansion of Yinxing College in Chengdu consists of one training building, two dormitories, one canteen and other facilities with a total gross floor area of approximately 41,000 square meters. The construction has completed and the facilities have been implemented in the new academic year 2022/2023.

## **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 Group's revenue for the Reporting Period amounted to approximately RMB286.2 million (2021: RMB226.7 million), representing an increase of approximately 26.2%. Such increase was primarily due to the fact that: (i) tuition fees during the Reporting Period amounted to approximately RMB246.9 million (2021: RMB186.8 million), representing an increase of approximately 32.2% and (ii) boarding fees during the Reporting Period amounted to approximately RMB19.5 million (2021: RMB14.9 million), representing an increase of approximately 31.0%. The increment was attributable to the increase of student admission for the 2022/2023 school year and increase in average tuition fees and boarding fees. Meal catering service fees of the Group decreased by approximately 50.9% as the canteen operation has been outsourced to third parties during the Reporting Period, such decrease was offset by the increment of tuition fees and boarding fees.

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

The Group's cost of sales for the Reporting Period amounted to approximately RMB124.0 million (2021: RMB122.8 million), representing an increase of approximately 1.0%. The Group has implemented cost control measures during the Reporting Period.

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

The Group's gross profit for the Reporting Period amounted to approximately RMB162.2 million (2021: RMB103.9 million), representing an increase of approximately 56.1%. The Group's gross profit margin during the Reporting Period was approximately 56.7% (2021: 45.8%), representing an increase of approximately 23.8%. Such increase was primarily due to increase in the revenue from tuition fee and boarding fee over the increase in cost of sales during the Reporting Period.

### ***Selling Expenses***

The Group's selling expenses primarily consist of expenses related to relevant publicity of our College, including student recruitment activities and promotional and advertising expenses. During the Reporting Period, the Group's selling expenses amounted to approximately RMB3.1 million (2021: RMB3.4 million).

### ***Administrative Expenses***

The Group's administrative expenses primarily consist of employee benefit expenses, property management fee, office expenses, depreciation and amortisation, professional and business consultancy fees and certain other administrative expenses. During the Reporting Period, the Group's administrative expenses amounted to approximately RMB54.0 million (2021: RMB51.9 million), such increase was attributable to increase in employee benefit expenses and office expenses.

### ***Other Income***

The Group's other income during the Reporting Period amounted to approximately RMB4.1 million (2021: RMB1.3 million). Such increase was primarily due to the government subsidy amounted to RMB3.0 million received during the Reporting Period.

### ***Other Gains/(Losses) – net***

The Group's net other gains for the Reporting Period amounted to approximately RMB4.7 million (2021: net other losses of RMB1.1 million), such increase was primarily attributable to a RMB4.6 million foreign exchange gains for the Reporting Period.

### ***Finance Expenses – net***

The Group's net finance expenses for the Reporting Period amounted to approximately RMB28.7 million (2021: RMB9.3 million). Such increase was mainly attributable to the increase in the Group borrowing and the decrease in interest expenses capitalised in qualifying assets.

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

The Group's income tax expenses for the Reporting Period amounted to approximately RMB0.2 million (2021: RMB0.8 million).

### ***Profit for the Year***

As a result of the combined effects of the above revenue, costs and expenses, the Group's profit increased by approximately 119.8% to approximately RMB85.0 million for the Reporting Period (2021: RMB38.7 million).

### **Financial Resources Review**

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

As at 31 December 2022, the Group's cash and cash equivalents amounted to approximately RMB199.9 million (2021: RMB156.3 million), representing an increase of approximately 27.9%.

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 outflows comprised primarily purchases of property, plant and equipment and intangible assets of approximately RMB153.4 million. Financing activities inflows primarily included proceeds from bank and other borrowings of approximately RMB106.8 million. Financing activities outflows primarily included repayment of bank and other borrowings of approximately RMB94.6 million and interest payments of approximately RMB31.3 million.

As a result, net cash generated from operating activities were approximately RMB212.0 million in 2022 (2021: RMB119.4 million). Net cash used in investing activities were approximately RMB153.4 million in 2022 (2021: RMB76.7 million). Net cash used in financing activities were approximately RMB19.7 million in 2022 (2021: RMB37.8 million).



As at 31 December 2022, the Group's borrowings amounted to approximately RMB400.5 million (2021: RMB388.4 million), representing secured bank borrowings of approximately RMB318.8 million (2021: RMB320.0 million) and secured loans from a third party of approximately RMB81.7 million (2021: RMB68.4 million). As at 31 December 2022, the Group's borrowings of approximately RMB142.9 million (2021: RMB75.1 million) would mature within 1 year, approximately RMB87.7 million (2021: RMB73.4 million) would mature between 1 and 2 years, approximately RMB169.9 million (2021: RMB193.4 million) would mature between 2 and 5 years and no borrowing (2021: RMB46.4 million) would mature over 5 years. The Group's borrowings were denominated in RMB and carried at floating interest rates as at 31 December 2022 and 2021.

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 2022, the Group's gearing ratio was 31.5% (2021: 42.1%). The decrease was primarily due to the increase in cash and cash equivalents.

As at 31 December 2022, the Group had net current liabilities of approximately RMB277.9 million (2021: RMB152.8 million), representing an increase of approximately 81.9% 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 approximately RMB176.9 million (2021: RMB130.3 million), which generally will not result in cash outflows in the future, the deficit of the net working capital would be approximately RMB101.0 million (2021: deficit of RMB22.5 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 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 2022, the Group had contracted but not provided for capital commitments of approximately RMB17.6 million, which were primarily relating to property, plant and equipment (2021: RMB142.4 million for the expansion of Yinxing College).

### ***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 2022, 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 2022, the Group had no material contingent liabilities.

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

As at 31 December 2022, the Group's had the following bank borrowings which were secured by pledged assets as follows:

- (1) RMB20.0 million had been pledged as a refundable security deposit to secure the loans from an independent third parties.
- (2) RMB203.2 million of construction in progress, RMB3.6 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 RMB268.8 million.

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

As at 31 December 2022, the Group had 830 employees (31 December 2021: 881 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 16 June 2023 (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 2023, the Board has resolved not to recommend the payment of any dividend for the year ended 31 December 2022, and intends to reinvest its profits in the construction of the Nanxi New Campus and the Group’s business expansion.

### **Book Closure 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 12 June 2023 (Monday)
- Closure of register of members 13 June 2023 (Tuesday) to 16 June 2023 (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.

### **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 had complied with all of the mandatory disclosure requirements and the code provisions as set out in the section headed “Part 2 – Principles of good corporate governance, code provisions and recommended best practices” of the Corporate Governance Code (“CG Code”) under Appendix 14 to the Listing Rules. 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 C.2.1 of the CG Code as stated below.

Paragraph C.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. During the periods from 1 January 2022 to 3 February 2022 and from 3 October 2022 to 31 December 2022 (the “**Deviated 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 Deviated 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.

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**

Subsequent to 31 December 2022 and up to the date of this announcement, the Group had no material events affecting the Group which have occurred since the end of the Reporting Period that has come to the attention of the Directors.

### **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 2023

*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.*