中國銀杏教育集團有限公司

China Gingko Education Group Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code:1851

2018 ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Fang Gongyu *(Chairman of the Board)*
Mr. Tian Tao
Ms. Yu Yuan
Ms. Liu Dan

Independent Non-executive Directors

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

Audit Committee

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

Nomination Committee

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

Remuneration Committee

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

Joint Company Secretaries

Mr. Tian Tao
Mr. Wan Chi Hei

Authorised Representatives

Mr. Tian Tao
Mr. Wan Chi Hei

AUDITOR

PricewaterhouseCoopers

COMPLIANCE ADVISOR

Somerley Capital Limited

PRINCIPAL BANKERS

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

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Chengdu City, Sichuan Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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North Point
Hong Kong

PRINCIPAL SHARE REGISTRAR

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Cricket Square
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Services Limited
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COMPANY WEBSITE

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STOCK CODE

1851

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

FOUR-YEAR COMPARISON OF KEY FINANCIAL FIGURES

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

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

Note: The term adjusted net profit is not defined under HKFRSs. As a non-HKFRSs measure, adjusted net profit is presented because management believes such information will be helpful for investors in assessing the effect of the listing expenses on the Group's net profit by eliminating the effects of certain one-off or non-recurring items, namely listing expenses. For the details of reconciliation to the most directly comparable financial measure calculated and presented in accordance with HKFRSs, which is profit for the year, please refer to "Financial Review" under the section headed "Management Discussion and Analysis" in this annual report.

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

Financial ratio	As at 31 December			
	2018	2017	2016	2015
Current ratio	**0.89**	0.53	0.41	0.36
Gearing ratio (Note)	**N/A**	N/A	N/A	N/A

Note: This ratio is calculated as net debt divided by total equity. Net debt is calculated as total debt less cash and cash equivalents. As at 31 December 2015, 2016, 2017 and 2018, the Group maintained at net cash position.

Dear Shareholders,

On behalf of the Board, I am pleased to present our first annual report, covering our consolidated results our for the year ended 31 December 2018 following the successful listing of our Shares on the Main Board of the Stock Exchange on 18 January 2019.

RESULTS OVERVIEW

Compared with the previous financial year, our total revenue for the year ended 31 December 2018 increased by 12.6% to RMB156.6 million. Profit for the year decreased by 39.5% to RMB24.9 million, while adjusted net profit for the year increased by 7.4% to RMB44.2 million.

SUMMARY OF BUSINESS

We are a higher education service provider in Sichuan Province. As at 31 December 2018, an aggregate of 10,236 students were enrolled in Yinxing College, representing year-on-year growth of 7.1%. We dedicated to offering comprehensive and diversified programmes and curricula and training talents with practical skills applicable to the modern service industry. The effectiveness of our practical curricula and training programmes is reflected in its high graduate employment rates. For the 2017/2018 school year, the initial graduate employment rate of Yinxing College was 98.6%, substantially above the overall average for higher education in China, which was between 77.7% and 78.4% from 2014 through 2017, according to a Frost & Sullivan Report.

Market demand for talent with practical experience and readily applicable skills will continue to grow. We believe there is significant potential for the growth of hospitality market in China. In light of this industry background, as a higher education service provider focusing on the hospitality industry, we are well positioned to capture the growth opportunities in the hospitality industry in China.

DEVELOPMENT PLAN

Looking forward, we intend to keep a foothold in cultivating professional talents for hotel industry in the PRC. In March 2019, we entered into a land use rights grant contract in respect of the grant of a piece of land with site area of 333,360 square metres located in Yibin City, Sichuan Province. The land is used for the construction of our new campus, including an education hotel. We have also entered into a consultancy agreement with the School of Hotel and Tourism Management of The Hong Kong Polytechnic University (the "**SHTM**"). Accordingly, SHTM will provide consultancy services in respect of the construction of the education hotel. Given the reputation and solid experience of SHTM, I believe our new campus would enhance the teaching quality of Yinxing College and further increase our market penetration to solidify our market position and enable us to gradually establish ourselves as a standard developer of talent cultivation in the PRC hospitality management industry.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank my fellow Directors for their invaluable advice and guidance, and to each and every one of our staff for their professionalism, hard work, loyalty and dedication they demonstrated in the execution of our development strategy. We will continue to step up with our business development with dedicated efforts and focus on increasing shareholders' return.

China Gingko Education Group Company Limited
Fang Gongyu
Chairman

Hong Kong, 29 March 2019

Business Overview

Overview

The Group is a higher education service provider in Sichuan Province. As at 31 December 2018, an aggregate of 10,236 students were enrolled in Yinxing College. The Group is dedicated to offering comprehensive and diversified programmes and curriculum and training talents with practical skills applicable to the modern service industry. The effectiveness of our practical curricula and training programmes is reflected in its high graduate employment rates. For the 2017/2018 school year, the initial graduate employment rate of Yinxing College was 98.6%, substantially above the overall average for higher education in China, which was between 77.7% and 78.4% from 2014 through 2017, according to a Frost & Sullivan Report.

Market demand for talent with practical experience and readily applicable skills will continue to grow. The Group believes there is significant market potential for the growth of hospitality market in China. In light of this industry background, as a higher education service provider focusing on the hospitality industry, the Group is well positioned to capture the growth opportunities in the hospitality industry in China.

The Schools

The one college and one vocational training school the Group operates are Yinxing College and Yinxing Training School. Yinxing College has eight departments and offers in aggregate 25 bachelor's degree programmes and 22 junior college diploma programmes. As at 31 December 2018, Yinxing Training School had not commenced any business operation.

The following table sets forth the enrollment statistics of Yinxing College for the 2017/2018 and 2018/2019 school years:

	Student enrollment for the school year(1)		
	2018/2019	2017/2018	Change (%) *Increase/ (decrease)*
Bachelor's degree programme	**8,027**	6,680	20.2
Junior college diploma programme	**2,209**	2,873	(23.1)
Total	**10,236**	9,553	7.1

Note:

(1) Despite that our school year typically ends on 31 August, the Group presents student enrollment statistics as at 31 December for the 2017/2018 and 2018/2019 school years.

The number of students enrolled in Yinxing College increased because the Group has increased its marketing efforts, enhanced its reputation, attracted more talents and increased its plan of enrollment. In 2017, higher education institutions in Sichuan Province started to admit students for junior college diploma programmes through independent recruitment programme, which allows such institutions to admit students before the National Higher Education Entrance Exam. Since the Group did not participate in such programme, the number of students enrolled for junior college diploma programme in 2018/2019 school year decreased when compared with 2017/2018 school year.

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			
	2018	2017	Change	Change (%)
	RMB'000	*RMB'000*	*RMB'000*	*Increase*
Tuition fees	**124,976**	115,127	9,849	8.6
Boarding fees	**9,924**	9,119	805	8.8
Meal catering services fees	**13,167**	11,555	1,612	14.0
Others	**8,538**	3,219	5,319	165.2
Total	**156,605**	139,020	17,585	12.6

Note:

(1) Others mainly represent revenue from research projects and training programmes, which are recognised proportionately over the terms of the applicable projects or programmes.

Outlook

Given its track record of delivering quality private higher education and industry reputation, the Group remains full of confidence about its future. The Group is committed to becoming the leader and a standard developer of talent cultivation in the hospitality management industry in the PRC, thus it continues to pursue the following strategies:

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

In March 2019, the Group entered into a land use rights grant contract in respect of the grant of a piece of land with site area of 333,360 square metres located in Yibin City, Sichuan Province. The land is used for the construction of the Nanxi New Campus, including an education hotel. In February 2019, the Group also entered into a consultancy agreement with SHTM. Accordingly, SHTM will provide consultancy services in respect of the construction of the education hotel, including (i) the design concept of the education hotel; (ii) the facilities and operations of the education hotel; and (iii) the interaction between the education hotel, Yinxing College and hospitality market such as providing practical trainings and internship opportunities to the Group's students, inviting industry experts to provide lectures and training in the education hotel and organising in-depth research programme by using the education hotel's platform to understand the needs and demand of tourists and enhance the practical skills of the Group's students. The SHTM is rated first in the world in the hospitality and tourism management category according to the ShanghaiRanking's Global Ranking of Academic Subjects 2017/2018, and is ranked among the top three hospitality and leisure management institutions globally in the QS World University Rankings by Subject 2017/2018. Given the high reputation and solid experience of SHTM, the Group believes that the construction of the Nanxi New Campus would enhance the teaching quality, especially on practical trainings, of Yinxing College and further increase the Group's market penetration to solidify the Group's market position and enable the Group to gradually establish itself as a standard developer of talent cultivation in the PRC hospitality management industry.

Financial Review

Revenue

Revenue represents the value of services rendered during the year ended 31 December 2018. 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 12.6% from approximately RMB139.0 million for the year ended 31 December 2017 to approximately RMB156.6 million for the year ended 31 December 2018. This increase was primarily due to the increase in revenue derived from tuition fees, boarding fees and meal catering services fees, which is primarily attributable to the increase in student enrollment from 9,553 in the 2017/2018 school year to 10,236 in the 2018/2019 school year. The increase in revenue derived from meal catering services fees was mainly attributable to the following (i) the school canteen started to provide greater variety of products and services, such as snack bar and beverage bar, and attracted more students to dine in the canteen; (ii) the school canteen raised the price for some of the products; and (iii) the school canteen fully utilised the raw materials and provided more products to maximise revenue. Revenue derived from others increased by 165.2% for the year ended 31 December 2018 which was primarily due to the increase in revenue derived from training programmes.

Cost of Sales

Cost of sales increased by 9.5% from RMB77.7 million for the year ended 31 December 2017 to RMB85.1 million for the year ended 31 December 2018. This increase was primarily due to (i) an increase in its employee benefit expenses as a result of the increased salary and benefits for the teachers and staff since late 2017 and the increased number of teachers and staff in 2018; and (ii) an increase in depreciation of property, plant and equipment as a result of the renovation of the dormitories and exterior walls in June 2017 and the construction of the tennis court which was completed in July 2017.

Gross Profit and Gross Profit Margin

Gross profit for the Group increased by 16.7% from approximately RMB61.3 million for the year ended 31 December 2017 to approximately RMB71.5 million for the year ended 31 December 2018, and the gross profit margin increased by approximately 1.6 percentage points from approximately 44.1% for the year ended 31 December 2017 to approximately 45.7% for the year ended 31 December 2018. The primary underlying reason for such improvement was the increased revenue of the Group, especially on revenue from research programmes and training programmes which normally generate higher profit margin, which outpaced the increase of the Group's employment benefit expenses and depreciation expenses.

Selling Expenses

The Group's selling expenses primarily consist of expenses related to its student recruitment activities. The selling expenses increased by 18.8% from approximately RMB1.6 million for the year ended 31 December 2017 to approximately RMB1.9 million for the year ended 31 December 2018, which was mainly attributable to the Group's increasing expenses in student recruitment.

Administrative Expenses

The Group's administrative expenses primarily consist of employee benefit expenses, property management fee, office expenses, depreciation and amortisation and certain other administrative expenses. The administrative expenses increased by 94.8% from approximately RMB22.3 million for the year ended 31 December 2017 to approximately RMB43.4 million for the year ended 31 December 2018. The increase was mainly because of the expenses incurred in relation to the Listing of approximately RMB19.3 million.

Other Income

Other income of the Group increased by 31.8% to approximately RMB0.9 million for the year ended 31 December 2018 from approximately RMB0.7 million for the year ended 31 December 2017.

Other Gains/Losses — net

The net gains of the Group increased to approximately RMB0.5 million for the year ended 31 December 2018 from approximately RMB14,044 for the year ended 31 December 2017 which was primary attributable to the gain on disposal of interest in an associate.

Finance Income

For the year ended 31 December 2018, the Group's finance income increased by 17.8% from approximately RMB0.8 million for the year ended 31 December 2017 to approximately RMB0.9 million. The increase for the year ended 31 December 2018 was mainly attributable to the increase in the Group's interest income on loans to a related party and bank interest income.

Finance Expenses

For the year ended 31 December 2018, the Group's finance expenses increased from nil for the year ended 31 December 2017 to approximately RMB3.9 million. The increase for the year ended 31 December 2018 was mainly attributable to an increase in interest expenses on bank borrowings.

Profit Before Tax

As a result of the foregoing, the profit before tax of the Group decreased by 37.7% from approximately RMB41.2 million for the year ended 31 December 2017 to approximately RMB25.7 million for the year ended 31 December 2018.

Income Tax

The Group's income tax expense was approximately RMB0.8 million for the year ended 31 December 2018 whereas income tax expense was nil for the year ended 31 December 2017.

The income tax incurred for the year ended 31 December 2018 was mainly attributable to the increase in revenue from research projects and training programmes which are subject to the PRC corporate income tax.

Profit for the year

As a result of the foregoing, profit of the Group for the year ended 31 December 2018 decreased by 39.5% from approximately RMB41.2 million for the year ended 31 December 2017 to approximately RMB24.9 million.

Adjusted net profit

The adjusted net profit represents profit for the year excluding the effects of the expenses related to the Listing, which amounted to approximately RMB19.3 million for the year ended 31 December 2018 (2017: nil). The term adjusted net profit is not defined under HKFRSs. As a non-HKFRSs measure, adjusted net profit is presented because management believes such information will be helpful for investors in assessing the effect of the listing expenses on the Group's net profit by eliminating the effects of certain one-off or non-recurring items, namely listing expenses. The following tables reconciles the Group's adjusted net profit for the years presented to the most directly comparable financial measure calculated and presented in accordance with HKFRSs, which is profit for the year.

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Profit for the year	**24,908**	41,196
Add:		
Expenses related to the Listing	**19,336**	—
Adjusted net profit	**44,244**	41,196

Adjusted net profit of the Group for the year ended 31 December 2018 increased by 7.4% from approximately RMB41.2 million for the year ended 31 December 2017 to approximately RMB44.2 million.

Financial Resources Review

Liquidity, Financial Resources and Capital Structure

As at 31 December 2018, the Group's cash and cash equivalents amounted to RMB114.8 million, representing an increase of approximately 51.1% from RMB76.0 million as at 31 December 2017.

Net cash generated from operating activities were RMB1.3 million in 2018, as compared with net cash generated from operating activities of RMB62.6 million in 2017. Net cash used in investing activities were RMB49.4 million in 2018, as compared with net cash used in investing activities of RMB38.9 million in 2017. Net cash generated from financing activities were RMB87.0 million in 2018, as compared with net cash used in financing activities of RMB14.3 million in 2017.

As at 31 December 2018, the Group's borrowings amounted to RMB104.6 million (2017: nil), representing secured bank borrowings of RMB98.5 million (2017: nil) and unsecured loans from third parties of RMB6.1 million (2017: nil). As at 31 December 2018, the Group's borrowings of RMB26.1 million would mature within 1 year and RMB78.5 million would mature between 1 and 2 years. The Group had banking facilities in an aggregate amount of RMB700.0 million, of which nil was utilised. By the date of this annual report, the Group had repaid all of its bank borrowings carried as at 31 December 2018.

As at 31 December 2018, bank borrowings were secured by a pledge of a commercial building of a related party, Chengdu Changshun Investment Co., Ltd.* (成都長順投資有限公司) ("**Chengdu Changshun**"), corporate guarantees from Gingko Asset Management and Yinxing Education and a personal guarantee from Mr. Fang. As at 16 January 2019, personal guarantee from Mr. Fang and the pledge provided by Chengdu Changshun had been released. The bank borrowings were denominated in RMB and carried at floating interest rates. The unsecured loans from third parties represent loans from two third parties which are unsecured, amounting to HK$3,000,000 (approximately RMB2,635,000) and HK$4,000,000 (approximately RMB3,513,000) respectively as at 31 December 2018. The loan of HK$3,000,000 bears a fixed interest rate of 5.00% per annum and has been settled on 30 January 2019. The loan of HK$4,000,000 bears a fixed interest rate of 12.00% per annum and has been repaid on 24 January 2019.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total debt less cash and cash equivalents. As at 31 December 2017 and 2018, the Group maintained at net cash position.

As at 31 December 2018, the Group had net current liabilities of RMB15.2 million, as compared with net current liabilities of RMB80.5 million as at 31 December 2017.

Capital Commitments

As at 31 December 2018, the Group had contracted but not provided for capital commitments of approximately RMB640.3 million, which were primarily relating to the investment in the Nanxi New Campus, as compared with the total amount of capital expenditures contracted for but not yet incurred of RMB25,000 as at 31 December 2017.

Currency Exposure and Management

The majority of the Group's revenue and expenditures are denominated in RMB. As at 31 December 2018, certain bank balances were denominated in RMB and Hong Kong dollars. The Group is exposed to foreign exchange risk with respect mainly to Hong Kong dollars which may affect the Group's performance. The Group currently does not have any foreign currency hedging policies. The management is aware of the possible exchange risk exposure due to the continuing exchange rate fluctuation of Hong Kong dollars against RMB and will continue to monitor its impact on the performance of the Group and consider adopting prudent measures as appropriate.

Contingent Liabilities

As at 31 December 2018, the Group had no material contingent liabilities.

Pledge of Assets

As at 31 December 2018, the Group did not pledge any assets.

Employees and Remuneration Policy

As at 31 December 2018, the Group had 693 employees, as compared with 538 employees as at 31 December 2017. The increase of the Group's number of employees was mainly attributable to the Group's cessation of outsourcing of property management service to a related party during the year ended 31 December 2018 and the Group's recruitment of new staff to provide such service itself. The Group also continued recruiting qualified teachers for Yinxing College to enhance its teaching quality. As required by the PRC laws and regulations, the Group participates in various employee social security plans for the employees that are administered by local governments, including, among other things, housing provident fund, pension, medical insurance, social insurance and unemployment insurance. The Board believes that the Group is maintaining a favourable working relationship with its employees, and it has experienced no major labour disputes during the year ended 31 December 2018.

DIRECTORS

Executive Directors

Mr. Fang Gongyu (方功宇), aged 55, was appointed as Director on 23 March 2018 and was re-designated as executive Director on 7 June 2018. Mr. Fang is also the chairman and chief executive officer of the Group. He has been serving as a supervisor at Gingko Asset Management since August 2002 and the chairman of the board at Yinxing College since April 2004 and is responsible for the overall management, strategic planning and business development of the Group.

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

Mr. Tian Tao (**田濤**), aged 43, was appointed as executive Director on 7 June 2018 and is responsible for the overall management of Gingko Asset Management, and investment and financing of the Group. Mr. Tian has been serving as an executive director and general manager at Gingko Asset Management since January 2016, where he is responsible for its overall management. He has also been serving as a director of the board at Yinxing College since June 2016, where he is responsible for its business development and financing. Prior to joining the Group, Mr. Tian successively served in various positions in companies including Gingko Hotel Management from June 2005 to May 2018, Gingko Jin'ge Catering from November 2007 to September 2015 and Gingko Jin'ge Investment from October 2015 to May 2018, where he has been primarily responsible for their respective financial management and investment. Mr. Tian obtained his diploma in accounting from Southwest Minzu University (西南民族大學) (formerly known as Southwest Minzu College (西南民族學院)) in the PRC in July 1995.

Ms. Yu Yuan (余媛), aged 57, was appointed as executive Director on 7 June 2018 and is responsible for the day-to-day operation of Yinxing College. Ms. Yu joined Yinxing College as an assistant to the dean in May 2012, where she was in charge of its personnel office, finance department and asset management department until May 2016. She was promoted to an executive associate dean and appointed as a director of the board in May 2016, where she has been responsible for the overall management of Yinxing College.

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

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

Ms. Liu Dan (劉丹), aged 50, was appointed as executive Director on 7 June 2018 and is responsible for overseeing the operations of hotel management department, career development and international communications of Yinxing College. Ms. Liu joined Yinxing College in June 2012 and has been serving various positions as follows:

Position	Time of Appointment	Responsibilities
Director of Hotel Development Research Center	June 2012	Research of the development of hospitality industry and the application of the development to the practical trainings
Principal of International Communication and Social Service Center	January 2017	Overseeing and coordination of the international communications and cooperation matters including the development and operations of cooperation programs, and communications among Yinxing College, hotels, industry experts and local governments
Associate dean	February 2017	Overall management of the career development, international communications and social services of the hospitality management department
Expert in the school council	September 2017	Provision of professional advice in relation to hospitality industry on the business development and strategies of Yinxing College

Position	Time of Appointment	Responsibilities
Director of hotel management department	September 2017	Overall management of the hospitality management department including the design of courses and curriculums, supervision of recruitment of teachers, and the planning and construction of laboratories

Prior to joining the Group, Ms. Liu served as a manager at Hyatt Regency Tianjin (天津凱悦飯店) from February 1992 to May 2000 and Nanchong Wantai Hotel (南充萬泰大酒店) from July 2005 to May 2008. She also served as an executive general manager at Sichuan Xiefei Lier Hotel Management Company Limited (四川謝費利爾酒店管理有限公司). She was mainly responsible for the overall operations and management of the respective hotels.

Ms. Liu obtained a diploma in Chinese language and literature from Tianjin Hongqiao Workers College (天津市紅橋區職工大學) in the PRC in July 1992. Ms. Liu became a certified senior trainer of AH & LA Educational Institution in December 2006.

Independent Non-executive Directors

Mr. Jiang Qian (**蔣謙**), aged 40, was appointed as independent non-executive Director on 12 December 2018 and is responsible for supervising and providing independent advice to the Board.

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

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

Mr. Chong Man Hung Jeffrey (莊文鴻), aged 40, was appointed as independent non-executive Director on 12 December 2018 and is responsible for supervising and providing independent advice to the Board.

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

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

Mr. Yuan Jun (袁軍), aged 54, was appointed as independent non-executive Director on 12 December 2018 and is responsible for supervising and providing independent advice to the Board.

From July 2003 to June 2010, Mr. Yuan served as an assistant director and assistant director of education research center and training center at the National Institution of Education Sciences (中央教育科學研究所), where he was responsible for supervising the trainings provided to principals and teachers nationwide. From July 2010 to June 2012, he served as a director of center of international courses and director of international communications department of Beijing New Oriental International High School (北京新東方國際高中), a subsidiary of New Oriental Education and Technology Group Inc. (北京新東方教育科技集團), a company listed on the New York Stock Exchange (stock code: EDU), where he was responsible for its daily management, course research and development, trainings and international communications. From July 2012 to June 2014, he served as a vice president of investment department at Beijing Aiyinsheng Education Investment Co., Ltd. (北京愛因生教育投資有限責任公司), a company mainly engaged in investment and management of education, where he was responsible for its daily management, pre-investment analysis and post-investment management. From July 2014 to June 2015, he served as a vice president at Xi'an

Rongchuang Education Investment Company (西安榮創教育投資公司), a company mainly engaged in investment, where he was responsible for the management of and investment in higher education institutions and vocational education institutions. From July 2015 to June 2017, he served as an executive vice president of the education, medical and cultural department at Guangdong Pearl River Investment Group (廣東珠江投資集團), a company mainly engaged in investment, where he was responsible for the management and international communications of higher education institutions, management and risk control of medical business sector and culture business sector of the group. In July 2017, Mr. Yuan joined China Education Group Holdings Limited (中國教育集團控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 839), and has been serving in strategic investment department, where he is responsible for its strategic planning, merger and acquisition, post-investment management, school-enterprise cooperation and international education.

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

SENIOR MANAGEMENT

Ms. Yu Yuan (**余媛**) and **Ms. Liu Dan** (**劉丹**) are the senior management of the Group. For details of Ms. Yu Yuan and Ms. Liu Dan, please refer to "Directors — Executive Directors" above.

Mr. Wan Chi Hei (**尹智熙**), aged 30, was appointed as the chief financial officer of the Group on 23 April 2018 and is responsible for the management of financial, accounting, internal control and company secretarial matters of the Group.

Prior to joining the Group, Mr. Wan joined SHINEWING (HK) CPA Limited (信永中和會計師事務所) in October 2011 and was later promoted to a semi-senior in October 2013, where he last served as an audit senior and was responsible for auditing. Mr. Wan worked at KPMG (畢馬威會計師事務所) from January 2014 to March 2018, where he last served as a manager and was responsible for providing assurance and advisory services to listed companies and multinational corporations in various industries.

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

JOINT COMPANY SECRETARIES

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

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

The Board is pleased to present their annual report and the audited financial statements for the year ended 31 December 2018 of the Group.

INITIAL PUBLIC OFFERING

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

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL ACTIVITIES AND SUBSIDIARIES

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

BUSINESS REVIEW

Discussion and analysis of the business of the Group for the year ended 31 December 2018 are set out in the section headed "Management Discussion and Analysis" on pages 7 to 13 of this annual report. This discussion forms part of this directors' report.

RESULTS

The results of the Group for the year ended 31 December 2018 and the Group's financial position as at 31 December 2018 are set out in the consolidated financial statements on pages 69 to 127 of this annual report.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2018.

ANNUAL GENERAL MEETING

The 2019 annual general meeting of the Company (the "**AGM**") will be held on Friday, 21 June 2019. Notice of the AGM will be published and dispatched to Shareholders in compliance with the memorandum and articles of association of the Company (the "**M&A**") and the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

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

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

- Latest time to lodge transfers documents for registration
  4:30 p.m. on 17 June 2019 (Monday)

- Closure of register of members
  18 June 2019 (Tuesday) to 21 June 2019 (Friday)

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

FINANCIAL SUMMARY

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

SIGNIFICANT LEGAL PROCEEDINGS

During the year ended 31 December 2018, the Company had not been and were not a party to any material legal, arbitral or administrative proceedings, and the Company was not aware of any pending or threatened legal, arbitral or administrative proceedings against the Company or any of the Directors, which in the opinion of the management of the Company, could have a material adverse effect on its operations or financial condition. The Directors have confirmed that the Company has not currently engaged in any material litigation, arbitration or administrative proceeding.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company was incorporated in the Cayman Islands with its principal business conducted in the PRC, and its Shares are listed on the Stock Exchange. Therefore, the establishment and operation are subject to relevant laws in the Cayman Islands, the PRC and Hong Kong. For the year ended 31 December 2018 and up to the date of this annual report, the Group complied with relevant laws and regulation in the Cayman Islands, the PRC and Hong Kong in all material respects.

PRINCIPAL RISKS AND UNCERTAINTY

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

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

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

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The Company issued 125,000,000 new Shares (the "**Global Offering**") at the issue price of HK$1.44 per Share in the connection with the Listing. The net proceeds after deducting the estimated (i) underwriting commissions and incentive fees, and (ii) other expenses payable by the Group in connection with the Global Offering amounted to approximately HK$157.8 million (equivalent to RMB136.4 million).

The net proceeds will be applied in the manner as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus. As at the date of this annual report, the Company has applied the net proceeds of approximately RMB0.3 million for the construction of the Nanxi New Campus, approximately RMB0.1 million to recruit high-caliber teachers and staff, and approximately RMB0.2 million for general business operations.

The unutilised net proceeds are generally placed in licensed financial institutions as short-term deposits.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2018 are set out in note 21 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group during the year ended 31 December 2018 are set out in the consolidated statement of changes in equity.

Details of the movements in the reserves of the Company during the year ended 31 December 2018 are set out in note 28 to the consolidated financial statements. As at 31 December 2018, the reserves of the Company available for distribution to shareholders was approximately RMB317.1 million.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's customers are primarily students, third-party education institutions with whom the Group cooperated and institutions to whom the Group provided trainings. The Group did not have any single customer who accounted for more than 5% of the revenue for each of the years ended 31 December 2017 and 2018. The Group's suppliers primarily comprise utilities and food services providers. Purchases from the Group's five largest suppliers accounted for 6.1% (2017: 5.4%) of the Group's total purchases and the largest supplier accounted for 2.9% (2017: 2.4%) of the Group's total purchases.

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2018 are set out in note 14 to the consolidated financial statements.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Group during the year ended 31 December 2018 are set out in note 24 to the consolidated financial statements.

DISCLOSURE UNDER RULE 13.20 OF THE LISTING RULES

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

DIRECTORS

The Directors in office during the year ended 31 December 2018 and as at the date of this annual report were as follows:

Executive Directors

Mr. FANG Gongyu
Mr. TIAN Tao
Ms. YU Yuan
Ms. LIU Dan

Independent non-executive Directors

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

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

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and the senior management of the Group are set out on pages 14 to 18 of this annual report.

CHANGE IN INFORMATION OF DIRECTORS

Save as disclosed under the section headed "Biographical Details of Directors and Senior Management" in this annual report, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the publication of the Prospectus. The biographical details of the Directors of the Company are set out in the preceding section headed "Biographical Details of Directors and Senior Management" of this annual report.

SERVICE CONTRACTS OF DIRECTORS

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

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

All Directors are subject to retirement by rotation and re-election in accordance with the Articles of Association.

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under the section headed "Connected Transactions" and notes 24 and 27 to the consolidated financial statements in this annual report, no other transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at any time during the year ended 31 December 2018 or as at 31 December 2018.

CONTROLLING SHAREHOLDER'S INTEREST

Save as disclosed in this annual report, no contracts of significance between the Company or any of its subsidiaries and a controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries or any contracts of any significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder of the Company or any of its subsidiaries subsisted at any time during the year ended 31 December 2018 or as at 31 December 2018.

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

Since the Shares were initially listed on the Stock Exchange on 18 January 2019, the Company was not required to keep any register under Part XV of the SFO as at 31 December 2018.

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

(1) Long position in the Shares of the Company

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

Notes:

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

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

(2) Long position in the shares of associated corporation

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

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

Since the Shares were initially listed on the Stock Exchange on the Listing Date, the Company was not required to keep any register under Part XV of the SFO as at 31 December 2018.

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

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

Notes:

(1) The letter "L" denotes the person's long position in such shares.

(2) Ms. Xiong Lan is the spouse of Mr. Fang and therefore deemed under the SFO to be interested in the Shares held, directly or indirectly, by Mr. Fang.

(3) GreenTree Hospitality Group Ltd. is a limited company incorporated in the Cayman Islands and the ultimate holding company is GreenTree Inns Hotel Management Group, Inc., a company incorporated in the Cayman Islands. GreenTree Inns Hotel Management Group, Inc. is ultimately controlled by Mr. Xu Alex Shuguang. GreenTree Hotel Management Group, Inc. and Mr. Xu Alex Shuguang are deemed under the SFO to be interested in the Shares held by GreenTree Hospitality Group Ltd.

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

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme as disclosed below, no equity-linked agreements were entered into by the Company during the year ended 31 December 2018 or subsisted at the end of the year ended 31 December 2018.

SHARE OPTION SCHEME

On 12 December 2018, the Shareholders approved and conditionally adopted Share Option Scheme to enable the Company to grant options to eligible participants as incentives and rewards for their contribution to the Group. The Share Option Scheme became effective on the Listing Date and no options have been granted since then.

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

(1) Purpose:

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

(i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and

(ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(2) Participants:

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

(i) any full-time or part-time employees, executives or officers of the Group;

(ii) any directors (including non-executive directors and independent non-executive directors) of the Group; and

(iii) any advisers, consultants, suppliers, customers, distributors and such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Group.

(3) Total number of Shares available for issue:

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

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

(4) Maximum entitlement of each participant:

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

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

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

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

(i) representing in aggregate over 0.1% of the Shares in issue; and

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

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

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

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

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

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

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

(8) Basis of determining the exercise price:

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

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of offer of the option;

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

(iii) the nominal value of the Shares.

(9) Remaining life of the Share Option Scheme:

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

At no time during the year ended 31 December 2018 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective associates nor was the Company and any of its subsidiaries a party to any arrangement.

CONNECTED TRANSACTIONS

Non-Exempt Continuing Connected Transactions

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

Contractual Arrangements

Background to the Contractual Arrangements

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

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

Higher Education

Pursuant to the Foreign Investment Access Special Management Measures (Negative List) (2018 version) (《外商投資准入特別管理措施(負面清單)(2018年版)》), the provision of higher education in the PRC falls within the "restricted" category. In particular, such catalogue explicitly restricts higher education institutions to Sino-foreign cooperation, which means that foreign investors may only operate higher education institutions through cooperating with PRC incorporated entities that are in compliance with the Sino-Foreign Regulation. In addition, such catalogue also provides that the domestic party shall play a dominant role in the Sino-foreign cooperation, meaning that (a) the principal or other chief executive officer of the schools or education institutions shall be a PRC national; and (b) the representative of the domestic party shall account for no less than half of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign school (the "**Foreign Control Restriction**"). Given that (i) neither of the PRC Operating Schools involves foreign investors, (ii) all of the directors of the PRC Operating Schools are Chinese nationals, and (iii) the principal of each of the PRC Operating Schools is a Chinese national, the Directors are of the view that the Group in compliance with the Foreign Control Restriction in relation to our PRC Operating Schools.

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

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

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

Risks relating to the Contractual Arrangements

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

- The PRC government may find that the agreements that establish the structure for operating its business in China do not comply with applicable PRC laws and regulations, which may subject the Group to severe penalties and the business may be materially and adversely affected.

- The Foreign Investment Law《中華人民共和國外國投資法》("**FIL**") proposes significant changes to the PRC foreign investment legal regime, which will likely to have a significant impact on businesses in China controlled by foreign invested enterprises through contractual arrangements, such as the business of the Group.

- The Contractual Arrangements may not be as effective in providing the Group with control over its consolidated affiliated entities as direct ownership.

- The beneficial owners of the Group's consolidated affiliated entities may have conflicts of interest with the Group, which may materially and adversely affect its business and financial condition.

- The exercise of the option to acquire the sponsor interests or equity interests of its consolidated affiliated entities may be subject to certain limitations and the Group may incur substantial costs.

- Any failure by Mr. Fang, Mr. Tian or the Group's consolidated affiliated entities to perform their obligations under the Contractual Arrangements would potentially lead to the incurrence of additional costs and the expending of substantial resources on the part of the Group to enforce such arrangements, temporary or permanent loss of control over the Group's primary operations or loss of access to its primary sources of revenue.

- The Contractual Arrangements may be subject to the scrutiny of the PRC tax authorities and additional tax may be imposed, which may materially and adversely affect the results of operations of the Group.

- Certain terms of the Contractual Arrangements may not be enforceable under PRC laws.

- The Group relies on dividends from WFOE to pay dividends and other cash distributions to its Shareholders and any limitation on the ability of WFOE to pay dividends to the Group would materially and adversely limit its ability to pay dividends to its Shareholders.

- The Group's consolidated affiliated entities may be subject to limitations on their ability to operate private education business or make payments to related parties.

- If any of the Group's consolidated affiliated entities becomes subject to winding up or liquidation proceedings, the Group may lose the ability to use and enjoy certain important assets held by its consolidated affiliated entities, which could negatively impact its business and materially and adversely affect its ability to generate revenue.

Actions taken to mitigate the risks

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

(1) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory inquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;

(2) the Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

(3) the Group will disclose the overall performance and compliance with the Contractual Arrangements in the annual reports; and

(4) the Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of WFOE and the consolidated affiliated entities to deal with specific issues or matters arising from the Contractual Arrangements.

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

(1) the decision-making mechanism of the Board as set out in the Articles of Association includes provisions to avoid conflict of interest by providing, amongst other things, that in the event of conflict of interest in such contract or arrangement which is material, the Director shall declare the nature of his or her interest at the earliest meeting of the Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted towards the quorum;

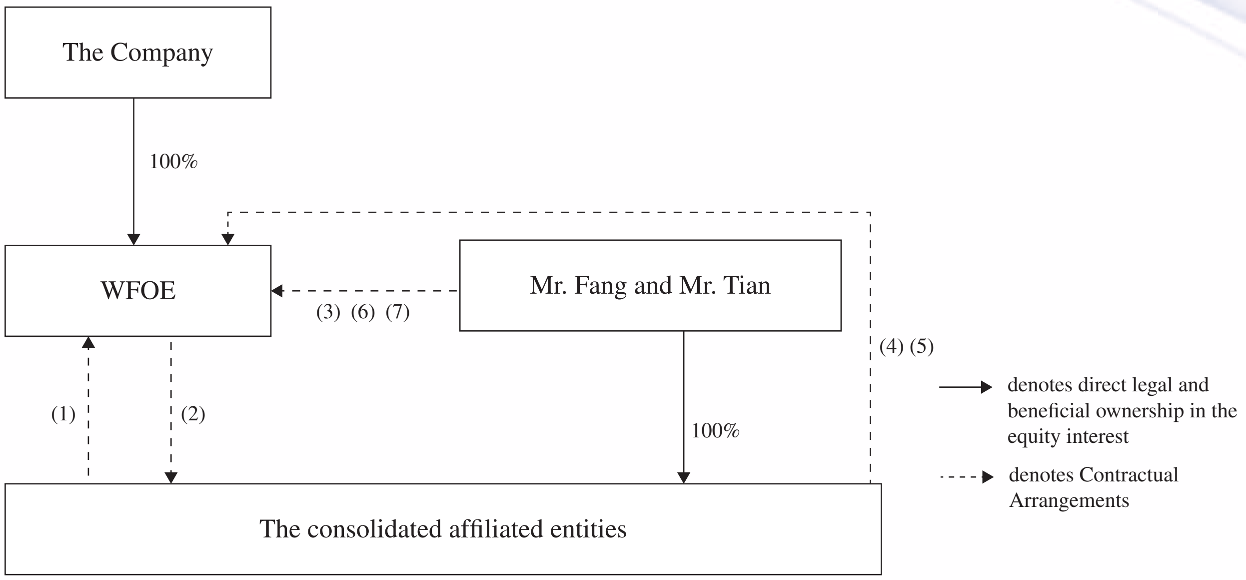
(2) each of the Directors is aware of his or her fiduciary duties as a Director which requires, among other things, that he or she acts for the benefits and in the best interests of the Company;

(3) the Company has appointed three independent non-executive Directors to provide a balance of the number of interested and independent Directors with a view to promoting the interests of the Company and the Shareholders as a whole; and

(4) the Company will disclose in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by the Board (including independent non-executive Directors) relating to any business or interest of each Director that competes or may compete with the business and any other conflicts of interest which any such person has or may have with us.

Operation of the Contractual Arrangements

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



Notes:

(1) Payment of service fees. See "— Summary of the Material Terms of the Contractual Arrangements — (2) Exclusive Technical Services and Management Consultancy Agreement" for details.

(2) Provision of exclusive technical and management consultancy services. See "— Summary of the Material Terms of the Contractual Arrangements — (2) Exclusive Technical Services and Management Consultancy Agreement" for details.

(3) Exclusive call options to acquire all or part of the interests in our PRC Operating Schools and Gingko Asset Management. See "— Summary of the Material Terms of the Contractual Arrangements — (3) Exclusive Call Option Agreement" for details.

(4) Entrustment of school sponsor's right in our PRC Operating Schools by Gingko Asset Management. See "— Summary of the Material Terms of the Contractual Arrangements — (4) School Sponsor's and Directors' Rights Entrustment Agreements and Shareholders' Rights Entrustment Agreements" and "— Summary of the Material Terms of the Contractual Arrangements — (6) Powers of Attorney" for details.

(5) Entrustment of directors rights in our PRC Operating Schools by directors of our PRC Operating Schools appointed by Gingko Asset Management including Directors' Power of Attorney. See"— Summary of the Material Terms of the Contractual Arrangements — (4) School Sponsor's and Directors' Rights Entrustment Agreements and Shareholders' Rights Entrustment Agreements" and "— Summary of the Material Terms of the Contractual Arrangements — (6) Powers of Attorney" for details.

(6) Entrustment of shareholders' rights in Gingko Asset Management including Shareholders' Power of Attorney. See "— summary of the Material Terms of the Contractual Arrangements — (4) School Sponsor's and Directors' Rights Entrustment Agreements and Shareholders' Rights Entrustment Agreements" and "— Summary of the Material Terms of the Contractual Arrangements — (6) Powers of Attorney" for details.

(7) Pledge of the equity interests in Gingko Asset Management by Mr. Fang and Mr. Tian. See "— Summary of the Material Terms of the Contractual Arrangements — (8) Equity Pledge Agreement" for details.

Summary of the Material Terms of the Contractual Arrangements

(1) Business Cooperation Agreement

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

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

(2) Exclusive Technical Services and Management Consultancy Agreement

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

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

(3) Exclusive Call Option Agreement

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

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

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

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

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

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

(5) Shareholders' Rights Entrustment Agreement

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

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

(6) Powers of Attorney

(a) School Sponsor's Power of Attorney

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

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

(b) Directors' Powers of Attorney

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

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

(c) Shareholders' Power of Attorney

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

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

(7) Spouse Undertakings

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

(a) the spouse has full knowledge of and has consented to the entering into of the Contractual Arrangements by each of Mr. Fang and Mr. Tian, and in particular, the arrangement as set out in the Contractual Arrangements in relation to the equity interest in Gingko Asset Management, including but not limited to any restrictions imposed, pledge or transfer or the disposal in any other forms;

(b) the spouse has not participated, is not participating and shall not in the future participate in the operation, management, liquidation, dissolution and other matters in relation to Gingko Asset Management and the PRC Operating Schools;

(c) the spouse authorises each of Mr. Fang and Mr. Tian or his authorised person to execute all necessary documents and perform all necessary procedures from time to time for and on behalf of the spouse in order to safeguard the interest of WFOE under the Contractual Arrangements and give effect to the fundamental purposes thereunder, and confirms and agrees to all such documents and procedures;

(d) any undertaking, confirmation, consent and authorisation under the Spouse Undertakings shall not be revoked, prejudiced, invalidated or otherwise adversely affected by any increase, decrease, consolidation or other similar events relating to the equity interest in Gingko Asset Management;

(e) any undertaking, confirmation, consent and authorisation under the Spouse Undertakings shall not be revoked, prejudiced, invalidated or otherwise adversely affected by death, loss of or restriction on capacity of the spouse, divorce or other similar events; and

(f) all undertakings, confirmations, consents and authorisations under the Spouse Undertakings shall continue to be valid and binding until otherwise terminated by both WFOE and the respective spouses of Mr. Fang and Mr. Tian in writing.

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

(8) Equity Pledge Agreement

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

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

Material Changes

During the year ended 31 December 2018 and up to the date of this annual report, there was no material change in the Contractual Arrangements and/or the circumstances under which the Contractual Arrangements were adopted. There was no termination of the Contractual Arrangements, nor was there any failure to terminate when the restrictions that led to the adoption of the Contractual Arrangements are removed.

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

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

Significance and Financial Contributions of the PRC Operating Schools

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

	Significances and financial contribution to the Group					
	Revenue For the year ended 31 December		**Net profit For the year ended 31 December**		**Total assets As at 31 December**	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Consolidated affiliated entities	**156,605**	139,020	**34,062**	41,196	**546,064**	471,646

Revenue and Assets involved in the Contractual Arrangements

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

	Revenue	**Total assets**
	For the year ended 31 December 2018	**As at 31 December 2018**
	RMB'000	***RMB'000***
Consolidated affiliated entities	**156,605**	**546,064**

Listing Rule Implications

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

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

Waiver from the Stock Exchange and Annual Review

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

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

Save as disclosed above, during the year ended 31 December 2018, no other transaction constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules. The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the continuing connected transactions entered into by the Group during the year under review.

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

Confirmation of independent non-executive Directors

The Company's independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that (i) the transactions carried during year ended 31 December 2018 have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by the consolidated affiliated entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group during the year ended 31 December 2018, (iii) no new contracts were entered into, renewed or reproduced between the Group and the consolidated affiliated entities during the year ended 31 December 2018, and (iv) the Contractual Arrangements were entered into in the ordinary and usual course of business of the Group on normal commercial terms or better and are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmation of auditors of the Company

The auditor of the Company has confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions entered into in the year ended 31 December 2018:

(a) nothing has come to their attention that causes the auditor to believe that the Contractual Arrangements have not been approved by the Company's board of directors;

(b) nothing has come to their attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the Contractual Arrangements;

(c) no dividends or other distributions have been made by the consolidated affiliated entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group.

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

During the year ended 31 December 2018, no related party transactions disclosed in note 27 to the consolidated financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules. The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the year under review.

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

QUALIFICATION REQUIREMENT

Foreign Investment Law

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

On 15 March 2019, the FIL was adopted by the second meeting of the 13th National People's Congress and will become effective from 1 January 2020. The Law of the PRC on Sino-Foreign Equity Joint Ventures《中華人民共和國中外合資經營企業法》, the Law of the PRC on Sino-Foreign Cooperative Joint Ventures《中華人民共和國中外合作經營企業法》, the Law of the PRC on Wholly Foreign-owned Enterprises《中華人民共和國外資企業法》(together referred to as the "**Former FIL**") will be replaced upon the effectiveness of the FIL and the FIL will become the PRC foreign investment legal regime. According to the FIL, existing companies established under the Former FIL may maintain their existing organisational structure within five years from the date of the FIL come into force. The FIL stipulates four forms of foreign investment but it does not specify the regulatory requirements on controlling through contractual arrangements. However, the FIL includes "foreign investors that invest in China through any other forms under laws, administrative regulations or provisions prescribed by the State Council", Therefore, there are possibilities that future laws, administrative regulations and provisions of the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the contractual arrangements will be deemed to be in violation of the foreign investment access requirements. The Board will continuously monitor the updates on the FIL and seek guidance from the PRC legal advisor to ensure the compliance with all relevant rules and regulations in the PRC at all times.

Updates in Relation to the Qualification Requirement

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

On the basis that (a) the principals and other chief executive officers of the PRC Operating Schools are PRC nationals; and (b) the representatives or the directors of the PRC Operating Schools are appointed by PRC entities, the PRC legal adviser of the Company is of the view that the PRC Operating Schools are in full compliance with the Foreign Control Restriction as stipulated above.

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

Efforts and Actions Undertaken to Comply with the Qualification Requirement

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

- on 18 May 2018, the Group entered into a consulting agreement with an independent education consultant with extensive experience and background in private post-secondary education in the State of California, the United States, pursuant to which the consultant shall provide consultation and adviser services in relation to (i) the incorporation of a subsidiary company with a view to providing education services in California; and (ii) the licensing application to be submitted to California Bureau for Private Postsecondary Education in California; and

- on 1 June 2018, the Group submitted an application for the incorporation of an operating entity in the State of California, the United States, namely Gingko American College. Gingko American College is expected to be responsible for the daily operation and management of the education businesses (including higher education and vocational training) in the State of California, the United States. The Group will seek accreditation to grant degree for the higher education programs upon fulfilment of certain conditions and satisfactory review of the relevant authorities. The approval process is expected to be completed within approximately 18 months from the date of application.

REGULATORY UPDATE

On 7 November 2016, the Decision on Amending the Law for Promoting Private Education of the PRC (《關於修改民辦教育促進法之決定》) (the "**Amendment Decision**") was approved by the Standing Committee of the National People's Congress, which became effective on 1 September 2017. It has made certain amendments to the Law for Promoting Private Education (《民辦教育促進法》). According to the Amendment Decision, sponsors of private schools can choose to establish schools as non-profit or for-profit entities, with the exception of schools providing compulsory education, which can only be established as non-profit entities. On 29 December 2018, the Decision of the Standing Committee of the National People's Congress on Amending the Seven Laws of the Labor Law of the PRC was promulgated by Order No. 55 of the President of the PRC and became effect on 29 December 2018, where two minor amendments on Article 26 and Article 64 of the Amendment Decision were made.

In addition to the Amendment Decision, state-level government authorities also issued certain implementing rules. On 30 December 2016, five state-level government departments, including the MOE, jointly issued the Classification Registration Rules. The Classification Registration Rules stipulates that if an existing private school chooses to register as a for-profit private school, it shall make financial settlement, identify the ownership of the schools' land, buildings and accumulations with the consent of the relevant departments of the people's governments at or below the provincial level, pay relevant taxes and fees, obtain a new school operation licence, apply for re-registration and continue the school operations. The Classification Registration Rules also stipulates that the provincial people's government shall be responsible for formulating the detailed measures on the alteration of the registration of private schools in accordance with national laws and various applicable local circumstances. There are also other state-level regulations, such as the Implementing Measures for the Supervision and Administration of For-profit Private Schools (《營利性民辦學校監督管理實施細則》), which was published on 30 December 2016 and sets forth detailed measures regarding the establishment, modification and termination of a for-profit private school, education and teaching related activities carried out by and financial management of a for-profit private school, and the Notice of the State Administration for Industry and Commerce and the Ministry of Education on the Registration and Administration of the Name of For-Profit Private School (《工商總局、教育部關於營利性民辦學校名稱登記管理有關工作的通知》). Furthermore, the Education Department of Sichuan Province and four other government authorities jointly issued the Sichuan Classification Registration Rules in May 2018, which introduced general procedures for the existing private schools to choose as a for-profit or non-profit private school. However, the Sichuan Classification Registration Rules did not expressly stipulate a specific way for the existing private schools to choose as a for-profit or non-profit private school or introduce an interim period during which time the existing administrative measures should still apply to the existing private schools.

Under the existing regulatory environment and based on the current interpretation of the Amendment Decision and the relevant implementing measures, the Group intends to register the school the Group currently owns and the schools the Group plans to open and operate as for-profit schools after the implementing measures for the Amendment Decision become available and practicable, and the detailed local rules and regulations regarding the conversion of existing schools are promulgated by relevant local authorities and take effect. The Group is unable to fully evaluate at this stage the potential impact of such regulatory charges on the operations. As at 31 December 2018, there was no update in relation to the Group's re-registration as a for-profit or non-profit private school.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, the Group had 693 employees, as compared with 538 employees as at 31 December 2017. The increase of the Group's number of employees was mainly attributable to the Group's cessation of outsourcing of property management service to a related party during the year ended 31 December 2018 and the Group's recruitment of new staff to provide such service itself. The Group also continued recruiting qualified teachers for Yinxing College to enhance its teaching quality. As required by the PRC laws and regulations, the Group participates in various employee social security plans for the employees that are administered by local governments, including, among other things, housing provident fund, pension, medical insurance, social insurance and unemployment insurance. The Board believes that the Group is maintaining a favourable working relationship with its employees, and it has experienced no major labour disputes during the year ended 31 December 2018.

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

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

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

DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and those of the five highest paid individuals of the Group for the year ended 31 December 2018 are set out in notes 9 and 30 to the consolidated financial statements of the Group in this annual report.

None of the Directors waived his/her emoluments nor has agreed to waive his/her emoluments for the year ended 31 December 2018.

PURCHASE, SALE, RE-PURCHASE OR REDEMPTION OF SHARES

There was no purchase, sale, re-purchase or redemption of any listed securities of the Company by the Company or any of its subsidiaries during the year ended 31 December 2018.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

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

The code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules were not applicable to the Company before the Listing Date.

From the Listing Date and up to the date of this annual report, the corporate governance practices adopted by the Company had complied with all of the code provisions of the CG Code, save and except for the deviation to code provision A.2.1. For details, please refer to the "Corporate Governance Report" which is set out on pages 49 to 63 of this annual report.

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

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own securities dealing code to regulate all dealings by Directors in the securities of the Company and other matters covered by the Model Code. As the Company was not yet listed on the Stock Exchange as at 31 December 2018, the provisions under the Listing Rules in relation to compliance with the Model Code by the Directors regarding securities transactions were not applicable to the Company for the year ended 31 December 2018.

Specific enquiry has been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code since the Listing Date and up to the date of this annual report.

CONFIRMATION OF INDEPENDENT STATUS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2018, none of the Directors or their respective close associates had interests in businesses which compete or are likely to compete, either directly or indirectly, with the business of the Group pursuant to the Listing Rules.

DEED OF NON-COMPETITION

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

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

SUFFICIENT PUBLIC FLOAT

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

RELATIONSHIPS WITH STAKEHOLDERS

The Company is committed to maintaining a good relationship with teachers, students and other stakeholders that have a significant impact on the Company and on which the Company's success depends. During the year ended 31 December 2018, there were no material and significant dispute between the Group and its employees, suppliers and/or customers.

PERMITTED INDEMNITY PROVISIONS

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

Such permitted indemnity provision has been in force for the year ended 31 December 2018. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

RELIEF OF TAXATION

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2018.

EVENTS AFTER THE REPORTING PERIOD

On 18 January 2019, the shares of the Company were listed on the Main Board of the Stock Exchange. 125,000,000 ordinary shares of the Company were issued at an offer price of HK$1.44 per Share.

On 8 March 2019, Yinxing College entered into certain finance lease agreements with International Far Eastern Leasing Co., Ltd. (遠東國際租賃有限公司) ("**Far Eastern Leasing**"), an independent third party, pursuant to which Far Eastern Leasing purchased certain equipments owned by Yinxing College from Yinxing College at an aggregate consideration of RMB57,000,000 and leased the equipments back to Yinxing College for a term of 36 months at an estimated total lease amount of approximately RMB65,450,000. Yinxing Education and Gingko Asset Management jointly and severally guaranteed Yinxing College's payment obligations accordingly.

On 14 March 2019, Gingko Asset Management and Sichuan Province Yibin City Natural Resources and Planning Bureau entered into a land use rights grant contract in respect of the grant of a piece of land located in the east of Feng Huang Da Dao, Nanxi District, Yibin City, Sichuan Province with a total site area of approximately 333,360 square metres for education and research usage to Gingko Asset Management following successful bidding at a consideration of RMB155,012,400.

Save as disclosed in this annual report, there was no other significant event relevant to the business or financial performance of the Group that come to the attention of the Directors since 31 December 2018.

REVIEW OF THE ANNUAL RESULTS

The Audit Committee had reviewed this annual report (including the Consolidated financial statements at the Company) and the annual results announcement of the Company for the year ended 31 December 2018 and had submitted the same to the Board for approval. Members of the Audit Committee were of the opinion that the Financial Statements, the results announcement and this annual report had been prepared in compliance with the applicable accounting standards and the Listing Rules and that adequate disclosure had been made.

AUDITORS

The financial statements of the Company for the year ended 31 December 2018 have been audited by PricewaterhouseCoopers which will retire, and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

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

For and on behalf of the Board of Directors
FANG Gongyu
Chairman

29 March 2019

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

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

CORPORATE GOVERNANCE PRACTICES

As the Company's Shares in issue were not yet listed on the Stock Exchange during the year ended 31 December 2018, the CG Code as contained in Appendix 14 to the Listing Rules was not applicable to the Company during the period under review. The Company has adopted all applicable code provisions as set out in the CG Code as the basis of the Company's corporate governance practices, and the CG Code has been applicable to the Company with effect from the Listing Date. Save for the deviation from code provision A.2.1 of the CG Code as explained under "Chairman and Chief Executive Officer" below, the Company has complied with all the applicable code provisions set out in the CG Code from the Listing Date and up to the date of this annual report.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as contained in Appendix 10 to the Listing Rules as its own code of conduct governing the securities transactions by the Directors. As the Company was not yet listed on the Stock Exchange as at 31 December 2018, the provisions under the Listing Rules in relation to compliance with the Model Code by the Directors regarding securities transactions were not applicable to the Company for the year ended 31 December 2018. Following a specific enquiry made by the Company on each of the Directors, all Directors have confirmed that they had complied with the Model Code from the Listing Date and up to the date of this annual report.

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

BOARD OF DIRECTORS

Responsibilities

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

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

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

Composition

The Board currently comprises seven members, consisting of four executive Directors and three independent non-executive Directors, as follows:

Executive Directors

Mr. FANG Gongyu *(chairman and chief executive officer)*
Mr. TIAN Tao
Ms. YU Yuan
Ms. LIU Dan

Independent non-executive Directors

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

The biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 14 to 18 of this annual report. A list of the Directors identifying their roles and functions is available on the Stock Exchange's and the Company's website.

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

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

DIRECTORS' LIABILITIES INSURANCE

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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

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

DIRECTORS' INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

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

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

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

The trainings received by each Director during the year ended 31 December 2018 are summarised as follows:

Name of Director	Training(s) or seminar(s) on updated laws and regulations	Reading materials relating to Directors' professional knowledge
Executive Directors		
Mr. FANG Gongyu *(chairman)*	✓	✓
Mr. TIAN Tao	✓	✓
Ms. YU Yuan	✓	✓
Ms. LIU Dan	✓	✓
Independent non-executive Directors		
Mr. JIANG Qian	✓	✓
Mr. CHONG Man Hung Jeffrey	✓	✓
Mr. YUAN Jun	✓	✓

MEETINGS OF THE BOARD AND DIRECTORS' ATTENDANCE RECORDS

Since the Listing Date and up to the date of the report, a Board Meeting of the Company was held on 29 March 2019 to approve, amongst other things, the Group's final results for the year ended 31 December 2018. Details of the attendance of the Directors to the Board meetings subsequent to the Listing Date and up to the date of this report are as follows:

Name of Directors	Attendance/Number of Meetings
Executive Directors	
Mr. FANG Gongyu *(chairman)*	1/1
Mr. TIAN Tao	1/1
Ms. YU Yuan	1/1
Ms. LIU Dan	1/1
Independent non-executive Directors	
Mr. JIANG Qian	1/1
Mr. CHONG Man Hung Jeffrey	1/1
Mr. YUAN Jun	1/1

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

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

BOARD DIVERSITY POLICY

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

BOARD COMMITTEES

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

Audit Committee

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

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

- making recommendations to the Board on the appointment, reappointment and removal of the external auditors, to approve the remuneration and terms of engagement of the external auditors, and to deal with any issues relating to their resignation or dismissal;

- reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and discussing with the external auditors the nature and scope of the audit and reporting obligations before the audit commences;

- developing and implementing policy on engaging external auditors to supply non-audit services and reporting to the Board, identifying and making recommendations on any matters where action or improvement is needed;

- monitoring integrity of the Company's financial statements, annual report and accounts and half-year report and, reviewing significant financial reporting judgements contained in them;

- reviewing the Company's financial controls, risk management and internal control systems;

- discussing the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems;

- considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

- ensuring coordination between the internal and external auditors, and that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

- reviewing the Group's financial and accounting policies and practices;

- reviewing the external auditors' management letter, any material queries raised by the auditors to management about accounting records, financial accounts or systems of risk management and control and management's response;

- ensuring that the Board will provide a timely response to the issues raised in the external auditors' management letter;

- acting as the key representative body for overseeing the Company's relationship with the external auditor;

- reviewing arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management, internal control or other matters;

- reporting to the Board on the matters in the code provisions of the CG Code;

- performing the Company's corporate governance functions; and

- considering other topics, as defined by the Board.

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

As the Company was only listed on the Stock Exchange on 18 January 2019, no Audit Committee Meeting was held during the year ended 31 December 2018. However, subsequent to the end of the report period and up to the date of this annual report, an Audit committee meeting was held on 29 March 2019 to review the Group's final results for the year ended 31 December 2018 before their submission to the Board, significant issues on the financial reporting and compliance procedures, the effectiveness of the internal control and risk management systems and the appointment of external auditors.

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

Name of Directors	Attendance/Number of Meetings
Mr. CHONG Man Hung Jeffrey *(chairman)*	1/1
Mr. JIANG Qian	1/1
Mr. YUAN Jun	1/1

Remuneration Committee

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

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

- making recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- reviewing and approving the terms of individual executive Director's service contracts and senior management's remuneration proposals with reference to the Board's corporate goals and objectives;
- determining, with delegated responsibility, the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- making recommendations to the Board on the remuneration of the non-executive Directors;
- considering salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
- assessing performance of individual executive Directors;

- reviewing and approving compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

- reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

- ensuring that no Director or any of his associates is involved in deciding his own remuneration.

As the Company was only listed on the Stock Exchange on 18 January 2019, no Remuneration Committee meeting was held during the year ended 31 December 2018. However, subsequent to the end of the reporting period and up to the date of this annual report, a Remuneration Committee meeting was held on 29 March 2019 to review and make recommendations to the Board on the remuneration packages of the Directors and senior management of the Company.

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

Name of Directors	Attendance/Number of Meetings
Mr. JIANG Qian *(chairman)*	1/1
Mr. YUAN Jun	1/1
Ms. YU Yuan	1/1

Nomination Committee

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

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

- reviewing the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

- assessing the independence of Independent Non-executive Directors;

- making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive;

- reviewing the policy on Board diversity and any measurable objectives for implementing such policy as may be adopted by the Board from time to time and to review the progress on achieving the objectives.

As the Company was only listed on the Stock Exchange on 18 January 2019, no Nomination Committee meeting was held during the year ended 31 December 2018. However, subsequent to the end of the review period and up to the date of this annual report, a Nomination Committee Meeting was held on 29 March 2019 to review the structure, size and composition of the Board and have concluded that members of the Board have possessed the expertise and independence to carry out the Board's functions and responsibilities and assess the independence of Independent Non-executive Director.

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

Name of Directors	Attendance/Number of Meetings
Mr. FANG Gongyu *(chairman)*	1/1
Mr. Jiang Qian	1/1
Mr. YUAN Jun	1/1

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

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

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

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration of senior management of the Group. Details of the remuneration of each of the Directors of the Company for the year ended 31 December 2018 are set out in note 30 to the financial statements.

Pursuant to paragraph B.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed "Biographical Details of Directors and Senior Management" in this annual report for the year ended 31 December 2018 by band is set out below:

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

INDEPENDENT AUDITORS' REMUNERATION

For the year ended 31 December 2018, PricewaterhouseCoopers was engaged as the Group's independent auditors. Apart from the provision of annual audit services, PricewaterhouseCoopers provided the audit and non-audit services in connection with the Listing.

The remuneration paid/payable to the independent auditors in respect of the year ended 31 December 2018 is set out below:

Service Category	Fees Paid/Payable (HK$'000)
Audit Services	
• Annual audit	1,139
• Reporting accountants' services in relation to the Listing	4,076
Non-audit Services	
• Tax advisory services	76
Total	5,291

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2018. The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on the Company's performance, positions and prospects. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

In addition, PricewaterhouseCoopers has stated in the independent auditor's report its reporting responsibilities on the Company's consolidated financial statements for the year ended 31 December 2018.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of the risks the Company is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems. The Board acknowledges that such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. The Company has reviewed the need for an internal audit function since the Listing Date. Internal audit function of the Company has been carried out under the leadership of the Board and the Audit Committee.

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

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

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

- The Board is responsible and has the general power to manage the operations of the Group, and is in charge of managing the overall risks of the Group. It is responsible for considering, reviewing and approving any significant business decision involving material risk exposures, such as the decision to expand the school network into new geographic areas, to raise the tuition fees, and to enter into cooperative business relationships with third parties to launch new education programs;

- The Group has established the procedures in response to emergency conditions. Pursuant to such procedures, the Group has established a working group under the security department of Yinxing College to prepare solutions in response to emergency conditions;

- The Group established an Audit Committee to review and supervise the financial reporting process and internal control system;

- The Group has adopted various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to risk management, connected transactions and information disclosure; and

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

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

The Group engaged an independent internal control consultant to conduct an assessment of the internal control system of the Group for 2018. The review covered all material risks and controls, including financial, operational, business and strategic, compliance as well as risk management. The independent internal control consultant carried out an analysis and independent appraisal of the adequacy and effectiveness of the risk management and internal control systems of the Company through, among others, the examination of risk-related documentation prepared by operation units and the management and conducting interviews with employees at all levels. The senior executives in charge of the internal audit function together with the independent internal control consultant attended meetings of the Audit Committee to explain the internal audit findings and responded to queries from members of the Audit Committee. The Board, through the Audit Committee, has conducted a review of the effectiveness of the internal control system of the Group and considers that the Group's risk management and internal control are adequate and effective. The Board expects that a review of the risk management and internal control systems will be performed annually.

DISCLOSURE OF INSIDE INFORMATION

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

- the Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;

- the Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and the Company's website;

- the Group has strictly prohibited unauthorised use of confidential or inside information; and
- the Group has established and implemented procedures for responding to external enquiries about the Group's affairs, so that only the executive Directors, the Joint Company Secretaries and the chief financial officer of the Company are authorised to communicate with parties outside the Group.

JOINT COMPANY SECRETARIES

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

Mr. Tian and Mr. Wan Chi Hei were appointed as the joint company secretaries of the Company on 7 June 2018. The biographies of the joint company secretaries are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 14 to 18 of this annual report. During the year ended 31 December 2018, Mr. Wan undertook not less than15 hours of professional training to update his skills and knowledge.

SHAREHOLDERS' RIGHTS

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

Procedures for Putting Forward Proposals at Shareholders' Meetings

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

Procedures for Shareholders to Convene an EGM

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

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

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

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

Procedures for Shareholders to Send Enquires to the Board

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

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

1. the matters within the Board's purview to the executive Directors;

2. the matters within a Board committee's area of responsibility to the chairman of the appropriate committee; and

3. ordinary business matters, such as suggestions, enquiries and client complaints to the appropriate management of the Company.

DIVIDEND POLICY

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

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

At the meeting of the Board held on 29 March 2019, the Directors had resolved not to recommend the payment of a final dividend for the year ended 31 December 2018.

COMPLIANCE ADVISER

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

INVESTOR RELATIONS AND COMMUNICATION WITH THE SHAREHOLDERS

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

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

The AGM will be held on 21 June 2019. Notice of the AGM will be published and issued to Shareholders in compliance with the M&A and the Listing Rules.

CONSTITUTIONAL DOCUMENTS

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

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

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

Opinion

What we have audited

The consolidated financial statements of China Gingko Education Group Company Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 69 to 127, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue Recognition — Tuition and Boarding Fees Refer to notes 2.21 and 5 to the consolidated financial statements. Revenue mainly comprised the tuition and boarding fees from students, amounting to RMB135 million for the year ended 31 December 2018, and these fees are generally received in advance prior to the beginning of each academic year. Tuition and boarding fees are recognised proportionately over the terms of the applicable program or the beneficial period for the students, where applicable. Due to the large volume of transactions processed and significant amount of tuition and boarding fees, we considered it as a key audit matter.	Our audit procedures in relation to revenue recognition of tuition and boarding fees included the following: — Understanding, evaluating and testing the Group's key controls over the admission of students and collection of tuition and boarding fees; — Checking the relevant official student records and the reconciliation of total number of enrolled students in respective academic years to the official student records registered with the relevant education authorities of the People's Republic of China; — On a sample basis, checking the existence of the students in the financial year by interviewing respective students and agreeing the relevant official student records including the student names, their personal identity card numbers and student identification numbers and academic subjects; — On a sample basis, checking the evidence of tuition and boarding fees received from students; — Performing recalculation of the amount of contract liabilities and the tuition and boarding fees recognised during the year in accordance with the terms of the applicable program or the beneficial period for the students, where applicable. Based on the procedures performed, we found the Group's tuition and boarding fees tested were supported by available evidence.

Other Information

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

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

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

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

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Tang Wai Tung.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 29 March 2019

For the year ended 31 December 2018
(All amounts expressed in RMB thousands unless otherwise stated)

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Revenue	5	**156,605**	139,020
Cost of sales	8	**(85,080)**	(77,708)
Gross profit		**71,525**	61,312
Selling expenses	8	**(1,948)**	(1,640)
Administrative expenses	8	**(43,385)**	(22,272)
Other income	6	**917**	696
Other gains/(losses) — net	7	**528**	14
Operating profit		**27,637**	38,110
Finance income	10	**926**	786
Finance expenses	10	**(3,916)**	—
Finance (expenses)/income — net		**(2,990)**	786
Share of net profit of an associate accounted for using the equity method		**1,031**	2,300
Profit before income tax		**25,678**	41,196
Income tax expenses	11	**(770)**	—
Profit for the year		**24,908**	41,196
Other comprehensive income for the year		**—**	—
Total comprehensive income for the year		**24,908**	41,196
Profit and total comprehensive income attributable to owners of the Company		**24,908**	41,196
Earnings per share for profit attributable to owners of the Company			
Basic and diluted (RMB Yuan)	12	**0.07**	0.11

The notes on pages 73 to 127 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2018
(All amounts expressed in RMB thousands unless otherwise stated)

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Prepaid land lease payments	13	**38,734**	39,742
Property, plant and equipment	14	**379,595**	327,517
Intangible assets	15	**870**	1,093
Prepayments	18	**133**	284
Interest in an associate	19	**—**	12,558
		419,332	381,194
Current assets			
Trade and other receivables	17	**827**	1,431
Amounts due from a related party	27	**—**	12,312
Prepayments	18	**12,566**	744
Cash and cash equivalents	20	**114,814**	75,965
		128,207	90,452
Total assets		**547,539**	471,646
EQUITY			
Share capital	21	**—**	—
Reserves	22	**67,936**	68,050
Retained earnings	22	**257,674**	232,652
Total equity		**325,610**	300,702
LIABILITIES			
Non-current liabilities			
Borrowings	24	**78,500**	—
Current liabilities			
Accruals and other payables	23	**38,987**	88,764
Amounts due to related parties	27	**—**	9,181
Borrowings	24	**26,148**	—
Contract liabilities	5	**77,534**	72,999
Current income tax liabilities		**760**	—
		143,429	170,944
Total liabilities		**221,929**	170,944
Total equity and liabilities		**547,539**	471,646

The notes on pages 73 to 127 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 69 to 127 were approved and authorised for issue by the board of directors on 29 March 2019 and were signed on its behalf:

Fang Gongyu
Director

Tian Tao
Director

For the year ended 31 December 2018
(All amounts expressed in RMB thousands unless otherwise stated)

	Attributable to owners of the Company				
	Share capital *RMB'000* *(Note 21)*	**Capital reserves** *RMB'000* *(Note 22(a))*	**Statutory surplus reserves** *RMB'000* *(Note 22(b))*	**Retained earnings** *RMB'000*	**Total** *RMB'000*
As at 1 January 2017	—	50,000	16,618	192,888	259,506
Profit and total comprehensive income for the year	—	—	—	41,196	41,196
Transactions with owners in their capacity as owners					
Transferred from retained earnings	—	—	1,432	(1,432)	—
As at 31 December 2017	—	50,000	18,050	232,652	300,702
As at 1 January 2018	**—**	**50,000**	**18,050**	**232,652**	**300,702**
Profit and total comprehensive income for the year	**—**	**—**	**—**	**24,908**	**24,908**
Transactions with owners in their capacity as owners					
Transferred to retained earnings	**—**	**—**	**(114)**	**114**	**—**
As at 31 December 2018	**—**	**50,000**	**17,936**	**257,674**	**325,610**

The notes on pages 73 to 127 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2018
(All amounts expressed in RMB thousands unless otherwise stated)

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Cash generated from operations	25	718	62,132
Interest received		556	491
Income tax paid		(10)	—
Net cash generated from operating activities		1,264	62,623
Cash flows from investing activities			
Purchases of property, plant and equipment		(76,205)	(27,369)
Purchases of intangible assets		(187)	(18)
Proceeds from disposal of property, plant and equipment	25	4	—
Dividends from an associate		689	507
Proceeds from disposal of interest in an associate		13,602	—
Proceeds from disposal of a subsidiary, net of cash paid		15	—
Interest received from related parties		704	—
Loans to related parties	27	(153,000)	(14,500)
Receipts of repayment of loans to related parties	27	165,000	2,500
Net cash used in investing activities		(49,378)	(38,880)
Cash flows from financing activities			
Capital contribution from owners		—	—
Proceeds from bank borrowings		100,000	—
Borrowings from third parties		6,148	—
Repayment of borrowings from bank		(1,500)	—
Borrowings from related parties	27	5,000	—
Repayment of borrowings from related parties	27	(14,100)	(13,500)
Interest paid		(5,105)	(809)
Professional expenses paid in connection with the issuance of new shares during the listing process		(3,480)	—
Net cash generated from/(used in) financing activities		86,963	(14,309)
Net increase in cash and cash equivalents		38,849	9,434
Cash and cash equivalents at beginning of the year		75,965	66,531
Cash and cash equivalents at end of the year		114,814	75,965

The notes on pages 73 to 127 are an integral part of these consolidated financial statements.

1 General information of the Group and Reorganisation

1.1 General information

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

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

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

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 18 January 2019 (the "**Listing**") by way of its initial public offering (the "**IPO**"). Please refer to note 33(a) for details.

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

1.2 Reorganisation

Immediately prior to the Reorganisation as defined below, the main operating activities of the Group were carried out by Gingko Asset Management Co., Ltd. ("**Gingko Asset Management**"), Yinxing Hospitality Management College of CUIT ("**Yinxing College**") and Chengdu Yinxing Hotel Vocational Skills Training School ("**Yinxing Training School**") (collectively the "**Consolidated Affiliated Entities**") which were incorporated or established in the PRC and ultimately controlled by the Controlling Shareholder.

In preparation for the initial public offering of the shares of the Company on the Main Board of the Stock Exchange, the Group underwent a reorganisation (the "**Reorganisation**"), pursuant to which the beneficial interests of the companies engaged in the Business were transferred to the Company. Details of the Reorganisation are set out below:

(i) On 23 March 2018, the Company was incorporated in Cayman Islands as an exempted company with limited liability in the Cayman Islands with one share being allotted and issued to the initial subscriber. On the same date, the subscriber share of the Company was transferred to Vast Universe Company Limited ("**Vast Universe**"), a company incorporated in the British Virgin Islands ("**BVI**") on 21 March 2018 and wholly-owned by the Controlling Shareholder. The Company then issued and allotted an additional 9,774 shares at par value to Vast Universe and 225 shares at par value to HFYX Company Limited ("**HFYX**"), a company incorporated in the BVI on 21 March 2018 and wholly-owned by Mr. Tian Tao ("**Mr. Tian**"). Upon the issuance and allotment of shares, Mr. Fang and Mr. Tian effectively owned 97.75% and 2.25% equity interest of the Company.

For the year ended 31 December 2018
(All amounts expressed in RMB thousands unless otherwise stated)

1 General information of the Group and Reorganisation (Continued)

1.2 Reorganisation (Continued)

(ii) On 26 March 2018, Gingko Education Investment Company Limited ("**Gingko BVI**") was incorporated as a limited liability company under the laws of the BVI, one share was issued and allotted to the Company at US$1 per share on the same date.

(iii) On 23 April 2018, Gingko Education Management Holding Company Limited ("**Gingko HK**") was incorporated in Hong Kong as a limited liability company. On the same date, 10,000 shares, represents the entire equity interest of Gingko HK, were issued and allotted to Gingko BVI at par value.

(iv) On 15 May 2018, pursuant to an equity transfer agreement dated 12 March 2018, Yinxing College transferred its entire equity interests in Chengdu Shujiang Tourism Planning Co., Ltd. ("**Chengdu Tourism**") to Chengdu Gingko Jin'ge Investment Co., Ltd. ("**Jin'ge Investment**"), a company controlled by Mr. Fang, at a consideration of RMB100,000 and settled in cash.

(v) On 30 May 2018, Chengdu Yinxing Education Management Co., Ltd. ("**Yinxing Education**") is established in PRC by Gingko HK as wholly-foreign owned enterprise with a register capital of HK$10,000,000.

(vi) On 14 June 2018, pursuant to an equity transfer agreement dated 30 May 2018, Gingko Asset Management transferred the 11% equity interest in Sichuan Airlines Chongqing Airport Catering Services Co., Ltd. ("**Sichuan Catering**"), which has been accounted for interests in an associate before disposal, to Jin'ge Investment at a consideration of RMB13,602,000 and was settled in cash. Sichuan Catering is not an associate to the Group upon the completion of the equity transfer.

(vii) Pursuant to a series of contractual agreements signed on 14 June 2018 (the "**Contractual Agreements**") among Yinxing Education, the Consolidated Affiliated Entities and the equity shareholder including Mr. Fang and Mr. Tian, Yinxing Education is able to effectively control of the Consolidated Affiliated Entities and became entitled to the economic benefits generated by these entities. Accordingly, the Consolidated Affiliated Entities became subsidiaries of Yinxing Education. Further details of the Contractual Arrangements are set out in note 2.2.1 below.

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Business was mainly conducted by the Consolidated Affiliated Entities, and was managed and controlled by the Controlling Shareholder. Pursuant to the Reorganisation, both the Consolidated Affiliated Entities and the Business are under the effective control of the Yinxing Education and ultimately the Company through the Contractual Arrangements. The Company had not been involved in any other business prior to the Reorganisation and does not result in any changes in management, owner and business substance. Accordingly the Group resulting from the Reorganisation is regarded as a continuation of the Business and the consolidated financial statements of the companies now comprising the Group have been prepared on a consolidated basis and is presented using the respective carrying value of the Business for all years presented.

Inter-company transactions, balances and unrealised gains/losses on transactions between the companies within the Group are eliminated on consolidation.

(All amounts expressed in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

New and amended standards adopted by the Group

HKFRS 9, 'Financial instruments' and HKFRS 15, 'Revenue from contracts with customers' are effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group has applied HKFRS 9 and HKFRS 15 consistently throughout all the years presented.

New standards and interpretations not yet adopted

As at the date of these consolidated financial statements, the HKICPA has issued the following new standards and amendments relevant to the Group which are not yet effective for accounting periods beginning after 1 January 2019 and have not been early adopted.

		Effective for accounting periods beginning on or after
HK (IFRIC) Interpretation 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 16	Leases	1 January 2019
Amendments to HKFRS 9	Prepayment features with negative compensation	1 January 2019
Amendments to HKAS 19	Plan amendment, curtailment or Settlement	1 January 2019
Amendments to HKAS 28	Long-term interests in associates and joint ventures	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

New standards and interpretations not yet adopted (Continued)

Except as disclosed below, 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.

HKFRS 16 Leases

Under HKFRS 16, lessees are required to recognise a lease liability reflecting future lease payments and a right-of-use asset for all lease contracts in the balance sheet. Lessees will also have to present interest expense on the lease liability and depreciation on the right-of-use asset in the income statement. In comparison with operating leases under HKAS 17, this will change not only the allocation of expenses but also the total amount of expenses recognised for each period of the lease term. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. The new standard has included an optional exemption for certain short-term leases and leases of low-value assets. This exemption can only be applied by lessees.

The Group has set up a project team which has reviewed all of the Group's leasing arrangements existed as at 31 December 2018 in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases. There will be no material impact on the Group's accounting for operating leases as the accounting for lessors will not significantly change and the Group does not have material non-cancellable operating lease commitments as lessee as at the reporting date. As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately RMB152,000 (note 26(b)). Of these commitments, approximately RMB132,000 relate to short-term leases and RMB20,000 relate to low value leases which will both be recognised on a straight-line basis as expense in profit or loss.

2.2 Principles of consolidation and equity accounting

2.2.1 Consolidation

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

2 Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

2.2.1 Consolidation (Continued)

(a) Subsidiaries controlled through Contractual Arrangements

As part of the Reorganisation, a wholly-owned subsidiary of the Company, Yinxing Education, has entered into a series of Contractual Agreements with Consolidated Affiliated Entities and their respective shareholders, including Mr. Fang and Mr. Tian, on 14 June 2018, which enable Yinxing Education and the Group to:

— exercise effective financial and operational control over the Consolidated Affiliated Entities;

— exercise equity voting rights of the Consolidated Affiliated Entities;

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

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

— obtain a pledge over the entire equity interest of the Consolidated Affiliated Entities from their equity holders to secure performance of the obligations of the Consolidated Affiliated Entities under the Contractual Arrangements.

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

For the year ended 31 December 2018
(All amounts expressed in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

2.2.1 *Consolidation* (Continued)

(a) *Subsidiaries controlled through Contractual Arrangements* (Continued)

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

(b) *Business combination*

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

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

Acquisition-related costs are expensed as incurred.

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

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

2 Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

2.2.1 Consolidation (Continued)

(b) *Business combination* (Continued)

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

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

(c) *Changes in ownership interests*

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

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

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

For the year ended 31 December 2018
(All amounts expressed in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

2.2.1 Consolidation (Continued)

(d) *Disposal of subsidiaries*

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

(e) *Associates*

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

(f) *Equity accounting*

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

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

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

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

2 Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

2.2.2 Separate financial statements

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

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

2 Summary of significant accounting policies (Continued)

2.5 Property, plant and equipment

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

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

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

Buildings	the shorter of useful life or lease term
Decoration	6 years
Electronic equipment	5 years
Furniture and fixtures	5 years
Vehicles	5 years
Books	2–3 years

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

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

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

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

2.6 Prepaid land lease payments

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

2 Summary of significant accounting policies (Continued)

2.7 Intangible assets

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

2.8 Impairment of non-financial assets

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

2.9 Financial assets

2.9.1 Classification

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

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

- those to be measured at amortised cost.

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

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

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

2 Summary of significant accounting policies (Continued)

2.9 Financial assets (Continued)

2.9.2 Measurement

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

Debt instruments

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

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

2.9.3 Impairment

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

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

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

2.10 Offsetting financial instruments

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

2 Summary of significant accounting policies (Continued)

2.11 Trade and other receivables and amounts due from a related party

Trade receivables are amounts due from students and other third parties for services performed in the ordinary course of business. Amounts due from a related party are loans provided to a related party with interests, they are unsecured and repayable on demand. If collection of trade and other receivables and amounts due from a related party are expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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

2.12 Contract assets and liabilities

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

2.13 Cash and cash equivalents

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

2.14 Share capital

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

2.15 Accruals and other payables and amounts due to related parties

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

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

2 Summary of significant accounting policies (Continued)

2.16 Borrowings

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

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

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

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

2.17 Borrowing costs

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

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

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

2 Summary of significant accounting policies (Continued)

2.18 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

2 Summary of significant accounting policies (Continued)

2.18 Current and deferred income tax (Continued)

(c) Offsetting

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

2.19 Employee benefits

(a) Pension obligations

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

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

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

(c) Employee leave entitlements

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

2.20 Provisions

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

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

2 Summary of significant accounting policies (Continued)

2.20 Provisions (Continued)

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

2.21 Revenue recognition

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

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

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

2.22 Interest income

Interest income is recognised using the effective interest method.

2.23 Government grant

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

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

2.24 Leases

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

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

2 Summary of significant accounting policies (Continued)

2.25 Dividend distribution

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

2.26 Financial guarantee contracts

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

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

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

3 Financial risk management

3.1 Financial risk factors

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

(a) Market risk

(i) Interest rate risk

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

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

As at 31 December 2018, if the interest rates on the borrowings had been 50 basis points higher/lower than the prevailing rate announced by People's Bank of China, with all other variables held constant, the Group's profit for the year would have been RMB492,500 lower/higher (2017: RMB2,000).

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

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

As at 31 December 2018 and 2017, substantially all of the Group's bank deposits were deposited with major financial institutions incorporated in the PRC, which management believes are of high-credit-quality without significant credit risk.

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

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

(i) Trade receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. Based on historical experience, majority of the trade receivables were settled within credit term, hence the expected loss rate of current trade receivables are assessed to be 0.1%. The loss allowance provision for these balances was not material during the years ended 31 December 2018 and 2017.

(ii) Other receivables and amounts due from a related party

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

For the year ended 31 December 2018
(All amounts expressed in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) *Liquidity risk*

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group expects to fund its future cash flow needs through internally generated cash flows from operations and borrowings from the financial institutions. Management believes that there is no significant liquidity risk in view of the expected cash flow from operations and continuing support from banks in the coming twelve months from the balance sheet date of 31 December 2018.

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

	Less than 1 year	Between 1 and 2 years	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2018			
Borrowings (principal plus interests)	31,295	79,266	110,561
Accruals and other payables (excluding non-financial liabilities)	32,142	—	32,142
Total	63,437	79,266	142,703
As at 31 December 2017			
Accruals and other payables (excluding non-financial liabilities)	78,334	—	78,334
Amounts due to related parties	9,181	—	9,181
Total	87,515	—	87,515

3 Financial risk management (Continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total debt less cash and cash equivalents.

As at 31 December 2017 and 2018, the Group maintained at a net cash position.

3.3 Fair value estimation

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

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

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

4 Critical accounting estimates and judgments

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

4.1 Critical accounting estimates and assumptions

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

(a) Contractual Arrangements

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

4 Critical accounting estimates and judgments (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(b) *Income taxes and deferred taxation*

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

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

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

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

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(All amounts expressed in RMB thousands unless otherwise stated)

5 Segment information

The Group is principally engaged in provision of private higher education services in the PRC. The Group's chief operating decision maker (the "**CODM**") has been identified as the chief executive officer who considers the business from the service perspective.

For the purpose of resource allocation and performance assessment, the CODM reviews the overall results and financial position of the Group as a whole prepared based on the same accounting policies set out in note 2. Accordingly, the segment information is aggregated as a single reportable segment. Management of the Group assesses the performance of the reportable segment based on the revenue and gross profit for the year of the Group as presented in the consolidated statement of comprehensive income. No analysis of the Group's assets and liabilities is regularly provided to the management of the Group for review.

Revenues during the years ended 31 December 2018 and 2017 are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Tuition fees	**124,976**	115,127
Boarding fees	**9,924**	9,119
Meal catering service fees	**13,167**	11,555
Others *(note (a))*	**8,538**	3,219
	156,605	139,020

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

Represented by:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Recognised over time		
Tuition fees	**124,976**	115,127
Boarding fees	**9,924**	9,119
Others — research projects and training programs	**8,453**	3,172
Recognised at a point in time		
Meal catering service fees	**13,167**	11,555
Revenue from other source		
Lease income	**85**	47
	156,605	139,020

5 Segment information (Continued)

The Group's revenue is subject to seasonal fluctuations. Where students are required to pay tuition fees at the beginning of each academic year, recognition of tuition fees may be affected by regular school term breaks and vacation periods.

No customers individually accounted for more than 10% of the Group's revenue for the years ended 31 December 2018 and 2017.

Contract liabilities

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

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Contract liabilities related to tuition fees	**70,673**	66,627
Contract liabilities related to boarding fees	**6,861**	6,372
	77,534	72,999

(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	
	2018	2017
	RMB'000	*RMB'000*
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year		
Tuition fees	**66,627**	62,400
Boarding fees	**6,372**	5,982
	72,999	68,382

(2) Unsatisfied contracts

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Expected to be recognised within one year		
Tuition fees	**70,673**	66,627
Boarding fees	**6,861**	6,372
Others-research projects and training programs	**—**	20
	77,534	73,019

For the year ended 31 December 2018
(All amounts expressed in RMB thousands unless otherwise stated)

6 Other income

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Government subsidies *(note (a))*	**780**	590
Others	**137**	106
	917	696

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

7 Other gains/(losses) — net

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Gain on disposal of an interest in an associate *(note (a))*	**702**	—
Gain on disposal of a subsidiary *(note (b))*	**15**	—
Loss on disposal of property, plant and equipment	**(13)**	(14)
Others	**(176)**	28
	528	14

(a) The Group completed the disposal of equity interest in Sichuan Catering on 14 June 2018 as stated in note 1.2(vi), and recognised a gain on this disposal of approximately RMB702,000.

(b) The Group completed the disposal of entire equity interests in Chengdu Tourism on 15 May 2018 as stated in note 1.2(iv), and recognised a gain on this disposal of approximately RMB15,000.

8 Expenses by nature

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Employee benefit expenses *(note 9)*	**51,085**	45,820
Depreciation and amortisation	**18,845**	16,355
Joint tuition support fee *(note (a))*	**8,614**	8,109
Office expenses	**9,243**	8,097
Canteen purchases	**7,716**	7,824
Training expenses	**1,492**	645
Property management fees	**1,269**	1,987
Student activities expenses	**4,160**	4,532
Expenses in relation to the Listing	**19,336**	—
Auditors' remuneration (excluding Listing related services)	**1,000**	12
Other expenses	**7,653**	8,239
Total cost of sales, selling expenses and administrative expenses	**130,413**	101,620

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

9 Employee benefit expenses

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Wages, salaries and bonuses	**41,382**	38,129
Contribution to pension plan	**4,374**	3,333
Welfare and other expenses	**5,329**	4,358
	51,085	45,820

Employee benefit expenses were charged to the consolidated statement of comprehensive income for the years ended 31 December 2018 and 2017 as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Cost of sales	**36,584**	32,092
Administrative expenses	**14,501**	13,728
	51,085	45,820

For the year ended 31 December 2018
(All amounts expressed in RMB thousands unless otherwise stated)

9 Employee benefit expenses (Continued)

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year include one (2017: none) director whose emoluments are reflected in the analysis presented in note 30(a). Detail of the remunerations of the remaining highest paid non-director individuals are set out as below:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Wages, salaries and bonuses	**1,006**	1,157
Contribution to pension plan	**70**	67
Welfare and other expenses	**82**	59
	1,158	1,283

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

	Year ended 31 December	
	2018	2017
Emolument bands		
Nil — HKD$1,000,000	**4**	5

During the years ended 31 December 2018 and 2017, none of the directors or the five highest paid individuals waived or has agreed to waive any emoluments, and none of the directors or the five highest paid individuals received emoluments from the Group as inducement to join or upon joining the Group, or as compensation for loss of office.

10 Finance (expenses)/income — net

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Finance expenses:		
— Interest expenses on amounts due to related parties *(note 27(b))*	**(20)**	(809)
— Interest expenses on borrowings	**(5,355)**	—
	(5,375)	(809)
— Amounts capitalised in qualifying assets *(note 14(c))*	**1,459**	809
	(3,916)	—
Finance income:		
— Interest income on loans to a related party *(note 27(b))*	**370**	295
— Bank interest income	**556**	491
	926	786
Net finance (expenses)/income	**(2,990)**	786

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is 6.18% for the year ended 31 December 2018 (2017: 5.91%), which is the interest rate applicable to the Group's borrowings for construction in progress during the year.

For the year ended 31 December 2018
(All amounts expressed in RMB thousands unless otherwise stated)

11 Income tax expenses

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current tax		
Current tax on profits for the year	**770**	—

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate of PRC, the principal place of the Group's operations, as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Profit before income tax	**25,678**	41,196
Tax calculated at a taxation rate of 25% or relevant domestic tax rate applicable to profits in the respective countries	**7,821**	10,299
Tax effects of tuition income not subject to tax (iv)	**(13,113)**	(11,846)
Share of net profit of an associate accounted for using the equity method	**(258)**	(575)
Taxable income on disposal of interest in an associate	**2,620**	—
Deemed taxable income that land and buildings of Gingko Asset Management used by Yinxing College for free	**2,171**	2,028
Utilisation of previously unrecognised tax losses	**(232)**	(41)
Tax losses for which no deferred tax asset has been recognised	**1,761**	135
Income tax expense	**770**	—

(i) Cayman Islands corporate income tax

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

(ii) British Virgin Islands income 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 year ended 31 December 2018.

11 Income tax expenses (Continued)

(iv) PRC corporate income tax ("CIT")

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

According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. The preferential tax treatment polices applicable to private schools requiring reasonable returns are to be separately formulated by the relevant government authorities under the State Council of PRC. During the year and up to the date of approval of these consolidated financial statements, no regulations have been promulgated by such authorities in this regard. In accordance with the historical tax returns filed to the relevant tax authorities and the tax compliance confirmations obtained in the current year, 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 (2017: nil).

(v) Tax losses

Deferred income tax assets were recognised for losses carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately RMB1,761,000 as at 31 December 2018 (2017: RMB232,000) in respect of losses amounting to approximately RMB9,144,000 (2017: RMB929,000).

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

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
2019	**—**	165
2020	**—**	—
2021	**—**	224
2022	**—**	540
2023	**2,971**	—
	2,971	929

As at 31 December 2018, unused tax losses of approximately RMB6,173,000 (2017: nil) was incurred by Gingko HK and Gingko HK is not likely to generate taxable income in the foreseeable future. The losses can be carried forward and has no expiry date.

12 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	
	2018	2017
Basic and diluted earnings per share attributable to the ordinary equity holders of the Company (RMB Yuan)	**0.07**	0.11

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

	Year ended 31 December	
	2018	2017
	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:	**24,908**	41,196

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

	Year ended 31 December	
	2018	2017
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share (thousands)	**375,000**	375,000

The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the Reorganisation completed on 14 June 2018 and the Capitalisation Shares (as defined in note 21(c)) which took place on 18 January 2019.

13 Prepaid land lease payments

The Group's interests in land use rights represent land use right payments for land, located in the PRC and held on leases for 50 years.

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
As at the beginning of the year		
Cost	**50,398**	50,398
Accumulated amortisation	**(10,656)**	(9,648)
Net book amount	**39,742**	40,750
Opening net book amount	**39,742**	40,750
Amortisation	**(1,008)**	(1,008)
Closing net book amount	**38,734**	39,742
As at the end of the year		
Cost	**50,398**	50,398
Accumulated amortisation	**(11,664)**	(10,656)
Net book amount	**38,734**	39,742

Amortisation of the Group's prepaid land lease payments was included in the following categories in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Cost of sales	**979**	979
Administrative expenses	**29**	29
	1,008	1,008

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14 Property, plant and equipment

	Buildings RMB'000	Decoration RMB'000	Electronic equipment RMB'000	Furniture and fixture RMB'000	Vehicles RMB'000	Books RMB'000	Construction in progress RMB'000	Total RMB'000
As at 1 January 2017								
Cost	293,278	5,156	17,778	40,831	2,512	2,513	19,299	381,367
Accumulated depreciation	(35,862)	(732)	(14,049)	(25,638)	(2,039)	(1,236)	—	(79,556)
Net book amount	257,416	4,424	3,729	15,193	473	1,277	19,299	301,811
Year ended 31 December 2017								
Opening net book amount	257,416	4,424	3,729	15,193	473	1,277	19,299	301,811
Additions	—	10,856	510	6,944	261	2,409	19,493	40,473
Transfers	37,798	—	—	—	—	—	(37,798)	—
Disposals	—	—	—	—	(14)	—	—	(14)
Depreciation charge	(6,387)	(1,562)	(1,453)	(4,254)	(196)	(901)	—	(14,753)
Closing net book amount	288,827	13,718	2,786	17,883	524	2,785	994	327,517
As at 31 December 2017								
Cost	331,076	16,012	18,288	47,775	2,321	4,922	994	421,388
Accumulated depreciation	(42,249)	(2,294)	(15,502)	(29,892)	(1,797)	(2,137)	—	(93,871)
Net book amount	288,827	13,718	2,786	17,883	524	2,785	994	327,517
Year ended 31 December 2018								
Opening net book amount	288,827	13,718	2,786	17,883	524	2,785	994	327,517
Additions	—	5,933	909	1,866	488	1,309	59,017	69,522
Disposals	—	—	(4)	—	(13)	—	—	(17)
Depreciation charge	(6,924)	(2,931)	(1,004)	(4,812)	(270)	(1,486)	—	(17,427)
Closing net book amount	281,903	16,720	2,687	14,937	729	2,608	60,011	379,595
As at 31 December 2018								
Cost	331,076	21,945	19,072	49,641	2,501	6,231	60,011	490,477
Accumulated depreciation	(49,173)	(5,225)	(16,385)	(34,704)	(1,772)	(3,623)	—	(110,882)
Net book amount	281,903	16,720	2,687	14,937	729	2,608	60,011	379,595

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

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Cost of sales	**16,233**	13,736
Administrative expenses	**1,194**	1,017
	17,427	14,753

(b) Construction-in-progress mainly comprises buildings under construction in the PRC.

(c) During the year ended 31 December 2018, the Group capitalised interest on borrowings amounting to approximately RMB1,459,000 (2017: approximately RMB809,000) on qualifying assets (note 10).

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(All amounts expressed in RMB thousands unless otherwise stated)

15 Intangible assets

	Computer software *RMB'000*
As at 1 January 2017	
Cost	4,352
Accumulated amortisation	(2,683)
Net book amount	1,669
Year ended 31 December 2017	
Opening net book amount	1,669
Additions	18
Amortisation charge	(594)
Closing net book amount	1,093
As at 31 December 2017	
Cost	4,370
Accumulated amortisation	(3,277)
Net book amount	1,093
Year ended 31 December 2018	
Opening net book amount	1,093
Additions	187
Amortisation charge	(410)
Closing net book amount	870
As at 31 December 2018	
Cost	4,557
Accumulated amortisation	(3,687)
Net book amount	870

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

	Year ended 31 December	
	2018 *RMB'000*	2017 *RMB'000*
Cost of sales	**397**	585
Administrative expenses	**13**	9
	410	594

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16 Financial instruments by category

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Financial assets at amortised cost		
Cash and cash equivalents	**114,814**	75,965
Amounts due from a related party	**—**	12,312
Trade and other receivables	**827**	1,431
	115,641	89,708
Financial liabilities at amortised cost		
Borrowings	**104,648**	—
Accruals and other payables (excluding non-financial liabilities)	**32,142**	78,334
Amounts due to related parties	**—**	9,181
	136,790	87,515

17 Trade and other receivables

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade receivables		
— Due from students	**34**	103
— Due from others	**—**	829
	34	932
Other receivables		
— Staff advances	**469**	356
— Others	**324**	143
	827	1,431

17 Trade and other receivables (Continued)

As at 31 December 2018 and 2017, the aging analysis of the trade receivables based on the recognition date is as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Less than 1 year	**34**	932

As at 31 December 2018 and 2017, trade receivables of RMB34,000 and RMB103,000 were past due but not impaired. These primarily relate to a number of independent students for whom there is no significant financial difficulty, and based on past experience and management's assessment, the overdue amounts can be recovered. The aging analysis of these trade receivables is as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Less than 1 year	**34**	103

18 Prepayments

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Prepayments for purchases of property, plant and equipment	**133**	284
Prepayments for listing expenses	**6,156**	—
Prepayments for student related and other expenses	**1,465**	744
Prepayments for joint tuition support fee	**4,945**	—
Less: non-current portion of prepayments	**(133)**	(284)
	12,566	744

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19 Interest in an associate

Set out below is the associate of the Group as at 31 December 2017 which, in the opinion of the directors, are material to the Group, and it was disposed of in June 2018 as stated in note 1.2(vi). The entity listed below has share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also its principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business/ country of incorporation	% of ownership As at 31 December		Nature of relationship	Measurement method	Quoted fair value	Carrying amount As at 31 December	
		2018	2017				**2018**	2017
		%	%			*RMB'000*	***RMB'000***	*RMB'000*
Sichuan Catering *(note(a))*	PRC	**—**	11	Associate	Equity method	—*	**—**	12,558

(a) Sichuan Catering is a manufacturer of airline catering food and providing catering services to Sichuan Airlines. Before the completion of the disposal of equity interest in Sichuan Catering, the Group appointed a director to and had significant influence on the decision-making of Sichuan Catering. The Group completed the disposal of equity interest in Sichuan Catering on 14 June 2018 as stated in note 1.2(vi). Set out below is summarised financial information for the associate for the year ended 31 December 2017 and the period from 1 January 2018 to the date of disposal.

* Private entity — no quoted price available.

Summarised financial information for the associate

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Summarised balance sheet		
Current assets	**Nil***	118,597
Non-current assets	**Nil***	26,135
Current liabilities	**Nil***	30,571
Net assets	**Nil***	114,161

	Period from 1 January 2018 to 14 June 2018 (date of disposal)	**Year ended 31 December 2017**
	RMB'000	*RMB'000*
Summarised profit or loss		
Revenue	53,302	118,092
Depreciation and amortisation	(894)	(1,374)
Income tax expense	(1,654)	(3,721)
Profit before income tax	11,022	24,631
Profit for the period/year	9,368	20,910

* As stated in note 1.2(vi), the Group completed the disposal of equity interest in Sichuan Catering on 14 June 2018, the summarised financial information of balance sheet as at 31 December 2018 is not applicable.

20 Cash and cash equivalents

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Cash at banks and on hand	**114,814**	75,965

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

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
RMB	**114,670**	75,965
Hong Kong dollars ("**HKD**")	**144**	—
	114,814	75,965

21 Share capital

	Number of Ordinary shares	**Nominal value of ordinary shares**
		HKD
Authorised:		
As at 23 March 2018 (date of incorporation), at HK$0.01 each *(note a)*	38,000,000	380,000
Increase in authorised share capital *(note b)*	962,000,000	9,620,000
As at 31 December 2018, at HK$0.01 each	1,000,000,000	10,000,000

	Number of ordinary shares	**Nominal value of ordinary shares**	**Equivalent nominal value of ordinary shares**
		HKD	*RMB*
Issued and paid up:			
Issuance of shares upon incorporation of the Company *(note a)*	10,000	100	80
As at 31 December 2018	10,000	100	80

21 Share capital (Continued)

(a) The Company was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company with limited liability on 23 March 2018 with an authorised share capital of HK$380,000 divided into 38,000,000 shares of a nominal value or par value of HK$0.01 each. On the same date, one subscriber share of the Company was transferred to Vast Universe at par value. The Company then issued and allotted an additional 9,774 shares at par value to Vast Universe and 225 shares at par value to HFYX.

(b) Pursuant to the written resolution of the shareholders of the Company passed on 12 December 2018, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 shares to HK$10,000,000 divided into 1,000,000,000 shares by the creation of an additional 962,000,000 shares ranking pari passu with the existing shares of the Company.

(c) By a shareholder's written resolution dated 12 December 2018 and conditional on the share premium account of the Company being credited as a result of issue of new shares pursuant to the proposed offering of the Company's shares, the Company will issue additional 374,990,000 shares (the "**Capitalisation Shares**"), credited as fully paid, to the existing shareholders of the Company, by way of capitalisation of HK$3,749,900 standing to the credit of the Company's share premium account. On 18 January 2019, the Company issued the Capitalisation Shares, credited as fully paid, to the existing shareholders of the Company, by way of capitalisation of HK$3,749,900 standing to the credit of the Company's share premium account.

22 Reserves and retained earnings

(a) Capital reserve

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

(b) Statutory surplus reserves

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

(i) In accordance with the relevant laws and regulations in the PRC and Articles of Association of the companies incorporated in the PRC now comprising the Group (the "**PRC Subsidiaries**"), the PRC Subsidiaries are required to appropriate 10% of the annual statutory net profits, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory reserves fund before distributing the net profit. Any further appropriation is optional when the balance of the statutory reserves fund reaches 50% of the registered capital of the PRC Subsidiaries. The statutory reserves fund can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding, provided that the remaining balance of the statutory reserves fund after such issue is not less than 25% of registered capital.

22 Reserves and retained earnings (Continued)

(b) Statutory surplus reserves (Continued)

(ii) Pursuant to the laws applicable to China's Foreign Investment Enterprises, the Company's subsidiary that is a foreign investment enterprise in China has to make appropriations from its after-tax profit (as determined under PRC accounting standards) to reserve funds including (i) general reserve fund, and (ii) enterprise expansion fund. The appropriation to the general reserve fund must be at least 10% of the after tax profits calculated in accordance with PRC accounting standards. Appropriation is not required if the reserve fund has reached 50% of the registered capital of the company. Appropriations to the enterprise expansion fund is at the discretion of the relevant entity's board of directors.

(iii) According to the relevant PRC laws and regulations, private schools are required to appropriate to development funds of not less than 25% of the net profit or the annual increase of net assets of the relevant schools as determined in accordance with PRC accounting standards. The development fund is for the construction or maintenance of the school or procurement or upgrading of educational equipment and not available for distribution to shareholders. Upon incurring the corresponding expenditure, an equivalent amount is transferred from development fund to retained earnings.

23 Accruals and other payables

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Payables for joint tuition support fee (a) *(note 8(a))*	**—**	53,153
Government subsidies payable to students (b)	**1,391**	1,595
Miscellaneous fees received from students (c)	**8,278**	5,997
Payables for purchases of property, plant and equipment	**303**	8,641
Salary and welfare payables	**6,794**	10,350
Payables in relation to the Listing	**11,091**	—
Auditors' remuneration payable	**1,000**	—
Other taxes payable	**42**	80
Interest payable	**270**	—
Others	**9,818**	8,948
	38,987	88,764

(a) Payables for joint tuition support fee as at 31 December 2017 were interest-free and secured by a corporate guarantee from Gingko Asset Management and had been settled during the year ended 31 December 2018.

(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) The amounts represent the miscellaneous fees received from students which would be paid out by the Group on behalf of the students.

(d) All accruals and other payables of the Group were denominated in RMB and HKD.

(e) As at 31 December 2018 and 2017, the fair values of accruals and other payables approximate their carrying amounts due to their short-term maturities.

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(All amounts expressed in RMB thousands unless otherwise stated)

24 Borrowings

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current:		
— Secured bank borrowings (a)	**20,000**	—
— Unsecured loans from third parties (b)	**6,148**	—
	26,148	—
Non-current:		
— Secured bank borrowings (a)	**78,500**	—
Total borrowings	**104,648**	—

(a) As at 31 December 2018, bank borrowings were secured by a pledge of a commercial building of a related party, Chengdu Changshun Investment Co., Ltd. ("**Chengdu Changshun**"), corporate guarantees from Gingko Asset Management and Yinxing Education, and a personal guarantee from Mr. Fang. As of 16 January 2019, personal guarantee from Mr. Fang and the pledge provided by Chengdu Changshun had been released. By the date of approval of these consolidated financial statements, the Group has repaid all of its bank borrowings carried as at 31 December 2018.

(b) The amounts represent loans from two third parties which are unsecured, amounting to HKD3,000,000 (approximately RMB2,635,000) and HKD4,000,000 (approximately RMB3,513,000) respectively as at 31 December 2018. The loan of HKD3,000,000 bears a fixed interest rate of 5.00% per annum and had been repaid on 30 January 2019. The loan of HKD4,000,000 bears a fixed interest rate of 12.00% per annum and had been repaid on 24 January 2019.

(c) The weighted average effective interest rates (per annum) were as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Bank borrowings	**6.18%**	—
Loans from third parties	**7.15%**	—

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

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Less than 1 year	**26,148**	—
Between 1 and 2 years	**78,500**	—
	104,648	—

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

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24 Borrowings (Continued)

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

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
RMB	**98,500**	—
HKD	**6,148**	—
	104,648	—

25 Cash generated from operations

		Year ended 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Profit before income tax		**25,678**	41,196
Adjustments for:			
— Depreciation of property, plant and equipment	14	**17,427**	14,753
— Amortisation of prepaid land lease payments	13	**1,008**	1,008
— Amortisation of intangible assets	15	**410**	594
— Loss on disposal of property, plant and equipment	7	**13**	14
— Share of net profits of an associate		**(1,031)**	(2,300)
— Gains on disposal of interest in an associate	7	**(702)**	—
— Gains on disposal of a subsidiary	7	**(15)**	—
— Bank interest income	10	**(556)**	(491)
— Finance expense	10	**3,916**	—
— Interest income on loans to a related party	27(b)	**(370)**	(295)
Operating profit before changes in working capital:		**45,778**	54,479
Changes in working capital			
— Decrease/(increase) in trade receivables		**898**	(5)
— Increase in prepayments		**(5,666)**	(96)
— (Increase)/decrease in other receivables		**(294)**	806
— (Decrease)/increase in accruals and other payables		**(44,452)**	2,262
— (Decrease)/increase in amounts due to related parties		**(81)**	69
— Increase in contract liabilities		**4,535**	4,617
Cash generated from operations		**718**	62,132

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(All amounts expressed in RMB thousands unless otherwise stated)

25 Cash generated from operations (Continued)

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

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Net book amount *(note 14)*	**17**	14
Losses on disposal of property, plant and equipment *(note 7)*	**(13)**	(14)
Proceeds from disposal of property, plant and equipment	**4**	—

Reconciliation of liabilities arising from financing activities

	Borrowings	**Amounts due to related parties**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Total debt as at 1 January 2017	—	22,600	22,600
Cash flows	—	(13,500)	(13,500)
Total debt as at 31 December 2017	—	9,100	9,100
Cash flows	104,648	(9,100)	95,548
Total debt as at 31 December 2018	104,648	—	104,648

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(All amounts expressed in RMB thousands unless otherwise stated)

26 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	
	2018	2017
	RMB'000	*RMB'000*
Commitments for acquisition of property, plant and equipment	**640,309**	25

As at 31 December 2018, the capital commitments includes investment in the new campus to be established in Nanxi District of Yibin City in Sichuan Province, the PRC. On 18 May 2018, the Group has entered into an agreement with the People's Government of Nanxi District, Yibin City, pursuant to which the Group would invest approximately of RMB600 million to establish a new campus in Yibin, Sichuan Province. The actual investment amount would vary according to formal contracts with constructors in the future. On 14 March 2019, Gingko Asset Management and Sichuan Province Yibin City Natural Resources and Planning Bureau entered into a land use rights grant contract in respect of the grant of a piece of land located in the east of Feng Huang Da Dao, Nanxi District, Yibin City, Sichuan Province with a total site area of approximately 333,360 square metres for education and research usage to Gingko Asset Management following successful bidding at a consideration of RMB155,012,400.

(b) Non-cancellable operating leases

The Group leases certain buildings under non-cancellable operating lease agreements. The Group has future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
No later than 1 year	**142**	—
Later than 1 year and no later than 5 years	**10**	—
Total	**152**	—

27 Related party transactions

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

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

(a) Names and relationships with related parties

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

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

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

27 Related party transactions (Continued)

(b) Transactions with related parties

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

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Loans from related parties		
— Chengdu Gingko Jin'ge Catering Corporation (成都銀杏金閣餐飲股份有限公司)	**4,000**	—
— Chengdu Gingko Catering Management Co., Ltd. (成都銀杏餐飲管理有限公司)	**1,000**	—
	5,000	—
Repayment of loans from related parties		
— Chengdu Gingko Jin'ge Catering Corporation (成都銀杏金閣餐飲股份有限公司)	**11,000**	13,000
— Chengdu Gingko Catering Management Co., Ltd. (成都銀杏餐飲管理有限公司)	**1,000**	500
— Jin'ge Investment (成都銀杏金閣投資有限公司)	**2,100**	—
	14,100	13,500

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27 Related party transactions (Continued)

(b) Transactions with related parties (Continued)

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Loans to related parties		
— Chengdu Yinxing Logistics Co., Ltd. (成都銀杏配送有限公司)	**70,000**	—
— Chengdu Gingko Jin'ge Catering Corporation (成都銀杏金閣餐飲股份有限公司)	**39,500**	—
— Chengdu Gingko Catering Management Co., Ltd. (成都銀杏餐飲管理有限公司)	**42,000**	12,000
— Chengdu Changshun Investment Co., Ltd. (成都長順投資有限公司)	**—**	2,000
— Chengdu Jinhe Shunxing Enterprise Management Co., Ltd. (成都錦和順興企業管理有限公司)	**—**	500
— Jin'ge Investment (成都銀杏金閣投資有限公司)	**1,500**	—
	153,000	14,500
Receipts of repayment of loans to related parties		
— Chengdu Yinxing Logistics Co., Ltd. (成都銀杏配送有限公司)	**70,000**	—
— Chengdu Gingko Jin'ge Catering Corporation (成都銀杏金閣餐飲股份有限公司)	**39,500**	—
— Chengdu Gingko Catering Management Co., Ltd. (成都銀杏餐飲管理有限公司)	**54,000**	—
— Jin'ge Investment (成都銀杏金閣投資有限公司)	**1,500**	—
— Changshun Investment Co., Ltd. (成都長順投資有限公司)	**—**	2,000
— Chengdu Jinhe Shunxing Enterprise Management Co., Ltd. (成都錦和順興企業管理有限公司)	**—**	500
	165,000	2,500

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27 Related party transactions (Continued)

(b) Transactions with related parties (Continued)

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Interest expenses on loans from a related party		
— Chengdu Gingko Jin'ge Catering Corporation (成都銀杏金閣餐飲股份有限公司)	**20**	809
Interest income on loans to a related party		
— Chengdu Gingko Catering Management Co., Ltd. (成都銀杏餐飲管理有限公司)	**370**	295
Purchases of goods and services		
— Chengdu Yinxing Logistics Co., Ltd. (成都銀杏配送有限公司)	**33**	289
— Chengdu Gingko Catering Management Co., Ltd. (成都銀杏餐飲管理有限公司)	**301**	—
— Chengdu Gingko Jin'ge Catering Corporation (成都銀杏金閣餐飲股份有限公司)	**196**	—
— Chengdu Gingko Hotel Management Co., Ltd. (成都銀杏酒店管理有限公司)	**10**	—
— Chengdu Jinhe Shunxing Enterprise Management Co., Ltd. (成都錦和順興企業管理有限公司)	**1,672**	2,239
	2,212	2,528

(c) Key management compensation

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

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Wages, salaries and bonuses	**1,491**	959
Contributions to pension plans	**70**	48
Welfare, medical and other expenses	**103**	45
	1,664	1,052

For the year ended 31 December 2018
(All amounts expressed in RMB thousands unless otherwise stated)

27 Related party transactions (Continued)

(d) Balances with related parties

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Amounts due from a related party		
Non-trade:		
— Chengdu Gingko Catering Management Co., Ltd. (成都銀杏餐飲管理有限公司) (a)	—	12,312

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Amounts due to related parties		
Non-trade:		
— Chengdu Gingko Jin'ge Catering Corporation (成都銀杏金閣餐飲股份有限 公司) (b)(d)	—	7,000
— Jin'ge Investment (成都銀杏金閣投資有限公司) (c)(d)	—	2,100
Trade:		
— Chengdu Jinhe Shunxing Enterprise Management Co., Ltd. (成都錦和順興企業管理有限公司) (c)	—	54
— Chengdu Yinxing Logistics Co., Ltd. (成都銀杏配送有限公司) (c)	—	27
	—	9,181

(a) The loan to Chengdu Gingko Catering Management Co., Ltd. amounting to RMB12,000,000 as at 31 December 2017 bearing an effective interest rate of 4.75% per annum was unsecured and repayable on demand. The related interest receivable is RMB312,000 as at 31 December 2017.

The Group had provided loans to this related party during the year for its working capital purpose and the loan together with accrued interest receivable had been fully settled in June 2018.

(b) The loan from Chengdu Gingko Jin'ge Catering Corporation amounting to RMB7,000,000 as at 31 December 2017 bearing an effective interest rate of 5.91% per annum was unsecured and repayable on demand.

(c) Other balances due to related parties were unsecured, interest-free, and repayable on demand.

(d) The Group had received loans from these related parties during the year for working capital purpose and these balances had been fully repaid in June 2018.

(e) As at 31 December 2018 and 2017, the carrying amounts of amounts due from a related party and amounts due to related parties approximate their fair values and denominated in RMB.

For the year ended 31 December 2018
(All amounts expressed in RMB thousands unless otherwise stated)

28 Balance sheet and reserve movement of the Company

Balance sheet of the Company

	Note	As at 31 December 2018 RMB'000
ASSETS		
Non-current assets		
Investment in subsidiaries	(a)	318,242
Current assets		
Cash and cash equivalents		7
Total assets		318,249
EQUITY		
Share capital		—
Other reserve	(b)	318,242
Accumulated loss	(b)	(1,101)
Total equity		317,141
LIABILITIES		
Current liabilities		
Accruals and other payables		1,108
		1,108
Total liabilities		1,108
Total equity and liabilities		318,249

As at 31 December 2017, the Company had not been incorporated and, accordingly, it had no assets, liabilities or distributable reserves on that date.

The balance sheet of the Company was approved by the board of directors on 29 March 2019 and was signed on its behalf:

Fang Gongyu	**Tian Tao**
Director	*Director*

For the year ended 31 December 2018
(All amounts expressed in RMB thousands unless otherwise stated)

28 Balance sheet and reserve movement of the Company (Continued)

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

(b) Reserve movement of the Company

	Other reserve * RMB'000	Accumulated loss RMB'000	Total RMB'000
As at 23 March 2018 (date of incorporation)	—	—	—
Issuance of shares during Reorganisation	318,242	—	318,242
Loss for the period	—	(1,101)	(1,101)
As at 31 December 2018	318,242	(1,101)	317,141

* Other reserve represented the merger reserve arising from the issuance of shares during Reorganisation.

29 Subsidiaries

The Group's principal subsidiaries at 31 December 2018 are set out below.:

Name of entity	Country/Place and date of incorporation/ establishment	Paid up/ registered capital	Ownership interest held by the Group 2018	2017	Principal activities	Place of operations
Directly held by the Company						
Gingko Education Investment Company Limited	BVI/ 26 March 2018	US$1	100%	N/A	Investment holding	BVI
Indirectly held by the Company						
Gingko Education Management Holding Company Limited	Hong Kong/ 23 April 2018	HK$10,000	100%	N/A	Investment holding	Hong Kong
Yinxing Education	PRC/ 30 May 2018	HK$10,000,000	100%	N/A	Education consultancy	PRC
Gingko Asset Management * (成都銀杏資產管理有限公司)	PRC/ 2 August 2002	RMB50,000,000	100%	100%	Assets management	PRC
Yinxing College * (成都信息工程大學銀杏酒店管理學院)	PRC/ 23 February 2004	RMB9,920,000	100%	100%	College	PRC
Yinxing Training School * (成都銀杏酒店職業技能培訓學校)	PRC/ March 12, 2010	RMB150,000	100%	100%	Training School	PRC

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

30 Benefits and interests of directors

(a) Directors' emoluments

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

Name	Basic salaries *RMB'000*	Discretionary bonuses *RMB'000*	Contribution to pension plan *RMB'000*	Welfare, medical and other expenses *RMB'000*	Total *RMB'000*
Executive directors					
Mr. Fang Gongyu (i)	95	—	18	14	127
Mr. Tian Tao (ii)	91	—	15	11	117
Ms. Yu Yuan (ii)	125	—	—	4	129
Ms. Liu Dan (ii)	225	10	25	32	292
Independent non-executive directors					
Mr. Jiang Qian (iii)	—	—	—	—	—
Mr. Chong Man Hung Jeffrey (iii)	—	—	—	—	—
Mr. Yuan Jun (iii)	—	—	—	—	—
	536	10	58	61	665

The remuneration of each director borne by the Group for the year ended 31 December 2017 is set out below:

Name	Basic salaries *RMB'000*	Discretionary bonuses *RMB'000*	Contribution to pension plan *RMB'000*	Welfare, medical and other expenses *RMB'000*	Total *RMB'000*
Executive directors					
Mr. Fang Gongyu (i)	—	—	—	—	—
Mr. Tian Tao (ii)	24	82	—	—	106
Ms. Yu Yuan (ii)	121	10	—	1	132
Ms. Liu Dan (ii)	172	14	10	9	205
Independent non-executive directors					
Mr. Jiang Qian (iii)	—	—	—	—	—
Mr. Chong Man Hung Jeffrey (iii)	—	—	—	—	—
Mr. Yuan Jun (iii)	—	—	—	—	—
	317	106	10	10	443

For the year ended 31 December 2018
(All amounts expressed in RMB thousands unless otherwise stated)

30 Benefits and interests of directors (Continued)

(a) Directors' emoluments (Continued)

(i) On 23 March 2018, Mr, Fang Gongyu was appointed as the Company's director. He was re-designated as an executive director and was appointed as the chairman of the board of directors and chief executive officer of the Company on 7 June 2018.

(ii) On 7 June 2018, Mr. Tian Tao, Ms. Yu Yuan and Ms. Liu Dan were appointed as the Company's executive directors.

(iii) On 12 December 2018, Mr. Jiang Qian, Mr. Chong Man Hung Jeffrey and Mr. Yuan Jun were appointed as the Company's independent non-executive directors.

(b) Directors' retirement benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertakings during the years ended 31 December 2018 and 2017.

(c) Directors' termination benefits

No payment was made to directors as compensation for the early termination of the appointment during the years ended 31 December 2018 and 2017.

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

No payment was made to the former employer of directors for making available the services of them as a director of the Company during the years ended 31 December 2018 and 2017.

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

Other than those disclosed in note 27(b), there are no loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors during the years ended 31 December 2018 and 2017.

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

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

31 Contingent liabilities

At 31 December 2018, the Group had no material contingent liabilities (2017: nil).

32 Dividend

No dividend has been paid or declared by the Group for the years ended 31 December 2018 and 2017, nor has any dividend been proposed subsequent to 31 December 2018.

33 Events occurring after reporting period

Save as disclosed elsewhere in these consolidated financial statements, the following significant events took place subsequent to 31 December 2018:

(a) On 18 January 2019, the shares of the Company were listed on the Stock Exchange. In connection with the Listing completed on 18 January 2018, the Company issued a total of 125,000,000 ordinary shares at a price of HK$1.44 per share for a total proceeds (before related fees and expenses) of HK$180,000,000.

(b) On 8 March 2019, Yinxing College entered into certain finance lease agreements with International Far Eastern Leasing Co., Ltd. (遠東國際租賃有限公司) ("**Far Eastern Leasing**"), an independent third party, pursuant to which Far Eastern Leasing purchased certain equipments owned by Yinxing College from Yinxing College at an aggregate consideration of RMB57,000,000 and leased the equipments back to Yinxing College for a term of 36 months at an estimated total lease amount of approximately RMB65,450,000. Yinxing Education and Gingko Asset Management jointly and severally guaranteed Yinxing College's payment obligations accordingly.

Glossary

"Articles of Association" or "Articles"	the articles of association of the Company, conditionally adopted on 12 December 2018 and came into effect upon the Listing Date, as amended, supplemented or otherwise modified from time to time
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of directors of the Company
"China" or "PRC"	the People's Republic of China, and, for the purpose of this annual report, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
"Company" or "our Company"	China Gingko Education Group Company Limited (中國銀杏教育集團有限公司), a company incorporated in the Cayman Islands with limited liability
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"consolidated affiliated entities"	the entities we control through the Contractual Arrangements, namely Gingko Asset Management and the PRC Operating Schools
"Contractual Arrangements"	the series of contractual arrangements entered into by, among others, the Company, WFOE, Mr. Fang, Mr. Tian, Gingko Asset Management are the PRC Operating Schools
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and, unless the context requires otherwise, refers to Mr. Fang and Vast Universe
"Director(s)"	the directors of the Company
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an independent third party
"Frost & Sullivan Report"	an independent market research report commissioned by our Company on the PRC education market, PRC private education market, PRC private higher education market and prepared by Frost & Sullivan
"Gingko Asset Management"	成都銀杏資產管理有限公司 (Chengdu Gingko Asset Management Co., Limited*), a company established under the laws of the PRC with limited liability and a consolidated affiliated entity of the Company

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

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

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

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