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China Ginkgo Education Group Company Limited

中國銀杏教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1851)

MAJOR TRANSACTION CONSTRUCTION WORKS FOR THE NANXI NEW CAMPUS

CONSTRUCTION CONTRACT

The Board is pleased to announce that on 10 May 2019, Ginkgo Asset Management, a consolidated affiliated entity of the Company, and the Contractor entered into the Construction Contract for the construction works of Phase I of the Nanxi New Campus at a Contract Sum of RMB210,000,000, subject to adjustments arising from changes in the construction works or fluctuations in the published price of labour and materials in Sichuan Province, if any.

LISTING RULES IMPLICATIONS

As the highest of the applicable percentage ratios calculated with reference to Rule 14.07 of the Listing Rules in respect of the transaction contemplated under the Construction Contract exceeds 25% but is less than 100%, the transaction contemplated thereunder constitutes a major transaction of the Company and is subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Since (i) no Shareholders is required to abstain from voting on the resolution at an EGM if it were convened to approve the Construction Contract and the transaction contemplated thereunder; and (ii) in lieu of holding an EGM, the Company, on 10 May 2019, has obtained the Written Shareholder's Approval in respect of the Construction Contract and the transaction contemplated thereunder from Vast Universe Company Limited which holds 366,562,500 Shares, representing approximately 73.31% of the issued share capital of the Company as at the date of the Written Shareholder's Approval, no EGM is required to be convened for the approval of the Construction Contract and the transaction contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

A circular containing, among other things, (i) details of the Construction Contract and the transaction contemplated thereunder; and (ii) other information required to be included in the Circular pursuant to the Listing Rules, is expected to be despatched to the Shareholders for their information on or before 3 June 2019 in accordance with the Listing Rules.

BACKGROUND

The Board is pleased to announce that on 10 May 2019, Gingko Asset Management and the Contractor entered into the Construction Contract for the construction works of Phase I of the Nanxi New Campus at a Contract Sum of RMB210,000,000, subject to adjustments arising from changes in the construction works or fluctuations in the published price of labour and materials in Sichuan Province, if any.

CONSTRUCTION CONTRACT

The principal terms of the Construction Contract are set out as follows:

Date: 10 May 2019

Parties: (i) Gingko Asset Management
(ii) the Contractor

Subject matter: The Construction Project encompasses the construction of an education hotel, classroom buildings, office buildings, canteens, dormitories and other facilities with a total gross floor area of approximately 132,000 sq. m. that will be Phase I of the Nanxi New Campus, which is located at Feng Huang Da Dao, Luo Long Street, Nanxi District, Yibin City, Sichuan Province (四川省宜賓市南溪區羅龍街道鳳凰大道).

Pursuant to the Construction Contract, the scope of work for the Contractor in respect of the Construction Project includes all civil works, decoration works, materials procurement and installation works pursuant to the construction drawings agreed under the Construction Contract, but does not include re-decoration and landscaping of the education hotel.

The Construction Project shall proceed in two stages. Stage one of the Construction Project shall commence on 10 May 2019 and complete by 31 July 2019. Stage two of the Construction Project shall commence on 1 August 2019 and complete by 9 May 2021.

Contract Sum:

The Contract Sum of RMB210,000,000 is determined after arm's length negotiations between Gingko Asset Management and the Contractor with reference to, among others, the scope and complexity of the construction works, the prevailing market price for such works, the local market conditions, the materials used and the design and size of the Construction Project.

Pursuant to the Construction Contract, the Contract Sum is subject to adjustments arising from changes in the construction works or fluctuations in the published price of labour and materials in Sichuan Province, if any.

The Contract Sum will be funded by the Group's internal resources, the net proceeds from the initial public offering of the Company which are earmarked for use in the construction of the Nanxi New Campus and/or bank borrowings.

Terms of payment:

Prepayment

Gingko Asset Management shall pay to the Contractor a total sum of RMB95,000,000 as prepayment in the following manner:

- (i) RMB30,000,000 shall be paid within three (3) days after signing of the Construction Contract for stage one of the Construction Project;
- (ii) RMB30,000,000 shall be paid on or before 25 May 2019 for stage one of the Construction Project; and
- (iii) RMB35,000,000 shall be paid on or before 30 September 2019 for stage two of the Construction Project.

Progress payments

Gingko Asset Management shall pay to the Contractor a progress payment each month for such amount representing 75% of the total settlement cost for the amount of work verified as completed in the month.

The total progress payments made by Gingko Asset Management, on a cumulative basis, shall be up to 80% and 85% of the total settlement cost for all works verified as completed with respect to stage one of the Construction Project by 31 July 2019 and 30 September 2019, respectively.

The total progress payments made by Gingko Asset Management, on a cumulative basis, shall be up to 97% of the total settlement cost for all works verified as completed with respect to stage one of the Construction Project within 14 days after the completion of the inspection of stage one of the Construction Project and acceptance by Gingko Asset Management.

Gingko Asset Management shall pay up to 97% of the final Contract Sum within 14 days after completion of the inspection of the construction works under the Construction Contract and acceptance by Gingko Asset Management.

The remaining 3% of the final Contract Sum shall be withheld by Gingko Asset Management during the 24-month defect liability period under the Construction Contract as retention money (the “**Retention Money**”).

Retention Money:

The Retention Money, representing 3% of the final Contract Sum, shall be retained by Gingko Asset Management during the defect liability period and paid to the Contractor without any interest in the following manner:

- (i) 50% of the Retention Money shall be paid to the Contractor upon its request after the first year of the defect liability period; and
- (ii) the remaining 50% of the Retention Money shall be paid to the Contractor upon its request after the second year of the defect liability period.

INFORMATION ON THE PARTIES INVOLVED

The Company is an investment holding company incorporated in the Cayman Islands with limited liability. The Group is a higher education service provider in Sichuan Province, the PRC.

Gingko Asset Management is a consolidated affiliated entity of the Company and is principally engaged in asset management in the PRC.

The Contractor is a state-owned enterprise in the PRC and is principally engaged in construction contract business, including building construction and railway construction in the PRC. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Contractor and its ultimate beneficial owner(s) are Independent Third Parties.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSTRUCTION CONTRACT

As disclosed in the prospectus (the "**Prospectus**") of the Company dated 21 December 2018, in order to further (i) increase the school capacity of the Group, (ii) diversify the student origins by attracting more students from neighbouring provinces, such as Yunnan Province and Guizhou Province to enhance the Group's reputation and increase the Group's popularity among a wider market, and (iii) improve the quality of the Group's education services by establishing more workplace simulation training platforms, the Group seeks to expand its capacity by establishing a new campus in Nanxi District. For this purpose, the Group entered into an agreement with the People's Government of Nanxi District, Yibin City on 18 May 2018, pursuant to which the Group shall invest RMB600 million to establish a new campus that could accommodate up to 10,000 students with an estimated site area of 420,000 sq. m. within three years from obtaining the first construction commencement permit. On 14 March 2019, the Group entered a land use right grant contract with Sichuan Province Yibin City Natural Resource and Planning Bureau* (四川省宜賓市自然資源和規劃局) and obtained a land with site area of 333,360 sq. m. for establishment of the new campus.

The Group entered into the Construction Contract to further implement the Group's new campus plan as disclosed in the Prospectus.

The Directors consider that the terms of the Construction Contract are normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

As the highest of the applicable percentage ratios calculated with reference to Rule 14.07 of the Listing Rules in respect of the transaction contemplated under the Construction Contract exceeds 25% but is less than 100%, the transaction contemplated thereunder constitutes a major transaction of the Company and is subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Since (i) no Shareholders is required to abstain from voting on the resolution at an EGM if it were convened to approve the Construction Contract and the transaction contemplated thereunder; and (ii) in lieu of holding an EGM, the Company, on 10 May 2019, has obtained the Written Shareholder's Approval in respect of the Construction Contract and the transaction contemplated thereunder from Vast Universe Company Limited which holds 366,562,500 Shares, representing approximately 73.31% of the issued share capital of the Company as of the date of the Written Shareholder's Approval, no EGM is required to be convened for the approval of the Construction Contract and the transaction contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

A circular containing, among other things, (i) details of the Construction Contract and the transaction contemplated thereunder; and (ii) other information required to be included in the circular pursuant to the Listing Rules, is expected to be despatched to the Shareholders for their information on or before 3 June 2019 in accordance with the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the following meanings, unless the context requires otherwise,

“Board”	the board of Directors
“Company”	China Ginkgo 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, the ordinary shares of which are listed on the Main Board of the Stock Exchange (stock code: 1851)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Construction Contract”	the construction contract dated 10 May 2019 entered into between Ginkgo Asset Management and the Contractor in respect of the Construction Project

“Construction Project”	the construction of Phase I of the Nanxi New Campus
“Contract Sum”	the total consideration payable to the Contractor for undertaking the construction works for the Construction Project pursuant to the terms and conditions of the Construction Contract
“Contractor”	中鐵二十四局集團安徽工程有限公司 (China Railway 24th Construction Bureau Anhui Engineering Co., Ltd.*), a company established in the PRC with limited liability
“Directors”	the directors of the Company
“EGM”	extraordinary general meeting of the Company
“Gingko Asset Management”	成都銀杏資產管理有限公司 (Chengdu Gingko Asset Management Co., Limited*), a company established under the laws of the PRC with limited liability and a consolidated affiliated entity of the Company
“Group”	the Company and its subsidiaries (including the consolidated affiliated entities)
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) who is (are) independent of the Group and the connected persons of the Group
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nanxi New Campus”	the new campus to be established by the Group in Nanxi District in Yibin City of Sichuan Province, the PRC
“PRC”	the People’s Republic of China and, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“Shareholders”	shareholders of the Company
“sq. m”	square meters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Written Shareholder’s Approval”	the written approval dated 10 May 2019 given by Vast Universe Company Limited, the controlling shareholder of the Company, in respect of the Construction Contract and the transaction contemplated thereunder
“%”	per cent

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

Hong Kong, 10 May 2019

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Fang Gongyu, Mr. Tian Tao, Ms. Yu Yuan and Ms. Liu Dan, and three independent non-executive Directors, namely Mr. Jiang Qian, Mr. Chong Man Hung Jeffrey and Mr. Yuan Jun.

* *The English translation is provided for identification purpose only*