
THIS CIRCULAR IS IMPORTANT AND REQUEST YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in **China Gingko Education Group Company Limited**, you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



China Gingko Education Group Company Limited
中國銀杏教育集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1851)

MAJOR TRANSACTION
CONSTRUCTION WORKS FOR THE NANXI NEW CAMPUS

A letter from the Board is set out on pages 5 to 14 of this circular.

Capitalised terms used on this cover page should have the same meanings as those defined in the section headed “DEFINITIONS” in this circular.

The Construction Contract and the transaction contemplated thereunder have been approved by written shareholder’s approval obtained from Vast Universe, a controlling shareholder of the Company, pursuant to Rule 14.44 of the Listing Rules in lieu of a general meeting of the Company. This circular is being despatched to the Shareholders for information only.

30 June 2019

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	5
APPENDIX I — FINANCIAL INFORMATION OF THE GROUP	15
APPENDIX II — GENERAL INFORMATION	18

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Board”	the board of Directors
“BVI”	the British Virgin Islands
“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
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	extraordinary general meeting of the Company

DEFINITIONS

“Gingko Asset Management”	成都銀杏資產管理有限公司 (Chengdu Gingko Asset Management Co., Ltd.*), 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)
“HFYX”	HFYX Company Limited, a company incorporated in the BVI with limited liability on 31 March 2018, which is wholly owned by Mr. Tian, an executive Director of the Company
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) who is(are) independent of the Group and the connected persons of the Group
“IPO Proceeds”	the net proceeds from the initial public offering of the Company completed in January 2019, details of which are set out in the Company’s prospectus dated 21 December 2018
“Latest Practicable Date”	24 June 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Fang”	Mr. Fang Gongyu, the chairman of the Board, an executive Director, chief executive officer and Controlling Shareholder of the Company
“Mr. Tian”	Mr. Tian Tao, an executive Director of the Company

DEFINITIONS

“Nanxi New Campus”	the new campus to be established by the Group in Nanxi District, Yibin City, Sichuan Province, the PRC
“PRC”	the People’s Republic of China and, for the purpose of this circular only, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Prospectus”	the prospectus of the Company published on 21 December 2018 in connection with the global offering of the offer Shares of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	ordinary share(s) of nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Sichuan Province Yibin City Natural Resources and Planning Bureau”	四川省宜賓市自然資源和規劃局 (Sichuan Province Yibin City Natural Resources and Planning Bureau*), a PRC government authority and the grantor of the land use rights of the land located in the east of Feng Huang Da Dao, Nanxi District, Yibin City, Sichuan Province (四川省宜賓市南溪區鳳凰大道東側) with a total site area of approximately 333,360 sq. m.
“sq.m.”	square meter(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Vast Universe”	Vast Universe Company Limited, a company incorporated in the BVI with limited liability on 21 March 2018, which is wholly owned by Mr. Fang and is interested in 366,562,500 Shares, representing approximately 73.31% of the issued share capital of the Company as at the Latest Practicable Date
“Written Shareholder’s Approval”	the written approval dated 10 May 2019 given by Vast Universe, the Controlling Shareholder of the Company, in respect of the Construction Contract and the transaction contemplated thereunder
“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”	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

* *The English transliteration of the Chinese name(s) in this circular, where indicated, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).*

LETTER FROM THE BOARD



China Gingko Education Group Company Limited

中國銀杏教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1851)

Executive Directors:

Mr. Fang Gongyu (方功宇) (*Chairman*)

Mr. Tian Tao (田濤)

Ms. Liu Dan (劉丹)

Ms. Yu Yuan (余媛)

Independent non-executive Directors:

Mr. Jiang Qian (蔣謙)

Mr. Chong Man Hung Jeffrey (莊文鴻)

Mr. Yuan Jun (袁軍)

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

*Head office and principal place of
business in the PRC*

2 Jinli Zhonglu

Qingyang District

Chengdu, Sichuan Province

PRC

30 June 2019

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
CONSTRUCTION WORKS FOR THE NANXI NEW CAMPUS**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 10 May 2019. Gingko 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.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with further details on the Construction Contract and the transaction contemplated thereunder, and such other information as required under the Listing Rules.

2. MAJOR TERMS OF THE 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 (excluding its re-decoration and landscaping), 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).^{Note}

Note:

Land use permit (建設用地規劃許可證) and construction project planning permit (建設工程規劃許可證) were obtained in March 2019 and construction permit (建築工程施工許可證) was obtained in June 2019, following which the construction commenced in June 2019. Such permits apply to both stages one and two of the Construction Project. The land use rights certificates is expected to be obtained in July 2019 after the payment of relevant taxes and fees.

LETTER FROM THE BOARD

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.^{Note 1}

The Construction Project shall proceed in two stages. Stage one of the Construction Project shall commence on 6 June 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.^{Note 2}

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. A certified cost engineer, an Independent Third Party, was engaged to estimate the contract sum following the construction drawings with reference to the above mentioned factors and the relevant pricing standards established by the government authorities.

Notes:

1. The estimated capital expense for the re-decoration and landscaping of the education hotel is approximately RMB30 million and will be funded by the Group's internal resources.
2. The Nanxi New Campus is expected to commence operation in September 2019 after the completion of stage one of the Construction Project and principally provide vocational training. From September 2020, the Nanxi New Campus is expected to commence providing academic education. The Company expects to enroll approximately 500 students in the first year and gradually increase to approximately 2,000 students in 2024. The construction of phase II of the Nanxi New Campus is expected to commence after May 2021 when the construction of phase I of Nanxi New Campus is completed, subject to the Group's operations and financial status at that time.

LETTER FROM THE BOARD

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^{Note 4}. There is no cap on the maximum contract price after adjustment. Gingko Asset Management will be obliged to bear such price fluctuations. However, Gingko Asset Management will be in position to monitor the total accrued construction costs from time to time and reserves the right to negotiate the adjusted price with the Contractor where appropriate. A committee for the supervision of the Construction Project has been set up, which comprises three members and is led by Mr. Tian, an executive Director of the Company. The other two members are Ms. He Ming Fang and Mr. Chen Bo, both of whom have experience in construction and asset management. The committee will monitor the price of labour and materials published by the local government authorities on a biweekly basis. Any additional material to be used by the contractor or any price adjustment must be approved by the committee before it is adopted. Taking into account that (i) all materials and labour works necessary for the Construction Project has been included in the construction drawings, and (ii) there has not been any significant price fluctuation of the labour and materials published by the local government authorities since 2014, the Directors are of the view that the total contract price after adjustment would not be unreasonably high or exceed the threshold for a very substantial acquisition.

The Contract Sum will be funded by the Group's internal resources of approximately RMB25 million, the net proceeds from the initial public offering of the Company which are earmarked for use in the construction of the Nanxi New Campus of approximately RMB115 million and bank borrowings of approximately RMB70 million.

Notes:

4. As the Construction Project progresses and progress payment shall be made each month, the price of labour and materials used to calculate the progress payment each month shall follow the published price by the local government authorities in Sichuan Province at the relevant times and thus, would affect the Contract Sum.

LETTER FROM THE BOARD

Terms of payment:

Prepayment

Gingko Asset Management shall pay to the Contractor a total sum of RMB95,000,000 (the “**Prepayment**”)^{Note 5}. 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, being the cost verified and approved by Gingko Asset Management, 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.

Notes:

- 5. The Prepayment in relation to each of stage one and stage two of the Construction Project would be deducted respectively from the progress payment of stage one and stage two of the Construction Project from the first month after that stage of the Construction Project commences until all Prepayment relating to that stage has been is deducted.

LETTER FROM THE BOARD

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.

Same mechanism of progress payment apply to all works verified as completed with respect to stage two of the Construction Project.

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, was determined after arm’s length negotiation between Gingko Asset Management and the Contractor. The Directors are of the view that it is in line with industry norm. The Retention Money 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;
- (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.

LETTER FROM THE BOARD

3. THE PROPOSED DEVELOPMENT AND REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSTRUCTION CONTRACT

As disclosed in the Prospectus, 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 Yinbin 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.

In addition to the Construction Contract and the redecoration and landscaping of the education hotel, the construction of Phase II of the Nanxi New Campus is expected to commence in May 2021 with an expected capital expenditure of approximately RMB390 million, which will include the dormitories for the teachers and students as well as sports facilities.

LETTER FROM THE BOARD

The following table summarises the overall development plan of the Nanxi New Campus as at the Latest Practicable Date:

Nanxi New Campus	Commencement date/expected commencement date	Expected completion date	Expected capital expenditure	Source of Funding	Type of construction
Phase I					
(Construction Contract)					
<i>Stage 1</i>	Commenced in June 2019	July 2019	RMB125 million	Internal resources of the Group of RMB25 million, and IPO Proceeds of RMB100 million	An education hotel (excluding its re-decoration and landscaping), a classroom building, an office building, a canteen and two dormitories
<i>Stage 2</i>	August 2019	May 2021	RMB85 million	IPO Proceeds of RMB15 million, and bank borrowings of RMB70 million	A classroom building, two dormitories and upgrade of the construction works in stage 1
Phase II	After May 2021	To be decided	RMB390 million	Internal resources of the Group and/or external financing	Office buildings, classroom buildings, libraries, canteens, dormitories and sports facilities

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.

4. INFORMATION OF 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.

LETTER FROM THE BOARD

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. Gingko Asset Management approached and obtained fee quotes from three contractors in local Yibin City. The Contractor was selected after considering the price, background, track record, management and financial status of the candidates. 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.

5. FINANCIAL EFFECTS OF ENTERING INTO THE CONSTRUCTION CONTRACT

The Contract Sum for the Construction Contract 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 existing borrowings. As at the Latest Practicable Date, a sum of approximately RMB60,000,000 has been paid as prepayment of the Contract Sum according to the Construction Contract. As at 30 April 2019, the Group had cash and cash equivalents of approximately RMB175.7 million. The Directors consider that the Construction Contract will not have any immediate material effect on the total assets, earnings and liabilities of the Group. The Company believes that the construction of the Nanxi New Campus would have a positive impact on the Group's revenue in the long run. Upon completion of Stage I of the Construction Project, the Group expects to commence the provision of vocation training in 2019 and academic education in 2020 with an enrollment of approximately 500 students in the first year and gradually increasing to 2,000 students in 2024, which will contribute a total revenue of approximately RMB30 million each year thereafter.

The prepayment of RMB60,000,000 was recorded as non-current prepayments as at 30 April 2019 in the Group's consolidated financial statements. The amounts will be reclassified as construction in progress upon the construction work was verified as completed. Further progress payments and unsettled progress payments (if any) will be recognised as construction in progress and other payables in the Group's consolidated financial statements respectively according to the construction progress. The applicable borrowing costs incurred during the construction year will also be recorded as the costs of construction in progress. No depreciation is expected to be made on construction in progress until such time as the relevant assets are completed and ready for the intended use.

LETTER FROM THE BOARD

6. 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 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 and the Latest Practicable Date, 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.

7. RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Construction Contract are fair and reasonable and the Construction Contract together with the transaction contemplated thereunder is in the interest of the Company and the Shareholders as a whole. Although a general meeting will not be convened by the Company to approve the Construction Contract and the transaction contemplated thereunder, if such a general meeting were to be convened by the Company, the Board would recommend the Shareholders to vote in favour of the resolution to approve the Construction Contract and the transaction contemplated thereunder.

8. GENERAL

Your attention is drawn to the financial information of the Group and general information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board
中國銀杏教育集團有限公司
China Gingko Education Group Company Limited
Fang Gongyu
Chairman and Executive Director

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the financial years ended 31 December 2015, 2016, 2017 and 2018, are disclosed in the following documents which have been published both on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinagingkoedu.com), respectively:

- accountants' report included in the prospectus of the Company for the years ended 31 December 2015, 2016 and 2017 published on 21 December 2018 (pages I-1 to I-70) (available on: <http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/1221/LTN20181221015.pdf>); and
- annual report of the Company for the year ended 31 December 2018 published on 29 April 2019 (pages 69 to 127) (available on: <http://www3.hkexnews.hk/listedco/listconews/SEHK/2019/0429/LTN20190429559.pdf>).

2. INDEBTEDNESS

Borrowings

At the close of business on 30 April 2019, being the latest practicable date for the purpose of this statement of indebtedness of the Group prior to the printing of this circular, the Group had borrowings of approximately RMB127,000,000 which comprised the following:

	RMB'000
Current:	
Unsecured bank borrowings (<i>note a</i>)	70,000
Finance lease liabilities (<i>note b</i>)	19,886
	<hr/>
	89,886
Non-current:	
Finance lease liabilities (<i>note b</i>)	37,114
	<hr/>
	127,000
	<hr/> <hr/>

Notes:

- (a) The bank borrowings were guaranteed by corporate guarantees from the Company, Gingko Asset Management and Yinxing Education.

- (b) The finance lease liabilities were secured by a refundable security deposit of RMB7,900,000 and were guaranteed by corporate guarantees from Gingko Asset Management and Yinxing Education.

As at 30 April 2019, the Group had banking facilities in an aggregate amount of RMB700 million, of which nil was utilised.

Contingent Liabilities

As at the close of business on 30 April 2019, the Group did not have any material contingent liabilities.

Operating Lease Commitments

The Group leased certain buildings under non-cancellable operating lease agreements. At the close of business on 30 April 2019, the Group had non-cancellable operating lease commitments of approximately RMB55,000, of which approximately RMB49,000 will be paid no later than one year and approximately RMB6,000 will be paid later than one year and no later than five years.

Disclaimer

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 30 April 2019, the Group did not have any material debt securities issued and outstanding, or authorised or otherwise created but unissued, loans or any term loans (secured, unsecured, guaranteed or otherwise), any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and any liabilities under acceptances (other than normal trade bills) or other similar indebtedness, acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into consideration of the present internal financial resources available to the Group, the banking facilities presently available and in the absence of unforeseen circumstances, the Group will have sufficient working capital for its present requirements for at least 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

The Directors confirmed that they were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited accounts of the Company were made up.

5. FINANCIAL AND TRADING PROSPECT OF THE COMPANY

The Group is a higher education services provider in Sichuan Province, the PRC. The Group continues to be optimistic about the growth prospects of its businesses. The Group believes that after completion of the Construction Project, it will be able to (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.

With approximately 18 years of providing higher education services in Sichuan Province, the Group is dedicated to offering comprehensive and diversified programmes and curriculum and training talents with practical skills applicable to the modern service industry. Currently, the Group owned one private higher education college, namely Yinxing College. In 2018/2019 school year, Yinxing College had approximately 10,200 students.

The private higher education market experienced rapid growth in the past, and the Group continues to be optimistic about the growth prospect of private higher education market and its business. According to the market research report on the China's private higher education market prepared by Frost & Sullivan (Beijing) Inc., there is shortage of education resources in Sichuan Province especially in public sector. As a result, the Directors are of the view that the shortage of public higher education resources in Sichuan Province has boosted and will continue to boost the development of private higher education in Sichuan province and the neighbouring provinces.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests 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 of members of the Company; or which would be required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Long position in the Shares of the Company

Name of Director	Nature of interest	Number of issued Shares	Approximate percentage of shareholding in issued share capital
Mr. Fang (<i>Note 1</i>)	Interest in a controlled corporation	366,562,500	73.31%
Mr. Tian (<i>Note 2</i>)	Interest in a controlled corporation	8,437,500	1.69%

Notes:

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

(ii) Long position in the shares of associated corporation

Name of Director	Nature of associated corporation	Nature of interest	Number of shares	Approximate percentage of shareholding in issued share capital
Mr. Fang	Vast Universe	Beneficial owner	1 ordinary share	100%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO), which was required: (i) 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 they have taken or deemed to have under such provisions of the SFO); (ii) pursuant to Section 352 of the SFO, to be entered in the register of members of the Company; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as the Directors were aware, as at the Latest Practicable Date, the persons other than a Director or chief executive of the Company who had or were deemed or taken to have interests or short positions in the Shares or underlying Shares of the Company which are disclosable under the provisions of Divisions 2 and 3 of Part XV of the SFO are as follows:

Name	Capacity	Number of Shares <i>(Note 1)</i>	Approximate percentage of shareholding in issued share capital
Vast Universe <i>(Note 2)</i>	Beneficial owner	366,562,500 (L)	73.31%
Ms. Xiong Lan <i>(Note 3)</i>	Interest of spouse	366,562,500 (L)	73.31%

Name	Capacity	Number of Shares (Note 1)	Approximate percentage of shareholding in issued share capital
GreenTree Hospitality Group Ltd. (Note 4)	Beneficial owner	41,336,000 (L)	8.27%
GreenTree Inns Hotel Management Group, Inc. (Note 4)	Interest in a controlled corporation	41,336,000 (L)	8.27%
Mr. Xu Alex Shuguang (徐曙光) (Note 4)	Interest in a controlled corporation	41,336,000 (L)	8.27%

Notes:

- (1) The letter “L” denotes the person’s long position in such shares.
- (2) Mr. Fang was the sole director of Vast Universe as at the Latest Practicable Date.
- (3) 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.
- (4) 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 Latest Practicable Date, so far as the Directors or chief executive of the Company were 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.

Save as disclosed above, none of the Directors is also a director or employee of a company which has an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group, excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

5. MATERIAL LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any material litigations, arbitrations or claims of material importance and no litigations, arbitrations or claims of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

6. DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date:

- (a) None of the Directors had any interest, either directly or indirectly, in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2018, being the date to which the latest published audited accounts of the Company were made up; and
- (b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and was significant in relation to the business of the Group.

7. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates had any interests in companies engaged in businesses, which competed or may compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules.

8. MATERIAL CONTRACTS

Within the two years immediately preceding the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) had been entered into by the members of the Group which are or may be material:

- (a) a business cooperation agreement dated 14 June 2018 entered into by and among Yinxing Education, Gingko Asset Management, Yinxing College, Yinxing Training School, Mr. Fang and Mr. Tian, pursuant to which Yinxing Education agreed to, among other things, provide technical services, management support services, consulting services and intellectual property licences to Gingko Asset Management, Yinxing College and Yinxing Training School as required by private education activities, and in return, Gingko Asset Management, Yinxing College and Yinxing Training School shall pay service fees to Yinxing Education;
- (b) an exclusive technical services and management consulting agreement dated 14 June 2018 entered into by and among Yinxing Education, Gingko Asset Management, Yinxing College and Yinxing Training School pursuant to which Yinxing Education agreed to, among other things, provide technical services, management supporting services and consulting services and other services reasonably requested by Gingko Asset Management, Yinxing College and Yinxing Training School on an exclusive basis, and in return, Gingko Asset Management, Yinxing College and Yinxing Training School shall pay service fees to Yinxing Education;
- (c) an exclusive call option agreement dated 14 June 2018 entered into by and among Yinxing Education, Gingko Asset Management, Yinxing College, Yinxing Training School, Mr. Fang and Mr. Tian, pursuant to which Mr. Fang and Mr. Tian irrevocably granted Yinxing Education or its designated purchaser the exclusive right to purchase all or part of his interest in Gingko Asset Management, Yinxing College and Yinxing Training School;
- (d) a school sponsor's and directors' rights entrustment agreement dated 14 June 2018 entered by and among Yinxing Education, Gingko Asset Management, Gingko Asset Management appointed directors of Yinxing College (being Mr. Fang, Mr. Tian and Ms. Yu Yuan (余媛)) and Gingko Asset Management appointed directors of Yinxing Training School (being Mr. Tian, Ms. Huang Fang (黄芳), Ms. Yu Yuan (余媛), Ms. Liu Dan (劉丹) and Mr. Chen Bo (陳波)), pursuant to which: (i) Gingko Asset Management irrevocably authorised and entrusted Yinxing Education or person(s) designated by Yinxing Education to exercise all the rights as the sponsor of Yinxing College and Yinxing Training School; and (ii) each of the relevant directors of Yinxing College and

Yinxing Training School irrevocably authorised and entrusted Yinxing Education or person(s) designated by Yinxing Education to exercise all his/her rights as director of Yinxing College and Yinxing Training School, respectively;

- (e) an equity pledge agreement dated 14 June 2018 entered into between Yinxing Education, Gingko Asset Management, Mr. Fang and Mr. Tian, pursuant to which Mr. Fang and Mr. Tian unconditionally and irrevocably agreed to pledge and grant first priority pledge over, all of their respective equity interests in Gingko Asset Management to Yinxing Education;
- (f) a shareholders' rights entrustment agreement dated 14 June 2018 entered into by and among Yinxing Education, Gingko Asset Management, Mr. Fang and Mr. Tian, pursuant to which Mr. Fang and Mr. Tian irrevocably authorised and entrusted Yinxing Education or person(s) designated by Yinxing Education to exercise all their respective rights as shareholder of Gingko Asset Management on a joint and several basis;
- (g) the deed of indemnity dated 13 December 2018 entered into by the Controlling Shareholders in favour of the Company (for itself and as trustee for each of its subsidiaries) to provide certain indemnities, particulars of which are set out in "Appendix V — Statutory and General Information — D. Other Information — 2. Tax and Other Indemnities" in the Prospectus;
- (h) the deed of non-competition dated 13 December 2018 given by the Controlling Shareholders in favour of the Company (for itself and as trustee for each of its subsidiaries), particulars of which are set out in "Relationship with Controlling Shareholders" in the Prospectus;
- (i) the underwriting agreement dated 19 December 2018 relating to the Hong Kong public offering of the Company and entered into by, among others, the Company, the Controlling Shareholders, China Securities (International) Corporate Finance Company Limited and the underwriters named therein, as described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Underwriting Agreement" in the Prospectus;
- (j) the underwriting agreement dated 11 January 2019 relating to the international offering of the Company and entered into by, among others, the Company, the Controlling Shareholders, China Securities (International) Corporate Finance Company Limited and the international underwriters named therein, as described in the section headed "Underwriting — Underwriting Arrangements and Expenses — International Underwriting Agreement" in the Prospectus;

- (k) the price determination agreement dated 11 January 2019 entered into between the Company and China Securities (International) Corporate Finance Company Limited to record the agreement on the final offer price for the Shares pursuant to the global offering of the Company;
- (l) a finance lease agreement entered into between Yinxing College and 遠東國際租賃有限公司(International Far Eastern Leasing Co., Ltd*) (“**Far Eastern Leasing**”) on 8 March 2019, pursuant to which Far Eastern Leasing will purchase the Equipment from Yinxing College at an aggregate consideration of RMB57,000,000 and lease the Equipment back to Yinxing College for a term of 36 months at an estimated total lease amount of approximately RMB65,450,000. Details of the transactions were set out in the announcement of the Company dated 8 March 2019;
- (m) the land use rights grant contract dated 14 March 2019 entered into between Gingko Asset Management and 四川省宜賓市自然資源和規劃局 (Sichuan Province Yibin City Natural Resources and Planning Bureau*), a PRC government authority and the grantor of the land use rights of the land, in respect of the grant of land use rights for a piece of land located in the east of Feng Huang Da Dao, Nanxi District, Yibin City, Sichuan Province (四川省宜賓市南溪區鳳凰大道東側) with a total site area of approximately 333,360 sq. m. at a consideration of RMB155,012,400, details of which are set out in the Company’s announcement dated 14 March 2019; and
- (n) the Construction Contract.

9. GENERAL

- (a) In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.
- (b) The joint company secretaries of the Company are Mr. Tian and Mr. Wan Chi Hei. Mr. Tian is an executive director of the Company. He is also the executive director and general manager of Gingko Asset Management. Mr. Wan Chi Hei is a member of the Hong Kong Institute of Certified Public Accountants.
- (c) The principal place of business of the Company in Hong Kong is 31/F., 148 Electric Road, North Point, Hong Kong.
- (d) The branch share registrar of the Company is Computershare Hong Kong Investor Services Limited of Shops 1702-1706, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekdays (except for Saturday, Sunday and public holidays) at the Company's principal place of business in Hong Kong at 31/F., 148 Electric Road, North Point, Hong Kong, for a period of 14 days from the date of this circular:

- (a) the memorandum and articles of association of the Company;
- (b) the Prospectus;
- (c) the annual report of the Company for the year ended 31 December 2018;
- (d) the material contracts referred to in the section headed "8. Material Contracts" in this appendix; and
- (e) this circular.