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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)

DISCLOSEABLE TRANSACTION CONSTRUCTION CONTRACT FOR EXPANSION OF THE NANXI CAMPUS

CONSTRUCTION CONTRACT

The Board is pleased to announce that on 29 May 2023, Ginkgo College, a wholly-owned subsidiary of the Company, entered into the Construction Contract with the Contractor for the construction works of the Expansion of Ginkgo College (Nanxi Campus) at a Contract Sum of RMB70,450,000, subject to adjustments arising from changes in the construction works or fluctuations in the published price of labour and materials (if any).

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) calculated under Rule 14.07 of the Listing Rules in respect of the transaction contemplated under the Construction Contract exceeds 5% but all are less than 25%, the transaction contemplated under the Construction Contract constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 29 May 2023, Ginkgo College, a wholly-owned subsidiary of the Company, and the Contractor entered into the Construction Contract for the construction works of the Expansion of Ginkgo College (Nanxi Campus) at a Contract Sum of RMB70,450,000, subject to adjustments arising from changes in the construction works or fluctuations in the market price of labour and materials.

CONSTRUCTION CONTRACT

The principal terms of the Construction Contract are set out below:

Date: 29 May 2023

Parties: (i) Gingko College; and
(ii) the Contractor.

Subject Matter: The Construction Project encompasses, among others, the construction of student dormitory and other ancillary facilities with a total gross floor area of approximately 20,715.36 square meters, which is located at No. 18, Fenghuang Dadao, Nanxi Area, Yibin City, Sichuan Province, the PRC* (中國四川省宜賓市南溪區鳳凰大道18號).

Pursuant to the Construction Contract, the scope of work for the Contractor in respect of the Construction Project includes all construction works and greenery projects to be carried out by the Contractor in accordance with the construction drawings agreed under the Construction Contract.

The Construction Project is scheduled to commence on 30 June 2023 and complete by 30 June 2024 (subject to the commencement date as confirmed in the commencement order to be issued by the chief supervisory engineer of the current construction segment).

Contract Sum: Pursuant to the Construction Contract, the Contract Sum of RMB70,450,000 (equivalent to approximately HK\$77,920,000), subject to adjustment (which is not expected to be material), is determined after arm's length negotiations between Gingko College 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.

The Contract Sum will be financed by the Group's internal resources and/or bank borrowings.

Terms of payment:

Gingko College shall pay to the Contractor by progress in the following manner:

- (i) Gingko College shall pay to the Contractor an initial fund of RMB8,000,000 within 7 days after entering into of the Construction Contract;
- (ii) Gingko College shall pay to the Contractor a sum of RMB12,000,000 (excluding the workers' salaries paid by Gingko College) within 7 days upon completion of the foundation work and Gingko College having inspected the construction works and accepted the same;
- (iii) Gingko College shall pay to the Contractor a sum of RMB8,000,000 (excluding the workers' salaries paid by Gingko College) within 7 days upon the completion of the third floor construction unit and Gingko College having inspected the construction works and accepted the same;
- (iv) Gingko College shall pay to the Contractor a sum of RMB12,000,000 (excluding the workers' salaries paid by Gingko College) within 7 days upon the completion of the topping-out of the construction unit and Gingko College having inspected the construction works and accepted the same;
- (v) Gingko College shall pay to the Contractor a sum of RMB8,000,000 (excluding the workers' salaries paid by Gingko College) within 7 days upon the completion of the construction of the building and the approval and acceptance of parties including Gingko College, the designer, the site investigators, the supervisor and the constructors;
- (vi) Gingko College shall pay to the Contractor a sum of RMB7,000,000 (excluding the workers' salaries paid by Gingko College) within 7 days upon the completion of all construction works (both above ground and underground) and the approval and acceptance of Gingko College and the Supervisor;

- (vii) the total progress payments to be settled by Gingko College, on a cumulative basis, shall be up to 90% of the total settlement costs payable within 3 months upon completion of all construction works and parties including Gingko College, the designer, the site investigators, the supervisor and the constructors having submitted the comprehensive completion information; however, in the event that such settlement is not completed on time (i.e. within 3 months after the Contractor has provided the settlement information), the total progress payments shall be up to 90% of the settlement amount as reported by the Contractor;
- (viii) within 1 year after the completion of the abovementioned settlement procedure (i.e. before 30 August 2025), up to 97% of the Contract Sum shall be paid; and
- (ix) the remaining 3% of the final Contract Sum shall be withheld by Gingko College during the 24-months 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 College during the defect liability period and paid within 30 days to the Contractor upon its request after expiry of the 24-months defect liability period.

Warranty period: Unless otherwise specified, the warranty period is 24 months from the date of the inspection and acceptance of the completed construction works by Gingko College pursuant to the Construction Contract.

INFORMATION ON THE PARTIES INVOLVED

The Company is an investment holding company incorporated in the Cayman Islands with limited liability. The Group is primarily engaged in the provision of private higher education services in the PRC.

Gingko College is a wholly-owned subsidiary of the Company and is committed to provide a comprehensive and diversified curriculum to nurture talents with practical skills in the hospitality management industry.

The Contractor is an enterprise in the PRC and is principally engaged in housing construction, construction engineering, and highways, bridges, mechanical and electrical installations. 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 THE ENTERING INTO OF THE CONSTRUCTION CONTRACT

References are made to (1) the announcement of the Company dated 5 November 2021 in relation to the entering into of the construction contract dated 5 November 2021 to expand the Chengdu campus of the Ginkgo College; and (2) the annual report of the Company for the year ended 31 December 2022 (the “**Annual Report**”).

As stated in the Annual Report, for the 2022/2023 school year, student enrollment of Ginkgo College continued to grow and has reached approximately 19,100 students, representing an increase of 28.2% comparing to that of the 2021/2022 school year. With the continuous growth in the number of student enrollments and vocational training projects ongoing, the Board as at the date of the announcement considered that upon completion of the Construction Project, the expanded new campus in the Nanxi Campus will provide the Group with new student dormitories to catch up with the increase in the number of students. It will also facilitate the Group in capturing the growing market demand and attract more students from neighbouring provinces to enroll, and will thereby expect to bring positive impact on the Group’s higher education services and boost upcoming students’ admission.

The Construction Contract was entered into after Ginkgo College had (1) delivered tender invitation and tender document to the potential contractors; and (2) considered the bidding proposals submitted by the potential contractors. The Directors consider that the terms of the Construction Contract are on normal commercial terms and are fair and reasonable and the Construction Contract is in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) calculated under Rule 14.07 of the Listing Rules in respect of the transaction contemplated under the Construction Contract exceeds 5% but all are less than 25%, the transaction contemplated under the Construction Contract constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from the circular and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

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| “Board” | the board of Directors |
| “Company” | China Gingko Education Group Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (stock code: 1851) |
| “connected person” | has the meaning as defined in the Listing Rules |
| “Construction Contract” | the construction contract dated 29 May 2023 entered into between Gingko College and the Contractor in respect of the Construction Project |
| “Construction Project” | the construction of the Expansion of Gingko College (Nanxi Campus) |
| “Contract Sum” | the total consideration payable under the Construction Contract, being RMB70,450,000 |
| “Contractor” | Sichuan Province Yahui Construction Installation Engineering Co., Ltd.* (四川省亞輝建築安裝工程有限公司), an Independent Third Party |
| “Director(s)” | the director(s) of the Company |
| “Expansion of Gingko College (Nanxi Campus)” | the expansion (batch 1 of phase 2) of the Nanxi campus of the Gingko College by constructing student dormitory no. 15 and other ancillary facilities with the total gross floor area of approximately 20,715.36 square meters on a piece of land situated at No. 18, Fenghuang Dadao, Nanxi Area, Yibin City, Sichuan Province, the PRC* (中國四川省宜賓市南溪區鳳凰大道18號) |
| “Gingko College” | Gingko College of Hospitality Management* (成都銀杏酒店管理學院), a wholly-owned subsidiary of the Company |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | The Hong Kong Special Administrative Region of the PRC |
| “Independent Third Party(ies)” | independent third party(ies) not connected with the Company and its subsidiaries, their respective directors, chief executives and substantial shareholders and any of their associates within the meaning of the Listing Rules |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |

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| “PRC” | the People’s Republic of China |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “subsidiary(ies)” | any entity within the meaning of the term “subsidiary” as defined in the Listing Rules and the term “subsidiaries” shall be construed accordingly |
| “%” | per cent |

Unless otherwise defined, for the purpose of this announcement and for the purpose of illustration only, RMB amounts have been translated using the following rates: RMB1.00:HK\$1.11. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate or at all.

By Order of the Board
China Gingko Education Group Company Limited
Fang Gongyu
Chairman and Executive Director

Hong Kong, 5 June 2023

As at the date of this announcement, the executive Directors are Mr. Fang Gongyu, Mr. Tian Tao, Ms. Yu Yuan and Mr. Ma Xiaoming, and the independent non-executive Directors are Mr. Jiang Qian, Mr. Wong Chi Keung and Mr. Yuan Jun.

[#] *The English translation of the Chinese names in this announcement, where indicated, are included for information purpose only, and should not be regarded as the official English names of such Chinese names.*