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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).

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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
LAND USE RIGHTS GRANT CONTRACT**

A letter from the Board is set out on pages 5 to 12 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 Land Use Rights Grant Contract and the transaction contemplated thereunder have been approved by written shareholder’s approval obtained from Vast Universe Company Limited, 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

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DEFINITIONS

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

“Bidding”	a listing-for-sale held by 宜賓市南溪區公共資源交易服務中心 (Yibin City Nanxi District Public Resources Transaction Service Centre*) and 宜賓市國土資源局南溪區分局 (Yibin City Land and Resources Bureau Nanxi District Branch Office*) in accordance with PRC laws and regulations as open tender for sale of land use rights of the Land
“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
“Consideration”	a total sum of RMB155,012,400, being the price for the grant of the land use rights of the Land pursuant to the terms and conditions of the Land Use Rights Grant Contract
“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
“Ginkgo Asset Management”	成都銀杏資產管理有限公司 (Chengdu Ginkgo Asset Management Co., Ltd.*), a company established under the laws of the PRC with limited liability and a consolidated affiliated entity of the Company

DEFINITIONS

“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
“Land”	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.
“Land Use Rights Grant Contract”	國有建設用地使用權出讓合同 (the state-owned construction land use rights contract*) in respect of the Land entered into between Ginkgo Asset Management and Sichuan Province Yibin City Natural Resources and Planning Bureau
“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

DEFINITIONS

“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
“Nanxi New Campus”	the new campus to be established by the Group in Nanxi District, Yibin City, Sichuan Province, the PRC
“Nanxi New Campus Project Investment Agreement”	the agreement dated 18 May 2018 entered into by the Group with the People’s Government of Nanxi District, Yibin City, pursuant to which, the Group will invest RMB600.0 million to establish a new campus that could accommodate up to 10,000 students
“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
“Property Valuation Report”	a valuation report in respect of the Land prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited in accordance with the Listing Rules and included as Appendix III to this circular
“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)

DEFINITIONS

“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
“sq.m.”	square meter(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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 14 March 2019 given by Vast Universe, the controlling shareholder of the Company, in respect of the Land Use Rights Grant 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 LAND USE RIGHTS GRANT CONTRACT

1. INTRODUCTION

Reference is made to the announcement of the Company dated 14 March 2019. On 14 March 2019, Gingko Asset Management, a consolidated affiliated entity of the Company, entered into the Land Use Rights Grant Contract with Sichuan Province Yibin City Natural Resources and Planning Bureau in respect of the grant of the Land for education and research usage to Gingko Asset Management following successful Bidding at a consideration of RMB155,012,400.

LETTER FROM THE BOARD

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

2. MAJOR TERMS OF THE LAND USE RIGHTS GRANT CONTRACT

The principal terms of the Land Use Rights Grant Contract are set out as follows:

Date:	14 March 2019
Parties:	(i) Gingko Asset Management, a consolidated affiliated entity of the Company (ii) Sichuan Province Yibin City Natural Resources and Planning Bureau

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Sichuan Province Yibin City Natural Resources and Planning Bureau and its ultimate beneficial owner(s) are Independent Third Parties

Code of the Land:	XC-A-08-03
Location of the Land:	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)
Total site area of the Land:	Approximately 333,360 sq.m.
Planned gross floor area of the Land:	Not more than 500,040 sq.m. (excluding underground floor area)
Permitted use of the Land:	Education and research usage
Term of the land use rights of the Land:	50 years

LETTER FROM THE BOARD

Consideration:

RMB155,012,400, which was the starting price of the Bidding as well as the bidding price for the Land submitted by Gingko Asset Management at the Bidding. Such bidding price was determined by the Group after taking into account, among others, the average price per sq.m. of the lands sold by way of bidding in Nanxi District, Yibin City, Sichuan Province in the past years. The Directors considered the starting price to be comparable to the average price range, and thus was fair and reasonable on normal commercial terms and in the interests of the Company and the shareholders as a whole.

Deposit:

A refundable deposit of RMB50,000,000 (the “**Deposit**”) has been paid by Gingko Asset Management (including RMB30,000,000 which has been paid by Yibin City Nanxi District Caiyuan State-Owned Assets Management Co., Ltd.* (宜賓市南溪區財源國有資產經營有限責任公司) (“**Caiyuan State-Owned Assets Management**”), an Independent Third Party, on behalf of Gingko Asset Management) for the Bidding ^(Note).

The Deposit will form part of the payment for the Consideration under the Land Use Rights Grant Contract. The Deposit will not be forfeited under any circumstances and will be refunded to Gingko Asset Management within five business days after the Bidding if the Land is not granted to the Group.

Note:

Considering that (i) a bank loan of approximately RMB20,000,000 would be repaid by end of February 2019, which was at the same period of time of the payment of the Deposit, and (ii) the Group had cash and cash equivalents of approximately RMB195 million (of which approximately RMB136 million were IPO Proceeds with earmarked purposes) before the repayment date, to ensure sufficient operating cash flow, the Directors decided to borrow RMB30,000,000 from Caiyuan State-Owned Assets Management for the payment of part of the Deposit. Caiyuan State-Owned Assets Management was introduced to the Group by Mr. Tian who is acquainted with a director of Caiyuan State-Owned Assets Management. Pursuant to the agreement between Gingko Asset Management and Caiyuan State-Owned Assets Management, the RMB30,000,000 shall be repaid without interest before 30 April 2019. Taking into account the personal acquaintance with Mr. Tian, the short term of the loan, and the limited use of the loan for the payment of part of the Deposit only, Caiyuan State-Owned Assets Management agreed to offer the loan without interest. Gingko Asset Management has repaid the RMB30,000,000 to Caiyuan State-Owned Assets Management using its internal resources before 30 April 2019.

LETTER FROM THE BOARD

Terms of payment:

The Consideration shall be paid in the following manner:

- (i) 50% of the Consideration, equivalent to RMB77,506,200, after deducting from the amount of the Deposit, shall be paid by Gingko Asset Management within 30 days after the date of the Land Use Rights Grant Contract; and
- (ii) the balance of the Consideration shall be paid by Gingko Asset Management before 1 March 2020.

As (i) the Consideration was determined by way of the Bidding, and (ii) the Directors took into account, among others, the average price per sq.m. of the land lots sold by way of bidding in Nanxi District, Yibin City, Sichuan Province in the past years, the Directors consider that the Consideration was comparable to the average price range and is fair and reasonable. As the applicable PRC laws require full settlement of the Consideration prior to the grant of construction permit, as at the Latest Practicable Date, the Consideration had been fully settled. 80% of the Consideration (approximately RMB124 million) was funded by the Group's internal resources and 20% (approximately RMB31 million) by external financing.^{Note} The Company did not use any of the proceeds from the global offering of the offer shares of the company nor any bank facilities to settle the Consideration. The Company will indirectly hold the entire interest in the Land through Gingko Asset Management.

3. THE PROPOSED DEVELOPMENT AND REASONS FOR AND BENEFITS OF ENTERING INTO THE LAND USE RIGHTS GRANT 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.

Note:

Existing finance lease was used to settle the Consideration. For details of the finance lease arrangement, please refer to the announcement published by the Company on 8 March 2019.

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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 phase I of the construction works commenced in June 2019. The Nanxi New Campus is expected to commence operation in September 2019 after the completion of stage one of the phase I of the construction and will 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 following table summarises the overall development plan of the Nanxi New Campus:

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, 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, 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

LETTER FROM THE BOARD

In addition to phase I and phase II of the Nanxi New Campus, the Group also plans to engage contractor(s) to undertake the redecoration and landscaping of the education hotel at a cost of approximately RMB30 million, which will be fully funded by the Group's internal resources. The Land Use Rights Grant Contract requires completion of the construction before 1 March 2024 and the Group currently expects to complete all construction works of the Nanxi New Campus before such date. Save for the acquisition of the Land and the construction plans described herein, the Group does not have any further plans to acquire additional land and/or properties for the development of the Nanxi New Campus.

The Directors are of the view that the acquisition of the land use rights of the Land pursuant to the Land Use Rights Grant Contract is an important step in the implementation of the Group's new campus plan as disclosed in the Prospectus, and the Land provides a suitable location for the Group to establish its new campus.

The Directors consider that the terms of the Land Use Rights Grant 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.

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

Sichuan Province Yibin City Natural Resources and Planning Bureau is a PRC government authority and the grantor of land use rights of the Land.

Caiyuan State-Owned Assets Management is a PRC state-owned enterprise and is principally engaged in asset management, investment, land development, municipal infrastructure construction and other related services. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, (i) Caiyuan State-Owned Assets Management is not associated with Yibin City Nanxi District Public Resources Transaction Service Centre, and (ii) there is no prior/current relationship among Caiyuan State-Owned Assets Management, Sichuan Province Yibin City Natural Resources and Planning Bureau, Gingko Asset Management and their respective ultimate beneficial owners. Caiyuan State-Owned Assets Management does not assume any responsibilities or obligations in the Land Use Right Grant Contract.

LETTER FROM THE BOARD

5. FINANCIAL EFFECTS OF ENTERING INTO THE LAND USE RIGHTS GRANT CONTRACT

Immediately upon completion of the Land Use Rights Grant Contract and assuming RMB155,012,400 of the consideration is to be satisfied by the cash generated from operation and existing borrowings, the financial effects upon the Group are: (i) an increase of non-current asset from acquisition of the land use rights amounting to RMB155,012,400 and (ii) a decrease of current asset from cash and cash equivalent amounting to RMB155,012,400. Upon completion of stage I of the construction in July 2019, the Group expects to commence the provision of vocational training in 2019 and academic education in 2020 with an enrollment of approximately 500 students in the first year and gradually increasing to approximately 2,000 students per year from 2024 going forward, which will contribute a total revenue of approximately RMB30 million each year thereafter. Taking into account of the additional classroom buildings and ancillary facilities to be constructed in Phase II of the construction of Nanxi New Campus, upon its completion, the student enrollment is expected to increase to 10,000, which is expected to contribute a revenue of approximately RMB100 million each year. As the Directors expect the operations of the Nanxi New Campus to continue going forward, taking into account the boosted private education in Sichuan and the neighbouring provinces, based on the Group's plan to develop and establish the Nanxi New Campus on the Land, the Company believes that the acquisition of the land use rights of the Land would have a positive impact on the Group's revenue and profits in the long run.

6. VALUATION

Based on the Property Valuation Report, the estimated market value of the Land is approximately RMB164,700,000 as at 31 March 2019. For details of the valuation of the Land, please refer to the Property Valuation Report in Appendix III to this circular.

7. 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 Land Use Rights Grant 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 Land Use Rights Grant Contract and the transaction contemplated thereunder; and (ii) in lieu of holding an EGM, the Company, on 14 March 2019, has obtained the Written Shareholder's Approval in respect of the Land Use Rights Grant 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

LETTER FROM THE BOARD

the Written Shareholder's Approval and the Latest Practicable Date, no EGM is required to be convened for the approval of the Land Use Rights Grant Contract and the transaction contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

8. RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Land Use Rights Grant Contract are fair and reasonable and the Land Use Rights Grant 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 Land Use Rights Grant 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 Land Use Rights Grant Contract and the transaction contemplated thereunder.

9. 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
	<u>89,886</u>
Non-current:	
Finance lease liabilities (<i>note b</i>)	37,114
	<u>127,000</u>

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. As at 10 May 2019, the Group entered into the construction contract with 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.*) (the “**Contractor**”) in respect of the construction of Phase I of the Nanxi New Campus on the Land (the “**Construction**”). The Group believes that after completion of the Construction, 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%
Green Tree Hospitality Group Ltd. <i>(Note 4)</i>	Beneficial owner	41,336,000 (L)	8.27%

Name	Capacity	Number of Shares (Note 1)	Approximate percentage of shareholding in issued share capital
Green Tree Inns Hotel Management Group, Inc.	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; and
- (n) a construction contract entered into between Ginkgo Asset Management and the Contractor on 10 May 2019 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. Details of the transactions were set out in the announcement of the Company dated 10 May 2019.

9. EXPERT AND CONSENT

The following is the qualification of the experts, the text of whose report is contained in or referred to in this circular:

Name	Qualification
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Qualified Property Valuer
Zhong Lun Law Firm	PRC Legal Advisers

As at the Latest Practicable Date, the above experts did not have:

- (a) any direct or indirect interest in any assets which have been, since 31 December 2018 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and

- (b) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

The above experts have given and have not withdrawn their consents to the issue of this circular with the inclusion of the text of their letters and/or reports and/or the references to their names in the form and context in which they appear herein.

10. 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.

11. 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;

- (e) the Property Valuation Report, the text of which is set out in Appendix III to this circular;
- (f) the written consents referred to in the section headed “9. Expert and Consent” in this appendix; and
- (g) this circular.

The following is the text of a property valuation report prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent qualified property valuer, in connection with its valuation of the Land as at 31 March 2019.



Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7th Floor One Taikoo Place 979 King's Road Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No.: C-030171

30 June 2019

The Board of Directors

China Gingko Education Group Company Limited (中國銀杏教育集團有限公司)

No. 2, Jinli Zhonglu,

Qingyang District,

Chengdu,

Sichuan Province,

The People's Republic of China (the "PRC")

Dear Sirs,

On 14 March 2019, Sichuan Province Yibin City Natural Resources and Planning Bureau has granted Chengdu Gingko Asset Management Co., Ltd. (成都銀杏資產管理有限公司, "**Gingko Asset Management**"), a consolidated affiliated entity of China Gingko Education Group Company Limited (中國銀杏教育集團有限公司, the "**Company**"), the right to acquire the land use rights of a parcel of land located in the east of Feng Huang Da Dao, Nanxi District, Yibin City, Sichuan Province, the PRC, with a site area of approximately 333,360 sq.m. (the "**Land**"), at the consideration of RMB155,012,400.

In accordance with your instructions to value the Land to be acquired by the Company and its subsidiaries (including the consolidated affiliated entities) (hereinafter together referred to as the "**Group**") in the PRC for disclosure purpose, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interest as at 31 March 2019 (the "**valuation date**").

Our valuation is carried out on a market value basis. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

We have adopted the comparison approach in the valuation of the property interest by making reference to comparable market transactions. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

Our valuation has been made on the assumption that the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

In valuing the property interest, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation — Global Standards 2017 published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of title documents including State-owned Land Use Rights Grant Contract and other official plans relating to the property interest and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interest in the PRC and any material encumbrance that might be attached to the property interest or any tenancy amendment. We have relied considerably on the advice given by the Company’s PRC legal adviser — Zhong Lun Law Firm, concerning the validity of the property interest in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

Inspection of the property was carried out in April 2019 by Ms. Anastasia Huang, who has 2 years' experience in valuation field in the PRC. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation certificate is attached.

Yours faithfully,

For and on behalf of

Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Eddie T. W. Yiu

MRICS MHKIS RPS (GP)

Senior Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 25 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

VALUATION CERTIFICATE

Property interest to be acquired by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2019 RMB
<p>A parcel of land for the development of Yinxing Hospitality Management College of Chengdu University of Information Technology, Nanxi New Campus (成都信息工程大学银杏酒店管理学院南溪新校区) located at the east of Feng Huang Da Dao, Nanxi District, Yibin City, Sichuan Province, The PRC</p>	<p>The property is located at the east of Feng Huang Da Dao, Nanxi District, Yibin City, Sichuan Province. The locality is a newly developed area where public facilities are still under development.</p> <p>The property occupies a parcel of land with a site area of approximately 333,360 sq.m., which is scheduled to be developed into an educational development with the plot ratio accountable gross floor area of approximately 500,040 sq.m.</p> <p>As advised by the Group, the construction of the project had not been commenced as at the valuation date.</p> <p>The land use rights of the property have been granted for the terms of 50 years for education and research uses.</p>	<p>As at the valuation date, the property was bare land.</p>	<p>No commercial value (refer to note 2)</p>

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract — No. 1402-2019-006 dated 14 March 2019, the land use rights of a parcel of land with a site area of approximately 333,360 sq.m. were contracted to be granted to Gingko Asset Management for terms of 50 years for education and research uses commencing from the land delivery date. The total land premium was RMB155,012,400 and the plot ratio accountable gross floor area is approximately 500,040 sq.m.
- As at the valuation date, the relevant land use rights certificate had not been obtained. Therefore, we have attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB164,700,000 assuming the relevant land use rights certificate had been obtained and the property could be freely transferred.
- Pursuant to a Construction Land Planning Permit — Yi Nan Gui Di Zi Di No. (2019) 2 dated 27 March 2019, permission towards the planning of the subject land parcel with a site area of approximately 333,360 sq.m. has been granted to Gingko Asset Management.

4. Pursuant to a Construction Work Planning Permit — Yi Nan Gui Jian Zi Di No. (2018) 9 dated 28 March 2019 in favour of Gingko Asset Management, the construction work with a total gross floor area of approximately 94,161.72 sq.m. (Phase I of Nanxi New Campus) has been approved for construction.
5. Pursuant to a Construction Work Commencement Permit — No. 511522201906060101 dated 6 June 2019 in favour of Gingko Asset Management, permission by the relevant local authority was given to commence the construction work with a total gross floor area of approximately 94,161.72 sq.m. (Phase I of Nanxi New Campus).
6. Our valuation has been made on the following basis and analysis:
 - i) In undertaking our valuation, we have identified and analyzed various relevant sales evidences of land in the locality which have similar characteristics as the subject property such as nature, use, site area, layout and accessibility of the property. The selected comparables are land parcels for education and research uses located in the area close to the subject property, which were transacted in 2017 and 2019. The land value of these comparable land sites ranges from RMB475 to RMB688 per sq.m. for education and research use. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed land value for the property.
7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:
 - a. The State-owned Land Use Rights Grant Contract as mentioned in note 1 is legal and valid, and is legally binding on all parties to the contract;
 - b. Gingko Asset Management has paid the land premium as mentioned in note 1, and there are no material legal impediments to obtain its Land Use Rights Certificate after paying the relevant taxes and fees, including but not limited to deed tax, stamp duty, etc.; and
 - c. The Construction Land Planning Permit, Construction Work Planning Permit and Construction Work Commencement Permit as mentioned in notes 3 to 5 are legal and valid.