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Minsheng Education Group Company Limited
民生教育集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1569)

DISCLOSEABLE TRANSACTION

**ACQUISITION OF 51% SCHOOL SPONSOR'S INTEREST
IN THE TARGET SCHOOL**

THE ACQUISITION AGREEMENT

The Board is pleased to announce that on 30 August 2017 (after trading hours), Chongqing Yuecheng, an indirect subsidiary of the Company, entered into the Acquisition Agreement with the Vendors and Wenda Kemaopursuant to which Chongqing Yuecheng agreed to acquire and the Vendors agreed to sell 51% of the school sponsor's interest in the Target School for a total consideration of RMB500 million.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements but exempt from the circular and shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

FINANCIAL HIGHLIGHTS OF THE TARGET SCHOOL

	For the year ended 31 December			
	2016	2015	Change	Percentage
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	Change
	(unaudited)	(unaudited)		
Revenue	110,330	113,004	-2,674	-2.4%
Gross profit	49,742	62,374	-12,632	-20.3%
Profit for the period	30,676	44,087	-13,411	-30.4%
Student numbers	11,030	11,963	-933	-7.8%

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Date

30 August 2017 (after trading hours)

The Acquisition Agreement will take effect upon the execution by the parties and from 1 September 2017.

Parties

- (i) Chongqing Yuecheng
- (ii) the Vendors
- (iii) Wenda Kemao

As at the date of this announcement, the First Vendor and Wenda Kemao own 90% and 10% of the school sponsor's interest in the Target School, respectively, and the Second Vendor is the school sponsor of the Target School. To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the Vendors, Wenda Kemao and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

Subject matter

Pursuant to the Acquisition Agreement, Chongqing Yuecheng agreed to acquire and the Vendors agreed to sell 51% of the school sponsor's interest in the Target School.

Earnest Money

Upon the execution of the Acquisition Agreement and the satisfaction of the conditions below, Chongqing Yuecheng or other party as designated by it shall deposit the Earnest Money of RMB100 million to its or its designated party's bank account maintained with the Designated Bank for the Acquisition. Before the expiration of a 90-day observation period after the deposit of the Earnest Money, Chongqing Yuecheng shall not make any withdrawal from the said bank account without the prior approval from the Designated Bank, except for the purpose of settling part of the 1st instalment of the Consideration. Upon satisfaction of certain conditions, the Earnest Money will be released to the Vendors as part of the 1st instalment of the Consideration payable by the Group, as disclosed in further detail in the paragraph headed "Consideration" below.

The deposit of the Earnest Money by Chongqing Yuecheng or other party as designated by it is conditional upon the fulfilment or waiver (as the case may be) of the following conditions:

- (a) the Acquisition Agreement having been executed and taken effect;
- (b) the written confirmation having been signed by the Vendors and Wenda Kemao in relation to, among other things, the undertaking that the Vendors and Wenda Kemao would agree to the Acquisition and would procure the completion of the Acquisition and the due obtaining of the required approvals, filings and registrations from the relevant authorities under the Acquisition;
- (c) the written agreement by the pledgor of the 90% school sponsor's interest in the Target School owned by the First Vendor and the written agreement by more than half of the Second Vendor creditors' committee members in relation to, among other things, the Acquisition;
- (d) the approved valuer having issued the legal and valid valuation report on the Target School;
- (e) the Target School having obtained the school financial liquidation report in accordance with the requirements of the Education Department of Anhui Province;

- (f) (i) the Education Department of Anhui Province and the Intermediate People's Court of Hefei City and other relevant authorities having been communicated and coordinated in respect of the Acquisition and (ii) the meeting minutes and other written documents of the government in relation to the Acquisition having been accepted by Chongqing Yuecheng;
- (g) (i) the Target School having convened the school council meeting to consider and approve the amendments to its articles (which includes, among others, the sponsor's entitlement to require reasonable return) and (ii) the amended articles having been approved by the Education Department and the Department of Civil Affairs of Anhui Province and/or the registration procedures of the amended articles with the Education Department and the Department of Civil Affairs of Anhui Province having been completed;
- (h) (i) the Vendors having signed and completed all relevant application documents as required by the Education Department, the People's Government of Anhui Province and Department of Civil Affairs of Anhui Province for the change of school sponsor of the Target School; and (ii) the board of committee of the Target School having convened the board of committee meeting and approved the amendments to its articles stipulated in the Acquisition Agreement;
- (i) the Target School having completed the 2016 annual inspection conducted by the competent education department;
- (j) (if applicable) approval by the Company's shareholders regarding the Acquisition having been obtained; and
- (k) the representations, warranties and undertakings made by the Vendors in the Acquisition Agreement and other related written documents having been true, accurate, complete and not misleading.

Chongqing Yuecheng may waive any of the above conditions precedent for making the deposit of the Earnest Money.

Consideration

The total consideration for the Acquisition is RMB500 million, which is payable to the First Vendor by the Group in two instalments in the following manner:

1st instalment: RMB200 million (including the Earnest Money) to be paid within ten (10) business days upon (i) satisfaction of the conditions as set out above for the deposit of the Earnest Money; (ii) the Target School having obtained the approval from the People's Government of Anhui Province for the Acquisition and received the written approval documents for Chongqing Yuecheng being as a school sponsor of the Target School, (iii) the Education Department of Anhui Province having signed the approval documents for Chongqing Yuecheng being a school sponsor of the Target School and issued a new private school operating licence to the Target School stating that Chongqing Yuecheng as one of the school sponsors, (iv) Department of Civil Affairs of Anhui Province having completed the registration procedures of Chongqing Yuecheng as one of the school sponsors and issued a new registration certificate for private non-enterprise legal entities, (v) the amended articles of the Target School having been approved by and/or filed with the Education Department and the Department of Civil Affairs of Anhui Province, (vi) the new board of directors of the Target School having established and the executive principal, vice principal and financial director of the Target School newly appointed by the new board of directors having served, (vii) all completion procedures as set out in the Acquisition Agreement having been completed, (viii) the new management team having been entrusted with all the administrative and financial management powers of the Target School by Chongqing Yuecheng, (ix) Anhui Provincial Department of Education, Hefei Education Bureau and related bank accounts holders having signed the written confirmation to confirm (1) due to historical reasons, the Target School has handled funds by using certain bank accounts which have been under the supervision of the Education Department of Anhui Province and the Board of Education of Hefei City, and the funds in such bank accounts shall be part of the property of the Target School according to the PRC laws and regulations; and (2) after Chongqing Yuecheng being one of the school sponsors of the Target School, the funds savings and the supervision of the aforementioned bank accounts shall maintain the status quo, and funds in such bank accounts can be freely used by the Target School. The Anhui Provincial Department of Education, the Education Bureau of Hefei City and related bank accounts holders having confirmed to agree that the supervision of the aforementioned bank accounts shall be released within five (5) business days from the date of receipt of the formal written notice from Chongqing Yuecheng, and that they would process the relevant account transfer and handing-over procedures with new management team, and (x) the Vendors having issued the written notice to Chongqing Yuecheng containing the remittance account information of the Vendors.

2nd instalment: RMB300 million to be paid upon (i) satisfaction of all the above conditions for the deposit of the Earnest Money and the 1st instalment; (ii) (a) the legal ownership of a land of the Target School with an area of approximately 239 mu and buildings in the Target School with an area of approximately 140,411 square metres having transferred from the First Vendor to the Target School at nil consideration; (b) the land use right of a plot of greenfield land with an area of approximately 34 mu (22,446 square metres) having been obtained under the name of the Target School; (c) the property ownership certificates of buildings with an area of approximately 64,802 square metres which have not previously obtained property ownership certificates but were constructed by the First Vendor in the Target School having been obtained under the name of the Target School. The above-mentioned lands and buildings located in the Target School not belonging to the Target School are free from any pledges, liens or other restrictions of any nature and the Target School has obtained the relevant land use right certificate(s) and property ownership certificate(s). All related tax or other expenses incurred payable by the First Vendor; (iii) all previously charged, frozen and/or seized lands and properties owned by the Target School having been discharged, unfroze and/or unseized, free from any pledges, liens or other restrictions of any nature and the Target School having legally obtained all the land use right certificates and property ownership certificates of such lands and properties; (iv) all liabilities owed to the financial institutions, companies and other organisations and individuals having been carved-out or repaid legally and without any further repayment obligation; and (v) all external guarantees provided for third parties having been released and without any other related guarantee obligations.

In the event that any of the above conditions is not fulfilled causing the non-payment of the 2nd instalment by Chongqing Yuecheng, the parties to the Acquisition Agreement confirm that (a) Chongqing Yuecheng should be considered as fully complied with its payment obligations of the Consideration under the Acquisition Agreement; and (b) the Vendors should not, under whatever circumstances, request Chongqing Yuecheng to make the 2nd instalment or to return the 51% school sponsor's interest in the Target School.

The Consideration is determined after arm's length negotiation between the parties and on normal commercial terms and having considered, among other things, the scale in terms of number of students, market value of the education industry, brand name, type of school, reputation and market position of the Target School and the future prospects of the education business in the PRC. It is expected that the Consideration shall be financed by the Group's internal resources.

Acquisition Completion

The Acquisition Completion shall take place upon the issuance of a new registration certificate for private non-enterprise legal entities to the Target School by the Department of Civil Affairs of Anhui Province stating that Chongqing Yuecheng is one of the school sponsors of the Target School.

Other Material Terms

(i) *Loan arrangement*

After the Acquisition Completion, subject to satisfaction of certain conditions as set out in the Acquisition Agreement, including the further approval by the Group, and the entering into definitive loan agreement(s) with the Target School and/or the First Vendor, Chongqing Yuecheng will advance certain loans to the Target School and/or the First Vendor. The Company will make further announcement(s) and comply with the applicable Listing Rule requirements when such transaction is materialized.

(ii) *Grant of options*

Chongqing Yuecheng may, at its discretion and subject to certain terms and conditions of the Acquisition Agreement, grant an option to the Vendors and Wenda Kemaο pursuant to which each of the First Vendor and Wenda Kemaο will have the right to sell to Chongqing Yuecheng the remaining 39% and 10% sponsor's interest in the Target School owned by them, respectively, subject to the conditions as set out under the Acquisition Agreement (the "**Put Option**"). Details of the Put Option are summarised as follows:

Put Option: Subject to the compliance with the Listing Rules and the applicable laws and regulations, Chongqing Yuecheng may grant the option to the First Vendor and Wenda Kemaο, and according to such option the First Vendor and Wenda Kemaο will have the right to sell their respective 39% and 10% of the school sponsor's interest in the Target School to Chongqing Yuecheng at the exercise price as set out below.

Premium and exercise price: No premium is payable for the grant of the Put Option.

The exercise price of the Put Option will be determined by the following formula at the time of the exercise of such option:

85%-90% of the Company's valuation by reference to its price-to-earnings ratio

Exercise period: On and after the 5th anniversary of the effective date of the Acquisition Agreement.

Non-compete: The First Vendor and Wenda Kemaο will not sell their respective school sponsor's interest in the Target School to any parties in actual or potential competition with the Company.

Pursuant to the Acquisition Agreement, the Company may grant the Put Option to the Vendors and Wenda Kemaο at its discretion. As at the date of this announcement, no Put Option has been granted by the Company. In the event that such Put Option is granted, the Company will make further announcement(s) and comply with the relevant requirements under the Listing Rules in this regard as and when appropriate.

(iii) Special arrangement in relation to distributions after the Acquisition Completion

The parties agreed that within three (3) years after the Acquisition Completion, to the extent that the First Vendor lawfully remains as one of the school sponsors in the Target School, the First Vendor shall be entitled to priority in distribution of operating surplus of up to RMB150 million (on a cumulative basis) (“**Prioritized Distribution**”), provided that any Prioritized Distribution shall be offset by any loss or expenses which may arise from any actual and contingent liabilities which exist prior to the Acquisition Completion (“**Loss from Pre-existing Liabilities**”). If the total Prioritized Distribution is insufficient to cover any Loss from Pre-existing Liabilities, such Loss from Pre-existing Liabilities exceeding Prioritized Distribution shall be deducted from future distributions to the First Vendor until any Loss from Pre-existing Liabilities has been fully settled.

INFORMATION ON THE TARGET SCHOOL, AND THE VENDORS AND WENDA KEMAO

The Target School

The Target School is a private higher education institution located in Anhui, the PRC, offering courses and programs leading to higher education degrees. Currently, it has approximately 11,030 students and targets to have students of approximately 10,800 for the 2017/2018 school year.

Based on the financial information provided by the Vendors, set out below is a summary of the net profit before and after tax of the Target School for the two years ended 31 December 2016, the net assets of the Target School as at 30 June 2017 and other relevant financial information of the Target School:

	For the year ended 31 December 2015	For the year ended 31 December 2016
	<i>(RMB)</i>	<i>(RMB)</i>
	(unaudited)	(unaudited)
Net profit before tax	44,086,902	31,368,989
Net profit after tax	44,086,902	30,676,499

As at 30 June 2017

(RMB)

(unaudited)

Net assets 179,939,652

Twelve months ended

31 December

	2016	2015	Change	Percentage
	RMB'000	RMB'000	RMB'000	Change
	(unaudited)	(unaudited)		
Revenue	110,330	113,004	-2,674	-2.4%
Gross profit	49,742	62,374	-12,632	-20.3%
Profit for the period	30,676	44,087	-13,411	-30.4%
Student numbers	11,030	11,963	-933	-9.8%

As at the date of this announcement, the school sponsor's interest in the Target School was owned as to 90% by the Second Vendor, with the corresponding capital in the Target School entirely funded by the First Vendor, and as to 10% by Wenda Kemao.

The Vendors and Wenda Kemao

The First Vendor is a limited liability company established under the laws of the PRC, which is principally engaged in software development and web engineering, computer, office equipment, photocopying facilities, electronic product development, manufacturing, sales, professional training.

The Second Vendor is an enterprise group established in the PRC, which is principally engaged in computer system manufacturing, software development, system integration and professional training.

Wenda Kemao is a limited company established under the laws of the PRC, which is principally engaged in, among others, technology development, consultancy services, professional training services and educational investment.

As as the date of this announcement, the Second Vendor is wholly-owned by the First Vendor.

REASONS FOR AND BENEFITS OF ENTERING INTO THE ACQUISITION AGREEMENT

The Group is principally engaged in providing high-quality private formal higher education in the PRC dedicated to nurturing professional talent with fours school operated in the PRC, including three of which in Chongqing and one in Inner Mongolia. Considering that (i) the Target School is a well-established school providing high-quality higher school education in Anhui Province; and (ii) from

2017, schools in Anhui Province are able to determine the tuition fees by itself since 2017, the Company is of the view that the Acquisition allows the Group to further expand its school network in Eastern China.

The Directors considers that the Acquisition Agreement has been entered into on normal commercial terms and the terms of the Acquisition Agreement are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

Chongqing Yuecheng is a limited liability company owned as to 99% by Chongqing Mincheng Technology Culture Project Development Centre* (重慶民晟科技文化項目開發中心) (“**Chongqing Mincheng LLP**”), and as to 1% by Chongqing Yugangao Corporate Management Consultancy Co., Ltd.* (重慶渝港澳企業管理諮詢有限公司) (“**Chongqing Yugangao**”). Chongqing Mincheng LLP is a limited partnership owned as to 95% by Chongqing Ruibo Mincheng Education Technology Co. Ltd.* (重慶睿博民晟教育科技有限公司) (“**Chongqing Ruibo**”) as the general partner and as to 5% by Chongqing Yugangao as the limited partner. Chongqing Ruibo is a company established under the laws of the PRC and is indirectly wholly-owned by the Company. Chongqing Yugangao is a company established under the laws of the PRC and is wholly-owned by Mr. Li Xuechun, an executive Director and the chairman of the Board.

Pursuant to the partnership agreement between Chongqing Ruibo and Chongqing Yugangao in respect of Chongqing Mincheng LLP, Chongqing Ruibo, as the general partner of Chongqing Mincheng LLP, is empowered to exercise its sole discretion on matters in relation to, among others, (i) managing the businesses and investments of Chongqing Mincheng LLP; and (ii) exercising the shareholder’s right, including the voting right and the dividend right, on behalf of Chongqing Mincheng LLP in the companies or schools owned by Chongqing Mincheng LLP. In addition, pursuant to the said partnership agreement, all the distributable income of Chongqing Mincheng LLP shall be distributed to the general partner of Chongqing Mincheng LLP, being Chongqing Ruibo.

Chongqing Yugangao has undertaken to relinquish its right to receive dividends and liquidation distributions of Chongqing Yuecheng.

Upon the Acquisition Completion, we will hold 51% school sponsor’s interest in the Target School and accordingly, the financial results of the Target School will be consolidated into the financial results of the Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements but exempt from the circular and shareholders’ approval requirements pursuant to Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Acquisition”	acquisition of the 51% of the school sponsor’s interest in the Target School by Chongqing Yuecheng in accordance with the Acquisition Agreement
“Acquisition Agreement”	transfer of school sponsor’s interest agreement entered into between Chongqing Yuecheng, the Vendors and Wenda Kemao on 30 August 2017 (after trading hours) under which the First Vendor agreed to sell and Chongqing Yuecheng agreed to purchase the 51% school sponsor’s interest in the Target School
“Acquisition Completion”	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
“Board”	the board of Directors
“Chongqing Yuecheng”	Chongqing Yuecheng Zhiyuan Education Technology Co., Ltd.* (重慶悅誠智遠教育科技有限公司), a limited liability company established in the PRC and an indirect subsidiary of the Company
“Company”	Minsheng Education Group Company Limited (民生教育集團有限公司), a company incorporated under the laws of the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1569)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the consideration of RMB500 million payable by Chongqing Yuecheng to the First Vendor for the Acquisition pursuant to the Acquisition Agreement
“Designated Bank”	Hefei City Commercial Bank of Anhui Province* (安徽省合肥市商業銀行)
“Director(s)”	director(s) of the Company
“Earnest Money”	earnest money of RMB100 million for the Acquisition
“Eastern China”	comprises Shanghai, Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi and Shandong

“First Vendor”	Anhui Wonder Electronics Co., Ltd.* (安徽文達電子有限公司), a company established in the PRC with limited liability
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratios”	has the meaning ascribed thereto under the Listing Rules
“PRC”	the People’s Republic of China, which for the purpose of this announcement and unless context suggests otherwise, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Second Vendor”	Anhui Wonder Computer Group* (安徽文達電腦集團), an enterprise group established in the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target School”	Anhui Wonder University of Information Engineering (安徽文達信息工程學院), a private school established in the PRC
“Wenda Kemao”	Hefei Wenda Kemao Co., Ltd.* (合肥文達科貿有限責任公司), a limited liability company established in the PRC, which holds 10% school sponsor’s interest in the Target School as at the date of this announcement
“Vendors”	the First Vendor and the Second Vendor
“%”	per cent

By the order of the Board
Minsheng Education Group Company Limited
Li Xuechun
Chairman

Hong Kong, 30 August 2017

As at the date of this announcement, the executive Directors are Mr. Li Xuechun, Ms. Zhang Weiping, Mr. Zuo Yichen and Mr. Lam Ngai Lung, the non-executive Directors are Mr. Lin Kaihua and Ms. Li Yanping, and the independent non-executive Directors are Mr. Chan Ngai Sang, Kenny, Mr. Yu Huangcheng and Mr. Wang Wei Hung, Andrew.

** for identification purpose only*