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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)

BUSINESS UPDATE **AGREEMENTS IN RELATION TO ACQUISITION OF** **HIGH SCHOOL IN SHOUGUANG**

The announcement is made by Minsheng Education Group Company Limited (the “**Company**”) on a voluntary basis to provide the shareholders of the Company and potential investors an update on the latest business development of the Company.

OVERVIEW

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that on 12 March 2018, Chongqing Jierui Education Technology Co., Ltd* (重慶傑睿教育科技有限公司) (“**Jierui**”), a company designated by the Company, entered into an equity transfer agreement with the shareholder of Shiji Kuangao (Beijing) Investment Management Co., Ltd* (世紀寬高(北京)投資管理有限公司) (“**Shiji Kuangao**”) and Shiji Kuangao, to acquire 100% of the equity interest of Shiji Kuangao (“**Equity Transfer Agreement**”). Pursuant to the Interest Transfer Agreement (as defined below), Shiji Kuangao will be entitled to acquire Bohai Experimental School (as defined below) on the terms and subject to conditions of the Interest Transfer Agreement.

On 10 March 2018, Shiji Kuangao has entered into the School Sponsor’s Interest Transfer Agreement (“**Interest Transfer Agreement**”) with Shouguang City Hongjing Town Development and Investment Company Limited* (“**Shouguang Hongjing**”) (壽光市宏景城鎮建設投資有限公司) and Shouguang City No.1 Middle School* (壽光市第一中學) (collectively referred as “**Original School’s Sponsors**”) to acquire 100% school sponsor’s interest of Shouguang Bohai Experimental School* (壽光市渤海實驗學校) (“**Bohai Experimental School**”) (The second name of school namely, The Experimental High School associated with University of Chinese Academy of Sciences Basic Education Institute* (中國科學院大學基礎教育研究院附屬實驗中學) and Shouguang No.1 Secondary School Branch School* (壽光市第一中學分校)). Bohai Experimental School is located in Shouguang, Shandong Province, the PRC, with approximately 2500 students and 260 teachers.

EQUITY TRANSFER AGREEMENT

Pursuant to the Equity Transfer Agreement, Jierui will acquire 100% of the equity interest of Shiji Kuangao and its assets at a consideration of RMB4 million, which was determined by arm's length negotiation between the parties taking into account, among other things, the rights of Shiji Kuangao under the Interest Transfer Agreement. The consideration of the transfer of the equity interest shall be paid in full once the equity interest of Shiji Kuangao has been transferred to Jierui and the legal representative of Shiji Kuangao has been replaced by a personnel designated by Jierui.

INTEREST TRANSFER AGREEMENT

Pursuant to the Interest Transfer Agreement, Shiji Kuangao will acquire 100% of the school sponsor's interest of Bohai Experimental School, and the land, building, facilities and equipment of the east side of the Bohai Experimental School for a total consideration of RMB151.73 million, which was determined by arm's length negotiation between the parties, taking into account, among other things, the current number of students enrolled, tuition fee, capacity and growth prospect of Bohai Experimental School. The consideration is payable by three installments.

Pursuant to the Interest Transfer Agreement, all of the teachers and the management personnel ("**Government Assigned Personnel**") currently assigned by the Original School's Sponsors to work at Bohai Experimental School will be retained. The Government Assigned Personnel shall represent no less than 80% of the teachers and management team of Bohai Experimental School. In the event that such ratio falls below 80%, the Original School's Sponsors shall assign the appropriate number of teacher and management personnel to restore the ratio to at least 80%. Going forward, where additional teachers and/or management will need to be recruited to accommodate the expansion of the student body of Bohai Experimental School to beyond 2,400 students, the additional Government Assigned Personnel shall represent at least 50% of the total number of such additional teachers and/or management recruited. The salary and the social insurance of the Government Assigned Personnel shall be paid by the Original School's Sponsors. The policy allowance and supporting funds provided to Bohai Experimental School and its students by the government shall be transferred to Bohai Experimental School by the Original School's Sponsors. All of the newly added policy allowances provided to the teachers and personnel by provincial, municipal and national governments shall continue to be transferred to Bohai Experimental School and be managed and arranged by Shiji Kuangao. The Original School's Sponsors shall be responsible to make sure that Bohai Experimental School will continue to enjoy all the preferential financial policies.

Pursuant to the Interest Transfer Agreement, within 10 days after the completion of the first installment of payment by Shiji Kuangao, Shiji Kuangao is entrusted to manage Bohai Experimental School, including but not limited to the aspects of the assets, business operation, human resources, students and the legal documents of Bohai Experimental School ("**Entrustment Arrangement**"). During the period of Entrustment Arrangement, in return of its management services, Shiji Kuangao is entitled to 100% of the net profits of Bohai Experimental School.

RENTAL AGREEMENT IN RELATION TO THE WEST SIDE OF BOHAI EXPERIMENTAL SCHOOL

As Shouguang City Hongjing Town Development and Investment Company Limited (“**Shouguang Hongjing**”) is the holder of the right of the land and buildings of the west side of Bohai Experimental School, on 10 March 2018, Bohai Experimental School has entered into a rental agreement with Shouguang Hongjing to lease the west side of Bohai Experimental School from Shouguang Hongjing (“**West Side Rental Agreement**”), in order to let Shiji Kuangao to expand the operation scale of the school and once Shiji Kuangao has acquired the 100% of Sponsor’s interest in accordance with the Interest Transfer Agreement, Bohai Experimental School can start using the west side of Bohai Experimental School, the west side of the school can accommodate a maximum of 2,700 students. The rental period under the West Side Rental Agreement is 10 years, the 1st year is rental free period, and from 2nd to 4th year onwards, and rental fee shall be rewarded to Bohai Experimental School as an encouragement reward. Once the rental period is expired, Bohai Experimental School will be entitled to extend the rental period and a pre-emptive right to acquire the properties.

REASONS AND BENEFITS OF THE INTEREST TRANSFER AGREEMENT

The acquisition of the Bohai experimental School represents a further step in the Company’s expansion of its business into the high school market in the PRC. The Directors believe with the support of the Shouguang Government, Bohai Experimental School, together with the other high school projects of the Group will create synergies with the Group’s tertiary education institutions in the long run in terms of branding, student further studying opportunities and other aspects of the Company’s education business will provide a new source of growth for the Company. The Directors are of the view that the terms of the Interest Transfer Agreement are fair and reasonable and are in the interest of the Company and its shareholders as a whole.

OTHER INFORMATION

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, each of Shiji Kuangao, Original School’s Sponsors, Shouguang Hongjing and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

Jierui is a company established under the laws of the PRC with limited liability. As at the date of this announcement, the equity interest in Jierui is owned as to 95% by an employee of the Group who is not a connected person of the Company and as to 5% by Mr. Li Xuechun, who is a controlling shareholder of the Company, a Director and the chairman of the Board. Jierui and its shareholders will enter into certain legally binding agreements with the Company stipulating the relationship among themselves. Jierui and its shareholders (including Mr. Li Xuechun and Mr. Li Jiandong) have undertaken to the Company not to exercise any rights or receive benefits under the Equity Transfer Agreement and the Interest Transfer Agreement, including but not limited to directly or indirectly taking up any school sponsor or other interests in Bohai experimental School, until such agreements have been entered into.

As advised by its legal advisors as to the laws of the PRC, foreign investment in the ordinary senior high school segment in the PRC falls within the restricted industries under the laws and regulations currently in force in the PRC. The Company is in the process of taking legal advice regarding the relevant agreements to be entered into with Jierui and its shareholders in this regard. Further announcement(s) in this regard will be made as and when appropriate in compliance with the Listing Rules.

Shareholders and potential investors of the Company should note that the proposed transactions as contemplated under the Equity Transfer Agreement and the Interest Transfer Agreement are subject to the respective terms and conditions as set out in them and any further agreements to be entered by the relevant parties in relations to the Equity Transfer Agreement and the Interest Transfer Agreement. Shareholders and potential investors of the Company are advised to be exercise caution when dealing in the securities of the Company.

In this announcement, the English translation of company or entity names in Chinese which are marked with “” is for identification purpose only.*

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

Hong Kong, 12 March 2018

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.