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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**  
**ENTERING INTO AN ACQUISITION OF 51% OF THE EQUITY INTEREST**  
**OF QUFU CHANGYONG CORPORATE MANAGEMENT CONSULTING**  
**COMPANY LIMITED**  
**AND**  
**ENTRUSTMENT ARRANGEMENT OF QUFU FAREAST VOCATIONAL**  
**AND TECHNICAL COLLEGE**

**SUMMARY**

**The Acquisition**

The board is pleased to announce on 23 November 2018 (after trading hours), Chongqing Yuecheng (a consolidated affiliated entity of the Company) and the Vendor entered into the Share Transfer Agreement, pursuant to which the Vendor agreed to sell 51% of the equity interest of Qufu Changyong to Chongqing Yuecheng, and Chongqing Yuecheng agreed to acquire the equity interest, at a total consideration of RMB91.8 million. Upon the Completion, Chongqing Yuecheng will hold 51% of equity interest in Qufu Changyong and indirectly hold 51% of sponsor interest in Fareast College through Qufu Changyong.

**Entrustment Arrangement**

On the same day subsequent to the execution of the Share Transfer Agreement, Chongqing Yuecheng, the Vendor, Qufu Changyong and Fareast College signed an entrustment agreement (the “**Entrustment Agreement**”), pursuant to which with effect from the date of completion of the payment of First Instalment until the date of Completion, Fareast College will be entrusted to Chongqing Yuecheng for management. During the entrustment period, 51% of the net profit of Fareast College will be paid to Chongqing Yuecheng as management fee.

### **Implication Under Listing Rules**

As one or more of the applicable percentage ratios under Rules 14.07 of the Listing Rules in respect of the Acquisition of 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 pursuant to Chapter 14 of the Listing Rules.

### **THE ACQUISITION**

The board is pleased to announce on 23 November 2018 (after trading hours), Chongqing Yuecheng (a consolidated affiliated entity of the Company) and the Vendor entered into the Share Transfer Agreement, pursuant to which the Vendor agreed to sell 51% of the equity interest of Qufu Changyong to Chongqing Yuecheng, and Chongqing Yuecheng agreed to acquire the equity interest, at a total consideration of RMB91.8 million. The Consideration will be paid in four instalments. Upon the Completion, Chongqing Yuecheng will hold 51% of equity interest in Qufu Changyong and indirectly hold 51% of sponsor interest in Fareast College through Qufu Changyong. Details of the terms and conditions of the Share Transfer Agreement are set out below:

### **THE SHARE TRANSFER AGREEMENT**

**Date** : 23 November 2018 (After trading hours)

**Parties** : Chongqing Yuecheng, as the Purchaser; and  
Pan Yanyan, as the Vendor

To the best of the directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor is an Independent Third Party of the Company and its related parties.

### **Consideration**

It is agreed that the Consideration payable by Chongqing Yuecheng to the Vendor for the sale of shares shall be RMB91.8 million. The Consideration will be paid in four instalments, as further detailed below.

The Consideration was determined after arm's length negotiations between the Company and the Vendor on normal commercial terms taking into account of, among others, the asset quality of Fareast College, the market valuation of the education industry in China, the number of students of Fareast College, as well as the prospect of the education business in China; and reasons and benefits of the Acquisition as stated under the section headed "Reasons for and Benefits of the Acquisition" in this announcement.

The Directors are of the view that the Consideration is fair and reasonable, in the interests of the Company and the Shareholders as a whole.

### ***The First Instalment***

The First Instalment of the Consideration amounts to RMB18.36 million, representing 20% of the Consideration. The First Instalment will be settled by Chongqing Yuecheng within ten (10) working days after the relevant conditions precedent in the Share Transfer Agreement have been fulfilled, including:

- (1) the Share Transfer Agreement has been signed and become effective;
- (2) Chongqing Yuecheng has obtained the financial review or audited report of Fareast College as stipulated under the Share Transfer Agreement;
- (3) Chongqing Yuecheng has obtained the financial review or audited report of Qufu Changyong as stipulated under the Share Transfer Agreement;
- (4) the shareholder of Qufu Changyong has produced the necessary documents evidencing Qufu Changyong's entitlement to the school sponsorship interests of Fareast College, and has completed the preparation of all documents in relation to the transactions contemplated under the Share Transfer Agreement necessary for filing at the relevant administration of industry and commerce in accordance to its requirements;
- (5) the personnel designated by Chongqing Yuecheng has been approved as the new director and legal representatives of Fareast College;
- (6) the composition of the board of directors of Fareast College has been changed in the manner as stipulated under the Share Transfer Agreement;
- (7) the Entrustment Agreement has been signed and become effective with the relevant actions stipulated under it completed;
- (8) if required, approval from the relevant securities exchange (including the Stock Exchange) has been obtained.

### ***The Second Instalment***

The Second Instalment of the Consideration amounts to RMB27.54 million, representing 30% of the Consideration. The Second Instalment will be deposited by Chongqing Yuecheng within ten (10) working days into the Joint Account in the name of the Purchaser after the following conditions precedent in the Share Transfer Agreement have been fulfilled:

- (1) Fareast College has obtained written documents approved by the Shandong Provincial People's Government that Qufu Changyong holds 100% of the school sponsorship interests of Fareast College; and
- (2) The registration of change of Qufu Changyong 51% equity interest to Chongqing Yuecheng, the shareholders, the directors and legal representative of Qufu Changyong have been completed at the Administration of Industry and Commerce, Qufu City and a new business license has been obtained.

### ***The Third Instalment***

The Third Instalment of the Consideration amounts to RMB27.54 million, representing 30% of the Consideration. The Third Instalment will be settled by Chongqing Yuecheng, together with the Second Instalment deposited into the Joint Account, within ten (10) working days after the following conditions precedent in the Share Transfer Agreement have been fulfilled.

- (1) The Shandong Provincial Department of Education has renewed the new "Private Education License for Private Schools of the People's Republic of China (《中華人民共和國民辦學校辦學許可證》)", which stated Qufu Changyong as the sponsor of the Fareast College;
- (2) The legal representative of Fareast College has been changed to the personnel designated by Chongqing Yuecheng, and obtained the new "Private Non-Enterprise Unit Registration Certificate (Legal Person) (《民辦非企業單位登記證書(法人)》)" issued by the Shandong Provincial Civil Affairs Department; and
- (3) The Vendor and Qufu Changyong have handed over all the items and documents (including but not limited to seals and licenses) of Qufu Changyong to the new board and operation team of Qufu Changyong.

### ***The Final Instalment***

The Final Instalment of the Consideration amounts to RMB18.36 million, representing 20% of the Consideration. The Final Instalment will be settled by Chongqing Yuecheng within ten (10) working days after the manager, supervisor, chief financial officer and other senior management personnel of Qufu Changyong have completed the change of registration with the relevant company registration

authority in accordance with the Share Transfer Agreement, and Qufu Changyong has signed the employment contract with the newly appointed manager, financial controller and other senior managers.

## **Completion**

According to the Share Transfer Agreement, the day on which a new Private Non-enterprise Unit Registration Certificate (Legal Person) (《民辦非企業單位登記證書(法人)》) is issued by the Shandong Provincial Civil Affairs Department (山東省民政廳) to Fareast College and a Private Education License for Private Schools of the People's Republic of China (《中華人民共和國民辦學校辦學許可證》) granted by the Shandong Provincial Education Department (山東省教育廳) shall be regarded as the date of Completion for the purpose of the Share Transfer Agreement.

Upon Completion, Qufu Changyong and Fareast College will become an indirect subsidiary of the Company and the financial results of Qufu Changyong and Fareast College will be consolidated within the Group in accordance with existing accounting principles.

## **Other material terms**

### ***Fareast College Entrustment Arrangement***

As one of the conditions precedent of the First Instalment, Chongqing Yuecheng, the Vendor, Qufu Changyong and Fareast College signed a Fareast College Entrustment Agreement. According to the Fareast College Entrustment Agreement, the Vendor, Qufu Changyong and Fareast College should entrust the management rights of Fareast College to Chongqing Yuecheng with effect from the date of completion of the payment of the First Instalment until the date of Completion. Chongqing Yuecheng will have a full scope of management including but not limited to all the operation, asset, financial, human resources, students and legal aspects of the Fareast College.

Chongqing Yuecheng shall be entitled to 51% of the net profit of Fareast College during the term of the Fareast College Entrustment Agreement as management fee.

The Fareast College Entrustment Agreement has been effective since the date of completion of payment of First Instalment until the date of Completion, and Fareast College Entrustment Agreement cannot be terminated in advance unless all the Parties approve the termination.

### ***Post-Completion Share Transfer Arrangement***

According to the Share Transfer Agreement, the Purchaser shall acquire or procure the Company to acquire an additional 14% equity interest (including indirect equity interest) of Qufu Changyong from the Vendor or other entities controlled by the Vendor within the six months from the date of Completion, with a consideration amounted of USD which is equivalent to RMB25.2 million and the Vendor shall sell or procure the other controlling entity to sell the relevant equity interest of Qufu Changyong at such consideration (the “**Post-Completion Share Transfer**”). The form and structure

of the Post-Completion Share Transfer are otherwise agreed by Chongqing Yuecheng and the Vendor, provided that the consideration of the Post-Completion Share Transfer must be received by an overseas company designated by the Vendor in compliance with applicable laws and regulations and the Listing Rules.

Upon the completion of Post-Completion Share Transfer, the Purchaser will (directly and indirectly) hold 65% of the equity interest of Qufu Changyong in aggregate.

### ***The Put Option***

Pursuant to the Share Transfer Agreement, subject to compliance with the Listing Rules and applicable laws, and provided that Fareast College has been approved to be a private ordinary undergraduate higher education institution from the Ministry of Education of the People's Republic of China, Chongqing Yuecheng has the right to grant the Put Option to the Vendor during the 4th anniversary and the 5th anniversary from the 3rd anniversary after the effective date of the Share Transfer Agreement, so the Vendor has the right to sell the remaining 35% equity interest of Qufu Changyong held by her to Chongqing Yuecheng. Details of the Put Option are set out as follows:

Put Option: Subject to complying to Listing Rules and applicable laws and regulations, if Fareast College have been granted an approval by the Ministry of Education of PRC to transform to a private ordinary undergraduate higher education institution during the 4th anniversary and the 5th anniversary from the 3rd anniversary after the effective date of the Share Transfer Agreement, Chongqing Yuecheng may grant a Put Option to the Vendor, pursuant to which, the Vendor can choose to sell the entire equity interest being held at that time to Chongqing Yuecheng, that is, after the 3rd anniversary but before the 5th anniversary of the effective date of the Share Transfer Agreement to exercise at the exercise price based on the formula 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 shall be determined by the following formula at the time of the exercise of the Put Option:

A price-to-earnings (P/E) ratio to be mutually agreed by Chongqing Yuecheng and Vendor having taken into account the then prevailing market conditions (which shall not exceed 20 times in any event)

X

net profit after tax (excluding the non-recurring profits/losses) based on the audited accounts of Qufu Changyong for the preceding financial year of the date of exercising the Put Option

X

35%,

provided that the exercise shall in any event be no less than the value of Qufu Changyong calculated based on the Consideration under the Share Transfer Agreement multiplied by the proportion of the remaining share (up to 35%) of the Vendor, i.e RMB63 million (assuming that 35% of the equity interest hold by the Vendor in Qufu Changyong is subject to the Put Option).

Non-competition:

In the event that the Vendor chooses not to exercise the Put Option, and both parties could not reach to an agreement on the arrangement of the remaining 35% equity interest, the Vendor can sell the respective shares in Qufu Changyong to any parties, except to any Hong Kong-listed companies with main business in higher education.

Pre-emptive right:

In the event that the Vendor chooses to sell the remaining 35% equity interest to other third parties, Chongqing Yuecheng and its associate companies shall have the pre-emptive right to purchase such remaining shares under the same conditions offered to that other third parties.

### ***Loan Arrangement***

Pursuant to the Share Transfer Agreement, it is contemplated that Chongqing Yuecheng would extend loans of up to RMB170 million in aggregate to Fareast College by instalments according to Fareast College's needs for (i) the infrastructure establishment of the Gaotie Campus; and (ii) to assist Fareast College to reach the requirements of transformation to a private normal university, after the date of completion of payment of the First Instalment, Chongqing Yuecheng can at its discretion to provide an initial loan of RMB24 million to RMB30 million, with an interest rate of 10% above the benchmark interest rate set by the People's Bank of China, at a loan period of 5 years.

## **INFORMATION OF THE VENDOR, QUFU CHANGYONG AND FAREAST COLLEGE**

### **Information of the Vendor**

The Vendor is a PRC citizen. The Vendor holds 100% equity interest in Qufu Changyong as of the date of this announcement.

## Information of Qufu Changyong

Qufu Changyong is a limited company established in the People's Republic of China, primarily engaged in the business of corporate management consulting.

## INFORMATION OF FAREAST COLLEGE

Fareast College, located in Qufu city, Shandong province, is a full time ordinary higher education institution. In the school year of 2017-2018, Fareast College has a student number of 5,271. In the school year of 2018-2019, Fareast College has a student number of 5,417. Tuition Fee of the Fareast College in the school year of 2018-2019 is approximately RMB4,300 to RMB9,680 (depending on different subjects).

## FINANCIAL INFORMATION OF FAREAST COLLEGE

Set out below is the summary of consolidated financial information of Fareast College as provided by the Vendor:

	<b>For the year ended 31 December 2016 <i>RMB'000</i> (unaudited)</b>	<b>For the year ended 31 December 2017 <i>RMB'000</i> (unaudited)</b>	<b>For the ten months ended 31 October 2018 <i>RMB'000</i> (unaudited)</b>
Net profit before and after tax	7,926	11,163	13,695

Based on the information provided by the Vendor, the unaudited consolidated net asset value of Fareast College as at 31 October 2018 was approximately RMB87.765 million.

## REASONS FOR AND BENEFITS OF THE ACQUISITION

Taking into consideration of Fareast College's location in Shandong province, the Acquisition will allow the Group to expand its presence in Shandong province and expand the Group's school network in China.

The Directors consider that the Share Transfer Agreement has been entered into on normal commercial terms and the terms of the Share Transfer Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.



## IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios under Rules 14.07 of the Listing Rules in respect of the Acquisition of 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 shall have the following meaning unless the context otherwise requires:

“Acquisition”	Acquisition of 51% of the equity interest of Qufu Changyong in accordance with the Share Transfer Agreement by Chongqing Yuecheng
“Board”	the board of Directors
“Company”	Minsheng Education Group Company Limited (民生教育集团有限公司), a company incorporated under the laws of Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1569)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Share Transfer Agreement
“Consideration”	the consideration of RMB91.8 million payable by Chongqing Yuecheng for the Acquisition
“Director(s)”	director(s) of the Company
“Fareast College”	Qufu Fareast Vocational and Technical College, a full time ordinary higher education institution established in the PRC
“Group”	the Company and its subsidiaries
“Independent Third Parties”	persons independent of and not connected with the Group or its connected persons

“Joint Account”	the joint account to be opened in accordance with a joint management bank agreement to be entered into among Chongqing Yuecheng, the Vendor and the bank after the Share Transfer Agreement has been signed and become effective and before the Purchaser pays the Second Instalment of the Consideration to the Vendor
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, which for the purpose of this announcement and unless context suggests otherwise, excludes Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“Put Option”	the option granted by Chongqing Yuecheng to the Vendor to sell the remaining 35% of the equity interest of Qufu Changyong pursuant to the Share Transfer Agreement
“Qufu Changyong”	Qufu Changyong Corporate Management Consulting Company Limited* (曲阜昌永企業管理諮詢有限責任公司), a company established under the laws of the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Share Transfer Agreement”	the share transfer agreement entered into between the Vendor and Chongqing Yuecheng dated 23 November 2018 (after trading hours) in relation to the Acquisition
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Hong Kong, 25 November 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.*

*\* for identification purposes only*