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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)

CONNECTED TRANSACTION

PROVISION OF RMB200 MILLION LOAN BY CHONGQING YUECHENG TO LEED NATIONAL

BACKGROUND

Reference is made to the Announcements and the Circular in relation to the acquisition of 51% of the issued share capital of Leed International by Minsheng Vocational. As disclosed in the Circular, it was contemplated that Minsheng Vocational, its affiliated company(ies) and/or Dianchi College would, at the request of the Vendors, extend loans of up to RMB400 million in aggregate to the Vendors after the Completion.

THE LOAN AGREEMENT

The Board announces that on 24 December 2018 (after trading hours), Chongqing Yuecheng, a consolidated affiliated entity of the Company, as the lender, Leed National, as the borrower designated by the Vendors, Minsheng Vocational and the Vendors entered into the Loan Agreement, pursuant to which, Chongqing Yuecheng agreed to lend Leed National, and Leed National agreed to borrow from Chongqing Yuecheng the Loan in the principal amount of RMB200 million.

IMPLICATIONS UNDER THE LISTING RULES

Leed International is a subsidiary of the Company, held as to 51%, 39.99%, 5.05% and 3.96% by Minsheng Vocational, National Education, Leed Education and Hyde Education respectively. The 49% of the issued share capital of Leed International held by the Vendors are entrusted to the Company for management pursuant to the Equity Entrustment Agreement. Since National Education holds more than 10% of the issued share capital of Leed International, it is a substantial shareholder of Leed International, and therefore a connected person of the Company at subsidiary level. Based on information provided by the Vendors, Leed National is ultimately beneficially controlled and owned by the ultimate beneficial owners of the Vendors, and is, therefore, an

associate of the Vendors and a connected person at the subsidiary level of the Company. According to Chapter 14A of the Listing Rules, the transactions contemplated under the Loan Agreement constitute connected transactions at the subsidiary level of the Company.

One or more of the applicable percentage ratios in respect of the Loan Agreement pursuant to Rule 14.07 of the Listing Rules exceed 1% but all of the applicable percentage ratios do not exceed 5%. By virtue of Rule 14A.101 of the Listing Rules, since (1) Leed National is a connected person at the subsidiary level; (2) the Board has approved the Loan Agreement and the transactions contemplated thereunder; (3) the independent non-executive Directors have confirmed that the terms of the Loan Agreement and the transactions contemplated thereunder are fair and reasonable and on normal commercial terms or better and in the interests of the Company and its shareholders as a whole, the Loan Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has a material interest in the Loan Agreement and the transactions contemplated thereunder. Therefore, no directors are required to abstain from voting on the approval of the Loan Agreement and the transactions contemplated thereunder at the board meeting.

Reference is made to the Announcements and the Circular in relation to the acquisition of 51% of the issued share capital of Leed International by Minsheng Vocational. Unless otherwise stated, terms defined in the Circular shall have the same meanings when used in this announcement. As disclosed in the Circular, it was contemplated that Minsheng Vocational, its affiliated company(ies) and/or Dianchi College would, at the request of the Vendors, extend loans of up to RMB400 million in aggregate to the Vendors after the Completion.

THE LOAN AGREEMENT

The Board announces that On 24 December 2018 (after trading hours), Chongqing Yuecheng, a consolidated affiliated entity of the Company, as the lender, Leed National, as the borrower designated by the Vendors, Minsheng Vocational and the Vendors entered into the Loan Agreement, pursuant to which, Chongqing Yuecheng agreed to lend to Leed National, and Leed National agreed to borrow RMB200 million from Chongqing Yuecheng the Loan in the principal amount of RMB200 million.

Details of the terms and conditions of the Loan Agreement are set out below:

Date: 24 December 2018 (after trading hours)

Parties: Chongqing Yuecheng, as the lender;

Leed National, as the borrower;

Minsheng Vocational, as the chargee; and

The Vendors, as the chargor

Principal amount: RMB200 million

Effective period of the Loan: The effective period of the Loan is:

- (1) four years and six months from the date of the actual advancement of the Loan; or
- (2) the date of complete disposal of the 49% of the issued share capital of Leed International held by the Vendors pursuant to the Share Purchase Agreement,

whichever ends earlier.

Interests rate: 10% on top of the benchmark interest rate of the People's Bank of China for loans of the same tier in the same period, or a rate not higher than Chongqing Yuecheng's financing cost.

Charges over shares: In order to guarantee the rights of Chongqing Yuecheng under the Loan, the Vendors agreed to charge the remaining 49% of the issued shares of Leed International held by them to Minsheng Vocational to guarantee the performance of all obligations of the Leed National and the Vendors under the Loan Agreement.

The purpose of the Loan: The Loan shall be used for the purposes of daily business operation and the like of Leed National and may not be used for purposes prohibited by laws.

The repayment of the Loan: Leed National shall repay the whole principal amount of the Loan together with the accrued and unpaid interests in one lump sum on or before the expiration of the effective period of the Loan.

During the effective period of the Loan, Leed National shall not make advance repayment of the Loan without prior written consent of Chongqing Yuecheng.

Conditions precedent:

The provision of the Loan by Chongqing Yuecheng to Leed National is subject to fulfilment of, among others, the following conditions precedent:

- (1) the Loan Agreement having been signed by Parties and becoming effective;
- (2) the Vendors having separately signed charge agreements with Minsheng Vocational to charge the 49% of the issued share capital of Leed International held by the Vendors and other relevant legal documents (if required);
- (3) the Vendors having proceeded with and completed the registration of the share charges of the 49% of the issued share capital of Leed International held by the Vendors with the company registry of BVI, and provided to Minsheng Vocational or Chongqing Yuecheng the share charge certificate(s) respectively;
- (4) Leed National or the Vendors having provided the register of members of Leed International to Minsheng Vocational or Chongqing Yuecheng, showing that the 49% of issued share capital of Leed International held by the Vendors have been charged to Minsheng Vocational; and
- (5) The Vendors having respectively handed over the share certificates of the remaining 49% issued shares of Leed International held by the Vendors to Minsheng Vocational or Chongqing Yuecheng;

Compensation for the default:

- (i) Default by Leed National and/or the Vendors

If Leed National and/or the Vendors violates or fails to fulfill any of its obligations or undertakings under the Loan Agreement, Chongqing Yuecheng agrees to give Leed National 30 days (the “**Grace Period**”) to rectify the contravening act(s). If Leed National fails to rectify the contravening act(s) within the Grace Period, the Loan shall be deemed due immediately. Chongqing Yuecheng and/or Minsheng Vocational has the rights:

- (1) to give notice to Leed National, at any time, requesting for immediately repayment of the full principal amount of the Loan, accrued and unpaid loan interest, and

additional late fees to Chongqing Yuecheng. The additional late fees are charged at 0.1% per day over the sum of unpaid principal amount of the Loan and accrued and unpaid loan interests, until Leed National repays all the principal amount of the Loan and interests owed to Chongqing Yuecheng;

- (2) to, without the consent of Leed National or the Vendors, dispose of the 49% of the issued share capital of Leed International, which the Vendors have charged to Minsheng Vocational. The proceeds from the disposal of the 49% issued share capital of Leed International, which the Vendors have charged to Minsheng Vocational, will be first applied for the repayment of the principal amount of the Loan, the accrued and unpaid loan interest and additional late fees owed by Leed National to Chongqing Yuecheng, and expenses in relation to the disposal of the 49% of the issued share capital of the Leed International charged by the Vendors to Minsheng Vocational etc.; and
- (3) to dispose of 49% of the issued share capital of the Leed International, which the Vendors have charged to Minsheng Vocational in accordance with the share charge agreements and other provisions of relevant laws and regulations.

(ii) Default of Chongqing Yuecheng

If Chongqing Yuecheng violates or fails to fulfill any of its obligations or commitments under the Loan Agreement, Leed National and the Vendors agree to give Chongqing Yuecheng 30 days to rectify the contravening act(s). If Chongqing Yuecheng fails to rectify the contravening act(s) within the 30-day grace period, Leed National has the right to terminate the Loan Agreement, and Chongqing Yuecheng shall pay additional late fees to Leed National for its default. The additional late fees are charged at 0.1% per day over the principal amount of the Loan not advanced on schedule, until Chongqing Yuecheng releases the principal amount of the Loan to Leed National.

REASONS FOR AND BENEFITS OF THE LOAN

As at the date of this announcement, the Vendors hold the remaining 49% issued share capital of Leed International. The Directors are of the view that the Loan will (i) enable the Group to obtain a security interest in the 49% of the issued shares of Leed International owned by the Vendors and prevent other third parties from obtaining security interest in such shares; (ii) allow the Company to maintain a good business relationship and spirit of cooperation with the Vendors so as to ensure that the Vendors will remain cooperative in the development and operations of Leed International and its subsidiaries, including Dianchi College.

Taking into account the above reasons and benefits, the Directors consider that the terms of the Loan Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

INFORMATION ON LEED NATIONAL

Leed National is a limited liability company established under the laws of the PRC, and is principally engaged in the development of education technology. Based on information provided by the Vendors, Leed National is ultimately beneficially controlled and owned by the ultimate beneficial owners of the Vendors, who are minority shareholders of Leed International, a non-wholly owned subsidiary of the Company. To the best of the knowledge of the Directors having made all reasonable enquiries, save as disclosed above, Leed National has no other relationships with the Group or its connected persons.

IMPLICATIONS UNDER THE LISTING RULES

Leed International is a subsidiary of the Company, held as to 51%, 39.99%, 5.05% and 3.96% by Minsheng Vocational, National Education, Leed Education and Hyde Education, respectively. The 49% of the issued share capital of Leed International held by the Vendors are entrusted to the Company for management pursuant to the Equity Entrustment Agreement. Since National Education holds more than 10% of the issued share capital of Leed International, it is a substantial shareholder of Leed International, and therefore a connected person of the Company at subsidiary level. Based on information provided by the Vendors, Leed National is ultimately beneficially controlled and owned by the ultimate beneficial owners of the Vendors, and is, therefore, an associate of the Vendors and a connected person at the subsidiary level of the Company. According to Chapter 14A of the Listing Rules, the transactions contemplated under the Loan Agreement constitute connected transactions at the subsidiary level of the Company.

One or more of the applicable percentage ratios in respect of the Loan Agreement pursuant to Rule 14.07 of the Listing Rules exceed 1% but all of the applicable percentage ratios do not exceed 5%. By virtue of Rule 14A.101 of the Listing Rules, since (1) Leed National is a connected person at the subsidiary level; (2) the Board has approved the Loan Agreement and the transactions contemplated thereunder; (3) the independent non-executive Directors have confirmed that the terms of the Loan Agreement and the transactions contemplated thereunder are fair and reasonable and on normal commercial terms or better and in the interests of the Company and its shareholders as a whole, the

Loan Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has a material interest in the Loan Agreement and the transactions contemplated thereunder. Therefore, no directors are required to abstain from voting on the approval of the Loan Agreement and the transactions contemplated thereunder at the board meeting.

DEFINITIONS

In this announcement, the following expression shall have the following meanings unless the context otherwise requires:

Announcements	the announcements of the Company dated 21 August 2018, 5 October 2018, 31 October 2018 and 20 December 2018
Associate(s)	has the meaning ascribed thereto under the Listing Rules
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 a consolidated affiliated entity of the Company
Circular	the circular of the Company dated 20 December 2018
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
Hyde Education	Hyde Education Holding Limited, a company incorporated in the BVI
Leed Education	Leed Education Holding Limited, a company incorporated in the BVI
Leed International	Leed International Education Group Inc. (勵德國際教育集團有限公司), a company with limited liability incorporated in the Cayman Islands on 15 April 2008

Leed National	Leed National Education Technology (Beijing) Limited* (勵德國教育科技(北京)有限公司), a limited liability company established in the PRC
Loan	the loan in the principal amount of RMB200 million extended to Leed National by Chongqing Yuecheng pursuant to the Loan Agreement
Loan Agreement	the loan agreement entered into among Chongqing Yuecheng, Leed National, Minsheng Vocational and the Vendors dated 24 December 2018
Minsheng Vocational	Minsheng Vocational Education Company Limited, a company incorporated in the Cayman Islands with limited liability and a wholly-owned subsidiary of the Company
National Education	National Education Holding Limited, a company incorporated in the BVI National Education Holding Limited, 一家於BVI註冊成立的公司
Vendors	Leed Education, National Education and Hyde Education

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

Hong Kong, 26 December 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*