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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)

SUPPLEMENTAL ANNOUNCEMENT

CONNECTED TRANSACTION

PROVISION OF RMB200 MILLION LOAN BY CHONGQING YUECHENG TO LEED NATIONAL

Reference is made to the Announcement in relation to the provision of RMB200 million loan by Chongqing Yuecheng to Leed National. Unless otherwise stated, terms defined in the Announcement shall have the same meanings when used in this announcement.

To enable the Shareholders and potential investors of the Company to better understand the Loan Agreement and the transaction contemplated thereunder, the Company would like to provide additional information in the aspects of further information on (i) the Loan Agreement, (ii) the Share Charges and (iii) information of Chongqing Yuechen and Leed National.

THE LOAN AGREEMENT

Interest rate

Pursuant to the Loan Agreement, the interest rate for the Loan is 10% on top of the benchmark interest rate of the People's Bank of China ("PBOC") for loans of the same tier in the same period during the term of the Loan, or a rate not higher than Chongqing Yuecheng's financing cost. For the avoidance of doubt, the interest rate under the Loan Agreement will only be determined by reference to the finance cost of Chongqing Yuecheng if and to such extent that the Group needs to finance the Loan by external financing.

As at the date of this announcement, the interest rate on the Loan has not been determined as the conditions precedent to the advance of the Loan have not been fully satisfied. The initial interest rate will be determined upon the commencement of the term of the Loan after the condition precedents have been fulfilled and will be subject to change from time to time during the term of the Loan as a result of changes in the benchmark interest rate of the PBOC. The 10% premium over the benchmark

interest rate of the PBOC in the interest rate of the Loan was determined by reference to the prevailing interest rates for commercial loans in the market according to the Group's negotiations with banks in the PRC on financing arrangements from time to time.

Interests accrued on the Loan for every semi-annual period shall be payable no later than five days after the end of such period. For illustrative purpose only, assuming that the benchmark interest rate of the PBOC will be 4.75% (which is the prevailing rate as at the date of this announcement), the interest rate of the Loan will be 5.225% and the annual interest receivable by Chongqing Yuecheng is expected to be approximately RMB10.45 million.

As the Group currently has available cash to fund the Loan through Chongqing Yuecheng, no financing cost is expected to arise as a result of the provision of the Loan.

Fulfilment of Conditions Precedent

All of the conditions precedent to the provision of the Loan by Chongqing Yuecheng to Leed National have not been fully fulfilled. However, as one of the conditions precedents, the Share Charges have been entered into on 24 December 2018, details of which are disclosed below.

THE SHARE CHARGES

On 24 December 2018, pursuant to the Loan Agreement, each of Leed Education, National Education and Hyde Education, as the chargors, entered into a Share Charge, respectively, in favour of Minsheng Vocational, as the chargee, pursuant to which 2,266,250 Shares, 17,946,250 Shares and 1,776,250 Shares were charged in favour of the Minsheng Vocational by way of a first fixed charge. The terms of the Share Charges are substantially the same.

Details of the terms of the Share Charges are set out below:

- Date: 24 December 2018 (after trading hours)
- Parties: (1) Leed Education, National Education or Hyde Education (as the case may be), as the chargors
- (2) Minsheng Vocational, as the chargee
- Charge: In consideration of Chongqing Yuecheng making the Loan available to Leed National and as a continuing security for the Secured Obligations, Leed Education, National Education or Hyde Education (as the case may be) as legal and beneficial owner hereby:
- (a) charges in favour of the Minsheng Vocational by way of a first fixed charge the Charged Shares;

- (b) charges in favor of the Minsheng Vocational by way of first fixed charge all benefits present and future, actual and contingent accruing in respect of the Charged Property and all the right, title and interest of Leed Education, National Education or Hyde Education (as the case may be) to and in the Charged Property (to the extent not effectively charged under paragraph (a)); and
- (c) assigns, and agrees to assign, absolutely by way of security in favour of Minsheng Vocational all its rights, present and future, actual and contingent, relating to any of the Charged Property (to the extent not effectively charged under paragraph (a)).

Enforcement of security:

Upon the occurrence of an Event of Default or a demand being made for the payment of the Secured Obligations, the Share Charges will become immediately enforceable and Minsheng Vocational may at any time, among others:

- (a) solely and exclusively exercise all voting and/or consensual powers pertaining to the Charged Property or any part thereof and may exercise such powers in such manner as it thinks fit; and/or
- (b) remove the then existing directors and officers of Leed International (with or without cause); and/or
- (c) receive and retain all dividends, interest, distributions or other moneys or assets accruing on or in respect of the Charged Property or any part thereof until applied in the manner stipulated under the Share Charges, as additional security charged under the Share Charges; and/or
- (d) sell, transfer, grant options over or otherwise dispose of the Charged Property or any part thereof at such place and in such manner and at such price or prices as Minsheng Vocational may deem fit.

Application of money received:

All moneys received by Minsheng Vocational pursuant to the Share Charges shall be held in the first place to pay or make good all such expenses, liabilities, losses, costs, duties, fees, charges or other moneys whatsoever as may have been paid or incurred by Minsheng Vocational in exercising any of the powers specified or otherwise referred to in the Share Charges and the balance shall be applied in the following manner:

- (a) **FIRST:** in or towards satisfaction of any amounts in respect of the balance of the Secured Obligations as are then accrued due and payable or are then due and payable by virtue of payment demanded, in such order or application as Minsheng Vocational shall think fit;
- (b) **SECOND:** in retention of an amount equal to any part or parts of the Secured Obligations as are or are not then due and payable but which (in the sole and absolute opinion of Minsheng Vocational) will or may become due and payable in the future and, upon the same becoming due and payable, in or towards satisfaction thereof in accordance with the foregoing provisions; and
- (c) **THIRD:** the surplus (if any) shall be repaid promptly to Leed Education, National Education or Hyde Education (as the case may be) or whosoever else may be entitled thereto.

Appointment of receiver:

At any time after the occurrence of an Event of Default, Minsheng Vocational may, without notice to Leed Education, National Education or Hyde Education (as the case may be), appoint one or more persons to be a receiver in relation to the Charged Property.

Release:

Upon Minsheng Vocational being satisfied that the Secured Obligations have been unconditionally and irrevocably paid and discharged in full, and following a written request therefore from Leed Education, National Education or Hyde Education (as the case may be), Minsheng Vocational will, subject to being indemnified to its reasonable satisfaction for the costs and expenses incurred by Minsheng Vocational in connection therewith, release the security constituted by the Share Charges.

FURTHER INFORMATION ABOUT THE LOAN AND THE SHARE CHARGES

Background and purpose of the Loan

As disclosed in the circular of the Company dated 20 December 2018, under the Share Purchase Agreement, 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 pursuant to loan agreement(s) to be entered into by the relevant parties after completion of the Share Purchase Agreement. The Loan is granted to Leed National as requested by the Vendors and the Loan Agreement represents one of such loan agreements as contemplated under the Share Purchase Agreement.

While the Group is already entitled to the control and the economic benefits derived from the remaining 49% of the issued shares of Leed International pursuant to the Equity Entrustment Agreement during the term as stipulated under the Equity Entrustment Agreement, the Charged Shares are still legally owned by the Vendors and the Group is not entitled to dispose of such shares pursuant to the Equity Entrustment Agreement. Upon the occurrence of any Event of Default, the Share Charges will enable the Group to, among other things, sell, transfer, or otherwise dispose of the Charged Shares in such manner as it sees fit, which are additional rights not available under the Equity Entrustment Agreement.

In light of the abovementioned background of the Loan and taking into account that the Loan will generate interest income for the Group and the Share Charges will entitle the Group to further rights in the remaining 49% of the issued shares in Leed International, the Directors are of the view that the Loan and the Share Charges are fair and reasonable and in the interest of the Company and its shareholders as a whole.

Reasons for certain arrangements in relation to the Loan and the Share Charges

As the Loan is denominated in RMB and will be provided in the PRC, and taking into account the interest to be generated from the Loan will provide income to Chongqing Yuecheng to support its operations, the Company decided to provide the Loan through Chongqing Yuecheng (instead of Minsheng Vocational or any other subsidiaries incorporated outside of the PRC).

While Chongqing Yuecheng is the lender of the Loan, pursuant to the Loan Agreement, Minsheng Vocational is the chargee of the Charged Shares because (i) the Company intends to use Minsheng Vocational, the majority shareholder of Leed International, as the entity in the Group to hold its interests in the shares in Leed International so as to avoid unnecessary complexity in the ownership structure of Leed International; (ii) Chongqing Yuecheng and Minsheng Vocational are both wholly-owned subsidiaries (within the meaning of such term as defined under the Listing Rules) of the Company and hence the security provided by the Share Charges benefits the Group as a whole whether they are granted to Chongqing Yuecheng or Minsheng Vocational.

INFORMATION OF CHONGQING YUECHENG AND LEED NATIONAL

Further information about Leed National

Leed National is wholly-owned by Beijing Tianxinjia Engineering Management Co., Ltd* (北京天信嘉工程管理有限公司), a company established under the laws of the PRC the registered capital of which is owned as to 80% by Peng Ying (彭穎) and as to 20% by Wang Gang (王剛). The directors of Leed National are the ultimate beneficial owners of the Vendors, namely, Mr. Li Hongtao (李洪濤), Ms. Ouyang Chenyan (歐陽郴燕) and Mr. Bai Xuebiao (白雪飈) (together, the “**Vendor Owners**”). The Vendors Owners are directors of various subsidiaries of Leed International (including Leed HK, Leed China, Dianchi Co, Vocational Co, Dianchi College, Dianchi AM Co and Dianchi EM Co and Leed Yunnan). Save as disclosed above, to the best of the knowledge of the Directors after all reasonable enquiry, there is no other relationships between Leed National and Leed International. Leed National’s daily business operation does not relate to the operation of Dianchi College.

Chongqing Yuecheng

As disclosed in the announcement of the Company dated 27 September 2017, Chongqing Yuecheng is a company established under the laws of the PRC controlled by the Group through a series of contractual arrangements, but the Company does not own the registered capital of Chongqing Yuecheng under PRC laws. Please refer to the announcement of the Company dated 27 September 2017 for details. For the purpose of the Listing Rules, Chongqing Yuecheng is a subsidiary of the Company within the meaning of the term “subsidiary” as defined under the Listing Rules. Under International Financial Reporting Standard (IFRS) 10, Chongqing Yuecheng is regarded as a consolidated affiliated entity for financial reporting purposes.

DEFINITIONS

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

“Announcement” the announcements of the Company dated 26 December 2018

“Charged Property”	all of the Charged Shares and all dividends or other distributions, interest and other moneys paid or payable after the date hereof in connection therewith and all interests in and all rights accruing at any time to or in respect of all or any of the Charged Shares and all and any other property that may at any time be received or receivable by or otherwise distributed to Leed Education, National Education or Hyde Education (as the case may be) in respect of or in substitution for, or in addition to, or in exchange for, or on account of, any of the foregoing, including, without limitation, any shares or other securities resulting from the sub-division, consolidation, change, conversion or reclassification of any of the Charged Shares, or the reorganisation, merger or amalgamation of the Company with any other body corporate, or the occurrence of any event which results in the substitution or exchange of the Charged Shares
“Charged Shares”	2,266,250 Shares, 17,946,250 Shares and 1,776,250 Shares in respect of Leed Education, National Education and Hyde Education respectively
“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 subsidiary (within the meaning of such term as defined under the Listing Rules) 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)
“Event of Default”	any breach by Leed Education, National Education or Hyde Education (as the case may be) of any of the provisions of the Loan Agreement or the Share Charges
“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 National”	Leed National Education Technology (Beijing) Limited* (勵德國教教育科技(北京)有限公司), a limited liability company established in the PRC

“Listing Rules”	The Rules governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“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
“Secured Obligations”	all of the present and future payments and other obligations of Leed Education, National Education or Hyde Education (as the case may be) to Minsheng Vocational and Leed National to Chongqing Yuecheng under the respective Share Charges and the Loan Agreement
“Share(s)”	Ordinary share(s) of US\$0.00001 each in the issued share capital of the Company
“Share Charges”	the respective share charges executed by National Education, Hyde Education and Leed Education in favour of Minsheng Vocational, all dated 24 December 2018, and each a “Share Charge”
“Vendors”	Leed Education, National Education and Hyde Education

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

Hong Kong, 4 January 2019

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*