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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
THE ACQUISITION OF 51% OF THE EQUITY INTEREST
OF NANCHANG HEZHITONG EDUCATION
CONSULTING COMPANY LIMITED
INVOLVING AN ISSUE OF CONSIDERATION SHARES
UNDER GENERAL MANDATE

THE ACQUISITION

The Board is pleased to announce on 15 March 2019, Chongqing Yiersheng, a wholly-owned subsidiary of Chongqing Yuecheng (a consolidated affiliated entity of the Company), the Vendor, Nanchang Hezhitong and Nanchang vocational college (undergraduate) entered into the Equity Transfer Agreement, pursuant to which Chongqing Yiersheng conditionally agreed to acquire, and the Vendor conditionally agreed to sell 51% of the equity interest of Nanchang Hezhitong, at a total consideration of RMB510 million, which is to be satisfied in cash by instalments.

Upon the Completion, Chongqing Yiersheng will hold 51% of equity interest in Nanchang Hezhitong, which is the school sponsor of Nanchang vocational college (undergraduate). Pursuant to the Equity Transfer Agreement, Chongqing Yiersheng also has the right to acquire an additional 14% equity interest in Nanchang Hezhitong at the consideration of RMB140 million which shall be satisfied by the issue of the Consideration Shares by the Company pursuant to the General Mandate.

IMPLICATION 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 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 compliance on the circular and shareholder approval pursuant to Chapter 14 of the Listing Rules.

THE ACQUISITION

The Board is pleased to announced on 15 March 2019, Chongqing Yiersheng, a wholly-owned subsidiary of Chongqing Yuecheng (a consolidated affiliated entity of the Company), the Vendor, Nanchang Hezhitong and Nanchang vocational college (undergraduate) entered into the Share Transfer Agreement, pursuant to which Chongqing Yiersheng conditionally agreed to acquire, and the Vendor conditionally agreed to sell 51% of the equity interest of Nanchang Hezhitong, at a total consideration of RMB510 million, which is to be satisfied in cash by instalments. Upon the Completion, Chongqing Yiersheng will hold 51% of equity interest in Nanchang Hezhitong, which is the school sponsor of Nanchang Vocational College (undergraduate). Pursuant to the Equity Transfer Agreement, Chongqing Yiersheng also has the right to acquire an additional 14% equity interest in Nanchang Hezhitong at the consideration of RMB140 million which shall be satisfied by the issue of the Consideration Shares by the Company pursuant to the General Mandate. The allotment and issue of the Consideration Shares under the General Mandate will not be subject to the approval of the Shareholders.

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

The Equity Transfer Agreement

Date : 15 March 2019

Parties : Chongqing Yiersheng, the Purchaser;
ZHANG, Yuejin, the Vendor;
Nanchang Hezhitong; and
Nanchang Vocational College (undergraduate)

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor, Nanchang Hezhitong and Nanchang Vocational College (undergraduate) and each of their respective ultimate beneficial owners are Independent Third Parties.

For further information on the parties, please refer to the section headed "Information of the Parties" below.

EQUITY TRANSFER

Pursuant to the Equity Transfer Agreement, Chongqing Yiersheng conditionally agreed to acquire and the Vendor conditionally agreed to sell the 1st Tranche Equity for a total consideration of RMB510 million which is to be satisfied in cash by instalment. Pursuant to the Equity Transfer Agreement, Chongqing Yiersheng also has the right to acquire the 2nd Tranche Equity at the consideration of RMB140 million which shall be satisfied by the issue of the Consideration Shares by the Company pursuant to the General Mandate.

Consideration

The consideration for the 1st Tranche Equity and the 2nd Tranche Equity were determined after arm's length negotiations between the Company and the Vendor on normal commercial terms taking into account of, among others, (i) Nanchang Vocational College (undergraduate) is a full-time ordinary private higher vocational undergraduate college, which the number of students and the level of tuition fees will have better improvement; (ii) the unaudited net asset value of Nanchang Vocational College (undergraduate) as of 31 December 2018; (iii) the market valuation of the PRC education industry, number of students and tuition fees level, the brand and reputation and market position of Nanchang Vocational College (undergraduate) and the prospect of the PRC education industry; and (iv) reasons and benefits of the Acquisition as stated under the section headed "Reasons for and Benefits of the Acquisition" below in this announcement. The Consideration will be financed by the internal resources of the Group.

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

Cash payment of the Consideration

The first instalment

The first instalment for the consideration for the 1st Tranche Equity amounts to RMB51 million, representing 10% of the consideration for the 1st Tranche Equity. Chongqing Yiersheng will, in accordance with the Equity Transfer Agreement, settle the first instalment by deposit to the Joint Account within ten (10) working days after the relevant conditions precedent in the Equity Transfer Agreement have been fulfilled, including but not limited to: the Equity Transfer Agreement has been signed by the Parties; changes of board of directors and articles of association have been approved by the shareholders of Nanchang Hezhitong; the replacement of the board of council members in Nanchang Vocational College (undergraduate) by board of directors which shall be composed by nine directors (with five of them shall be nominated by the Purchaser) has been approved by the council of Nanchang Vocational College (undergraduate); and the Vendor has completed and signed all application documents in order to meet the requirements of the competent authority in changing the school sponsor of Nanchang Vocational College (undergraduate) from the Vendor to Nanchang Hezhitong.

The first instalment deposited in the Joint Account will be released to the Vendor at the time when Chongqing Yiersheng settles the second instalment.

The second instalment

The second instalment for the consideration for the 1st Tranche Equity amounts to RMB357 million, representing approximately 70% of the consideration for the 1st Tranche Equity. Chongqing Yiersheng will, in accordance with the Equity Transfer Agreement, pay in cash within ten (10) working days after the relevant conditions precedent in the Equity Transfer Agreement have been

fulfilled, including but not limited to: the Ministry of Education has issued a written document granting approval on Nanchang Hezhitong holding 100% school sponsor's interest in Nanchang Vocational College (undergraduate); the registration for the transfer of 51% equity interest in Nanchang Hezhitong to Chongqing Yiersheng in Administration of Industry and Commerce in Nanchang has completed and the corresponding change in registry of shareholders, directors and legal representatives of Nanchang Hezhitong have completed and a new Operating License (營業執照) has been obtained; the new board of directors and new articles of association have been approved by the Department of Education of Jiangxi Province and the Jiangxi Provincial Civil Affairs Department; a 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) at the university-level has been issued by the Ministry of Education to Nanchang Vocational College (undergraduate); the legal representative of Nanchang Vocational College (undergraduate) has been changed to the representative nominated by Chongqing Yiersheng and a new Private Non-enterprise Unit Registration Certificate (Legal Person)(民辦非企業單位登記證 (法人) at the university-level has been issued by the Jiangxi Provincial Civil Affairs Department.

The third instalment

The third instalment for the consideration for the 1st Tranche Equity amounts to RMB102 million, representing approximately 20% of the consideration for the 1st Tranche Equity. The third instalment will be settled in cash within ten (10) working days after the relevant conditions precedent in the Equity Transfer Agreement have been fulfilled, including but not limited to: the handover to the new board of directors, operation team and other changes in personnel of Nanchang Hezhitong and Nanchang Vocational College (undergraduate) has been completed in accordance to the Equity Transfer Agreement.

Transfer of the 2nd Tranche Equity

The Vendor shall have the right to send a written notice to the Purchaser (the “**Subsequent Equity Transfer Notice**”) within 6 months after the date of Completion of the Acquisition (or such other time as otherwise agreed between the Purchaser and the Vendor), and upon the receipt of the Subsequent Equity Transfer Notice, the Purchaser shall procure the Company to issue and allot the Consideration Shares to the Vendor or any company and/or person designated by it for the Subsequent Equity Transfer (as defined below). The Vendor must sell or procure the other entities controlled by the Vendor to sell the 2nd Tranche Equity, being 14% of equity interest in Nanchang Hezhitong, to the Purchaser or any subsidiary of the Company designated by it (the “**Subsequent Equity Transfer**”).

The number of the Consideration Shares shall be such amount of HKD which is equivalent to RMB140 million divided by the issue price of the Consideration Shares per share, rounded to the nearest whole number (the “**Issue Share Price**”). The Issue Share Price of the Consideration Shares shall be the weighted average of the closing price per Share during the period from the date of signing Equity Transfer Agreement to the last trading day before the date of issuance of the Consideration Shares, rounded to three decimal places.

If the Issue Share Price is less than the weighted average of the closing price per Share (the “**Minimum Protection Price**”) as indicated on the daily quotation form of the Stock Exchange for each of the five trading days (as defined in the Listing Rules) immediately prior to the date of the Equity Transfer Agreement, the Company will issue the Consideration Shares at the Minimum Protection Price to satisfy the consideration for the 2nd Tranche Equity.

The completion of the Subsequent Equity Transfer is subject to the following conditions: (a) the Listing Committee of the Stock Exchange Limited having approved the listing of and permission to deal in the Consideration Shares; (b) the Company having issued the Consideration Shares under the General Mandate (or other applicable authorization, if necessary) granted by the Shareholders at the annual general meeting of the Company held on 23 May 2018, and having satisfied with the requirements and conditions of the General Mandate; and (c) the Subsequent Equity Transfer and the issue of the Consideration Shares having complied with the applicable laws and regulations and obtained the required approval, consent and authorization.

Based on the Minimum Protection Price of HK\$1.852 per Share, a maximum of 88,552,764 Consideration Shares is issuable by the Company to the Vendor. Such maximum number of the Consideration Shares represents approximately (i) 2.20% of the total issued share capital of the Company as at the date of this announcement; and (ii) 2.16% of the issued share capital of the Company as enlarged by the issue of such maximum number of the Consideration Shares.

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the maximum of 88,552,764 Consideration Shares. The Consideration Shares will rank *pari passu* in all respects with the Shares in issue at the date of allotment and issue including in respect of all dividends and distributions declared, made or paid on or after such date of allotment and issue.

Completion

In accordance with the Equity Transfer Agreement, the Completion shall take place on the day which (1) a 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) stating that Nanchang Hezhitong holds 100% school sponsor’s interest in Nanchang vocational college (undergraduate) is issued by the Ministry of Education, or a new Private Non-enterprise Unit Registration Certificate (Legal Person) (民辦非企業單位登記證 (法人)) stating that Chongqing Yiersheng is the legal representative of Nanchang Vocational School is issued by the Jiangxi Provincial Civil Affairs Department, whichever is later, and the handover by the new board of directors and the management team as agreed by the parties is completed in accordance with the Equity Transfer Agreement.

Upon Completion, the financial results of Nanchang Hezhitong and Nanchang Vocational College (undergraduate) will be consolidated to the Group.

Information of the parties

The Purchaser

The Purchaser, Chongqing Yiersheng is a limited liability company established in Chongqing on 6 March 2019, which is principally engaged in, among others, school management and consultancy. Chongqing Yiersheng is wholly-owned by Chongqing Yuecheng, which is a consolidated affiliated entity of the Company.

In order to comply with the PRC laws and regulations as set out above while availing ourselves of international capital markets and maintaining effective control over all of our operations, on 27 September 2017, a set of various agreements constituting contractual arrangements were entered into between, among others, Chongqing Yuecheng and us, such that all economic benefits arising from the business of our PRC operating schools are transferred to us to the extent permitted under the PRC laws and regulations. For further details on the above contractual arrangements, please refer to the announcement of the Company dated 27 September 2017.

The Vendor

ZHANG Yuejin, as the Vendor, is a PRC citizen and the sole shareholder of Nanchang Heizhitong. As at the date of this announcement, Zhang Yuejin holds 100% of the school sponsor's interests in Nanchang vocational college (undergraduate).

Nanchang Heizhitong

Nanchang Heizhitong is a sole proprietorship limited liability company established in Nanchang city of Jiangxi province, on 18 July 2018, which is principally engaged in education information consultation. As at the date of this announcement, Nanchang Heizhitong is wholly-owned by the Vendor.

Nanchang Vocational College (undergraduate)

Nanchang Vocational College (undergraduate) is a full-time ordinary private higher vocational undergraduate college and plan to change its name to Nanchang Vocational University. In 2018/2019 school year, Nanchang Vocational College (undergraduate) has approximately 9,500 students. The tuition fee for Nanchang Vocational College (undergraduate) for the 2018/2019 school year is ranged from approximately RMB7,300 to RMB8,000 (depends on the major).

Set out below is the summary of consolidated financial information of Nanchang Vocational College (undergraduate) as provided by the Vendor:

	As at 31 December 2017 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (unaudited)
Total Revenue	100,844	117,106
Net Loss Before Tax	1,821	19,970
Net Loss After Tax	1,821	19,970

Based on the unaudited financial information provided by Vendor, the unaudited consolidated net asset value of Nanchang Vocational College (undergraduate) as at 31 December 2018 was approximately RMB532,258,000.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor, Nanchang Hezhitong and Nanchang Vocational College (undergraduate) and each of their respective ultimate beneficial owners are Independent Third Parties.

General Mandate

The Company will issue and allot the Consideration shares under the General Mandate. In the annual general meeting of the Company held on 23 May 2018, the Directors were authorised to allot, issue and deal with additional shares as many as 803,544,000 new shares (representing 20% of the total issued share capital of the Company as at the date of the resolution passed) of the total number of issued shares of the Company. As at the date of this announcement, the Company has not issued and allotted any Shares under General Mandate. The allotment and issue of the Consideration Shares under General Mandate is not subject to the approval of the Shareholders.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in providing private formal higher education in the PRC.

Taken into consideration that (i) Nanchang Vocational College (undergraduate) is a full-time ordinary private higher vocational undergraduate college; (ii) the potential improvement in the number of student enrolment in Nanchang Vocational College (undergraduate) and in the tuition fees collected by Nanchang Vocational College (undergraduate); and (iii) the Company's further expansion in the school network after the Acquisition.

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

IMPACT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY AFTER THE ACQUISITION

As at the date of this announcement, the total number of issued share capital of the Company is 4,017,720,000 shares. For reference and identification only, assuming the Company a maximum of 88,552,764 Consideration Shares will be issued in accordance with the Equity Transfer Agreement, and no other changes in the Company's shareholding structure, the below chart shows the Company's shareholding structure (i) as at the date of this announcement; and (ii) after a maximum of 88,552,764 Consideration Shares is issued and allotted to the Vendor (or its designated party):

Shareholder Name	As at the date of this announcement		After allotting and issuing Consideration Shares completes	
	Number of shares holding	About %	Number of shares holding	About %
Minsheng Group Company Limited ⁽¹⁾	3,000,000,000	74.67	3,000,000,000	73.06
City Legend International Limited	332,000,000	8.26	332,000,000	8.09
The Vendor (or its designated party)	—	—	88,552,764	2.16
Other public Shareholders	<u>685,720,000</u>	<u>17.07</u>	<u>685,720,000</u>	<u>16.69</u>
Total	<u><u>4,017,720,000</u></u>	<u><u>100.00</u></u>	<u><u>4,106,272,764</u></u>	<u><u>100.00</u></u>

Note:

- (1) Minsheng Group Company Limited was previously known as Honest Cheer Investments Company Limited.

IMPLICATION 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 pursuant to Chapter 14 of the Listing Rules.

As the Acquisition is conditional on the satisfaction (or, if applicable, waiver) of certain conditions, it may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

DEFINITION

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

“1st Tranche Equity”	the 51% equity interest in Nanchang Hezhitong to be transferred by the Vendor to the Purchaser pursuant to the Equity Transfer Agreement;
“2nd Tranche Equity”	the 14% equity interest in Nanchang Hezhitong which may be acquired by the Vendor upon giving to the Purchaser within 6 months after the Completion pursuant to the Equity Transfer Agreement;
“Acquisition”	Acquisition of 51% equity interest in Nanchang Hezhitong in accordance with the Equity Transfer Agreement
“Board”	the board of Directors
“Chongqing Yiersheng” or “Purchaser”	Chongqing Yiersheng Education Technology Company Limited, a limited liability established in the PRC and a consolidated affiliated entity of the Company.
“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
“Company”	Minsheng Education Group Company Limited, 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)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Equity Transfer Agreement
“Consideration Shares”	the Shares to be allotted and issued to the Vendor pursuant to the terms of the Equity Transfer Agreement
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries

“General Mandate”	the general mandate granted by the Shareholders to the Directors at the annual general meeting of the Company held on 23 May 2018 to allot and issue up to 803,544,000 Shares (representing 20% of the number of issued Shares on that date)
“Independent Third Parties”	has the meaning ascribed thereto under the Listing Rules
“Joint Account”	the joint account to be opened in accordance with a joint management bank account agreement to be entered into between Chongqing Yiersheng and the Vendor on the date of the Equity Transfer Agreement
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Nanchang Hezhitong”	Nanchang Hezhitong Education Consulting Company Limited* (南昌合至同教育諮詢有限公司), a limited liability established in the PRC
“Nanchang Vocational”	Nanchang vocational college (undergraduate), a full-time ordinary higher
“College (Undergraduate)”	vocational undergraduate college
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Shares”	ordinary share(s) of US\$0.00001 each in the issued share capital of the Company”
“Equity Transfer Agreement”	the equity transfer agreement entered into among Chongqing Yiersheng, the Vendor, Nanchang Hezhitone and Nanchang vocational college (undergraduate) in relation to the Acquisition
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	ZHANG Yuejin, a PRC citizen and the sole shareholder of Nanchang Heizhitong

“%”

per cent

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

Hong Kong, 15 March 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 purpose only*