

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

VOLUNTARY ANNOUNCEMENT

COMMENCEMENT OF ENTRUSTMENT ARRANGEMENT OF
(I) GUANGDONG MINGSHI ONLINE EDUCATION TECHNOLOGY
COMPANY LIMITED;
(II) GUANDONG MINSHENG ONLINE EDUCATION TECHNOLOGY
COMPANY LIMITED;
(III) GUANGZHOU HAIZHU DISTRICT BLUE STAR VOCATIONAL
TRAINING SCHOOL
AND
PROVISION OF LOAN BY CHONGQING MENGZHUO EDUCATION
TECHNOLOGY COMPANY LIMITED
TO GUANDONG MINSHENG ONLINE EDUCATION TECHNOLOGY
COMPANY LIMITED

This is a voluntary announcement made by Minsheng Education Group Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) to provide the shareholders of the Company and potential investors an update on the latest business development of the Company.

OVERVIEW

The Board is pleased to announce that on 12 October 2019, Chongqing Mengzhuo (a wholly-owned subsidiary of the Company and the managing party under the Entrusted Management Agreement), Mr. Pan (the entrusting Party under the Entrusted Management Agreement), Mingshi Online, Minsheng Online, Mingshi Group and Ms. Liu entered into an Entrusted Management Agreement, pursuant to which the rights of entrusted management of Mingshi Online, Minsheng Online and the Target School (the “**Target Entities**”) will be granted to Chongqing Mengzhuo.

Target Entities' principal business is to provide online higher vocational (junior college level) and degree level education in the PRC. As of 30 September 2019, there were 110,000 students enrolled with Target Entities, of whom approximately 90,000 students were at or above junior college level (include junior college level).

The Entrusted Management of Chongqing Mengzhuo to the Target Entities represents the Group expanding to online education on the fundamentals of the Group's higher vocational and undergraduate on campus education.

Entrusted Management Agreement

According to the Entrusted Management Agreement, Chongqing Mengzhuo participates in the business decision of the Target Entities and provides professional management consultation during the entrusted management period. During the entrusted management period, Chongqing Mengzhuo will be entitled to 51% of the Target Entities' annual net profit (if any) as management fee.

In addition, according to the Entrusted Management Agreement, if (i) Minsheng Online's audited total net profit will increase year-on-year from 2020 to 2022; (ii) the aggregate audited net profit of Minsheng Online for the financial years 2020, 2021 and 2022 will not be less than RMB60 million; (iii) the audited net profit of Minsheng Online for the financial year 2022 will not be less than RMB30 million (i.e. the net profit requirement under the Entrusted Management Agreement); and (iv) the reorganization arrangement under the Entrusted Management Agreement has been completed, Chongqing Mengzhuo or its related entities shall have the pre-emptive right to acquire up to 100% equity interest in Minsheng Online through equity transfer and capital increase.

Loan Agreement

On 12 October, 2019, Chongqing Mengzhuo (as lender), Minsheng Online (as borrower), Mr. Pan and Ms. Liu entered into the Loan Agreement, pursuant to which Chongqing Mengzhuo will lend to Minsheng Online a loan of a principal amount that does not exceed RMB50 million, subject to satisfaction of certain drawdown conditions. According to the Loan Agreement, Chongqing Mengzhuo or its related parties may provide Minsheng Online with a further short-term loan in a principal amount of not more than RMB20 million based on Minsheng Online's operation needs and subject to provision of relevant security by Minsheng Online.

The major terms of Entrusted Management Agreement

Date : 12 October 2019;

Parties : (i) Chongqing Mengzhuo, as managing party;
(ii) Mr. Pan, as entrusting party;

- (iii) Mingshi Online;
- (iv) Minsheng Online;
- (v) Mingshi Group; and
- (vi) Ms. Liu

To the best of the Directors' knowledge, information, and belief, and having made all reasonable enquiries, Mr. Pan, Mingshi Online, Minsheng Online, Mingshi Group and Ms. Liu are independent third parties to the Company.

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

The following sets out the major terms of the Entrusted Management Agreement:

- Entrustment Arrangement : During the period of the Entrusted Management Agreement, Chongqing Mengzhuo, Mr. Pan and Ms. Liu are entitled to the voting rights in the Target Entities of 51%, 39% and 10% respectively. Chongqing Mengzhuo participates in the business decision of the Target Entities and provides professional management consultation. The specific decision-making matters include but are not limited to:
- (i) provide professional management advice on the business plan and investment plan of the Target Entities;
 - (ii) provide professional management advice on the foreign investment, acquisition or sale of assets exceeding RMB1 million, financing, asset pledge, and external guarantee of the Target Entities; and
 - (iii) develop annual financial budget plan, final settlement plan, etc. for the Target Entities.
- Entrusted Management Period : (i) ***Entrusted Management Period of Mingshi Online***

The Entrusted Management of Chongqing Mengzhuo to Mingshi Online take effect from the date of the Entrusted Management Agreement (i.e. 12 October 2019) until the date of completion of cancellation of Mingshi Online.

(ii) Entrusted Management Period of Minsheng Online and the Target School

The Entrusted Management of Chongqing Mengzhou to Minsheng Online and Target School take effect from the date of the Entrusted Management Agreement (i.e 12 October 2019) until the Date of Completion (if any) or to the day when Chongqing Mengzhou give written notification to Minsheng Online confirming that it will not acquire equity interest in Minsheng Online, whichever is the earlier.

Management Fee : During the Entrusted Management Period, 51% of the annual net profit (if any) of the Target Entities shall be regarded as the management fee, which shall be paid to Chongqing Mengzhou within 3 months after 31 December of each year, or such period as mutually agreed between Chongqing Mengzhou and Mr. Pan in relation to the payment of the management year for the previous year. However, in the event that net loss(es) is recorded by the Target Entities during the Entrusted Management period, such losses will be attributed to Mr. Pan and Ms. Liu according to their shareholding ratio. Chongqing Mengzhou will not be liable for any loss of the Target Entities, but Chongqing Mengzhou will not charge the management fee of the relevant Target Entity for the year.

Reorganisation : According to the Entrusted Management Agreement, Mr. Pan undertook to Chongqing Mengzhou to procure that the Target Entities and the Group Companies enter into the Reorganization.

Upon the completion of the Reorganisation:

- (i) all business, personnel, licenses, intellectual property and assets of the group company will be transferred to Minsheng Online and/or Target School; and
- (ii) 100% of the sponsorship interest of the Target School will be transferred from Mr. Pan to Minsheng Online.

Planned investment arrangement

According to the Entrusted Management Agreement, based on the financial statements of Minsheng Online for 2020, 2021, and 2022 audited by one of the “Big Four” accounting firms, if (i) the net profit of Minsheng Online increases year-on-year from 2020 to 2022, and its aggregate net profit for the financial years 2020, 2021 and 2022 will not be less than RMB60 million; and (ii) its net profit

for 2022 will not be less than RMB30 million (together, the “**Net Profit Target**”), and the Reorganisation has been completed, Chongqing Mengzhuo or its related entities have the right to acquire 51% equity interest in Minsheng Online through equity transfer and capital increase. The aggregate consideration for the equity transfer and the capital increase, if such transactions materialize, will be RMB153 million in aggregate.

Mr. Pan and Ms. Liu promised that before the Completion date, unless Chongqing Mengzhuo and/or its related parties agreed in writing to waive the right of first refusal of Minsheng Online, except for the employee equity incentives agreed by Chongqing Mengzhuo, Mr. Pan and Ms. Liu shall not sell or transfer part or all of the shares held by Minsheng Online and/or Mingshi Online to any third party, or agree to let any third parties to increase in the capital of Minsheng Online and/or Mingshi online.

Possible transactions after the Completion Date

Provided that Chongqing Mengzhou has exercised its right to acquire 51% equity interest in Minsheng Online, if Minsheng Online’s audited net profits for 2020, 2021 and 2022 meet the Net Profit Target, and the net profit of Minsheng Online during these three years increases by more than 20% on a year-on-year basis, Chongqing Mengzhuo will be entitled to acquire the remaining 49% equity interest in Minsheng Online within 24 months after the Completion Date. Such acquisition, if materialized, shall be conducted in two phases. The first phase of the acquisition will be for 20% equity interest in Minsheng Online and will be carried out within 12 months after the Completion Date. The second phase of the acquisition will be for 29% equity interest in Minsheng Online and will be carried out within 24 months after the Completion Date. If Chongqing Mengzhuo acquires 49% equity interest in Minsheng Online pursuant to the above terms, the transfer price of each phase shall be determined according to Minsheng Online’s net profit for the prior year multiplied by 12 times price-earnings ratio multiplied by the percentage of equity interest to be transferred in the relevant phase.

As at the date of the Announcement, the Group has not entered into any equity transfer and/or capital increase agreement to acquire any equity interest in Minsheng Online. In the event of such transactions, the Company will comply with the relevant requirements of the Listing Rules.

Reasons and benefits of entering into an Entrusted Management Agreement

The Group’s main business is the provision of higher education services in the PRC.

The Directors are of the view that the Entrusted Management of the Target Entities marks the Group’s expanding to online education on the fundamentals of the Group’s higher vocational and undergraduate on-campus education. The Directors believe that the online education business of the Target Entities has substantial synergy with the Group’s on-campus education business. The national policies has encouraged the development of online education, such as “The Ministry of Education and other 11 ministries and commissions on promoting the healthy development of online education’s

teaching and development [2019] No. 11”* (《教育部等十一部委關於促進在線教育健康發展的指導意見》教發[2019]11號), the market potential is huge which will bringing new development to the Group.

The Directors are of the view that the Entrustment Arrangement is in the ordinary and usual course of business of the Group and conducted on normal commercial terms, its terms are fair and reasonable and in the interest of the Company and its shareholders as a whole.

The major terms of the Loan Agreement

On October 12, 2019, Chongqing Mengzhuo (as lender), Minsheng Online (as borrower), Mr. Pan and Ms. Liu entered into the Loan Agreement, pursuant to which Chongqing Mengzhuo will lend to Minsheng Online a loan of a principal amount that does not exceed RMB50 million, subject to satisfaction of certain drawdown conditions. According to the Loan Agreement, Chongqing Mengzhuo or its related parties may provide Minsheng Online with a further short-term loan in a principal amount of not more than RMB20 million based on Minsheng Online’s operation needs and subject to provision of relevant security by Minsheng Online.

Date	:	12 October 2019
Parties	:	(i) Chongqing Mengzhuo, as lender (ii) Minsheng Online, as borrower (iii) Mr. Pan; and (iv) Ms. Liu
Principal amount	:	Not exceed RMB50 million
Effective period of the Loan	:	42 months from the date of drawdown, which can be extended upon the written approval by Chongqing Mengzhuo
Interest rate of the Loan	:	110% of the benchmark interest rate of the People’s Bank of China for loans of the same tier in the same period.
Security	:	(i) an equity pledge of 51% of the equity interest in Minsheng Online owned by Mr. Pan; and (ii) a charge over a property owned by Mr. Pan and Ms. Liu.

- Purpose of the Loan : The Loan shall be primarily used to fund the operation of Minsheng Online, provided that Minsheng Online may utilize the Loan to lend funds to Mr. Pan to the extent that the operation of Minsheng Online would not be affected and that the Loan may not be used for purposes prohibited by laws.
- Repayment of the Loan : Minsheng Online shall repay the whole principal amount of the Loan together with the accrued and unpaid interests in one lump sum upon the expiration of the effective period of the Loan. Minsheng Online is not entitled to prepay the Loan unless otherwise approved by Chongqing Mengzhuo.
- Conditions Precedent : The drawdown of the Loan by Chongqing Mengzhuo to Minsheng Online is subject to fulfilment of, among others, the following conditions precedent:
- the Loan Agreement having been signed by Parties and becoming effective;
 - the Reorganisation under the Entrusted Management Agreement has been completed;
 - completion of procedures required for the equity pledge and charge over property by which the Loan is secured.
- Compensation for the default: : (i) ***Default by Minsheng Online***
- If Minsheng Online violates or fails to fulfill any of its obligations or undertakings under the Loan Agreement, Chongqing Mengzhuo agrees to give Minsheng Online 30 days (the “**Grace Period**”) to rectify the contravening act(s). If Minsheng Online fails to rectify the contravening act(s) within the Grace Period, the Loan shall become due and payable immediately. Chongqing Mengzhuo has the rights:
- (1) to give notice to Minsheng Online, 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 Mengzhuo. 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 Minsheng Online repays all the principal amount of the Loan and interests owed to Chongqing Mengzhuo;

- (2) to, without the consent of Mr. Pan, dispose of the 51% shares of Minsheng Online, which Mr. Pan have charged to Chongqing Mengzhuo. The proceeds from the disposal of the 51% shares of Minsheng Online, which Mr. Pan has charged to Chongqing Mengzhuo, 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 Minsheng Online to Chongqing Mengzhuo, and expenses in relation to the disposal of the 51% shares of the Minsheng Online charged by Mr. Pan to Chongqing Mengzhuo etc.; and

Minsheng Online, Mr. Pan and Ms. Liu shall be jointly and severally liable for any breach of the Loan Agreement by Minsheng Online.

(ii) *Default by Chongqing Mengzhuo*

If Chongqing Mengzhuo violates or fails to fulfill any of its obligations or commitments under the Loan Agreement, Minsheng Online agrees to give Chongqing Mengzhuo 30 days to rectify the contravening act(s). If Chongqing Mengzhuo fails to rectify the contravening act(s) within the 30-day grace period, Minsheng Online has the right to terminate the Loan Agreement, and Chongqing Mengzhuo shall pay additional late fees to Minsheng Online 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 Mengzhuo releases the principal amount of the Loan to Minsheng Online.

Follow-up arrangement : According to the Loan Agreement, Chongqing Mengzhuo or its related parties may provide Minsheng Online with a short-term loan in a principal amount of not more than RMB20 million based on Minsheng Online's operation needs and subject to provision of relevant security by Minsheng Online.

Reasons and benefits of entering into the Loan agreement

The Directors are of the view that the loan will (i) enable to accelerate the development of Minsheng Online; and (ii) let the Company and other shareholders of Mingshi Online maintain a good business relationship.

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

INFORMATION ON THE PARTIES

Chongqing Mengzhuo

Chongqing Mengzhuo is a limited liability company established in Chongqing on 22 March 2018 and an indirect wholly-owned subsidiary of the Company. Its principal business are school management and consulting.

Mr. Pan

Mr. Pan Guoqiang, a PRC citizen. As of the date of the Announcement, Mr. Pan holds 100%, 90% and 90% equity interest in Mingshi Group, Minsheng Online and Mingshi Online, respectively and is the sole sponsor person of the Target School.

Mingshi Group

Mingshi Group is a limited liability company established in Guangzhou, Guangdong Province on 4 February 2015, its principal business is education consulting. As at the date of the Announcement, Mingshi Group is wholly-owned by Mr. Pan.

Mingshi Online

Mingshi Online is a limited liability company established in Guangzhou, Guangdong Province on 6 July 2015. Mingshi Online's principal business is to provide online adult education, mainly including academic training and vocational and certification training business. As at the date of the Announcement, Mr. Pan and Ms. Liu hold 90% and 10% interest in Mingshi Online respectively.

Minsheng Online

Minsheng Online is a limited liability company established in Guangzhou in October 2019, its principal business are education consulting and the research and development of education equipment. As at the date of the Announcement, Mr. Pan and Ms. Liu hold 90% and 10% equity interest in Minsheng Online respectively.

Ms. Liu

Ms. Liu Ruiqiong, a PRC citizen. As of the date of the Announcement, Ms. Liu holds 10% equity interest in Minsheng Online and Mingshi Online.

DEFINITION

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

Board	the Board of Directors
Chongqing Mengzhuo	Chongqing Mengzhuo Education Technology Company Limited* (重慶夢卓教育科技有限公司), a limited liability company established in the PRC as a wholly-owned subsidiary 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)
Completion Date	The day of the Administrative Department of Industry and Commerce issue a new business license to record the designated entity of Chongqing Mengzhuo as the legal representative of Minsheng Online, and it has embodied that the designated entity of Chongqing Mengzhuo legally and effectively holds 51% equity interest in Minsheng Online
Connected Person	has the meaning ascribed thereto under the Listing Rules
Entrusted Management Agreement	an entrusted management agreement entered into between Chongqing Mengzhuo, Mr. Pan, Mingshi Online, Minsheng Online, Mingshi Group and Ms. Liu on 12 October 2019
Entrustment Arrangement	the entrustment arrangement contemplated under the Entrusted Management Agreement
Group Companies	All related companies related to the main business of the Target Entities, its branch companies, subsidiaries, Target School and etc. which controlled by Mr. Pan
Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Loan	the loan in the principal not more than RMB70 million extended to Minsheng Online by Chongqing Mengzhuo pursuant to the Loan Agreement.
Loan Agreement	the loan agreement entered into among Chongqing Mengzhuo, Minsheng Online, Mr. Pan and Ms. Liu dated 12 October 2019
Mingshi Group	Guangdong Mingshi Group Company Limited* (廣東明世集團有限公司), a company established under the laws of the PRC.
Mingshi Online	Guangdong Mingshi Online Education Technology Company Limited* (廣東明世在線教育科技有限公司), a company established under the laws of the PRC.
Minsheng Online	Guangdong Minsheng Online Education Technology Company Limited* (廣東民生在線教育科技有限公司), a company established under the laws of the PRC.
PRC	the People's Republic of China, which for the purpose of this announcement excludes Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
Reorganisation	the reorganization involving the Target Entities and the Group Companies to be conducted pursuant to the Entrusted Management Agreement
RMB	Renminbi, the lawful currency of the PRC
Shareholder(s)	shareholder(s) of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited
Target School	Guangzhou Haizhu District Blue Star Vocational Training School* (廣州海珠區藍星職業技術培訓學校), a vocational training institution approved by the education bureau of Haizhu District, Guangzhou, PRC and registered with the civil affairs bureau of Haizhu District, Guangzhou, PRC

%

per cent

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

Hong Kong, 13 October 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*