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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**

**IN RELATION TO**

**(i) CAPITAL INVESTMENT OF 51% EQUITY INTEREST IN ANHUI WENDA ELECTRONICS CO., LTD WHICH INDIRECTLY OBTAIN 51% OF INTEREST IN SCHOOL SPONSOR OF ANHUI WONDER UNIVERSITY OF INFORMATION ENGINEERING AND ANHUI HEFEI INFORMATION ENGINEERING SCHOOL**

**AND**

**(ii) CAPITAL INVESTMENT OF 51% EQUITY INTEREST IN ANHUI SKY-AVIATION INTERNATIONAL FLIGHT ACADEMY CO. LTD**

**AND**

**(iii) ENTRUSTMENT ARRANGEMENT OF ANHUI WENDA ELECTRONICS COMPANY LIMITED, ANHUI WONDER UNIVERSITY OF INFORMATION ENGINEERING, ANHUI HEFEI INFORMATION ENGINEERING SCHOOL AND ANHUI SKY-AVIATION INTERNATIONAL FLIGHT ACADEMY CO. LTD**

**AND**

**(iv) POTENTIAL FINANCIAL ASSISTANCE TO A CONNECTED PERSON AT THE SUBSIDIARY LEVEL**

Reference is made to the announcement dated 25 November 2019 (the “**Announcement**”) issued by Minsheng Education Group Company Limited (民生教育集团有限公司) (the “**Company**”) in relation to (i) capital investment of 51% equity interest in Anhui Wenda Electronics Co., Ltd which indirectly obtain 51% of interest in school sponsor of Anhui Wonder University of Information Engineering and Anhui Hefei Information Engineering School; (ii) capital investment of 51% equity interest in Anhui Sky-Aviation International Flight Academy Co. Ltd; (iii) entrustment arrangement of Anhui Wenda Electronics Company Limited, Anhui Wonder University of Information Engineering, Anhui Hefei

Information Engineering School and Anhui Sky-Aviation International Flight Academy Co. Ltd; and (iv) potential financial assistance to a connected person at the subsidiary level. 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 Restructuring Investment Agreement, the Entrustment Agreements and the transactions contemplated thereunder, the Company would like to provide additional information in the aspects of further information on (i) the Restructuring Investment Agreement and (ii) the Entrustment Agreements.

## **I. INTRODUCTION**

### **The Acquisition Agreement**

Pursuant to the Acquisition Agreement, the total consideration for the acquisition of the 51% of the school sponsor's interest in Wonder University by Chongqing Yuecheng under the Acquisition Agreement (“**Acquisition**”) is RMB500 million, which is payable to Wenda Electronics by the Group upon satisfaction of certain conditions precedent. As of the date of the Announcement, the following conditions precedent under the Acquisition Agreement had not been fulfilled or waived:

- (a) Wonder University having obtained the approval from the People's Government of Anhui Province for the Acquisition and received the written approval documents for Chongqing Yuecheng being as a school sponsor of Wonder University;
- (b) the Education Department of Anhui Province having signed the approval documents for Chongqing Yuecheng being a school sponsor of Wonder University and issued a new private school operating license to Wonder University stating that Chongqing Yuecheng as one of the school sponsors;
- (c) Department of Civil Affairs of Anhui Province having completed the registration procedures of Chongqing Yuecheng as one of the school sponsors and issued a new registration certificate for private non-enterprise legal unit (legal person);
- (d) the amended articles of Wonder University having been approved by and/or filed with the Education Department and the Department of Civil Affairs of Anhui Province;
- (e) all previously charged, frozen and/or seized lands and properties owned by Wonder University having been discharged, unfroze and/or unseized, free from any pledges, liens or other restrictions of any nature and Wonder University having legally obtained all the land use right certificates and property ownership certificates of such lands and properties;

- (f) all liabilities owed to the financial institutions, companies and other organisations and individuals having been carved-out or repaid legally and without any further repayment obligation; and
- (g) all external guarantees provided for third parties having been released and without any other related guarantee obligations.

These conditions precedents have not been satisfied by Wenda Electronics and Wonder Group despite the time and effort they have spent primarily because there were more than 700 creditors involved in the debts of Wonder University, Wenda Electronics and Wonder Group, and the related equity interests and the assets referred to in these conditions precedent had been pledged or mortgaged to such creditors. The Group has been monitoring the progress of the Acquisition. In order to materialize the key transactions contemplated under the Acquisition Agreement, the Group and the relevant parties entered into the Restructuring Investment Agreement and the Administrator prepared the Draft Restructuring Plan with the support of the local government. Once the Draft Restructuring Plan is adopted by the creditors' meeting and approved by the Hefei Intermediate Court, it will be binding upon the relevant creditors of Wonder University, Wenda Electronics and Wonder Group and each party.

#### **Information of the Debtors and debts**

According to the "Notice of the First Creditors' Meeting on the Merger and Reorganization of 19 Affiliated Units Including Anhui Wenda Electronics Co., Ltd\*" issued by Anhui Tianhe on the National Enterprise Bankruptcy Information Disclosure Platform on 25 November 2019, there were more than 700 creditors (the "Creditors"), including enterprises, natural persons, tax authorities and employees, who have declared a total amount of approximately RMB6,100.4 million debts owed by Wenda Electronics and 18 other entities related to Wenda Electronics to the Administrator, out of which a total amount of approximately RMB3,502.9 million has been confirmed by in the Administrator's preliminary audit. The final result of the confirmed debts shall be subject to the credit statement as confirmed by the Hefei Intermediate Court. According to the Administrator, debts declared by the Creditors primarily resulted from (i) the private lending made by the actual controller of Wenda Electronics and other 18 related entities; and

(ii) the liabilities in relation to the garden construction business, all of which does not have any relationship with the education business of the Operating Entities. Below is a breakdown of the confirmed debts:

	<i>RMB' million</i>
Secured debt	
– With collateral	22.6
– Without collateral	314.1
Taxation payable	1.7
Unsecured debt	<u>3,164.5</u>
<b>Total</b>	<b><u><u>3,502.9</u></u></b>

Between November and December 2018, Chongqing Yuecheng had advanced loans to Sky-Aviation Academy in the total principal amount of RMB6,080,800 with the interest rate applicable to the loan calculated according to the People's Bank of China loan interest rate of the same period, which had not been repaid as at the date of this announcement. Sky-Aviation Academy primarily used such loans for the acquisition of an aircraft for teaching purpose and as general working capital. Other than Chongqing Yuecheng, to the best of the knowledge of the Directors having made all reasonable enquiries, all other Creditors have no relationship with the Group and its connected persons.

The first creditors' meeting regarding the Draft Reorganization Plan was held on 6 December 2019. According to the announcement issued by the Administrator on 25 December 2019, the proposal regarding the establishment of the Creditors' Committee was adopted by the Creditors. A voting on the proposal in relation to the Draft Restructuring Plan was also conducted among all of the Creditors by groups. Among more than 700 Creditors in total, over 600 Creditors voted in favor of the Draft Restructuring Plan but it was not adopted by all groups of Creditors. Specifically, the Draft Restructuring Plan was adopted by the following groups: employee creditors, tax creditors and general creditors, but was not adopted by the secured creditors. Accordingly, the Draft Restructuring Plan was not adopted. As advised by the Company's PRC Legal Advisors, namely, Global Law Office, the Restructuring Investment Agreement has not been terminated as the group of secured creditors will vote again on such proposal after their negotiation with the Debtors pursuant to provisions of the Enterprise Bankruptcy Law of People's Republic of China, details of which will be announced by the Administrator separately in due course. The Company will make further announcement in this regard as and when appropriate. As advised by the Company's PRC Legal Advisors, the hearing date of the Hefei Intermediate Court for approving the Draft Restructuring Plan is subject to the adoption of the Draft Restructuring Plan by the creditors. As the Draft Restructuring Plan has not been adopted as at the date of this announcement, the date of the said hearing date of the Hefei Intermediate Court is not yet determined.

## II. RESTRUCTURING INVESTMENT AGREEMENT

### Separation of assets and debts

Educational assets such as land, buildings, teaching facilities and equipment related to education owned by Wenda Electronics shall be retained within the Operating Entities, and be transferred to Wonder University according to the applicable laws. Non-educational assets owned by Wenda Electronics refer to assets that are not related to the operation of the Operating Entities, such as gardens, houses, land and debts among the Debtors which are controlled by the Debtors shall be transferred to Wenda Kemao.

Other than amounts due from their respective related parties of RMB610 million in aggregate, which has been impaired according to the financial information provided by Wenda Electronics, no other non-educational asset was owned by and shown on the accounts of Wenda Electronics and the Operating Entities as of the date of the Announcement. Based on information provided by Wenda Electronics, the said amounts due from related parties of RMB610 million of Wenda Electronics and the Operating Entities arose from non-trade, intercompany advances among them and their related parties. Save as disclosed herein, our Directors was not aware of other financial impact of the Operating Entities in connection with the transfer of the non-educational assets to Wenda Kemao as of the date of this announcement.

### Impact of the Draft Restructuring Plan

Set forth below are impact of the Drat Restructuring Plan on Wenda Electronics and the Operating Entities:

**Profits** : Bankruptcy fees, tax credits and employee claims amounting to maximum RMB35 million will be paid off by the Operating Entities by the First Repayment Date, which would result in a decrease in the profit of Wenda Electronics by RMB35 million.

**Assets** : RMB610 million debts as mentioned above had been treated as bad debt according to the financial information provided by Wenda Electronics as they will not be repaid according to the Draft Restructuring Plan. As advised by the Company's PRC Legal Advisors, pursuant to the relevant laws and regulations in the PRC, when a company is in a bankruptcy proceeding by way of substantive consolidation (實質合併), such as the bankruptcy proceedings which the Debtors are undergoing, the debts among it and its related companies are extinguished and the assets of each debtors will be consolidated as assets subject to distribution to the creditor(s) of each debtor. Therefore, the amounts due from related parties of RMB610 million on the books of Wenda Electronics and the Operating Entities are extinguished and therefore not collectable.

**Liabilities** : Except for RMB200 million of debt to be borne by the Operating Entities after the Completion, as agreed by the Investors, all other debts shall be novated to Wenda Kemao.

The bearing of RMB200 million of debt was the result of arm's length negotiation between the Group and other parties to the Restructuring Investment Agreement by reference to certain terms of the Acquisition Agreement and Framework Agreement. Pursuant to the Acquisition Agreement and the Framework Agreement (had the transactions contemplated thereunder been materialized), Wenda Electronics would be entitled to the prioritized distribution of operating surplus of RMB150 million and RMB50 million, respectively, which Wenda Electronics previously intended to utilize to fund the repayment of its debt. The right to prioritized distribution is not available in the Restructuring Investment Agreement. In determining the terms of the Restructuring Investment Agreement as a whole, the parties considered that having the Operating Entities bear the debt to be repaid would provide better protection to the creditors than through the prioritized distribution, and would therefore facilitate the approval of the Draft Restructuring Plan by the creditors.

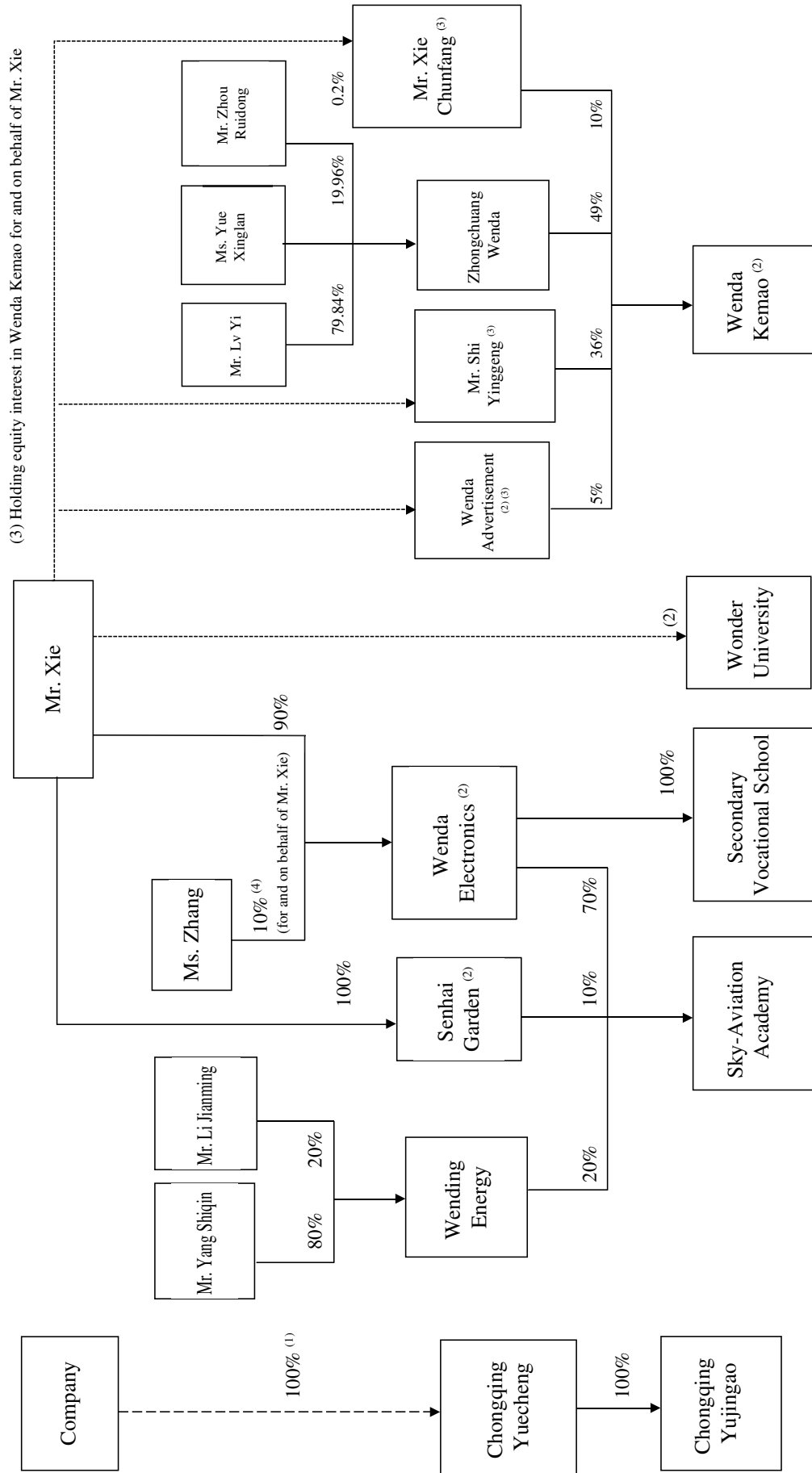
## Overview of the corporate restructuring

The total consideration of RMB500 million to acquire 51% equity interest of Wenda Electronics was determined after arm's length negotiation between the parties and on normal commercial terms and having considered, among other things, (i) scarcity of business entities. As of the date of the Announcement, Wonder University is an independent private university with comparatively long history of operation located in the capital city of provinces within the central and eastern portions, the nature of the campus land is transferred land for educational uses; (ii) the potential increase in number of student enrollment. There were 11,961 and 13,930 students enrolled in Wonder University as of 31 December 2018 and 30 September 2019, respectively; (iii) the potential increase in the tuition fee. Anhui Province has been gradually allowing private education providers to charge fees since 2017. The tuition fee of Wonder University has increased from RMB7,000 to RMB14,000 for the 2017-2018 school year to RMB8,600 to RMB16,000 for the 2019-2020 school year; and (iv) all assets and properties owned by Wonder University are registered under the name of Wenda Electronics or Wonder University.

The total consideration of RMB100 million to acquire 51% equity interest of Sky-Aviation Academy was determined after arm's length negotiation between the parties and on normal commercial terms and having considered, among other things, (i) Sky-Aviation Academy is one of thirty professional aviation training schools established in accordance with CCAR-141 Civil aircraft pilot school certification rules 《民用航空器駕駛員學校合格審定規則》 in China and it provides private and commercial pilot licensing and overall training courses for air transportation; and (ii) Sky-Aviation Academy owns seven aircraft.

The Company is of the view that the current loss of Wenda Electronics (including the Operating Entities) and Sky-Aviation Academy are mainly due to the debts of the previous debtors which had negative impact on the financial performance of these entities. After considering (i) other fees such as bankruptcy fees, tax credits and employee claims amounting to maximum RMB35 million to be settled by the Operating Entities are one-off non-operating expenses; (ii) except for RMB200 million of debt to be borne by the Operating Entities, all other debts shall be novated to Wenda Kemao; and (iii) the injection of capital by the Group pursuant to the Restructuring Investment Agreement, it is expected that there will be a better improvement on number of enrolled students and tuition fees charged by Wonder University, Secondary Vocational School and Sky-Aviation Academy in the next few years once the Company starts to manage Wenda Electronics, Wonder University, Secondary Vocational School and Sky-Aviation Academy upon the effective of the Restructuring Investment Agreement and thus the Company believes there will be a comparatively significant profit growth.

The following chart sets forth the corporate structure Wenda Electronics, Chongqing Yujingao and the Operating Entities immediately prior to the corporate restructuring:

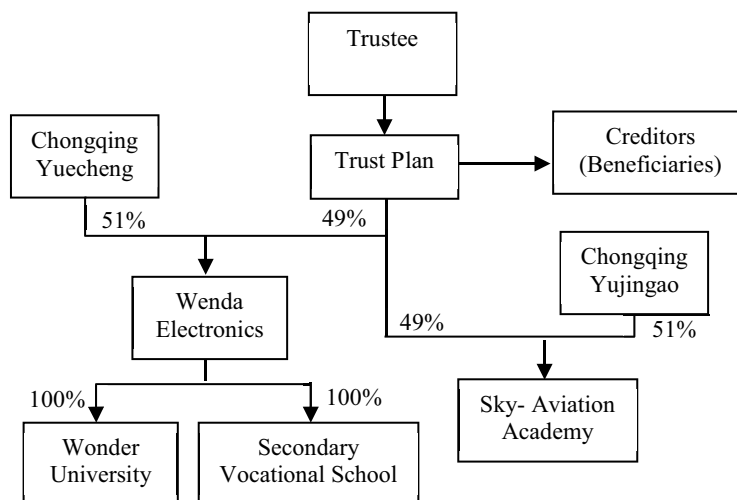




Notes:

- (1) Chongqing Yuecheng is a consolidated affiliated entity of the Company.
- (2) Mr. Xie holds 100% indirect school sponsor’s interest in Wonder University through Wonder Group is an enterprise group (企業集團) comprising Wenda Electronics, Wenda Kemao, Senhai Garden, and Hefei Wenda Advertisement Co., Ltd.\* (合肥文達廣告有限公司) (“Wenda Advertisement”). Other than Ningbo Meishan Free Trade Port Zhongchuang Wenda Investment Partnership (Limited Partnership)\* (寧波梅山保稅港區中創文達投資合夥企業(有限合夥)) (“Zhongchuang Wenda”) held 49% equity interest in Wenda Kemao as guarantee to its debts, Wonder Group was ultimately controlled and 100% owned by Mr. Xie as of the date of this announcement. Upon the settlement of the debts, Zhongchuang Wenda will cease to hold equity interest in Wenda Kemao. As advised by the Company’s PRC Legal Advisors and as disclosed in the announcement of the Company dated 27 September 2017, “enterprise group” is not a separate legal person or legal entity. It refers to a group of enterprises or legal entities of a certain scale which are connected by capital interests. The core members of an enterprise group include a parent company, subsidiaries, equity participated companies and other member companies or organizations which are bound by the articles of associations of such enterprise group.
- (3) Each of Mr. Shi Yinggeng (史迎庚), Mr. Xie Chunfang (謝春芳) and Wenda Advertisement hold its equity interest in Wenda Kemao for and on behalf of Mr. Xie.
- (4) Ms. Zhang holds 10% equity interest in Wenda Electronics for and on behalf of Mr. Xie.

The following chart sets forth the corporate structure once the corporate restructuring is completed:



## **Put option**

The provisions relating to the Put Option in the Restructuring Investment Agreement were provided primarily to gain the support of the Creditors for the Draft Restructuring plan. The Operating Entities have comparatively large growth potential in the future. The Company understands that the Creditors generally expect that there will be comparatively significant improvement in the business and financial operation of the Operating Entities in the future and they would likely realize higher value from their remaining 49% equity interest of Wenda Electronics and Sky-Aviation Academy through the Trust Plan if such equity interest can be divested in the future rather than at the present time. By setting out the principle elements of the Put Option in the Restructuring Investment Agreement, the Company can indicate its view on the valuation of the remaining 49% equity interests, which will provide incentive for the Creditors to cooperate with the implementation of the Draft Restructuring Plan and will not have any material adverse effect on the Restructuring Agreement and the Draft Restructuring Plan or the transactions contemplated thereunder. For the abovementioned reasons, the Company is willing to provide Put Options subject to the requirements of the Stock Exchange (including requirements under Chapters 14 and 14A of the Listing Rules) and consent from Creditors at the relevant time.

In addition, the exercise price of the Put Option will be determined by reference to the Company's P/E ratio with a certain amount of discount to be determined by the parties. As Wonder University engages in business similar to the major business of the Group, namely, provision of higher education services in the PRC, the Directors are of the view that the Company's P/E ratio is a suitable benchmark for the determination of the value of Wenda Electronics. The Company is of the view that such mechanism provides transparency in the pricing of Wenda Electronics as the parameters will generally be determined objectively. Therefore, the Company is of the view that both the arrangement and the exercise price of the Put Option are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The fund obtained from the disposal of the equity interest of Wenda Electronics and Sky-Aviation Academy (including arising from the Put Option) will be preferentially repaid to Chongqing Yuecheng and its related entities (including the Operating Entities) for the principal and interest of the loan and liquidated damages (if any), and the remaining sum will be used for the repayment of debts of Wenda Kema. Chongqing Yuecheng and its related entities (including the Operating Entities) will enter into necessary documents and complete relevant procedures as required under the applicable PRC laws and regulations to release the pledge of the disposed equity for the purpose of disposing the pledged equity interest, provided that the proceeds from the such disposal shall be preferentially repaid to Chongqing Yuecheng and its related entities (including the Operating Entities) for the principal and interest of the loan, details of which, including but not limited to terms relating to repayment of the loan and interest rate(s) of the loan (to be determined by reference with the prevailing interest rate published by the People's Bank of China at the time of providing such loan in accordance with the terms of the Restructuring Investment Agreement), will be determined between the Trustee, Chongqing

Yuecheng and its related entities (including the Operating Entities) upon the establishment of trust pursuant to the Trust Plan. In the Announcement, it was indicated that Wenda Kemao would be the trustee of the trust. The Company clarified that Wenda Kemao will be the settlor but not the trustee of the trust. The Trustee will be an independent professional trustee appointed pursuant to the Trust Plan. As of the date of this announcement, such trust was not yet established and the Company will issue further announcement(s) in accordance with the Listing Rules as and when appropriate to provide updated information to Shareholders and investors.

According to the provisions of Restructuring Investment Agreement, the Trust Plan shall decide whether to exercise the put option and sell the remaining equity interest held by Wenda Kemao to the Company according to the voting rules of its beneficiaries, which shall be determined and established by the trustee and beneficiaries after the establishment of the trust. If Wenda Kemao decides to sell the remaining equity interest, the selling price shall be calculated based on the exit price as agreed in the Restructuring Investment Agreement. Meanwhile, according to the provisions of the Draft Restructuring Plan, if the proceeds from the disposal of the remaining equity interest in Wenda Electronics and Sky-Aviation Academy (i.e. 49% equity interest in Wenda Electronics and Sky-Aviation Academy) may not cover the repayment of the remaining creditor's debts due to policy or market reasons, the beneficiaries (i.e. Creditors) under the Trust Plan are entitled to decide by general meeting the distribution of the remaining equity interest according to the proportion of the creditor's unpaid debts in accordance with the rules of procedures of such general meeting of the beneficiaries. Upon completion of the distribution of the remaining equity interest, Creditors are entitled to the actual shareholder's rights while Wenda Kemao ceased to hold shareholder rights. Once the remaining equity interest were distributed to the Creditors, a new trust plan shall be established to hold the remaining equity interests of the Operating Entity on behalf of the creditors in case the number of Creditors is significant.

### **Example of the Early Settlement**

Below is an illustration of how the Early Settlement arrangement will be implemented. Figures used in the illustration below are for illustrative purposes only and do not represent any actual amounts.

Assume that (i) a natural person creditor holds an original debt of RMB100 million which has not been settled and intends to sell such original debt to Shenzhen Zhongrun Chengxin or Chongqing Yuecheng or another entity designated by the Company; (ii) at the time of the Early Settlement, the total amount of unpaid debts of Wenda Kemao is RMB1 billion, the calculation of the conversion into the directly held equity interest of Wenda Electronics and Sky-Aviation Academy is as follows:

$$\text{RMB100 million} \div \text{RMB1 billion} \times 49\% = 4.9\%$$

Therefore, when a natural person creditor holds an original debt of RMB100 million and sells it to Shenzhen Zhongrun Chengxin or the Company or the designated entity of the Company at a 50% discount (i.e. RMB50 million), the purchaser will obtain 4.9% equity interest of Wenda Electronics and Sky-Aviation Academy instead of having Wenda Kemaoy repay RMB100 million debt.

To the best knowledge of our Directors, the intention of Shenzhen Zhongrun Chengxin for entering into the Early Settlement with the lender(s) is to generate financial returns from such investment. If Shenzhen Zhongrun Chengxin entered into the Early Settlement with the lender(s), it will become a financial investor of Wenda Electronics and Sky-Aviation Academy who will not be involved in the daily business operation of the Operating Entities and the relevant equity interests acquired by Shenzhen Zhongrun Chengxin under the Early Settlement shall continue to be pledged to the lender, Chongqing Yuecheng and its related entities (including the Operating Entities). Unless otherwise approved by the pledgor and the pledgee, such pledged equity interest shall not be transferred. Despite that the equity acquired by Shenzhen Zhongrun Chengxin could be subject to such equity pledge, the Early Settlement arrangement still represents a profitable commercial proposition to Shenzhen Zhongrun Chengxin, given the significant discount in purchasing outstanding debts. Based on the Draft Restructuring Plan, it is expected that the outstanding amounts owed to the Creditors would be repaid from profits to be generated by the Operating Entities. Accordingly, it is expected that the equity pledge on the equity interest in Wenda Electronics acquired by Shenzhen Zhongrun Chengxin will eventually be released when all debts owed by Wenda Electronics have been repaid, and then Shenzhen Zhongrun Chengxin will be able to dispose of the equity interest free of any encumbrance.

According to the above example, although the original debt sold by a natural person creditor is RMB100 million, Shenzhen Zhongrun Chengxin or the Company or the designated entity of the Company will only pay RMB50 million (calculated based on 50% of the original debt of RMB100 million sold) in exchange for 4.9% equity of Wenda Electronics and Sky-Aviation Academy, thus the consideration of each 1% equity interest is approximately RMB10.20 million (RMB50 million ÷ 4.9%).

Pursuant to the Draft Restructuring Plan, 40% of the debts, representing the total amount of the first, second and third tranche of debts, shall be settled within 36th month after the First Repayment Date which is the time of settling the consideration under the Early Settlement as disclosed in the Announcement. Therefore, the total amount of outstanding debts of Wenda Kemaoy at the time of Early Settlement is 60% of the total amount of debts. The maximum amount of the Early Settlement is 30% of the total amount of debt and the maximum amount of debts of the Early Settlement can only be ascertained after the Administrator has separated debts related to private lenders from other debts. For the avoidance of doubt, the 51% equity interest in Wenda Electronics and Sky-Aviation Academy acquired by the Group pursuant to the Restructuring Investment Agreement is not subject to the arrangements in relation to Early

Settlement. Therefore, the maximum amount of equity interest in each of Wenda Electronics and Sky-Aviation Academy which could be acquired by Shenzhen Zhongrun Chengxin pursuant to the Early Settlement arrangements will not exceed 49% in any event.

Wenda Kemao also intends to repay the debts by disposing of 49% equity of Wenda Electronics and Sky-Aviation Academy held through the Trust Plan, i.e. firstly divide the original debt held by a natural person by the total unpaid debts of Wenda Kemao at the time of the Early Settlement and then multiply by Wenda Kemao's 49% equity of Wenda Electronics and Sky-Aviation Academy held through the Trust Plan, in exchange for the equity interest of Wenda Electronics and Sky-Aviation Academy, is similar to the approach that Wenda Kemao sells its equity interest of Wenda Electronics and Sky-Aviation Academy to the purchaser first and then repaid the natural person creditors with cash. The purchaser of the debt would only purchase the original debt at 50% discount as the consideration under the Early Settlement (i.e. approximately RMB10.20 million for each 1% equity interest) is lower than the consideration of capital investment of 51% of equity interest of Wenda Electronics and Sky-Aviation Academy (i.e. approximately RMB11.77 million for each 1% equity interest as calculated below).

Under the Restructuring Investment Agreement, the Company will hold 51% equity interest in Wenda Electronics and Sky-Aviation Academy by investing a total amount of RMB600 million, thus the consideration for each 1% equity interest is approximately RMB11.77 million. Compared with the said consideration under the Early Settlement, i.e. RMB10.20 million per 1% equity interest, the Directors consider such conversion price is fair and reasonable given that the consideration for acquiring the majority interest in Wenda Electronics carries a premium as compared to that of a minority interest for the power of control attached to such majority interest.

### **Example of Transfer of Equity**

In the first paragraph on page 12 of the Announcement, the amount of guaranteed debt refers to proportion of equity transferred  $\div$  49%  $\times$  the amount of debt that Wenda Kemao has not repaid to Chongqing Yuecheng and its related entities (including the Operating Entities) at the time of the Early Settlement.

According to the example under paragraph "Example of the Early Settlement", the equity transfer is 4.9%, and the guaranteed debt amount for the Transfer of Equity = 4.9%  $\div$  49%  $\times$  RMB1 billion = RMB100 million. The above-mentioned secured debt refers to the secured debt corresponding to the portion of the Equity Transfer.

In the second paragraph on page 12 of the Announcement, the remaining equity interest held through the Trust Plan after the Equity Transfer should continue to be pledged Chongqing Yuecheng and its related entities (including the Operating Entities). Following the example above, the remaining equity held through the Trust Plan after the Equity Transfer = 49% - 4.9% = 44.1%.

In the second paragraph on page 12 of the Announcement, the amount of the guaranteed debt is the amount of debt that Wenda Kemaio has not repaid to Chongqing Yuecheng and its related entities (including the Operating Entities) minus the amount of guaranteed debt for the Transfer of Equity at the time of the Early Settlement. According to the example above, the amount of guaranteed debt = RMB1 billion – RMB100 million = RMB900 million.

If the Company or any members of the Group acquires the Creditors' right through the Transfer of Equity, depending on the results of the relevant size tests, such transaction may constitute a notifiable transaction under Chapter 14 of the Listing Rules subject to the relevant reporting, announcement, circular and shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

### **Timing of the Loan Arrangement, Put Option and the Early Settlement**

A summary of the sequence of the key events relating to the Loan Arrangement, the Put Option and the Early Settlement is set out below:

<b>Event</b>	<b>Time</b>
1. Completion of the Restructuring Investment Agreement	Completion Date
2. Payment of the first tranche of the loan of RMB100 million under the Loan Arrangement	Completion Date
3. Repayment of creditor's debt for the first time after the Completion Date	First Repayment Date
4. The period in which Company may grant the Put Option	Within 66 months from First Repayment Date
5. Deadline for private lenders to opt for Early Settlement	30 days after the First Repayment Date
6. Deadline for release of the second tranche of the loan of RMB200 million under the Loan Arrangement	24 months after the Completion Date
7. Deadline for completion of the Early Settlement arrangements	36 months after the First Repayment Date
8. Maturity of the first tranche of loan provided under the Loan Arrangement	Within 66 months from the payment date
9. Maturity of the second tranche of loan provided under the Loan Arrangement	Within 42 months from the payment date (i.e the 24 months from the Completion date)

## **Completion**

The Completion Date is defined as the date on which Chongqing Yuecheng has paid the investment fund of RMB500 million to the bank account designated by the Administrator through written designation.

The financial results of Wenda Electronics and Sky-Aviation Academy will be consolidated into the financial results of the Group after the Completion Date.

The implementation period of the Draft Reorganization Plan shall be 12 months, counting from the date when the court decides to approve the Draft Reorganization Plan. The Company expects that the Completion can be completed within this period, but also depends on the progress of the completion of the conditions precedent of the investment (such as the approval time of the competent education department for the change of the school sponsor, etc.).

### **III. ENTRUSTMENT AGREEMENTS**

#### **Wonder Entrustment Agreement**

Chongqing Yuecheng, Mr. Xie, Ms. Zhang, Wonder Group, Wenda Electronics, Wonder University, Secondary Vocational School and the Administrator entered into the Wonder Entrustment Agreement on 22 November 2019 (after trading hours), pursuant to which Mr. Xie, Ms. Zhang and Wonder Group agreed to entrust the rights to manage Target Equity to Chongqing Yuecheng. The Administrator who is one of the signatories to the Wonder Entrustment Agreement has confirmed and recognized the arrangement under the Wonder Entrustment Agreement by entering into the said agreement.

#### **Sky-Aviation Academy Entrustment Agreement**

Chongqing Yujingao, Sky-Aviation Academy, Wenda Electronics, Wending Energy, Senhai Garden, Wenda Kema and the Administrator entered into the Sky-Aviation Academy Entrustment Agreement on 22 November 2019 (after trading hours), pursuant to which Wenda Electronics, Wending Energy and Senhai Garden agreed to entrust the rights to manage Sky-Aviation Academy to Chongqing Yujingao. The Administrator who is one of the signatories to the Sky-Aviation Academy Entrustment Agreement has confirmed and recognized the arrangement under the Sky-Aviation Academy Entrustment Agreement by entering into the said agreement. Wending Energy is ultimately owned by two Independent Third Parties, namely, as to 80% by Mr. Yang Shiqin (楊世卿) and as to 20% by Mr. Li Jianming (李建明).

#### **IV. INFORMATION OF PARTIES INVOLVED IN RESTRUCTURING INVESTMENT AGREEMENT AND ENTRUSTMENT AGREEMENTS**

##### **Wenda Electronics**

As of the date of the Announcement, Wenda Electronics was owned as to 90% by Mr. Xie and 10% by Ms. Zhang for and on behalf of Mr. Xie.

##### **Wenda Kemao**

As of the date of the Announcement, Wenda Kemao was owned as to 49% by Zhongchuang Wenda, 36% by Mr. Shi Yinggeng (史迎庚), 10% by Mr. Xie Chunfang (謝春芳) and 5% by Wenda Advertisement. Zhongchuang Wenda which is ultimately owned by three Independent Third Parties, namely, 79.84% owned by Mr. Lv Yi (呂益), 19.96% owned by Ms. Yue Xinglan (樂杏蘭) and 0.2% owned by Mr. Zhou Ruidong (楊世卿), is one of Creditors who claimed debts against the Debtors and holds 49% equity interest in Wenda Kemao as guarantee to its debts. Upon the settlement of the debts, Zhongchuang Wenda will cease to hold equity interest in Wenda Kemao while Mr. Xie and Zhongchuang Wenda will negotiate the disposal arrangement of 49% equity interest of Wenda Kemao separately. Each of Mr. Shi Yinggeng, Mr. Xie Chunfang and Wenda Advertisement holds its equity interest in Wenda Kemao for and on behalf of Mr. Xie.

##### **Sky-Aviation Academy**

As of the date of the Announcement, Sky-Aviation Academy was owned as to 70% by Wenda Electronics, 20% by Wending Energy, and 10% by Senhai Garden which is ultimately owned as to Mr. Xie.

##### **Mr. Xie**

Mr. Xie Chungui is a PRC citizen. As of the date of this announcement, Mr. Xie is one of the original shareholders of Wenda Electronics and the actual controller of the Debtors.

##### **Ms. Zhang**

Ms. Zhang Xuming, the spouse of Mr. Xie, is a PRC citizen. As at the date of this announcement, Ms. Zhang is one of the original shareholder of Wenda Electronics.

##### **Shenzhen Zhongrun Chengxin**

According to the Company's understanding, Shenzhen Zhongrun Chengxin was introduced to the restructuring exercise of Wenda Electronics by Wenda Kemao but not by the Group, and hence the Company has limited knowledge about it, its ultimate beneficial owners and their respective associates. Based on the information currently available to the Company, Shenzhen



Zhongrun Chengxin is ultimately owned by two Independent Third Parties who does not have any relationship with the Company and/or any of its connected person(s), namely, 80% owned by Mr. Li Guangen (李關根) and 20% owned by Mr. Zhu Jie (朱杰).

For the purpose of compliance with the Listing Rules in future transactions such as the Early Settlement arrangement, the conversion of creditor's right acquired by Shenzhen Zhongrun Chengxin into equity interests in Wenda Electronics and/or Sky-Aviation Academy (the "Conversion"), or any other transactions, the Company may need to obtain further information about Shenzhen Zhongrun Chengxin and its ultimate beneficial owners. The implementation of the Conversion will require separate agreements to be entered into by the relevant parties, which will include the Group as the Group's consent will be required for its consummation. In addition, Shenzhen Zhongrun Chengxin will become the Company's connected person at subsidiary level if and after it acquires the creditor's rights from the relevant creditors of the Debtors pursuant to the Early Settlement arrangement and the Conversion results in Shenzhen Zhongrun Chengxin holding 10% or more of the equity interests in Wenda Electronics and/or Sky-Aviation Academy.

Accordingly, the Company is of the view that it will be in a position to conduct necessary due diligence on Shenzhen Zhongrun Chengxin after Completion of the Restructuring Investment Agreement and prior to the Conversion. After the Completion, the Group will become the majority shareholder of Wenda Electronics and Sky-Aviation Academy, respectively. Then implementation of the Conversion will require the Group's participation and their consummation will require the Group's consent as a matter of procedure. As such, after the Completion the Company will be in a position to, and it will, conduct due diligence on Shenzhen Zhongrun Chengxin and its ultimate beneficial owners and require Shenzhen Zhongrun Chengxin and the relevant parties to provide such information which the Company needs in order to comply with the relevant requirements under the Listing Rules. The Company will make further announcement in this regard as and when appropriate.

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

Hong Kong, 20 February 2020

*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*