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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)**

**CLARIFICATION AND SUPPLEMENTAL ANNOUNCEMENT  
IN RELATION TO  
DISCLOSEABLE TRANSACTION  
THE ACQUISITION OF 60% OF THE EQUITY INTEREST OF DOXUE  
NETWORK TECHNOLOGY (BEIJING) COMPANY LIMITED**

**INTRODUCTION**

Reference is made to the announcement dated 15 October 2020 (the “**Announcement**”) issued by Minsheng Education Group Company Limited (民生教育集团有限公司) (the “**Company**”) in relation to the entering into of the Equity Transfer Agreement by Minsheng Zhicai (a consolidated affiliated entity of the Company), Ruichang Anrui, Shougang Ganghua, Zhang Shihua, Zhang Pusheng and Doxue Network, pursuant to which Minsheng Zhicai conditionally agreed to acquire, and Ruichang Anrui conditionally agreed to sell 60% of the equity interest of Doxue Network. Unless otherwise stated, terms defined in the Announcement shall have the same meanings when used in this announcement.

The Company would like to clarify certain content of the Announcement, and to enable the Shareholders and potential investors of the Company to better understand the Acquisition, provide additional information in the aspects of further information on the Equity Transfer Agreement, the Acquisition and Doxue Network.

## **FURTHER INFORMATION ON BASIS AND ADJUSTMENT OF CONSIDERATION**

### **Total consideration and adjustment**

The Directors would like to clarify that none of the amounts (in relation to Average Net Profit or otherwise) disclosed in the Announcement represents the parties' forecast of Doxue Network's profit or any metric of financial performance for any future period. The consideration for the Acquisition (the "**Consideration**") is RMB248,400,000 and would be subject to adjustment on the basis of the Actual Average Net Profit of Doxue Network, as detailed below:

- (1) if the Actual Average Net Profit is 90% or more of RMB34,500,000 (the "**Reference Average Net Profit**"), the Consideration shall be adjusted to 60% of 12 times of the Actual Average Net Profit;
- (2) if the Actual Average Net Profit is 70% or more but less than 90% of the Reference Average Net Profit, the Consideration shall be adjusted to 60% of 11.5 times of the Actual Average Net Profit; and
- (3) if the Actual Average Net Profit is less than 70% of the Reference Average Net Profit, the Consideration shall be adjusted to 60% of 10 times of the Actual Average Net Profit,

provided that the total Consideration shall not exceed RMB288,000,000 in any event. Accordingly, in the event that the actual Average Net Profit is RMB40,000,000 or above, the total Consideration will be adjusted to RMB288,000,000.

In case Doxue Network records net losses for the years ending 31 December 2020 and 2021, Minsheng Zhicai will not be required to pay the third instalment and fourth instalment of the Consideration but the Consideration paid at the first instalment and second instalment will not be refunded.

There is no assurance that Doxue Network would achieve an Actual Average Net Profit of RMB34,500,000 or any other amounts, or would be profitable at all.

### **Basis of determination of the Consideration**

Since the total Consideration is linked to the actual financial performance of Doxue Network for the years ending 31 December 2020 and 31 December 2021, it is highly dependent on (i) the reputation and industry reputation of the operating brands "Doxue Class" and "MBACHINA" under Doxue Network, the number of users, the future growth potential of Doxue Network and the future development prospects of China's online education business and (ii) the reasons and benefits of the acquisition have been published in the paragraph headed "Reasons and benefits of the Acquisition" in the Announcement. The Directors have evaluated these factors when assessing the business potential of Doxue Network.

In terms of the valuation of Doxue Network by reference to its earnings and net assets, based on the initial consideration of RMB248,400,000 and the unaudited financial information of Doxue Network, (i) its unaudited net profit after tax amounted to approximately RMB14,462,000 for the year ended 31 December 2019, representing an implied P/E ratio (“**P/E ratio**”) of approximately 28.6 times; and (ii) its unaudited consolidated net assets amounted to approximately RMB11,883,812 as at 31 July 2020, representing an implied price-to-book ratio (“**P/B ratio**”) of approximately 34.8 times.

By way of illustration, the table below sets forth certain acquisitions of online education business companies conducted in the past three years by other issuers listed on the Stock Exchange, Shanghai Stock Exchange or Shenzhen Stock Exchange which the Company considers comparable to the Acquisition.

Listed companies and its principal business	Transaction nature and total consideration	Net profit/(loss) of the target	Net asset/(liabilities) of the target	Implied P/E ratio	Implied P/B ratio
Koolearn Technology Holding Limited (Stock Exchange stock code: 1797), an online education service provider in China	Acquisition of 49% equity interests in a target company, which is an online education service operator that provides recording courses, at a total consideration of RMB94 million <sup>(1)</sup>	(RMB49,700,000)	(RMB64,400,000)	Not applicable as the target company was in a loss position	Not applicable as the target company was in a loss position
NetDragon Websoft Holdings Limited (stock code: 777), a company with principal business including online and mobile game development, education business and mobile solution, products and marketing	Acquisition of a target company, which is a global education network offering a free communication and collaboration platform to K-12 schools targeting teachers, students, administrators and parents, by way of merger at a total consideration of US\$137,500,000 <sup>(2)</sup>	(US\$19,515,000)	US\$5,027,000	Not applicable as the target company was in a loss position	27.4x

Listed companies and its principal business	Transaction nature and total consideration	Net profit/(loss) of the target	Net asset/(liabilities) of the target	Implied P/E ratio	Implied P/B ratio
北京立思辰科技股份有限公司 (Beijing Lanxum Technology Co., Ltd.*) (Shenzhen Stock Exchange stock code: 300010), an education service provider in China	Acquisition of 39% equity interests in a target company, which is an online and offline education service provider, at a consideration of RMB702 million <sup>(3)</sup>	RMB23,211,829	RMB63,424,278	77.5x	28.3x
長沙開元儀器股份有限公司 (Changsha Kaiyuen Instruments Co., Ltd.) (Shenzhen Stock Exchange stock code: 300338), a research and development, production and sales provider of coal quality testing equipment company in China	Acquisition of 30% equity interests in a target company, which is an online education service provider, at a consideration RMB144 million <sup>(4)</sup>	RMB27,621,400	RMB70,976,200	17.4x	6.8x
中國高科集團股份有限公司 (China Hi-Tech Group Co., Ltd.) (Shanghai Stock Exchange stock code: 600730), an educational technology service provider in China	Acquisition of 51% equity interests in a target company, which is a medical mobile online learning solutions and platform provider, at a consideration of RMB114 million <sup>(5)</sup>	RMB6,415,991	RMB30,757,526	35x	7.3x

*Notes:*

- (1) Based on the information set out in the announcement of Koolean Technology Holding Limited dated 16 August 2019.
- (2) Based on the information set out in the announcement of NetDragon Websoft Holdings Limited dated 8 April 2018.
- (3) Based on the information set out in the announcement of 北京立思辰科技股份有限公司 (Beijing Lanxum Technology Co., Ltd.\*) dated 5 November 2018.
- (4) Based on the information set out in the announcement of 長沙開元儀器股份有限公司 (Changsha Kaiyuen Instruments Co., Ltd.) dated 4 June 2019.
- (5) Based on the information set out in the announcement of 中國高科集團股份有限公司 (China Hi-Tech Group Co., Ltd.) dated 30 June 2017.

The transactions exhaustively listed above were selected as references by the Directors when considering the valuation of the Acquisition, based on the following criteria: (1) the acquisition took place within the past three years; (2) the main business of the target company is the provision of online education service; and (3) the purchaser is a listed company (in Hong Kong, Shanghai or Shenzhen, as the case may be), which represent the key characteristics of the Acquisition.

As illustrated in the table above, the implied P/E ratio of the above comparable companies ranged from 17.4x to 77.5x, and with an average of 43.3x; and the implied P/B ratio of the above comparable companies ranged from 6.8x to 28.3x, with an average of 17.5x. The implied P/E ratio of Doxue Network falls within the relevant range and is below the average of that of the comparable transactions. Although the P/B ratio of Doxue Network is above the relevant range of the comparable transactions, considering the light assets feature in the business model of online education companies, and the comparable transactions and the financial performance and conditions of the targets in such transactions, the amount of the Consideration represents a fair and reasonable price for the level of financial performance and conditions of the targets to be acquired under the Acquisition from the Company's perspective.

Accordingly, the Directors considered that these transactions are comparable transactions which are fair and representative references for the Acquisition; and are of the view that the Consideration is fair and reasonable.

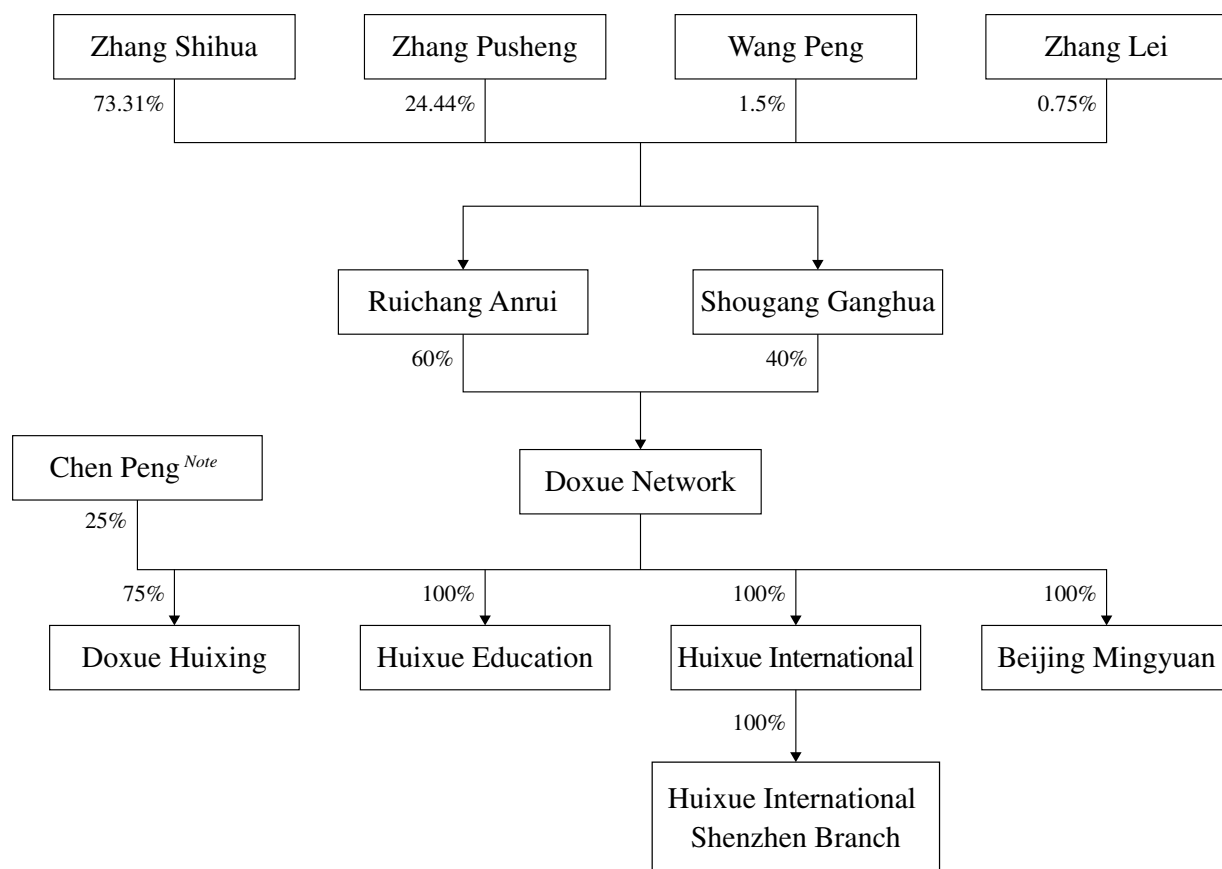
## EQUITY PLEDGE AGREEMENT

One of the conditions precedent for the third instalment payment is that Shouguang Ganghua shall have signed an equity pledge agreement (“**Equity Pledge Agreement**”) and completed the corresponding equity pledge registration for the equity held by Doxue Network. The purpose of the Equity Pledge Agreement is to guarantee the performance of the obligations of Shouguang Ganghua, Zhang Shihua, and Zhang Pusheng under the Equity Transfer Agreement. Details of the terms of the Equity Pledge Agreement is as follows:

- Parties:
- (1) Minsheng Zhicai
  - (2) Shouguang Ganghua
  - (3) Zhang Shihua
  - (4) Zhang Pusheng
- Equity pledge:
- Shouguang Ganghua shall pledge all its 40% equity interest in Doxue Network to guarantee all the performance of all obligations of Shouguang Ganghua, Zhang Shihua and Zhang Pusheng under the Equity Transfer Agreement.
- Term of equity pledge:
- From the registration of the equity pledge to 30 June 2024, subject to early termination if the performance commitment under the Equity Transfer Agreement is achieved, in which case within three months after the achievement of the performance commitment.
- Enforcement:
- In case of the following events, Minsheng Zhicai may enforce the security rights under the Equity Pledge Agreement:
- (1) Performance commitment under the Equity Transfer Agreement is not achieved; or
  - (2) Shouguang Ganghua, Zhang Shihua and/or Zhang Pusheng cause any economic losses to Doxue Network and its subsidiaries or Minsheng Zhicai and are unable to compensate in full.

## FURTHER INFORMATION ON DOXUE NETWORK

The following sets forth shareholding structure of Doxue Network and its subsidiaries as at the date of the Equity Transfer Agreement:



*Note:* Chen Peng (陳鵬) is a Chinese resident and is independent of the Company and its connected persons. He is a full-time employee of Doxue Network and serves as the general manager of business development of Doxue Classroom.

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

Hong Kong, 29 October 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