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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)

BUSINESS UPDATE

(i) AGREEMENT IN RELATION TO THE COOPERATION OF SPONSORING HEBEI UNIVERSITY OF TECHNOLOGY CITY COLLEGE;

(ii) FRAMEWORK AGREEMENT IN RELATION TO THE CONVERSION OF HEBEI UNIVERSITY OF TECHNOLOGY CITY COLLEGE INTO A PRIVATE INDEPENDENT COLLEGE; AND

(iii) AGREEMENT IN RELATION TO THE COOPERATION OF CONSTRUCTION AND DEVELOPMENT OF HEBEI UNIVERSITY OF TECHNOLOGY CITY COLLEGE

The announcement is made by Minsheng Education Group Company Limited (the “**Company**” and collectively to be referred as the “**Group**”) on a voluntary basis to provide the shareholders of the Company and potential investors an update on the latest business development of the Company.

Reference is made to the announcement issued by the Company on 9 July 2018 (the “**Announcement**”). Unless otherwise stated, terms defined in the Announcement shall have the same meanings when used in this announcement.

OVERVIEW

The Board is pleased to announce that on 22 August 2018, Chongqing Yuecheng Zhiyuan Education Technology Co., Ltd.* (重慶悅誠智遠教育科技有限公司) (“**Chongqing Yuecheng**”), a consolidated affiliated entity of the Company, entered into (i) a cooperation agreement with Hebei University of Technology in relation to the cooperation of sponsoring the City College (the “**City College Sponsorship Cooperation Agreement**”); and (ii) a framework agreement with Hebei University of Technology in relation to the Conversion (the “**Conversion Framework Agreement**”). On 23 August 2018, Chongqing Yuecheng Zhiyuan entered into an agreement with the Zhangjiakou Government and Zhangjiakou Economic Development Zone Management Committee* (張家口經濟開發區管理委員會) (the “**Zhangjiakou Management Committee**”) in relation the cooperation of construction and development of City College (the “**Development Cooperation Agreement**”).

CITY COLLEGE SPONSORSHIP COOPERATION AGREEMENT

On 22 August 2018, Chongqing Yuecheng and Hebei University of Technology entered into the City College Sponsorship Cooperation Agreement, which has become effective since then.

According to the City College Sponsorship Cooperation Agreement, Chongqing Yuecheng and Hebei University of Technology agreed on several aspects in relation to (i) the change of school sponsor of City College, (ii) the change of legal representatives, and (iii) the student and teaching management of City College.

Set out below are the major terms of the City College Sponsorship Cooperation Agreement:

- (1) the school sponsor of City College will be changed to Chongqing Yuecheng and Hebei University of Technology, and the legal representative of City College will be designated by Chongqing Yuecheng;
- (2) the existing students of City College enrolled for class 2018 and before will be entrusted to Hebei University of Technology for management until graduation, the relevant tuition fees, accommodation fees and other related expenses are collected by Hebei University of Technology on behalf of City College, the students enrolled for class 2019 and beyond will be managed by City College itself and the relevant tuition fees, accommodation fees and other fees will be collected by City College itself; students for class 2019 in City College are to commence their study at the Zhangjiakou new campus;
- (3) starting from the school year 2019, 17% of tuition fees received from undergraduate students and 5% of tuition fees received from junior college students recruited by City College each year will be paid to Hebei University of Technology as resource usage fees until the year of City College's successful Conversion. Upon the Conversion, Hebei University will not be entitled to any other economic interest from City College, that is, City College and Chongqing Yuecheng will not be required to pay any other amounts to Hebei University of Technology; and
- (4) within ten (10) days after the signing of the City College Sponsorship Cooperation Agreement, Chongqing Yuecheng will deposit RMB100 million to the general bank account of Chongqing Yucheng which is jointly managed by Chongqing Yuecheng and Hebei University of Technology (the "**Jointly Managed Account**"), within five (5) days after the completion of the change of school sponsor of City College, Chongqing Yuecheng will deposit another RMB100 million to the Jointly Managed Account. Within ten (10) days after the completion of the change of one of the school sponsor to Chongqing Yuecheng and legal representative of City College to the designated person by Chongqing Yuecheng, and subject to the relevant laws and policies, a total of RMB200 million as deposited by Chongqing Yuecheng in the Jointly Managed Account will be transferred to Hebei University of Technology by way of donation. If the change of school sponsor and legal representative are not permitted by the competent authorities, Hebei University of Technology promised to return RMB200 million in the Jointly

Managed Account unconditionally to Chongqing Yuecheng's bank account within 5 days. At that time, Chongqing Yuecheng promise to abandon the school sponsor rights of City College and will fully assist Hebei University of Technology to handle the follow-up issues.

CONVERSION FRAMEWORK AGREEMENT

On 22 August 2018, Chongqing Yuecheng and Hebei University of Technology entered into the Conversion Framework Agreement, which has become effective since then.

According to the Conversion Framework Agreement, Chongqing Yuecheng and Hebei University of Technology agreed that, upon completion of the change of school sponsor of City College, proactively apply for a conversion of City College into an independently organised private higher education institution.

Set out below are the major terms of the Conversion Framework Agreement:

- (1) Chongqing Yucheng and Hebei University of Technology will set a transitional period. The transitional period will commence from the date of change of school sponsor of City College until the successful Conversion of City College and until the date of all the students who are recruited by the City College have graduated;
- (2) prior to the completion of the Conversion, students can still be recruited under the name of the City College. Once the Conversion has been completed, students can no longer be recruited under the name of the City College; and
- (3) Hebei University of Technology will provide continuing teaching support to City College. The senior management of City College as designated by Hebei University of Technology shall be retained after mutual agreement.

DEVELOPMENT COOPERATION AGREEMENT

On 23 August 2018, Chongqing Yuecheng, the Zhangjiakou Government and the Zhangjiakou Management Committee entered into the Development Cooperation Agreement, which has become effective since then.

Pursuant to the Development Cooperation Agreement, the Zhangjiakou Government and the Zhangjiakou Management Committee agreed to provide Chongqing Yuecheng the required support for the construction of the new campus and the setup of the faculty of City College.

Set out below are the major terms of the Development Cooperation Agreement:

- (1) according to the needs of Chongqing Yuecheng to set up a new campus for City College, the Zhangjiakou Government and the Zhangjiakou Management Committee will provide the City College a land covering an area of no less than 900 mu (畝) transfer land for science and education purpose (including an area of around 150 mu (畝) for gymnasium, library, auditorium and training center);
- (2) as part of the support of the setting up of the new campus, the Zhangjiakou Government and the Zhangjiakou Management Committee will set up public facilities in the adjacent plots of City College such as gymnasium, library, auditorium and training centre with a total value of approximately RMB360 million, and the property rights of which will belong to the Zhangjiakou Management Committee. The City College can enjoy these public facilities with no charge; and
- (3) the Zhangjiakou Government is supportive to the plan of City College in building up a stable and quality team of teaching staff. The Zhangjiakou Government will determine the composition of the teaching staff of City College according to the teacher-student ratio for universities, which is 18:1 as stipulated by the Ministry of Education, whereby 60% of the teaching staff will be counted towards the staffing of the Zhangjiakou Government, and the staff number will be determined in every December in accordance with the actual operational needs for the next year. The salary and social insurance for those teaching staff who are included in the local government's staffing system will be determined according to the relevant standard for universities and will be covered by the local government's budget which such amounts will be remitted to the City College directly each year. Such above arrangement will be valid for ten (10) years from the effective date of the Development Cooperation Agreement. After ten (10) years, such arrangement can be adjusted according to the financial situation of the Zhangjiakou Government. The range of adjustment should not be too substantial and limited to 80% and 120% of the original range. After the adjustment, the subsidy amount can be remitted to the City College in a lump-sum or per student basis.

After the change of school sponsor and legal representative of the City College, the financial results of the City College can be consolidated into the financial result of the Group. The Company will publish any relevant updates in accordance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

REASONS AND BENEFITS OF THE CITY COLLEGE SPONSORSHIP COOPERATION AGREEMENT, CONVERSION FRAMEWORK AGREEMENT AND DEVELOPMENT COOPERATION AGREEMENT

The Group mainly provides higher education services in the PRC.

Through the transactions contemplated under the City College Sponsorship Cooperation Agreement, the Conversion Framework Agreement and the Development Cooperation Agreement, the Group will be entitled to operate City College as one of its school sponsors to be set up by the Group starting from the school year 2019, while it will not acquire any assets or be responsible for any liabilities of City College (other than those assets acquired, or liabilities accrued, after it becomes a school sponsor of City College), or be entitled to any economic benefits of City College in relation to students of City College enrolled for class 2018 and before.

The Company is of the view that (i) after completion of the setup of the City College's new campus, the City College will become the only private university in Zhangjiakou city and will enjoy certain benefits from the local government, including the 60% of the City College's teaching staff being counted towards the local government's staffing system and the salary and social insurance of the teaching staff being paid by the Zhangjiakou Government; (ii) by taking advantage of the national strategy in relation to the synergistic development among Beijing, Tianjin, and Hebei, and the opportunity of hosting the Winter Olympic Games in Zhangjiakou city in 2022, Zhangjiakou enjoys unique opportunities for winter sports development; and (iii) the entering into the City College Sponsorship Cooperation Agreement further extends our Group's school network.

To the best of the Directors' knowledge, information and having made all reasonable enquiries, Hebei University of Technology, Zhangjiakou Government, Zhangjiakou Management Committee and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

The Board considers that the City College Sponsorship Cooperation Agreement, Conversion Framework Agreement and Development Cooperation Agreement have been entered into on normal commercial terms and terms of which are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

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

Hong Kong, 24 August 2018

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*